

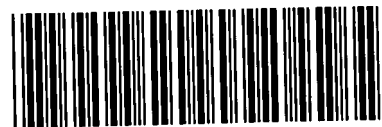
Registration number: 468147

Foseco International Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019

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Foseco International Limited

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Foseco International Limited

Company Information

Directors

Michael Satterthwaite
Henry Knowles
Sunderrajan Venkatraman
Ian Delaney

Company Secretary

Michael Satterthwaite

Registered office

1 Midland Way
Central Park
Barlborough Links
Derbyshire
S43 4XA

Registration number

468147

Incorporated

A Private Limited Company incorporated in England and Wales

Independent Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Foseco International 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

Foseco International Limited (the "Company") is a wholly owned subsidiary of Foseco Overseas Limited. The ultimate holding company is Vesuvius plc, a leading company operating on a world-wide basis in Ceramics.

The Company's principal activities during the year were as follows:

The development and licensing of consumable products, primarily for use in foundry and steel - making industries.
Providing central resources for the Foundry division of Vesuvius plc

Turnover predominantly consists of royalties received from other group companies in relation to the licensing of products developed by the Company. As shown in the Company's profit and loss account in the financial statements, operating profit has decreased by £1,261,000 to £7,725,000 (2018: £8,986,000) due mainly to lower revenue.

The balance sheet shows that the Company's net assets have increased during the year by £8,023,000 to £62,195,000 (2018: £54,172,000) this being the profit for the year.

Foseco International Limited is part of Vesuvius plc (the "Group"). Vesuvius plc manages its operations on a divisional 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 development, performance or position of the business. The performance of Vesuvius plc as a whole, which includes the Company, is discussed in the Vesuvius plc annual report, which does not form part of this report.

Principal risks and uncertainties

The Company's Directors consider the risks for the Company to be covered by those presented in the Vesuvius plc annual report, which 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.

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, together with general assessment for expected credit losses.

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 enters 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, operations and the global economy as a whole continues to face uncertainties, 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 the valuation of investments held. This remains a matter of close attention for the Board.

Foseco International Limited

Strategic Report for the Year Ended 31 December 2019

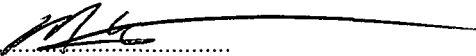
Brexit

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.

The Directors of Foseco International Limited do not believe that Brexit, in whatever form it transpires, is likely to have a material impact on the business.

Other principal risks and uncertainties are integrated with the principal risks of Vesuvius plc, and its subsidiary and joint venture companies (the "Group") and are not managed separately. The principal risks and uncertainties of Vesuvius plc, which include those of the Company, can be found in the 2019 Annual Report of Vesuvius plc, which does not form part of this Report.

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


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

Foseco International 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.

Directors' of the company

The Directors of the company who were in office during the year and up to the date of signing the financial statements were:

Garry Smith (resigned 30 June 2019)

Michael Satterthwaite

Henry Knowles

Sunderrajan Venkatraman

Ian Delaney (appointed 1 July 2019)

Ian Lawson (resigned 31 October 2019)

Dividends

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

Directors' indemnity provisions

The ultimate parent company of Foseco International 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.

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 £12,011,000 (2018: £12,156,000).

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.

Reappointment of 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 £62,195,000 (2018: £54,172,000). At 31 December 2019 the company had net current assets of £5,008,000 (2018: £2,786,000). The Directors have assessed current performance in 2020 and future forecasts 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.

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.

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


Michael Satterthwaite
Director & Company Secretary

17 December 2020

Foseco International Limited

Statement of Directors' Responsibilities

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.

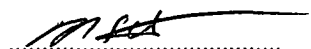
Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure 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 order of the Board on 17 December 2020 and signed on its behalf by:



Michael Satterthwaite
Director & Company Secretary
17 December 2020

Foseco International Limited

Independent Auditors' Report to the Members of Foseco International Limited

Report on the audit of the financial statements

Opinion

In our opinion, Foseco International 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.

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 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.

Foseco International Limited

Independent Auditors' Report to the Members of Foseco International 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 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.

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.

Foseco International Limited

Independent Auditors' Report to the Members of Foseco International 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.

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

Foseco International Limited

Profit and Loss Account for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Turnover	4	22,718	24,233
Administrative expenses	5	(15,463)	(15,842)
Other operating income	5	470	595
Operating profit	6	7,725	8,986
Other interest receivable and similar income	7	1,293	786
Profit before tax		9,018	9,772
Tax on profit	11	(995)	(1,063)
Profit for the financial year		8,023	8,709

The above results were derived from continuing operations.

The notes on pages 13 to 24 form an integral part of these financial statements.

Foseco International Limited

Statement of Comprehensive Income for the Year Ended 31 December 2019


	2019	2018
	£ 000	£ 000
Profit for the year	<u>8,023</u>	<u>8,709</u>
Total comprehensive income for the year	<u>8,023</u>	<u>8,709</u>

The notes on pages 13 to 24 form an integral part of these financial statements.

Foseco International Limited
(Registration number: 468147)
Balance Sheet as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Non current assets			
Property, plant and equipment	12	599	-
Debtors	14	56,952	64,984
Deferred tax assets	11	86	78
		<u>57,637</u>	<u>65,062</u>
Current assets			
Stocks	13	-	11
Debtors	14	6,383	7,595
Cash at bank and in hand		117	383
		<u>6,500</u>	<u>7,989</u>
Creditors: Amounts falling due within one year			
Trade and other payables	17	(1,103)	(5,076)
Loans and borrowings	18	(163)	-
Income tax liability	11	(226)	(127)
Creditors: Amounts falling due within one year		<u>(1,492)</u>	<u>(5,203)</u>
Net current assets		<u>5,008</u>	<u>2,786</u>
Total assets less current liabilities		62,645	67,848
Creditors: Amounts falling due after more than one year			
Trade and other payables	17	(63)	(13,676)
Loans and borrowings	18	(387)	-
		<u>(450)</u>	<u>(13,676)</u>
Creditors: Amounts falling due after more than one year			
Net assets		<u>62,195</u>	<u>54,172</u>
Capital and reserves			
Called up share capital	15	11,000	11,000
Profit and loss account		51,195	43,172
Shareholders' funds		<u>62,195</u>	<u>54,172</u>

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


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

Foseco International 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	11,000	43,172	54,172
Profit for the year	-	8,023	8,023
Total comprehensive income	-	8,023	8,023
At 31 December 2019	11,000	51,195	62,195

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2018	11,000	34,463	45,463
Profit for the year	-	8,709	8,709
Total comprehensive income	-	8,709	8,709
At 31 December 2018	11,000	43,172	54,172

The notes on pages 13 to 24 form an integral part of these financial statements.

Foseco International 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.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework 'FRS 101' and the Companies Act 2006 as applicable to companies using FRS 101. The financial statements have been prepared under the historical cost convention.

The amendments to FRS 101 (2014/15 and 2015/2016 Cycles) issued in July 2015 and July 2016 respectively and both effective on 1 January 2016 have been applied.

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.

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;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of Key Management Personnel.

As the consolidated financial statements of 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.

Foseco International Limited

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

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going concern

Details of the impact of COVID-19 are provided in note 22. The Directors of the Company are satisfied that there are no other 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 the foreseeable future. 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 £657,000.

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 the 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. Revenue comprises royalties received and is recognised at a point in time. Contract assets represent revenue to be invoiced

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.

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.

Foseco International Limited

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

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.

Other operating income

Other operating income is accounted for on an accruals basis.

Other interest receivable and similar income.

Other interest receivable and similar income is accounted for on an accruals basis.

Tax

The tax expense for the period comprises current and deferred 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 income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

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

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.

Foseco International 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.

Financial assets (including debtors)

The Company holds all financial assets at amortised cost with the exception of derivative financial instruments which are held at fair value through the profit or loss. Financial assets comprise debtors which are balances with fellow subsidiaries of the Vesuvius plc group.

Impairment of financial assets

Debtor balances are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a 12-month expected loss allowance for amounts due from other group companies.

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.

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.

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.

Foseco International Limited

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

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

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.

3 Critical accounting judgements and key sources of estimation uncertainty

The Directors do not believe that there are any major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets or liabilities.

4 Turnover

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

	2019 £ 000	2018 £ 000
Royalties received	22,718	24,233

5 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2019 £ 000	2018 £ 000
R&D Tax Credit	470	595

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

6 Operating profit

Arrived at after charging

	2019 £ 000	2018 £ 000
Research and development cost	12,011	12,156
Operating lease expense – other	-	124
Depreciation	140	-

7 Other interest receivable and similar income

	2019 £ 000	2018 £ 000
Interest on amounts owed by group companies	1,293	786

8 Staff costs

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

	2019 £ 000	2018 £ 000
Wages and salaries	1,011	1,555
Social security costs	129	164
Other pension costs	151	226
	1,291	1,945

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.
Sales, marketing and distribution	16	18

9 Directors' remuneration

The Directors' remuneration for the year was as follows:

	2019 £ 000	2018 £ 000
Remuneration	176	115
Contributions paid to money purchase schemes	21	17
	197	132

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

In respect of the highest paid Director:

	2019 £ 000	2018 £ 000
Remuneration	93	115
Company contributions to money purchase pension schemes	12	17

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

10 Auditors' remuneration

	2019 £ 000	2018 £ 000
Audit of the financial statements	17	13

11 Tax on profit

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

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax	99	127
Foreign tax	904	942
Total current income tax	1,003	1,069
Deferred taxation		
Arising from origination and reversal of temporary differences	(8)	(6)
Tax expense in the profit and loss account	995	1,063

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	9,018	9,772
Corporation tax at standard rate	1,713	1,857
Increase from effect of expenses not deductible in determining taxable profit	14	135
Group relief not claimed	(732)	(929)
Increase from effect of foreign tax rates	903	942
(Decrease) from effects of double taxation relief	(903)	(942)
Total tax charge	995	1,063

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

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 deferred tax asset from £86k to £97k.

Deferred tax

Deferred tax assets and liabilities

Deferred tax movement during the year:

	At 1 January 2019 £ 000	Recognised in income Tax £ 000	At 31 December 2019 £ 000
Accelerated tax depreciation	13	19	32
Other items	65	(11)	54
Net tax assets/(liabilities)	78	8	86

Deferred tax movement during the prior year:

	At 1 January 2018 £ 000	Recognised in income Tax £ 000	At 31 December 2018 £ 000
Accelerated tax depreciation	13	-	13
Other items	59	6	65
Net tax assets/(liabilities)	72	6	78

12 Property, plant and equipment

	Land and buildings £ 000	Assets under construction £ 000	Right of use assets £ 000	Total £ 000
Cost or valuation				
At 1 January 2019	-	-	-	-
IFRS 16 initial adoption	-	-	657	657
Additions	-	82	-	82
Re Classification	54	(82)	28	-
At 31 December 2019	54	-	685	739
Accumulated depreciation				
At 1 January 2019	-	-	-	-
Charge for the year	-	-	140	140
At December 2019	-	-	140	140
Carrying amount				
At 31 December 2019	54	-	545	599
At 31 December 2018	-	-	-	-

Land and buildings are all leasehold improvements.

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

13 Stocks

	31 December 2019 £ 000	31 December 2018 £ 000
Finished goods and goods for resale	-	11

14 Debtors

	31 December 2019 £ 000	31 December 2018 £ 000
Non-current trade and other receivables		
Receivables from related parties	56,952	64,984
Current trade and other receivables		
Receivables from related parties	5,239	6,973
Prepayments	1,144	622
Total current trade and other receivables	6,383	7,595

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 is not considered to be material.

15 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	11,000	11,000	11,000	11,000

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

16 Obligations under leases and hire purchase contracts

Operating leases

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

	31 December 2019 £ 000	31 December 2018 £ 000
Within one year	-	146
In two to five years	-	566
In over five years	-	-
	-	712

The amount of non-cancellable operating lease payments recognised as an expense during the year was £- (2018 - £124,000). Please also refer to changes in accounting policy, initial adoption of IFRS16 leases. Note 12 property, plant and equipment tangible assets and note 20 loans and borrowings.

17 Trade and other payables

	31 December 2019 £ 000	31 December 2018 £ 000
Non-current trade and other payables		
Accrued expenses	63	171
Amounts due to related parties	-	13,505
	63	13,676

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.

	31 December 2019 £ 000	31 December 2018 £ 000
Current trade and other payables		
Trade payables	316	702
Accrued expenses	248	327
Amounts due to related parties	417	3,913
Social security and other taxes	122	134
	1,103	5,076

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

18 Loans and borrowings

	31 Dec 2019 £ 000	31 Dec 2018 £ 000
Current loans and borrowings		
Lease liabilities	163	-
	<u>163</u>	<u>-</u>
	31 Dec 2019 £ 000	31 Dec 2018 £ 000
Non-current loans and borrowings		
Lease liabilities	387	-
	<u>387</u>	<u>-</u>

Total cash outflow for leases in 2019 was £146,000.

19 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 £151,000 (2018 - £226,000).

20 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 that form part of the Vesuvius plc group.

21 Parent and ultimate parent undertaking

The company's immediate parent is Vesuvius Overseas Limited.

The most senior parent entity producing publicly available financial statements is Vesuvius plc. These financial statements are available upon request from the Company Secretary, Vesuvius plc, 165 Fleet Street, London, EC4A 2AE.

The parent of the smallest group in which these financial statements are consolidated is Vesuvius plc.

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

22 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 consider 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.