

Registration number: 54713

Vesuvius UK Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2017

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Vesuvius UK Limited

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Vesuvius UK Limited

Company Information

Directors	Michael Satterthwaite Henry Knowles Sunderrajan Venkatraman Ian Lawson
Company secretary	Michael Satterthwaite
Registered office	1 Midland Way Barlborough Links Barlborough Chesterfield Derbyshire S43 4XA
Registration Number	54713
Incorporated	A Private Limited Company incorporated in England & Wales
Auditors	PricewaterhouseCoopers LLP 1 Embankment Place, London WC2N 6RH

Vesuvius UK Limited

Strategic Report for the Year Ended 31 December 2017

The directors present their strategic report for the year ended 31 December 2017.

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 8, the Company's turnover has increased by £14,509,000 to £129,529,000 due to an upturn in the European steel market. The profit for the financial year has decreased by £4,734,000 to £2,602,000. This was due in part to an increase in exceptional items of £4,124,000 to £5,134,000.

The balance sheet on page 10 of the financial statements shows that the Company's net assets at year end of £78,543,000 has increased by £2,602,000, this being the reported profit of the year.

Vesuvius invests in research and development 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.

Vesuvius 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.

Principal risks and uncertainties

Competitive pressure in Eastern Europe and Asia is a continuing risk for the Company, which could result in it 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.

Approved by the Board on 27 November 2018 and signed on its behalf by:



Michael Satterthwaite
Company secretary

Vesuvius UK Limited

Directors' Report for the Year Ended 31 December 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Directors' of the company

The directors, who held office during the year, were as follows:

Michael Satterthwaite

Henry Knowles

William Patterson (resigned 31 December 2017)

Sunderrajan Venkatraman

Ian Lawson (appointed 5 April 2017)

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 policies and practices to keep employees informed on matters relevant to them as employees through appropriate means, such as employee meetings and newsletters.

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 2017 was £3,783,000 (2016: £3,591,000).

Branches outside the United Kingdom

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

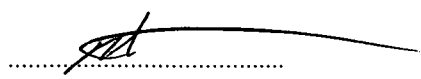
Disclosure of information to the auditors

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.

Approved by the Board on 27 November 2018 and signed on its behalf by:


.....
Michael Satterthwaite
Company secretary

Vesuvius UK Limited

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and 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 to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). 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 these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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; 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 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.

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.

Vesuvius UK Limited

Independent Auditor's Report to the Members of Vesuvius UK Limited

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 2017 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 2017; 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.

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the 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 Auditor's Report to the Members of Vesuvius UK Limited

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 or, 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 2017 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.

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, 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. This description forms part of our auditors' report.

Vesuvius UK Limited

Independent Auditor's Report to the Members of Vesuvius UK Limited

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.

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.



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Ian Benham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP,
Chartered Accountants and Statutory Auditors
London

Date: 27/11/2018

Vesuvius UK Limited

Profit and Loss Account for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Turnover	4	129,529	115,020
Cost of sales		<u>(105,638)</u>	<u>(92,525)</u>
Gross profit		23,891	22,495
Distribution costs		(1,315)	(1,012)
Administrative expenses		<u>(14,182)</u>	<u>(12,795)</u>
Trading profit		<u>8,394</u>	<u>8,688</u>
Exceptional items		<u>(5,134)</u>	<u>(1,010)</u>
Operating profit		3,260	7,678
Interest payable and similar charges	7	<u>(151)</u>	<u>(306)</u>
Profit before tax		3,109	7,372
Tax on profit on ordinary activities	11	<u>(507)</u>	<u>(36)</u>
Profit for the year		<u><u>2,602</u></u>	<u><u>7,336</u></u>

The above results were derived from continuing operations.

Vesuvius UK Limited

Statement of Comprehensive Income for the Year Ended 31 December 2017

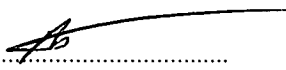
	Note	2017 £ 000	2016 £ 000
Profit for the year		<u>2,602</u>	<u>7,336</u>
Total comprehensive income for the year		<u><u>2,602</u></u>	<u><u>7,336</u></u>

Vesuvius UK Limited

(Registration number: 54713) Balance Sheet as at 31 December 2017

	Note	2017 £ 000	As restated 2016 £ 000
Fixed assets			
Intangible assets	13	10,675	10,675
Property, plant and equipment	12	5,475	6,194
Investments	14	64	64
Debtors	16	78,889	76,924
		<u>95,103</u>	<u>93,857</u>
Current assets			
Stocks	15	13,499	11,401
Debtors	16	24,744	18,033
Cash at bank and in hand	17	2,400	1,750
		<u>40,643</u>	<u>31,184</u>
Creditors: Amounts falling due within one year			
Trade and other payables	23	(24,818)	(15,915)
Loans and borrowings	19	(1)	(4,341)
Provisions	22	(4,019)	(1,256)
		<u>(28,838)</u>	<u>(21,512)</u>
Creditors: Amounts falling due within one year			
Net current assets		<u>11,805</u>	<u>9,672</u>
Total assets less current liabilities		<u>106,908</u>	<u>103,529</u>
Creditors: Amounts falling due after more than one year			
Trade and other payables	23	(25,489)	(25,447)
Provisions	22	(2,876)	(2,141)
		<u>(28,365)</u>	<u>(27,588)</u>
Creditors: Amounts falling due after more than one year			
Net assets		<u>78,543</u>	<u>75,941</u>
Capital and reserves			
Called up share capital	18	70,000	70,000
Profit and loss account		8,543	5,941
Shareholders' funds		<u>78,543</u>	<u>75,941</u>

Approved by the Board on 27 November 2018 and signed on its behalf by:


.....
Michael Satterthwaite
Director

Vesuvius UK Limited

Statement of Changes in Equity for the Year Ended 31 December 2017

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2017	70,000	5,941	75,941
Profit for the year	-	2,602	2,602
Total comprehensive income	-	2,602	2,602
At 31 December 2017	70,000	8,543	78,543
	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2016	70,000	(1,395)	68,605
Profit for the year	-	7,336	7,336
Total comprehensive income	-	7,336	7,336
At 31 December 2016	70,000	5,941	75,941

The notes on pages 12 to 28 form an integral part of these financial statements.

Vesuvius UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1 General information

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

The address of its registered office is:

1 Midland Way
Barlborough Links
Barlborough
Chesterfield
Derbyshire
S43 4XA

These financial statements were authorised for issue by the Board on 27 November 2018.

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.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework 'FRS 101'.

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 consolidated financial statements of Vesuvius plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 165 Fleet Street, London, EC4A 2AE.

Vesuvius UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

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.

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

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the financial statements.

Prior period adjustments

The prior year balance sheet has been restated to split out provisions into current and non-current, to be in line with the expected repayment time frame.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Revenue is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

The company recognises revenue when:

The amount of revenue can be reliably measured;
it is probable that future economic benefits will flow to the entity;
and specific criteria have been met for each of the company activities.

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.

Vesuvius UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

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, 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.

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.

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	10 - 15 years straight line

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.

Vesuvius UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

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.

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.

Vesuvius UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

Trade receivables

Trade 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 receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

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.

Vesuvius UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

Leases

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

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.

Derivatives and hedging

The Company uses derivative financial instruments in the form of forward foreign currency contracts and interest rate swaps to manage the effects of its exposure to fluctuations in foreign exchange rates and interest rates on its borrowings. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are measured at fair value. The method of recognising the gain or loss on remeasurement to fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item hedged.

The fair value of forward foreign currency contracts is calculated using quoted market prices at the balance sheet date. The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the creditworthiness of the swap counterparties.

Vesuvius UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

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.

Goodwill and other intangible assets

The Directors use their judgement to determine the extent to which goodwill and other capitalised intangible assets have a value that will benefit the performance of the Company over future periods. To assist in making this judgement, the Directors undertake an assessment, at least annually, of the carrying value of the Company's capitalised goodwill and other intangible assets.

Provisions

The Company has an onerous lease provision relating to a partially occupied property and the provision reflects the Directors' best estimate of costs likely to be incurred between the balance sheet date and the expiry of the lease. 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.

Deferred tax

The Company recognises deferred tax assets in respect of unutilised losses and other timing differences between the treatment of certain items for taxation and accounting purposes to the extent that there is persuasive and reliable evidence suggesting that sustainable taxable profits will be generated in the future. In deciding whether to recognise a deferred tax asset on the balance sheet account is taken of future forecasts of taxable profits.

4 Turnover

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

	2017 £ 000	2016 £ 000
Sale of goods	126,632	111,401
Rendering of services	2,897	3,619
	<u>129,529</u>	<u>115,020</u>

5 Exceptional items

The analysis of the company's other gains and losses for the year is as follows:

	2017 £ 000	2016 £ 000
Restructuring charges	(4,744)	(1,010)
Loss on disposal of property, plant and equipment	(390)	-
	<u>(5,134)</u>	<u>(1,010)</u>

The loss on disposal of property, plant and equipment reported in 2017 arose following the decision to transfer production of certain items to a sister company.

Restructuring charges were £4,744,000 (2016: £1,010,000). Further detail is given in note 22 (other provisions).

Vesuvius UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

6 Operating profit

Arrived at after charging/(crediting)

	2017 £ 000	2016 £ 000
Depreciation expense	1,131	1,137
Research and development cost	3,783	3,591
Operating lease expense - other	1,960	2,141
Loss on disposal of property, plant and equipment	390	-

7 Interest payable and similar charges

	2017 £ 000	2016 £ 000
Interest on bank overdrafts and borrowings	79	209
Interest expense on other financing liabilities	72	97
	151	306

8 Staff costs

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

	2017 £ 000	2016 £ 000
Wages and salaries	17,674	15,766
Social security costs	1,489	1,431
Pension costs, defined contribution scheme	1,506	1,742
	20,669	18,939

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

	2017 No.	2016 No.
Production	165	172
Administration and support	46	49
Research and development	24	26
Sales, marketing and distribution	72	75
	307	322

9 Directors' remuneration

The directors' remuneration for the year was as follows:

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Notes to the Financial Statements for the Year Ended 31 December 2017

	2017 £ 000	2016 £ 000
Remuneration	583	282
Contributions paid to money purchase schemes	75	54
	<u>658</u>	<u>336</u>

In respect of the highest paid director:

	2017 £ 000	2016 £ 000
Remuneration	241	184
Company contributions to money purchase pension schemes	30	33
Defined benefit accrued pension entitlement at the end of the period	-	41
Defined benefit accrued lump sum at the end of the period	<u>-</u>	<u>207</u>

10 Auditors' remuneration

	2017 £ 000	2016 £ 000
Audit of the financial statements	<u>36</u>	<u>36</u>

11 Income tax

Tax charged/(credited) in the profit and loss account

	2017 £ 000	2016 £ 000
Foreign tax	<u>507</u>	<u>36</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2016 - lower than the standard rate of corporation tax in the UK) of 19.25% (2016 - 20%).

The differences are reconciled below:

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Notes to the Financial Statements for the Year Ended 31 December 2017

	2017 £ 000	2016 £ 000
Profit before tax	<u>3,109</u>	<u>7,372</u>
Corporation tax at standard rate	598	1,474
Increase (decrease) from effect of capital allowances depreciation	3	(108)
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	(34)	40
Tax decrease from utilisation of tax losses	(593)	(1,208)
Increase (decrease) arising from group relief tax reconciliation	(289)	(606)
Increase (decrease) arising from overseas tax suffered (expensed)	430	36
Increase (decrease) from effects of double taxation relief	(356)	(36)
Other tax effects for reconciliation between accounting profit and tax expense (income)	<u>748</u>	<u>444</u>
Total tax charge	<u>507</u>	<u>36</u>

Further UK corporation tax rate reductions to 17% from 1st April 2020 were substantively enacted on 6 September 2016.

The unrecognised deferred tax asset is approximately £0.2m (2016: £0.4m) in respect of operating losses, £1.1m (2016: £0.9m) in respect of other timing differences and £0.3m (2016: £0.3m) for accelerated capital allowances. 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.

12 Tangible assets

	Land and buildings £ 000	Assets under construction £ 000	Other property, plant and equipment £ 000	Total £ 000
Cost or valuation				
At 1 January 2017	2,032	234	13,512	15,778
Additions	-	801	-	801
Disposals	-	-	(389)	(389)
Transfers	<u>68</u>	<u>(544)</u>	<u>476</u>	<u>-</u>
At 31 December 2017	<u>2,100</u>	<u>491</u>	<u>13,599</u>	<u>16,190</u>
Depreciation				
At 1 January 2017	727	-	8,857	9,584
Charge for the year	<u>129</u>	<u>-</u>	<u>1,002</u>	<u>1,131</u>
At 31 December 2017	<u>856</u>	<u>-</u>	<u>9,859</u>	<u>10,715</u>
Carrying amount				
At 31 December 2017	<u>1,244</u>	<u>491</u>	<u>3,740</u>	<u>5,475</u>
At 31 December 2016	<u>1,305</u>	<u>234</u>	<u>4,655</u>	<u>6,194</u>

Vesuvius UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

Land and buildings are all leasehold.

13 Intangible assets

	Goodwill £ 000	Other intangible assets £ 000	Total £ 000
Cost or valuation			
At 1 January 2017	23,988	9	23,997
At 31 December 2017	23,988	9	23,997
Amortisation			
At 1 January 2017	13,322	-	13,322
At 31 December 2017	13,322	-	13,322
Carrying amount			
At 31 December 2017	10,666	9	10,675
At 31 December 2016	10,666	9	10,675

14 Investments

Subsidiaries	£ 000
Cost or valuation	
At 1 January 2017	64
At 31 December 2017	64
Carrying amount	
At 31 December 2017	64
At 31 December 2016	64

Details of the subsidiaries as at 31 December 2017 are as follows:

Name of subsidiary	Country	Registered office
SG Blair & Company Limited	England	1 Midland Way Barlborough Links Barlborough Chesterfield Derbyshire S43 4XA
Vesuvius Refractory India Private Limited	India	Room No.9 3rd Floor 7 Ganesh Chandra Avenue Kolkata WB 700013 IN

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Notes to the Financial Statements for the Year Ended 31 December 2017

Name of subsidiary	Country	Registered office
East Moon Investment (HK Holding) Company Limited	Hong Kong	6/F Tower Two Times Square 1 Matheson Street, Causeway Bay Hong Kong
VSV Advanced Ceramics (Anshan) Co., Ltd	China	Xiaotaizi Village Ningyuan Town, Qianshan District, Anshan, Liaoning Province China

15 Stocks

	31 December 2017 £ 000	31 December 2016 £ 000
Raw materials and consumables	4,064	3,717
Work in progress	533	414
Finished goods and goods for resale	<u>8,902</u>	<u>7,270</u>
	<u>13,499</u>	<u>11,401</u>

The net inventories of £13,499,000 (2016: £11,401,000) includes a provision for obsolete stock of £373,000 (2016: £725,000).

16 Trade and other debtors

	31 December 2017 £ 000	31 December 2016 £ 000
Non-current trade and other receivables		
Receivables from related parties	<u>78,889</u>	<u>76,924</u>
	2017 £ 000	2016 £ 000
Current trade and other receivables		
Trade receivables	16,610	12,917
Receivables from related parties	5,098	3,007
Prepayments and accrued income	<u>3,036</u>	<u>2,109</u>
Total current trade and other receivables	<u>24,744</u>	<u>18,033</u>

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 17 below.

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Notes to the Financial Statements for the Year Ended 31 December 2017

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.

Age of trade debtors that are past due but not impaired

	31 December 2017 £ 000	31 December 2016 £ 000
7 to 30 days	558	623
31 to 60 days	420	628
61 to 90 days	77	49
91 to 120 days	180	90
	<u>1,235</u>	<u>1,390</u>

The provision for impairment of trade (analysed below) is the difference between the carrying value and the present value of the expected proceeds.

Age of impaired trade debtors

	31 December 2017 £ 000	31 December 2016 £ 000
7 to 30 days	-	3
31 to 60 days	-	6
61 to 90 days	-	5
91 to 120 days	49	11
	<u>49</u>	<u>25</u>

17 Cash and cash equivalents

	31 December 2017 £ 000	31 December 2016 £ 000
Cash at bank	2,400	1,750
Bank overdrafts	<u>(1)</u>	<u>(4,341)</u>
Cash and cash equivalents in statement of cash flows	<u>2,399</u>	<u>(2,591)</u>

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Notes to the Financial Statements for the Year Ended 31 December 2017

18 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 2017		31 December 2016	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>

19 Loans and borrowings

	31 December 2017 £ 000	31 December 2016 £ 000
Current loans and borrowings		
Bank overdrafts	<u>1</u>	<u>4,341</u>

20 Obligations under leases and hire purchase contracts

Operating leases

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

	31 December 2017 £ 000	31 December 2016 £ 000
Within one year	1,840	2,017
In two to five years	5,058	5,347
In over five years	<u>309</u>	<u>111</u>
	<u>7,207</u>	<u>7,475</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £1,960,000 (2016 - £2,141,000)

21 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 £1,506,000 (2016 - £1,742,000).

Vesuvius UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

22 Other provisions

	Disposal and closure costs £ 000	Restructuring charges £ 000	Other provisions £ 000	Total £ 000
At 1 January 2017	2,678	655	64	3,397
Additional provisions	500	2,144	2,100	4,744
Provisions used	(601)	(715)	(2)	(1,318)
Increase (decrease) due to passage of time or unwinding of discount	72	-	-	72
At 31 December 2017	<u>2,649</u>	<u>2,084</u>	<u>2,162</u>	<u>6,895</u>
Non-current liabilities	2,109	707	60	2,876
Current liabilities	<u>540</u>	<u>1,377</u>	<u>2,102</u>	<u>4,019</u>
At 31 December 2017	<u>2,649</u>	<u>2,084</u>	<u>2,162</u>	<u>6,895</u>

Of the total provision balance as at 31 December 2017 of £6,895,000 (2016: £3,397,000), £2,876,000 (2016: £2,141,000) is recognised in the balance sheet within non-current liabilities and £4,019,000 (2016 £1,256,000) within current liabilities. Of the total provision balance as at 31 December 2015 of £4,013,000, the non-current element amounted to £2,657,000 and the current element amounted to £1,356,000.

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 a production site together with the costs related to clean up.

Restructuring charges include the costs of a number of initiatives to rationalise operating activities.

Other provisions largely comprise an onerous commercial contract.

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Notes to the Financial Statements for the Year Ended 31 December 2017

23 Trade and other payables

	31 December 2017 £ 000	31 December 2016 £ 000
Non-current trade and other payables		
Amounts due to related parties	25,152	25,152
Accrued expenses and other payables	337	295
	<u>25,489</u>	<u>25,447</u>
Current trade and other payables	2017 £ 000	2016 £ 000
Trade payables	13,168	9,218
Accrued expenses	4,137	3,075
Amounts due to related parties	6,550	3,122
Social security and other taxes	963	500
	<u>24,818</u>	<u>15,915</u>

24 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £72,000 (2016 - £135,000).

25 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.

26 Parent and ultimate parent undertaking

The company's immediate parent is Vesuvius-Premier Refractories (Holdings) Limited.

Relationship between entity and parents

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

The address of Vesuvius plc is:
165 Fleet Street, London, EC4A 2AE.

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Notes to the Financial Statements for the Year Ended 31 December 2017

27 Non adjusting events after the financial period

On 16th July 2018 the company announced its intention to withdraw from manufacturing at its Chesterfield facility over the following 12 months.