

Registration number: 468147

Foseco International Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021



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 the United Kingdom

Independent Auditors

Mazars LLP
30 Old Bailey,
London,
EC4M 7AU

Foseco International Limited

Strategic Report for the Year Ended 31 December 2021

The Directors present their strategic report for the year ended 31 December 2021.

Fair review of the business

Foseco International Limited (the "Company") is a wholly owned subsidiary of Vesuvius 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 increased by £2,529,000 to £9,650,000 (2020: £7,121,000).

The balance sheet shows that the Company's net assets have increased during the year by £9,080,000 to £28,093,000 (2020: £19,013,000) 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.

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

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

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

The activity of the Company is mainly the development and licensing of consumable products, primarily for use in the foundry and steel making industries. The interests of the Company and its ultimate parent are closely aligned and, as a listed company and parent of a Group of international companies (the "Group"), Vesuvius plc has ultimate responsibility for setting strategic and policy issues and is responsible for the Group's long-term success. In the consolidated 2021 Annual Report and Financial Statements of Vesuvius plc, the board of Vesuvius plc summarises the key actions taken throughout the Group in 2021 to engage with its stakeholders, including its employees, suppliers and customers, and describes the impact of the Group's operations on the community and the environment in accordance with the requirements of Section 172.

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

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

Foseco International Limited

Strategic Report for the Year Ended 31 December 2021 Continued

Employee engagement

Vesuvius Group adopts an open and honest approach to employee communications. The Company provides regular updates to employees, including direct email updates on the financial performance of the Group, the industrial environment in which it operates and other significant operational developments. The Company's employees have access to the Vesuvius intranet which distributes Group news and events along with an employee 'app' for information dissemination. The HR department is the primary point of contact for employees on employment and workplace matters, operating with an open-door policy and advising employees of any local legal, tax, pension or other employment changes. Senior management, supported and facilitated by the HR department, encourage open dialogue.

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

The Company develops and licenses consumable products and therefore there have been no major operational impacts from COVID-19.

Its ultimate parent company, Vesuvius plc (the Group) has considered the risks to the Group's liquidity and viability in connection with the COVID-19, including those that may be relevant to the Company and its investee companies. Despite emerging confidence that the worst of the pandemic may be behind us, a detailed exercise was performed by Vesuvius plc as part of the announcement of its annual results to 31 December 2021 to model the impact of a decline in business activity and profitability in 2022 and 2023 to the level achieved in H2 2020, the half year period most severely impacted by COVID-19, on going concern for the Group. Even in this downside scenario, the Group will be able to operate within the current committed facilities and show continued compliance with financial covenants. 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.

The Directors of the Company are satisfied that 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 intercompany balances. Accordingly, the financial statements have been prepared on a going concern basis. This remains a matter of close attention for the Board.

Approved by order of the Board on 15 September 2022 and signed on its behalf by



Michael Satterthwaite
Director & Company Secretary

Foseco International Limited

Directors' Report for the Year Ended 31 December 2021

The Directors present their report and the audited financial statements for the year ended 31 December 2021.

The Group has chosen in accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Director's Report) Regulations 2013 to set out certain information in the Strategic Report as required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 – including financial risk management and future developments.

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:

Michael Satterthwaite

Henry Knowles

Sunderrajan Venkatraman

Ian Delaney

Dividends

The Directors' recommend a dividend payment of £nil (2020: £51,000,000).

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 2021 was £9,649,000 (2020: £9,024,000).

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.

Independent auditor

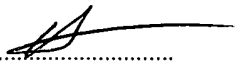
The auditor, Mazars LLP, has been appointed as auditor of the Company for the financial year ended 31 December 2021 and for future financial years until Mazars LLP resign.

Going Concern

At 31 December 2021 the company had net assets of £28,093,000 (2020: £19,013,000). At 31 December 2021 the company had net current assets of £4,447,000 (2020: £3,622,000). The Directors have considered current and forecast liquidity and have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least 12 months from the date of this report and the foreseeable future.

On 24 February 2022 Russian Forces entered Ukraine, resulting in Western Nation reactions including announcements of sanctions against Russia and Russian interests worldwide which undoubtedly has and will continue to have an impact on the global economy in the foreseeable future. The Board has carried out an assessment of the potential impact of Russian Forces entering Ukraine on the business, including the impact of mitigation measures and uncertainties, and have concluded that this is a non-adjusting post balance sheet event. The Directors expect the greatest impact on the business to be from the indirect economic ripple effect on the global economy. The Directors have taken account of these potential impacts in their going concern assessments.

Approved by the Board on 15 September 2022 and signed on its behalf by:


.....
Michael Satterthwaite
Director & Company Secretary

Foseco International Limited

Statement of Directors' Responsibilities

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, 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 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 also 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 15 September 2022 and signed on its behalf by:


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Michael Satterthwaite
Director & Company Secretary

Independent Auditors Report to the Member of Foseco International Limited

Opinion

We have audited the financial statements of Foseco International Limited (the 'company') for the year ended 31 December 2021 which comprise the profit and loss account, statement of comprehensive income, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Independent Auditors Report to the Member of Foseco International Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation, non-compliance with implementation of government support schemes relating to COVID-19.

Independent Auditors Report to the Member of Foseco International Limited (continued)

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, revenue recognition (which we pinpointed to the cut-off risk, and significant one-off or unusual transactions).

Our audit procedures in relation to fraud included but were not limited to:

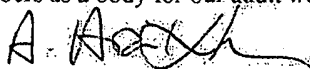
- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.



Andrew Hickson (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey
London
EC4M7AU

Date 21 September 2022

Foseco International Limited

Profit and Loss Account for the Year Ended 31 December 2021

	Note	2021 £ 000	2020 £ 000
Turnover	4	19,886	18,799
Administrative expenses		(10,316)	(11,892)
Other operating income	5	80	214
Operating profit	6	9,650	7,121
Other interest receivable and similar income	7	372	1,509
Profit before tax		10,022	8,630
Tax on profit	11	(942)	(812)
Profit for the financial year		9,080	7,818

The above results were derived from continuing operations. There is no other comprehensive income.

Foseco International Limited
Statement of Comprehensive Income for the Year Ended 31 December 2021

	2021 £ 000	2020 £ 000
Profit for the year	<u>9,080</u>	<u>7,818</u>
Total comprehensive income for the year	<u>9,080</u>	<u>7,818</u>

Foseco International Limited
(Registration number: 468147)
Balance Sheet as at 31 December 2021

	Note	2021 £ 000	2020 £ 000
Non current assets			
Property, plant and equipment	12	292	446
Debtors	13	23,491	15,217
		<u>23,783</u>	<u>15,663</u>
Current assets			
Deferred tax assets	11	-	69
Debtors	13	5,886	5,034
Cash at bank and in hand		4	9
		<u>5,890</u>	<u>5,112</u>
Creditors: Amounts falling due within one year			
Trade and other payables	15	(1,222)	(1,217)
Loans and borrowings	16	(149)	(150)
Income tax liability		(72)	(123)
Creditors: Amounts falling due within one year		<u>(1,443)</u>	<u>(1,490)</u>
Net current assets		<u>4,447</u>	<u>3,622</u>
Total assets less current liabilities		28,230	19,285
Creditors: Amounts falling due after more than one year			
Trade and other payables	15	(14)	(8)
Loans and borrowings	16	(123)	(264)
		<u>(137)</u>	<u>(272)</u>
Net assets		<u>28,093</u>	<u>19,013</u>
Capital and reserves			
Called up share capital	14	11,000	11,000
Profit and loss account		17,093	8,013
Total Shareholders' funds		<u>28,093</u>	<u>19,013</u>

The financial statements were approved by the Board of Directors on 15 September 2022 and signed on its behalf by:


.....
Michael Satterthwaite
Director & Company Secretary

Foseco International Limited

Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2021	11,000	8,013	19,013
Profit for the year	-	9,080	9,080
Total comprehensive income	-	9,080	9,080
At 31 December 2021	11,000	17,093	28,093

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2020	11,000	51,195	62,195
Profit for the year	-	7,818	7,818
Total comprehensive income	-	7,818	7,818
Dividend	-	(51,000)	(51,000)
At 31 December 2020	11,000	8,013	19,013

The notes on pages 13 to 23 form an integral part of these financial statements.

Foseco International Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

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.

The financial statements of the Company have been 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 apart from financial assets and liabilities (including derivative instruments) which are carried at fair value through the profit or loss.

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.

Rounding

All amounts in the financial statements and notes have been rounded off to the nearest pound sterling, unless otherwise stated, which is the presentational currency unless otherwise stated.

Foseco International Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies - continued

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

The Directors of the Company are satisfied that there are no material events or uncertainties that they are aware of which will impact the ability of the Company to continue as a going concern.

The Directors have considered current and forecast liquidity and have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least 12 months from the date of this report and the foreseeable future.

Changes in accounting policy

There are no amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2021 that have had a material impact on the Company's financial statements.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for services rendered to customers after deducting rebates, discounts and value-added taxes.

The identification of performance obligations includes a determination of whether the goods or services (or bundle of goods or services) are distinct. No contracts contain the provision of multiple elements and therefore management have no need to apply judgement in determining whether the bundle of goods and/or services are distinct. The transaction price is based upon the agreed royalty with a customer and is calculated with reference to the sales of certain products where the intellectual property is owned by Foseco International Limited

An assessment of the timing of revenue recognition is made for each performance obligation. Revenue is recognised at a point in time for all standard revenue transactions.

Variable consideration

Consideration in a contract does not include a variable amount.

Rights of return

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

Warranty obligations

The company does not supply goods and therefore has no need to provide warranties for goods where they can be returned if they are faulty.

CONTRACT BALANCES

Contract assets

A contract asset is a right to payment in exchange for goods or services that have been transferred to a customer when that right is conditional on something other than the passage of time. The Company does not have any contract assets.

Receivable

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

Foseco International Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies - continued

Contract liability

A contract liability is an obligation to transfer goods or services to a customer for which the consideration has been received (or an amount of consideration is due) from the customer. The Company does not have any contract liabilities.

Royalty Income

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

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.

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.

Foseco International Limited
Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies - continued

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.

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 adopted IFRS 16 Leases from 1 January 2021 and, in accordance with the simplified approach, did not restate comparatives on transition. The reclassifications and adjustments arising from the new lease accounting rules were therefore recognised in the opening balance sheet on 1 January 2020.

Foseco International Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies – continued

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.

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 which 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 to 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.

Share based payments

The Company's ultimate parent company, Vesuvius plc, operates equity-settled share based payment arrangements for employees of the Group. The Company bears the expense attributable to those awards made to its employees. Equity-settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date takes account of the effect of market-based conditions, such as the Total Shareholder Return target upon which vesting for some of the awards is conditional and is expensed on a straight-line basis over the vesting period with a corresponding increase in equity. The cumulative expense recognised is adjusted for the best estimate of the shares that will eventually vest and for the effect of other non market-based vesting conditions, such as growth in headline earnings per share, which are not included in the fair value determined at the date of grant. For grants with market-based conditions attaching to them, fair value is measured using a form of stochastic option pricing model. For all other grants, fair value is measured using the Black-Scholes model.

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.

Foseco International Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies – continued

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:

	2021 £ 000	2020 £ 000
Royalties received	19,886	18,799

5 Other operating income

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

	2021 £ 000	2020 £ 000
R&D Tax Credit	80	214

6 Operating profit

Arrived at after charging

	2021 £ 000	2020 £ 000
Depreciation expense-owned asset	13	9
Depreciation expense -right of use asset	141	144
Research and development cost	9,649	9,024

7 Other interest receivable and similar income

	2021 £ 000	2020 £ 000
Interest on amounts owed by group companies	372	1,509

Foseco International Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

8 Staff costs

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

	2021 £ 000	2020 £ 000
Wages and salaries	1,337	1,069
Social security costs	156	125
Other pension costs	212	173
	<u>1,705</u>	<u>1,367</u>

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

	2021 No.	2020 No.
Sales, marketing and distribution	<u>14</u>	<u>14</u>

9 Directors' remuneration

The Directors' remuneration for the year was as follows:

	2021 £ 000	2020 £ 000
Remuneration	171	151
Contributions paid to money purchase schemes	25	21
	<u>196</u>	<u>172</u>

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

	2021 No.	2020 No.
Accruing benefits under money purchase pension scheme	1	1

In respect of the highest paid Director:

	2021 £ 000	2020 £ 000
Remuneration	171	151
Company contributions to money purchase pension schemes	<u>25</u>	<u>21</u>

10 Auditors' remuneration

	2021 £ 000	2020 £ 000
Audit of the financial statements	<u>12</u>	<u>19</u>

Foseco International Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

11 Tax on profit

Tax charged in the profit and loss account

	2021 £ 000	2020 £ 000
Current taxation		
UK corporation tax	15	46
Foreign tax	858	749
Total current income tax	873	795
Deferred taxation		
Arising from origination and reversal of temporary differences	69	17
Tax expense in the profit and loss account	942	812

The differences are reconciled below:

	2021 £ 000	2020 £ 000
Profit before tax	10,022	8,630
Corporation tax at standard rate	1,904	1,640
Increase from effect of expenses not deductible in determining taxable profit	10	7
Group relief not settled	(1,041)	(849)
Deferred tax restatement	-	14
Prior year adjustment	69	-
Increase from effect of foreign tax rates	873	749
(Decrease) from effects of double taxation relief	(873)	(749)
Total tax charge	942	812

Following the 2021 Budget announcement, the rate of corporation tax will be increased from 19% to 25% from the 1 April 2023. (2019 - 19%).

Foseco International Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

11 Tax on profit - continued

Deferred tax

Deferred tax assets and liabilities

Deferred tax movement during the year:

	At 1 January 2021 £ 000	Recognised in income Tax £ 000	At 31 December 2021 £ 000
Accelerated tax depreciation	14	(14)	-
Other items	55	(55)	-
Net tax assets	69	(69)	-

Deferred tax movement during the prior year:

	At 1 January 2020 £ 000	Recognised in income Tax £ 000	At 31 December 2020 £ 000
Accelerated tax depreciation	32	(18)	14
Other items	54	1	55
Net tax assets	86	(17)	69

12 Property, plant and equipment

	Land and buildings £ 000	Right of use assets plant & machinery £ 000	Total £ 000
Cost or valuation			
At 1 January 2021	54	56	739
Disposal	-	(7)	(7)
At 31 December 2021	54	49	732
Accumulated depreciation			
At 1 January 2020	9	28	293
Charge for the year	13	13	154
Disposal	-	(7)	(7)
At December 2020	22	34	440
Carrying amount			
At 31 December 2021	32	15	292
At 31 December 2020	45	28	446

Land and buildings are all leasehold improvements.

Foseco International Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

13 Debtors

	31 December 2021 £ 000	31 December 2020 £ 000
Non-current trade and other receivables		
Receivables from related parties	23,491	15,217
	31 December 2021 £ 000	31 December 2020 £ 000
Current trade and other receivables		
Receivables from related parties	5,435	4,361
Prepayments	451	673
Total current trade and other receivables	5,886	5,034

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.

14 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 2021		31 December 2020	
	No. 000	£ 000	No. 000	£ 000
Ordinary Shares of £1 each	11,000	11,000	11,000	11,000

15 Trade and other payables

	31 December 2021 £ 000	31 December 2020 £ 000
Non-current trade and other payables		
Accrued expenses	14	8
	14	8
	31 December 2021 £ 000	31 December 2020 £ 000
Current trade and other payables		
Trade payables	313	318
Accrued expenses	370	188
Amounts due to related parties	444	608
Social security and other taxes	95	103
	1,222	1,217

Foseco International Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

16 Loans and borrowings

	31 Dec 2021 £ 000	31 Dec 2020 £ 000
Current loans and borrowings		
Lease obligations – right of use land and buildings	131	129
Lease obligations – right of use other assets	18	21
	<u>149</u>	<u>150</u>
	31 Dec 2021 £ 000	31 Dec 2020 £ 000
Non-current loans and borrowings		
Lease liabilities (all payable 2-5 years) – right of use land and buildings	117	248
Lease liabilities (all payable 2-5 years) – right of use other assets	6	16
	<u>123</u>	<u>264</u>

Total cash outflow for leases in 2021 was £142,000 (2020: £144,000)

17 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 £212,000 (2020 - £173,000).

18 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.

19 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.