

# Vesuvius UK Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019

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# **Vesuvius UK Limited**

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# **Vesuvius UK Limited**

## **Company Information**

### **Directors**

Michael Satterthwaite  
Henry Knowles  
Sunderrajan Venkatraman

### **Company Secretary**

Michael Satterthwaite

### **Registered office**

1 Midland Way  
Central Park  
Barlborough Links  
Derbyshire  
S43 4XA

### **Registration Number**

54713

### **Incorporated**

A Private Limited Company incorporated in England & Wales

### **Independent Auditors**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

# Vesuvius UK Limited

## Strategic Report for the Year Ended 31 December 2019

The Directors present their strategic report for the year ended 31 December 2019.

### Fair review of the business

Vesuvius UK Limited (the "Company") is a wholly owned subsidiary of Vesuvius plc ("Vesuvius").

The Company's principal activities are the manufacture and sale of refractory products to the iron, steel and foundry industries in the UK, Europe, Africa, Asia and the Americas.

As shown in the Company's profit and loss account on page 11, the Company's turnover has decreased by £15,372,000 to £134,581,000 (2018: £149,953,000) due to a downturn in the European steel market. The profit for the financial year has however increased by £3,645,000 to £11,808,000 (2018: £8,163,000) due in part to lower exceptional charges.

The balance sheet on page 13 of the financial statements shows that the Company's net assets at year end of £98,514,000 has increased by £11,808,000 (2018: £8,163,000) this being primarily the reported profit of the year.

Vesuvius invests in research activities appropriate to the nature and size of its operations with the aim of supporting the future development of the Company in the medium to long term future.

On 30 June 2019 the company ceased production at its manufacturing facility in Chesterfield, this production activity was transferred to another group company for consideration of £2,933,000. Note 14, intangible assets has further details.

Vesuvius UK Limited is part of the Vesuvius plc Group (the 'Group'). Vesuvius plc manages its operations on a group basis. For this reason, the Company's Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Group is discussed in the Vesuvius plc Annual Report which does not form part of this report.

### Section 172 duties and business relationships with suppliers, customers and other stakeholders

Under Section 172 of the Companies Act 2006 ("Section 172"), the Directors have a duty to promote the success of the Company over the long term for the benefit of its shareholders, having regard to:

- (a) the likely consequences of any decision in the long term,
- (b) the interests of the company's employees,
- (c) the need to foster the company's business relationships with suppliers, customers and others,
- (d) the impact of the company's operations on the community and the environment,
- (e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- (f) the need to act fairly as between members of the company.

The activity of the Company is mainly that of manufacturing and selling refractory products on behalf of its ultimate parent, Vesuvius plc. The interests of the Company and its ultimate parent are closely aligned and, as a listed company and parent of a Group of international companies (the "Group"), Vesuvius plc has ultimate responsibility for setting strategic and policy issues and is responsible for the Group's long-term success. In the consolidated 2019 Annual Report and Financial Statements of Vesuvius plc, the board of Vesuvius plc summarises the key actions taken throughout the Group in 2019 to engage with its stakeholders, including its employees, suppliers and customers, and describes the impact of the Group's operations on the community and the environment in accordance with the requirements of Section 172.

## Vesuvius UK Limited

### Strategic Report for the Year Ended 31 December 2019 (continued)

In performance of their duties throughout the year the Directors took decisions to promote the success of the Company over the long term for the benefit of shareholders, had regard to their duties under Section 172 and remained cognisant of the need to act fairly between members of the Company and consider the potential impact on all stakeholders of the decisions it made. The interests of its employees were supported by the Group's inaugural employee engagement exercise, which canvassed the opinions of employees and precipitated a series of follow-up actions aimed at supporting employees and implementing change where appropriate. With regard to the Company's need to foster business relationships with suppliers, the Company continued to agree payment terms with its suppliers and sought to pay in accordance with those terms.

The Company recycled materials during the year and continues to support the Group's environmental initiatives. The Company also continued to focus on the desirability of maintaining a reputation for high standards of business conduct with all its stakeholders, with all employees required to comply with the Group's Code of Conduct which states that Vesuvius must maintain an unquestioned reputation for integrity.

#### **Employee engagement**

Vesuvius adopts an open and honest approach to employee communications. The Company provides regular updates to employees, including direct email updates on the financial performance of the Group, the industrial environment in which it operates and other significant operational developments. The Company's employees have access to the Vesuvius intranet which distributes Group news and events along with an employee 'app' for information dissemination. The HR department is the primary point of contact for employees on employment and workplace matters, operating with an open-door policy and advising employees of any local legal, tax, pension or other employment changes. Senior management, supported and facilitated by the HR department, encourage open dialogue. Vesuvius operates a European Works Council (EWC) that contains representatives elected from the UK workforce. European management and the EWC meet formally once a year. At this meeting, management provides an update on the performance of the business, with a focus on the developments likely to impact European employees. Other meetings are held during the year and the Chief HR Officer of Vesuvius joins part of these meetings.

#### **Principal risks and uncertainties**

*Competitive pressure in all markets could result in the Company losing sales to its key competitors. To manage this risk, the Company strives to provide added value products and services to its customers; prompt response times in the supply of products and services and in the handling of customer queries; and through the maintenance of strong relationships with customers.*

The Company sells products into international markets and it is therefore exposed to currency movements on such sales. The management of this risk resides with Vesuvius plc.

The Company's business may be affected by fluctuations in the price and supply of key raw materials, although purchasing policies and practices seek to mitigate, where practicable, such risks.

The Company has no external debt but is however party to a number of loans with other group companies (both receivable and payable).

The Group risks to which Vesuvius plc is exposed are discussed in Vesuvius plc's Annual Report that does not form part of this Report.

#### **Financial counterparty risk**

The treasury activities of the ultimate parent company, Vesuvius plc, are monitored and co-ordinated by a central treasury department on behalf of the whole Vesuvius group. This includes the risk of potential failure by counterparties holding cash deposits on behalf of group companies.

**Vesuvius UK Limited**  
**Strategic Report for the Year Ended 31 December 2019**  
**(continued)**

***Recoverability of intercompany receivables***

Where amounts are due from group companies with net liabilities, an assessment of their recoverability is performed to ensure that they will be able to meet their obligations as they fall due.

***Covid-19***

In addition to the principal risks and uncertainties disclosed in the 2019 Annual Report and Financial Statements of Vesuvius plc and those noted above specific to this entity, the Group has considered the risks on the Group's liquidity and viability in connection with the Coronavirus pandemic (COVID-19), including those that may be relevant to the Company. The Group entered this uncertain period in a robust financial position, with a strong balance sheet and liquidity position as well as covenant headroom and is acting to conserve cash so that the Group remains well positioned for long term success. Although the full extent of the potential impact on the Group's business, operations and the global economy as a whole continues to be subject to uncertainty, Group management continue to respond to the COVID-19 pandemic as effectively as possible. The COVID-19 pandemic has not materially impacted the Company's financial position or its performance at the date of these financial statements and is estimated to have a minimal impact on the Company particularly in relation to ongoing management of liquidity. This remains a matter of close attention for the Board.

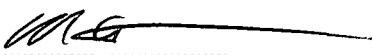
***Brexit***

Following the exit of the UK from the EU on 31 January 2020 under the Withdrawal Agreement, the UK is currently subject to a Transition Period which will run until the end of 2020 (unless extended).

Vesuvius has analysed the potential challenges posed by Brexit, including the possibility of a 'no trade deal' situation occurring at the end of 2020, and identified mitigation strategies to address those challenges.

For our customers located in the EU27 countries, most of our products are manufactured by Vesuvius outside the UK, so we would not envisage a material impact from Brexit after the Transition Period. For those customers located in the UK or located in the EU27 and supplied from our UK plant, we have contingency plans and we are working with these customers to meet their needs in a cost-efficient way.

Approved by the Board on 17 December 2020 and signed by order of the board:

  
.....  
Michael Satterthwaite  
Director & Company Secretary  
17 December 2020

# Vesuvius UK Limited

## Directors' Report for the Year Ended 31 December 2019

The Directors present their report and the audited financial statements for the year ended 31 December 2019.

Certain disclosures required under Companies Act 2006 to be included within the Directors' Report have been presented within the Strategic Report to avoid duplication.

### Directors' of the company

The Directors, who held office during the year and up to the date of signing the financial statements, were as follows:

Michael Satterthwaite

Henry Knowles

Sunderrajan Venkatraman

Ian Lawson (resigned 31 October 2019)

### Dividends

No dividends were paid or recommended during the current and prior year.

### Political and charitable donations

The Company made no political or charitable donations or incurred any political expenditure during the year.

### Employee engagement

Directors' assessment of employee engagement is presented in the strategic report.

### Directors' indemnity provisions

The ultimate parent company of Vesuvius UK Limited maintains Directors' indemnity cover for all Directors. This cover was in place during the year and remains in place at the date of this report.

### Employment of disabled persons

Applications for employment by disabled persons are considered fully, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees. The Company participates in Vesuvius group policies and practices to keep employees informed on matters relevant to them as employees through appropriate means, such as employee meetings and newsletters.

### Post Balance sheet events

The outbreak of COVID-19 accelerated during the first half of 2020. As this event arose after the Company's year-end it is treated as a non-adjusting event for accounting purposes. The Directors have considered the impact of COVID-19 on performance of the Company's investments and liquidity, as well as in assessing and concluding on the Company's going concern. There are no other material events after the reporting period to disclose.

### Research and development

The Company continues its commitment in the area of research and development in terms of both existing product lines and a range of new products on behalf of group companies. Expenditure on research and development during 2019 was £4,065,000 (2018: £3,997,000).

### Branches outside the United Kingdom

The Company has branches in Seoul, South Korea and in Taiwan.

## **Vesuvius UK Limited**

### **Directors' Report for the Year Ended 31 December 2019 (continued)**

#### **Disclosure of information to the auditors**

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

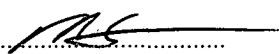
#### **Independent auditors**

The auditors, PricewaterhouseCoopers LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

#### **Going Concern**

At 31 December 2019 the company had net assets of £98,514,000 (2018: £86,706,000). At 31 December 2019 the company had net current assets of £20,744,000 (2018: £7,137,000). The Directors have considered current and forecast liquidity and have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least 12 months from the date of this report and the foreseeable future.

Approved by the Board on 17 December 2020 and signed by order of the board:

  
.....  
Michael Satterthwaite  
Director & Company Secretary  
17 December 2020



## Vesuvius UK Limited

### Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

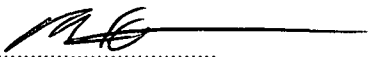
Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Approved by the Board on 17 December 2020 and signed by order of the board:

  
.....  
Michael Satterthwaite  
Director & Company Secretary

17 December 2020

## Vesuvius UK Limited

### Independent Auditors' Report to the Members of Vesuvius UK Limited

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#### Report on the audit of the financial statements

##### Opinion

In our opinion, Vesuvius UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2019; the Profit and Loss Account, the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### *Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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##### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

## Vesuvius UK Limited

### Independent Auditors' Report to the Members of Vesuvius UK Limited

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#### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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#### Responsibilities for the financial statements and the audit

##### *Responsibilities of the Directors for the financial statements*

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

##### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## Vesuvius UK Limited

### Independent Auditors' Report to the Members of Vesuvius UK Limited (continued)

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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#### **Other required reporting**

##### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Patrick O'Brien (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
17 December 2020

# Vesuvius UK Limited

## Profit and Loss Account for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Turnover	4	134,581	149,953
Cost of sales		<u>(110,628)</u>	<u>(122,187)</u>
Gross profit		23,953	27,766
Distribution costs		(995)	(1,308)
Administrative expenses		<u>(11,625)</u>	<u>(12,687)</u>
Trading profit		11,333	13,771
Exceptional items	5	(1,610)	(5,031)
Profit on disposal of business	14	<u>1,467</u>	-
Operating profit	6	<u>11,190</u>	<u>8,740</u>
Interest payable and similar expenses	7	(232)	(81)
Interest receivable and similar income	8	<u>1,435</u>	-
Profit before taxation		12,393	8,659
Tax on profit	12	<u>(585)</u>	<u>(496)</u>
Profit for the financial year		<u>11,808</u>	<u>8,163</u>

The above results were derived from continuing operations. The separately reported items would form part of Administrative expenses and would total £13,235,000 (2018: £17,718,000)

**Vesuvius UK Limited**

**Statement of Comprehensive Income for the Year Ended 31 December 2019**


	<b>2019</b>	<b>2018</b>
	<b>£ 000</b>	<b>£ 000</b>
Profit for the year	11,808	8,163
Total comprehensive income for the year	11,808	8,163

The notes on pages 15 to 33 form an integral part of these financial statements.

**Vesuvius UK Limited**  
**(Registration number: 54713)**  
**Balance Sheet as at 31 December 2019**

	Note	2019 £ 000	2018 £ 000
<b>Fixed assets</b>			
Intangible assets	14	9,209	10,675
Tangible assets	13	6,128	4,260
Investments	15	64	64
Debtors	17	91,689	92,969
		<u>107,090</u>	<u>107,968</u>
<b>Current assets</b>			
Consideration receivable	14	2,933	-
Stocks	16	11,769	14,278
Debtors	17	19,999	24,096
Cash at bank and in hand	18	2,550	2,025
		<u>37,251</u>	<u>40,399</u>
<b>Creditors: Amounts falling due within one year</b>			
Trade and other payables	23	(12,767)	(19,139)
Loans and borrowings	20	(2,960)	(9,490)
Provisions	22	(780)	(4,633)
		<u>(16,507)</u>	<u>(33,262)</u>
Creditors: Amounts falling due within one year			
Net current assets		<u>20,744</u>	<u>7,137</u>
Total assets less current liabilities		<u>127,834</u>	<u>115,105</u>
<b>Creditors: Amounts falling due after more than one year</b>			
Trade and other payables	23	(25,500)	(25,691)
Provisions	22	(689)	(2,708)
Loans and borrowings	20	(3,131)	-
		<u>(29,320)</u>	<u>(28,399)</u>
Creditors: Amounts falling due after more than one year			
Net assets		<u>98,514</u>	<u>86,706</u>
<b>Capital and reserves</b>			
Called up share capital	19	70,000	70,000
Profit and loss account		<u>28,514</u>	<u>16,706</u>
Shareholders' funds		<u>98,514</u>	<u>86,706</u>

Approved by the Board on 17 December 2020 and signed on its behalf by:

  
.....  
Michael Satterthwaite  
Director & Company Secretary  
17 December 2020

# Vesuvius UK Limited

## Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2019	70,000	16,706	86,706
Profit for the year	-	11,808	10,341
Total comprehensive income	-	11,808	10,341
At 31 December 2019	70,000	28,514	98,514

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2018	70,000	8,543	78,543
Profit for the year	-	8,163	8,163
Total comprehensive income	-	8,163	8,163
At 31 December 2018	70,000	16,706	86,706

The notes on pages 15 to 33 form an integral part of these financial statements.



# **Vesuvius UK Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2019**

### **1 General information**

The company is a private company limited by share capital, incorporated and domiciled in England & Wales.

The address of its registered office is:

1 Midland Way  
Central Park  
Barlborough Links  
Derbyshire  
S43 4XA

### **2 Accounting policies**

#### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Determining the carrying amount of some assets and liabilities requires the estimation of the effect of uncertain future events. The major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets or liabilities are set out in note 3.

#### **Basis of preparation**

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework 'FRS 101' and in accordance with the Companies Act 2006 except for the departure from the Companies Act explained in note 14. The financial statements have been prepared under the historical cost convention apart from financial assets and liabilities (including derivative instruments) which are carried at fair value through the profit or loss.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Vesuvius plc, includes the Company in its consolidated financial statements. The Company has taken the exemption from preparing consolidated financial statements. The consolidated financial statements of Vesuvius plc are prepared in accordance with International Financial Reporting Standards applicable in the European Union ('IFRS EU') and are available to the public and may be obtained from 165 Fleet Street, London, EC4A 2AE or from the group website [www.vesuvius.com](http://www.vesuvius.com)

**Notes to the Financial Statements for the Year Ended 31 December 2019**

**Summary of disclosure exemptions**

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for tangible fixed assets and intangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- The effects of new but not effective IFRSs; and
- Disclosures in respect of Key Management Personnel.

As the consolidated financial statements of the ultimate parent undertaking, Vesuvius plc include the equivalent disclosures the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.
- IAS 1 paragraph 40 A - D (requirements for a third statement of financial position).

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

**Going concern**

Details of the impact of COVID-19 are provided in note 28. The Directors of the Company are satisfied that there are no material events or uncertainties that they are aware of which will impact the ability of the Company to continue as a going concern.

The Directors consider that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of signing of these financial statements and for the foreseeable future. The Directors have taken account of current and forecast liquidity in making this conclusion. Accordingly, they continue to adopt a going concern basis in preparing the financial statements of the Company.

**Changes in accounting policy**

*Initial adoption of IFRS 16 Leases*

The Company has adopted IFRS 16 Leases from 1 January 2019 and, in accordance with the simplified approach, has not restated comparatives on transition. The reclassifications and adjustments arising from the new lease accounting rules are therefore recognised in the opening balance sheet on 1 January 2019.

The Company has recognised lease liabilities in relation to leases which had previously been classified as operating leases and taken the practical expedient provided for leases of low-value assets and short-term leases (shorter than twelve months). For leases that had been classified as operating leases in accordance with IAS 17 the lease liability was recognised at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease if that rate could be readily determined. If that rate could not be readily determined the lessee's incremental borrowing rate was used, calculated as the local government bond rate plus an interest rate spread. The company applied an incremental borrowing rate of 1.65%.

The right of use asset was measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. The change in the accounting policy resulted in a recognised right of use asset and corresponding lease liability of £3,062,000. The company pays rent on two properties that are largely empty. The future lease payments for these onerous contracts were previously included in provisions. (See note 22). They are now included in finance lease obligations within loans and borrowings. The IFRS16 re-statement amounted to £2,551,000. The exemption has been taken so that the assets have not been initially recognised and then fully impaired.

## Vesuvius UK Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### *Other accounting standards, interpretations and amendments*

None of the other standards, interpretations and amendments effective for the first time from 1 January 2019 have had a material effect on the financial statements.

#### **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for goods supplied and services rendered to customers after deducting rebates, discounts and value-added taxes. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer, upon the completion of specified performance obligations, at an amount that reflects the considerations to which the company expects to be entitled to in exchange for these consumable products and associated services.

The identification of performance obligations includes a determination of whether the goods or services (or bundle of goods or services) are distinct. Where contracts contain the provision of multiple elements such as refractory consumables, technical assistance and equipment, management applies judgement in determining whether the bundle of goods and/or services are distinct. Where the provision of goods and/or services is distinct, revenue is recognised separately for each performance obligation. If the elements in the contract are not distinct, a distinct bundle of goods/services is identified, and revenue is recognised for this bundle of items.

The transaction price is allocated to each performance obligation based on the relative standalone selling prices of the goods or services provided. If a standalone selling price is not available, the company will estimate the selling price with reference to the price that would be charged for the goods or services if they were sold separately.

An assessment of the timing of revenue recognition is made for each performance obligation. Revenue is recognised at a point in time for all standard revenue transactions when control of the goods provided is transferred to the customer. Revenue is also recognised at a point in time for contracts that contain multiple elements ('service contracts') when the agreed output is produced by the customer unless there are specific performance obligations to deliver other services over time. The company recognises revenue over time for contracts that are longer term in nature by measuring the progress of completion of each performance obligation using an output method of completion. For fixed-price contracts, the customer will pay the amounts as agreed in the payment schedule and contract asset or liability balances are recognised in accordance with the timing of completion of the identified performance obligations.

#### **Variable consideration**

If the consideration in a contract includes a variable amount, the company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods or services to the customer.

#### **Rights of return**

No contracts provide a customer a right to return goods within a specific period.

#### **Warranty obligations**

The company usually provides warranties for goods where they can be returned if they are faulty. These assurance type warranties are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

## Notes to the Financial Statements for the Year Ended 31 December 2019

### CONTRACT BALANCES

#### Contract assets

A contract asset is a right to payment in exchange for goods or services that have been transferred to a customer when that right is conditional on something other than the passage of time. The Company accrues income on Service Contracts where the customer is invoiced one month in arrears from the service being performed. The amount accrued as revenue is included within Contract assets and is all expected to settle within less than 12 months.

#### Receivable

A receivable is a company's right to payment that is unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. Once the consideration due to the Group is "unconditional", the contract asset should be reclassified as a receivable.

#### Contract liability

A contract liability is an obligation to transfer goods or services to a customer for which the consideration has been received (or an amount of consideration is due) from the customer.

#### Royalty Income

Per note 4 revenue includes royalty income. The company receives royalty income from other companies in the Vesuvius group based upon sales of certain products where the intellectual property is owned by Vesuvius UK Limited. Revenue is accounted for on an accruals basis to match when the sales are made and therefore performance obligations are satisfied. This revenue is recognised at a point in time.

#### Foreign currency transactions and balances

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

#### Exceptional Items

Exceptional items are disclosed separately on the face of the profit and loss account if they are considered exceptional due to their size, nature or incidence. This may include (but is not limited to) the disposal and closure costs of a site, significant restructuring and integration charges and an onerous commercial contract.

#### Tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

## Vesuvius UK Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### Tangible assets

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Tangible assets also include Right of use assets, under leases. These are measured in accordance with the accounting policy for Leases disclosed further in this note.

#### Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction, over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Buildings	25 years straight line
Other property, plant and equipment	3-10 years straight line
Right of use assets	Straight line over the period of the lease

#### Research and development

Expenditure on research activities is recognised in the profit and loss as an expense as incurred. The Company has not incurred any development costs that satisfy all criteria allowing the costs to be capitalised as an intangible fixed asset.

#### Intangible assets

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Goodwill is not subject to amortisation but is tested for impairment in the event impairment indicators are identified, and at least annually.

Negative goodwill arising on an acquisition is recognised directly in the income statement. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal.

#### Investments

Investments in subsidiary undertakings are stated at cost, less any impairment in value.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### Trade receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

## **Vesuvius UK Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **Stocks**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

#### **Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Borrowings**

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

#### **Provisions**

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

#### **Financial instruments (post January 2018)**

##### **Initial recognition**

Financial assets and financial liabilities comprise all assets and liabilities reflected in the balance sheet, although excluding property, plant and equipment, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.

## Vesuvius UK Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

The company recognises financial assets and financial liabilities in the balance sheet when, and only when, the company becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

All regular way purchases and sales of financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL") are recognised on the trade date, i.e. the date on which the company commits to purchase or sell the financial assets or financial liabilities. All regular way purchases and sales of other financial assets and financial liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and financial liabilities are measured at fair value.

#### **Derivative financial instruments**

Derivative financial instruments are contracts, the value of which is derived from one or more underlying financial instruments or indices and are limited to forward foreign currency contracts

Derivative financial instruments are recognised in the balance sheet at fair value. Fair values are derived from prevailing market prices, discounted cash flow models or option pricing models as appropriate.

In the balance sheet, derivative financial instruments with positive fair values (unrealised gains) are included as assets and derivative financial instruments with negative fair values (unrealised losses) are included as liabilities.

The changes in the fair values of derivative financial instruments entered into for trading purposes are included in trading income.

#### **Leases**

The Company has adopted IFRS 16 Leases from 1 January 2019 and, in accordance with the simplified approach, has not restated comparatives on transition. The reclassifications and adjustments arising from the new lease accounting rules are therefore recognised in the opening balance sheet on 1 January 2019.

Lease liabilities are recognised at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease if that rate could be readily determined. If that rate cannot be readily determined the lessee's incremental borrowing rate was used, calculated as the local government bond rate plus an interest rate spread. In cases where there was an option to terminate or extend a lease, the duration of the lease assumed for this purpose reflected the Company's existing intentions regarding such options. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Leases of low-value assets and short-term leases (shorter than 12 months) are classified as operating leases and neither the asset nor the corresponding liability to the lessor is recognised in the Balance Sheet. Rentals payable under operating leases are charged to the Company Income Statement on a straight-line basis over the term of the lease. Benefits received and receivable as an incentive to enter an operating lease are also spread on a straight-line basis over the lease term.

# Vesuvius UK Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019

### Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

### Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

## 3 Critical accounting judgements and key sources of estimation uncertainty

Determining the carrying amount of some assets and liabilities requires estimation of uncertain future events. The major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets or liabilities are noted below.

### Lease liabilities/Provisions

The Company has onerous lease obligations relating to two partially occupied properties and the provision reflects the Directors' best estimate of costs likely to be incurred between the balance sheet date and the expiry of the leases. To assist in making this judgement, the Directors' undertake an estimate, at least annually, of the costs likely to be incurred to the expiry of the lease. In 2019 these amounts are included within Lease Liabilities (2018: Provisions).

The costs of the future lease payments for onerous leases are included in lease obligations within loans and borrowings. Other costs likely to be occurred between the balance sheet date and the expiry of the lease continue to be reported in provisions. Where certain lease contracts may be subject to dispute, there remains the potential for the amount of liabilities held in respect of these contracts to materially change in subsequent periods.



## Vesuvius UK Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 4 Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

	2019 £ 000	2018 £ 000
Sale of goods	132,434	146,008
Rendering of services	2,147	3,945
	<u>134,581</u>	<u>149,953</u>

The company enters into contracts to provide one or multiple items to customers in the Global Steel and Foundry industries. Management applies judgement in determining the number of performance obligations that apply to each contract. Information about the company's performance obligations is summarised below.

Where the company provides consumable items only to the Global Steel and Foundry industries, one performance obligation is present. The performance obligation to deliver consumables to the customer is satisfied upon delivery of these items. Following the satisfaction of the performance obligation, an invoice is raised and payment is due within the timeframe as noted on the invoice. Revenue is recognised at a point in time.

The company also enters into contracts with customers in the Global Steel industry to primarily provide consumable items to facilitate the steel production process. These contracts often include the supply of equipment and/or technical assistance. The company applies judgement in determining the number of performance obligations in each contract and invoices are raised in accordance with contractual terms with payment due within the timeframe as noted on the invoice. Revenue is recognised at a point in time unless there are specific performance obligations to deliver other services. Revenue related to these other services may be recognised over time.

Revenue is also earned from the installation of product or equipment at customer sites. The company applies judgement in determining the number of performance obligations in each contract and invoices are raised in accordance with contractual terms with payment due within the timeframe as noted on the invoice or as agreed on a payment schedule. Revenue is recognised over time by measuring the progress of completion of each performance obligation.

# Vesuvius UK Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019

### 5 Exceptional items

The analysis of the company's other losses for the year in relation to exceptional items is as follows:

	2019 £ 000	2018 £ 000
Fixed asset write off	(606)	(611)
Other restructuring costs	(1,004)	(4,419)
	<u>(1,610)</u>	<u>(5,031)</u>

Restructuring charges of £1,610,000 (2018: £5,031,000) largely comprise the costs associated with closing a manufacturing facility, and include remediation, redundancy and other directly associated closure costs. Further detail is given in note 22 (provisions).

### 6 Operating profit

Arrived at after charging

	2019 £ 000	2018 £ 000
Depreciation expense	2,219	1,625
Research and development cost	4,065	3,997
Operating lease expense – other	-	1,867

### 7 Interest payable and similar expenses

	2019 £ 000	2018 £ 000
Interest on bank overdrafts and borrowings	137	31
Interest expense on other financing liabilities	40	50
Interest on finance leases	55	-
	<u>232</u>	<u>81</u>

### 8 Interest receivable and similar income

	2019 £ 000	2018 £ 000
Interest on amounts owed by group companies	1,435	-
	<u>1,435</u>	<u>-</u>

# Vesuvius UK Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019

### 9 Staff costs

The aggregate payroll costs (including Directors' remuneration) were as follows:

	2019 £ 000	2018 £ 000
Wages and salaries	13,772	17,849
Social security costs	1,382	1,642
Other pension costs	1,210	1,443
	<u>16,364</u>	<u>20,934</u>

The monthly average number of persons employed by the company (including Directors) during the year, analysed by category was as follows:

	2019 No.	2018 No.
Production	130	171
Administration and support	30	42
Research and development	18	20
Sales, marketing and distribution	56	67
	<u>234</u>	<u>300</u>

### 10 Directors' remuneration

The Directors' remuneration for the year was as follows:

	2019 £ 000	2018 £ 000
Remuneration	408	357
Contributions paid to money purchase schemes	48	46
	<u>456</u>	<u>403</u>

In respect of the highest paid Director:

	2019 £ 000	2018 £ 000
Remuneration	260	238
Company contributions to money purchase pension schemes	32	31

During the year, the number of Directors who were receiving benefits were as follows:

	2019 No.	2018 No.
Accruing benefits under money purchase pension scheme	2	2

### 11 Auditors' remuneration

	2019 £ 000	2018 £ 000
Audit of the financial statements	87	92
Non-audit fees	-	-

# Vesuvius UK Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019

### 12 Tax on profit

Tax charged in the profit and loss account

	2019 £ 000	2018 £ 000
Foreign tax	585	496

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2018 - lower than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Profit before tax	12,393	8,659
Corporation tax at standard rate	2,355	1,645
Increase (decrease) arising from group relief tax reconciliation	(966)	(2,052)
Exempt profits of foreign branches	(440)	-
Increase (decrease) arising from overseas tax suffered (expensed)	460	428
Increase (decrease) from effects of double taxation relief	(86)	(61)
Other tax effects for reconciliation between accounting profit and tax expense (income)	(459)	536
Unrecognised loss utilisation	(279)	-
Total tax charge	585	496

Following the 2020 Budget announcement, the rate of corporation tax has been held at 19% for financial years 2020 and 2021, despite a previously enacted reduction to the rate of corporation tax to 17% (previously effective 1 April 2020).

Accordingly, profits earned in future periods will be taxed at 19% rather than 17% and any deferred tax assets or liabilities will be revalued reflecting the latest enacted rate. Had the rate change been substantively enacted at 31 December 2019, the impact of this would be to increase the unrecognised deferred tax asset from £1.7m to £1.9m an increase of £0.2m.

The Company has the following unrecognised deferred tax assets, £0.9m (2018: £1.5m) in respect of other timing differences and £0.8 m (2018: £0.6m) for accelerated capital allowances. Total unrecognised deferred tax asset, £1.7m (2018: £2.1m). If circumstances change in the future resulting in recoverability becoming more certain, the asset will be recognised. This will only be the case if there is persuasive and reliable evidence suggesting that sustainable taxable profits will be generated in the future.

# Vesuvius UK Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019

### 13 Tangible assets

	Land and buildings £ 000	Assets under construction £ 000	Other property, plant and equipment £ 000	Right of Use Assets £000	Total £ 000
<b>Cost or valuation</b>					
At 1 January 2019	2,113	235	13,581	-	15,929
IFRS 16 Application	-	-	-	3,062	3,062
Additions	-	1,025	-	-	1,025
Disposals	-	-	(5,454)	-	(5,454)
Transfers	-	(865)	566	299	-
At 31 December 2019	2,113	395	8,693	3,361	14,562
<b>Accumulated Depreciation and Impairment</b>					
At 1 January 2019	1,314	-	10,355	-	11,669
Charge for the year	439	-	1,048	732	2,219
Disposals	-	-	(5,454)	-	(5,454)
At 31 December 2019	1,753	-	5,949	732	8,434
<b>Carrying amount</b>					
At 31 December 2019	360	395	2,744	2,629	6,128
At 31 December 2018	799	235	3,226	-	4,260

Assets at the manufacturing facility at Chesterfield were disposed of when production ceased in June 2019.

Land and buildings are all leasehold.

### 14 Intangible assets

	Goodwill £ 000	Other intangible assets £ 000	Total £ 000
<b>Cost or valuation</b>			
At 1 January 2019	23,988	9	23,997
Disposal	(2,569)	-	(2,569)
At 31 December 2019	21,419	9	21,428
<b>Amortisation</b>			
At 1 January 2019	13,322	-	13,322
Disposal	(1,103)	-	(1,103)
At 31 December 2019	12,219	-	12,219
<b>Carrying amount</b>			
At 31 December 2019	9,200	9	9,209
At 31 December 2018	10,666	9	10,675

## Vesuvius UK Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

Goodwill is measured at cost less accumulated impairment losses, with impairment testing carried out annually, or more frequently when there is an indication that the cash generating unit (CGU) to which the goodwill has been allocated may be impaired. On disposal of a business, the attributable amount of goodwill is included in the calculation of the profit or loss on disposal.

Goodwill largely relates to the operation at Ostend, Belgium that toll manufactures "mix" on behalf of the company which is then sold to a number of Group companies. This is a separately identifiable cash-generating unit. The basis on which this recoverable is determined is value in use. Based on the value in use model prepared, which includes assumptions regarding future cash flows, post tax discount rate of 10.5% (2018: 8.8%) and no long term growth (2018:nil), the directors have not identified any reasonably possible scenarios where an impairment is expected to arise.

The company does not amortise goodwill in accordance with the requirements of IFRS as applied under FRS 101. Instead, an annual impairment test is performed and any impairment that is identified is recognised in the income statement. The non-amortisation of goodwill conflicts with paragraph 22 of Schedule 1 to 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410), which requires acquired goodwill to be written off over its useful economic life. As such, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view, from the requirement of paragraph 22 of Schedule 1 to the Regulations.

It is not possible to quantify the effect of the departure from the Companies Act, because a finite life for the goodwill has not been identified. However, the effect of amortising over a useful life of 20 years would be a charge of £1.1 million (2018: £1.2 million) against operating profit, and a reduction of £7.1 million (2018: £6 million) in the carrying value of goodwill in the balance sheet.

On 30 June 2019 the company ceased production at its manufacturing facility in Chesterfield. This production activity was transferred to another group company for consideration of £2,933,000. This consideration receivable is disclosed within current assets. The net book value of goodwill sold was £1,466,000 giving a profit on disposal of the business of £1,467,000 that is disclosed separately on the profit and loss account.

#### 15 Investments

<b>Subsidiaries</b>	<b>£ 000</b>
<b>Cost or valuation</b>	
At 1 January 2019	64
At 31 December 2019	64
<b>Carrying amount</b>	
At 31 December 2019	64
At 31 December 2018	64

Details of the subsidiary as at 31 December 2019 are as follows:

<b>Name of subsidiary</b>	<b>Country</b>	<b>Registered office</b>
Vesuvius Refractory India Private Limited	India	Room No.9 3rd Floor, 7 Ganesh Chandra Avenue Kolkata, WB 700013 IN

# Vesuvius UK Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019

### 16 Stocks

	31 December 2019 £ 000	31 December 2018 £ 000
Raw materials and consumables	2,883	4,673
Work in progress	288	398
Finished goods and goods for resale	8,598	9,207
	<u>11,769</u>	<u>14,278</u>

The net inventories of £11,769,000 (2018: £14,278,000) includes a provision for obsolete stock of £301,000 (2018: £423,000). Any expense is booked to cost of sales within the profit and loss account.

### 17 Trade and other debtors

	31 December 2019 £ 000	31 December 2018 £ 000
<b>Non-current trade and other receivables</b>		
Receivables from related parties	<u>91,689</u>	<u>92,969</u>
	<b>2019 £ 000</b>	<b>2018 £ 000</b>
<b>Current trade and other receivables</b>		
Trade receivables	13,563	15,748
Receivables from related parties	2,786	4,943
Prepayments and accrued income	<u>3,650</u>	<u>3,405</u>
Total current trade and other receivables	<u>19,999</u>	<u>24,096</u>

Trade receivables include accrued income that represents a contract asset of £1,088,000 (2018: £1,001,000).

Interest on loans from other companies within the Vesuvius Group are interest free from dormant companies and charged on an arm's length basis from non-dormant companies. Repayment dates across all loans are variable and includes loans repayable on demand but can be renewed as required. The expected credit loss has been assessed on receivables from related parties and contract assets and is not considered to be material.

### Credit Risk

The exposure to credit risk is limited to current trade and other receivables disclosed above and cash and cash equivalents disclosed in note 18 below.

Trade debtors above include amounts (detailed below) that are past due at the end of the reporting period and which an allowance for doubtful debts has not been recognised as the amounts are still considered recoverable and there hasn't been a significant change in credit quality.

# Vesuvius UK Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019

### Age of trade debtors that are past due but not impaired

	31 December 2019 £ 000	31 December 2018 £ 000
7 to 30 days	749	958
31 to 60 days	512	481
61 to 90 days	17	132
91 to 120 days	264	180
	<u>1,542</u>	<u>1,751</u>

The provision for impairment of trade receivables is the difference between the carrying value and the present value of the expected proceeds. 2019: £67,000 (2018: £70,000).

### Age of impaired trade debtors

	31 December 2019 £ 000	31 December 2018 £ 000
91 to 120 days	<u>1</u>	<u>-</u>

### 18 Cash and cash equivalents

	31 Dec 2019 £ 000	31 Dec 2018 £ 000
Cash at bank	2,550	2,025
Bank overdrafts	<u>(1,275)</u>	<u>(9,490)</u>
Cash and cash equivalents.	<u>1,275</u>	<u>(7,465)</u>

### 19 Called up share capital

The Company only has one class of shares in issue, Ordinary Shares. All shareholders enjoy the same rights in relation to these shares, including rights in relation to voting at general meetings of the Company, distribution of dividends and repayment of capital.

#### Allotted, called up and fully paid shares

	31 December 2019		31 December 2018	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	70,000	70,000	70,000	70,000



# Vesuvius UK Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019

### 20 Loans and borrowings

	31 Dec 2019 £ 000	31 Dec 2018 £ 000
<b>Current loans and borrowings</b>		
Bank overdrafts	1,275	9,490
Lease obligations	1,685	-
	<u>2,960</u>	<u>9,490</u>
	31 Dec 2019 £ 000	31 Dec 2018 £ 000
<b>Non-current loans and borrowings</b>		
Lease obligations	3,131	-
	<u>3,131</u>	<u>-</u>

Total cash outflow for leases in 2019 was £1,688,000.

### 21 Obligations under leases and hire purchase contracts

#### Operating leases

The total future value of minimum lease payments is as follows:

	31 Dec 2019 £ 000	31 Dec 2018 £ 000
Within one year	-	1,594
In two to five years	-	3,539
In over five years	-	-
	<u>-</u>	<u>5,133</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £- (2018 - £1,867,000). Please also refer to changes in accounting policy, initial adoption of IFRS16 leases. Note 13 tangible assets and note 20 loans and borrowings.

### 22 Provisions

	Disposal and closure costs £ 000	Restructuring charges £ 000	Other provisions £ 000	Total £ 000
At 1 January 2019	4,015	2,900	426	7,341
IFRS 16 restatement	(2,551)	-	-	(2,551)
Additional provisions	300	704	-	1,004
Provisions used	(379)	(3,604)	(382)	(4,365)
Increase (decrease) due to passage of time or unwinding of discount	40	-	-	40
At 31 December 2019	<u>1,425</u>	<u>-</u>	<u>44</u>	<u>1,469</u>
Non-current liabilities	689	-	-	689
Current liabilities	<u>736</u>	<u>-</u>	<u>44</u>	<u>780</u>
At 31 December 2019	<u>1,425</u>	<u>-</u>	<u>44</u>	<u>1,469</u>

## Vesuvius UK Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

Of the total provision balance as at 31 December 2019 of £1,469,000 (2018: £7,341,000), £689,000 (2018: £2,708,000) is recognised in the balance sheet within non-current liabilities and £780,000 (2018: £4,633,000) within current liabilities.

The opening provisions include the costs of future lease payments for onerous leases. The IFRS 16 restatement moved these costs to Lease obligations within loans and borrowings.

Disposal and closure costs include the Directors' current best estimate of the costs to be incurred in the fulfilment of obligations incurred in connection with the closure of two production sites together with the costs related to clean up. The provision at 31 December 2019 includes property tax, security, repairs and remediation, insurance and professional fees. The principal source of estimation is that relating to repairs and remediation and is the Directors' best estimate based on available evidence. Where such amounts are subject to ongoing legal assessment there remains the potential for these to materially vary in subsequent period. Cash out flows are expected to be incurred between 2020 and 2022.

Restructuring charges include the costs of a number of initiatives to rationalise operating activities. They largely relate to the closure of a manufacturing facility.

#### 23 Trade and other payables

	31 December 2019 £ 000	31 December 2018 £ 000
<b>Non-current trade and other payables</b>		
Amounts due to related parties	25,152	25,152
Accrued expenses and other payables	348	539
	25,500	25,691

Interest on loans from other companies within the Vesuvius Group are interest free from dormant companies and charged on an arm's length basis from non-dormant companies. Repayment dates across all loans are variable and includes loans repayable on demand but can be renewed as required.

	2019 £ 000	2018 £ 000
<b>Current trade and other payables</b>		
Trade payables	7,103	11,464
Accrued expenses	2,491	3,684
Amounts due to related parties	2,299	2,794
Social security and other taxes	874	1,197
	12,767	19,139

#### 24 Pension and other schemes

##### Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £1,210,000 (2018 - £1,443,000).

#### 25 Commitments

##### Capital commitments

The total amount contracted for but not provided in the financial statements was £440,000 (2018 - £186,000).

## **Vesuvius UK Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **26 Related party transactions**

As the Company is a wholly owned subsidiary of Vesuvius plc, the Company has taken advantage of the exemption contained in FRS 101 and has therefore not disclosed transactions or balances with entities which form part of the Vesuvius plc group.

#### **27 Parent and ultimate parent undertaking**

The company's immediate parent is Vesuvius-Premier Refractories (Holdings) Limited a company registered in England & Wales. The ultimate controlling party is Vesuvius plc, incorporated in England and Wales.

#### **Relationship between entity and parents**

The parent of the largest group in which these financial statements are consolidated is Vesuvius plc, incorporated in England and Wales.

The address of Vesuvius plc is:

165 Fleet Street, London, EC4A 2AE.

The parent of the smallest group in which these financial statements are consolidated is Vesuvius plc, incorporated in England and Wales.

#### **28 Events after the Balance Sheet date**

The outbreak of COVID-19 accelerated during the first half of 2020. As this event arose after the Company's year-end it is treated as a non-adjusting event for accounting purposes. The Group has considered the risks on the Group's liquidity and viability in connection with the COVID-19, including those that may be relevant to the Company. A detailed exercise was performed by Vesuvius plc as part of the announcement of its half year results to 30 June 2020 to determine the impact of the decline in its revenues and turnover in the first six months of 2020 as compared to 2019 on going concern for the Group. Based on this, Group management considered that the Group is in a robust financial position, with a strong balance sheet and liquidity position as well as covenant headroom and is acting to conserve cash so as to remain well positioned for long term success. Although the full extent of the potential impact on our business, operations and the global economy as a whole is not yet clear, Group management continue to respond to the COVID-19 pandemic as effectively as possible. The COVID-19 pandemic has not materially impacted the Company's financial position or its performance at the date of these financial statements, particularly in relation to the valuation of investments held and the recoverability of inter-company balances. This remains a matter of close attention for the Board.

There are no other material events after the reporting period to disclose.