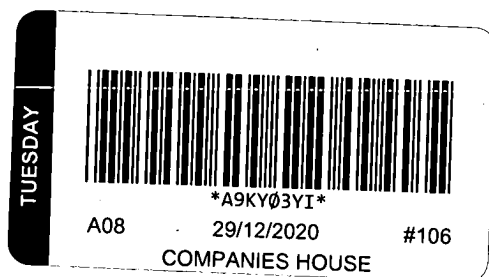


Sibelco UK Limited

Annual report and financial statements

Registered number 578631

Year ended 31 December 2019



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Strategic report

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

Strategy

The strategy of the Company is to create long term shareholder value through the extraction and processing of mineral resources.

In implementing our strategy our overriding commitment is to health and safety and the environment, ensuring at all times the safety of our employees and contractors and respecting our environment and working with the communities in which we operate.

Our vision is to be part of the best global material solutions company, market driven, operationally excellent and with a compelling culture.

Review of the business

The principal activities of the Company continue to be the extraction and processing of clay and minerals, including ball and china clays (located in Devon) and silica sands (throughout the rest of the UK). The products are marketed and sold worldwide.

The demand for our products is directly linked to the strength of the global economy and in particular Europe's glass and ceramics markets. Key financial performance indicators include the monitoring of the management of profitability and capital employed.

Key non-financial performance indicators include the monitoring of employees' health and safety.

	2019	2018	Measure
Financial			
Net Revenue (£m's)	105.2	111.0	Revenue less transportation costs
EBITDA (£m's)	11.9	9.8	Operating profit before depreciation, amortisation, and impairment
EBITDA / Net Revenue (%)	11.3%	8.9%	EBITDA / Net Revenue
EBITDA / Employee (£000)	31.4	25.5	EBITDA / Average number of employees
Return on capital employed (%)	4.3%	5.1%	Operating profit / Average capital employed
Non-financial			
Combined incident frequency rate	4.61	11.13	Lost time and modified duties incidents x 1,000,000 / hours worked
Severity rate	0.010	0.020	Days lost x 1,000 / hours worked

EBITDA is used by the company for internal performance analysis. This represents operating profit before depreciation, amortisation, and impairment.

Average capital employed is the average of the capital employed (defined as total assets less current liabilities) at the beginning and end of the year.

Net revenue is used by the Company for internal performance analysis. This represents gross product revenues less transportation cost to customer.

Net revenue decreased by 5.2% in the year mainly due to a decrease of intercompany sales to Spain and Turkey.

EBITDA has increased from £9.8m to £11.9m during the year due in the main to the decrease in cost of sales caused by IFRS16 moving the cost of leased assets into depreciation.

Operating profit has decreased from £4.6m to £4.0m mainly due to the reduction in sales volumes of our more profitable grades.

Strategic report (continued)

Review of the business (continued)

Risk & Uncertainty

The Company fosters a risk aware corporate culture but recognises that risk and uncertainty are an inherent and unavoidable component in the business environment. As such, the Company management is committed to manage risks and uncertainties in a proactive and efficient manner.

The principal risks which would impact on the Company's ability to execute its strategy are;

- (i) The inability to offer customers new and innovative products: the Company continues to invest in the research and development of new and innovative products that bring significant benefits and added value to customers' operations.
- (ii) Recruitment and development of employees: the Company recognises that its success is dependent on the contributions made by its employees. It therefore continues its policy of developing, training and investing in people so they may reach their full potential within the business.
- (iii) Energy Costs: the Company is exposed to volatility in the global energy markets and has put in place a purchasing strategy to reduce this exposure and risk.
- (iv) Access to mineral resources: natural minerals are a finite resource, and our ability to replace existing reserves frequently faces significant challenges from a variety of interested parties. Only by working closely with all stakeholders concerned can we continue to bring economic deposits to development.
- (v) Liquidity risk: is the risk that the Company will not be able to meet its financial obligations as they fall due. The company operates its banking facilities within a Group Cash Pooling arrangement, mitigating the effects of liquidity risks.
- (vi) Foreign currency risk: The Company uses forward exchange contracts to hedge its exposure to foreign exchange risks arising from its operating activities.
- (vii) Credit risk: is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. Given the large number of internationally dispersed customers the Company has limited concentration of credit risk with regard to its trade and other receivables.
- (viii) Market risk: is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments
- (ix) Market risk caused by unforeseen global health pandemics which could affect customer demand and/or the ability to provide our customers with the service as required. Current risk relating to Covid-19 further discussed in the Directors report
- (x) Market risk caused by Brexit and the UK leaving the EU which could affect the Company's supply chain to its EU customers, and the receipt of material from its EU suppliers.

Covid-19

The global coronavirus pandemic involving the spread of Covid-19 presents a number of different risks to the business. The spread is rapid and the global economic outlook uncertain. We have a large workforce across the Sibelco Group and operate in a wide range of business sectors. It follows that the risks of adverse health and safety, operational and financial impacts arising from the pandemic and the associated governmental responses in the markets where we operate could be significant.

The safety of our employees and those in our care is our first priority and is at the forefront of our response to the pandemic.

The counter measures adopted by governments around the world as they seek to mitigate the impact of the pandemic, including large scale or localised lockdowns, and the resultant disruption and economic effect in the countries where we have important customers, and the actions taken by said customers in response, will impact on our operations and

Strategic report (continued)

Review of the business (continued)

financial results leading to potential decreases in revenue, increases in costs and adverse effects on profits and cash flows.

The most material immediate reductions in demand for our products as a result of pandemic-related restrictions have arisen in industries most affected by the national economic lockdown, examples being car manufacturing and the construction industry. Further reductions in demand occurred in respect of our international customers mainly within the Ceramic and Sanitaryware industry where materials are exported to other severely affected countries.

There may be further demand reductions in other sectors driven by the economic effect of governmental restrictions, although this is likely to vary substantially from Business Line to Business line and, in some cases, we are still seeing increased demand.

Risk mitigation – Covid-19

Our parent organisation, SCR Sibelco NV, has taken action across a wide range of fronts in mitigation of the risks presented by the pandemic. They have instituted protective measures for staff in both our operational plants and our administrative functions, which included creating and issuing a new set of Covid Safe Operating Procedures for all activities and offices across the UK and all other countries where Sibelco Group have a presence.

All Sibelco Group Companies, both UK and international, including ourselves have implemented agreed Business Continuity Plans in the form of Business Line led performance teams to ensure we are actively managing the disruption presented by this pandemic and also closely monitoring customer demand and associated ability to supply. We provide essential services for our customers and the continuation of these services is a key priority.

We are working closely with customers across all Business Lines to understand their position and related actions in response to the pandemic, in some cases this has resulted in altered demand, by some reducing or cancelling orders. Our Commercial-led Business lines are continuing to work diligently on mitigating the drop in demand by winning new customers, an exercise which has proved successful in most cases. We are also working diligently to redeploy our employees affected by the change in demand in certain operational facilities to others where we have prioritised our workforce over agency staff in order to maximise profit across Sibelco UK. We are also ensuring that we support our employees by ensuring we understand, and engage, the help and support available from UK government.

From a funding perspective, we are adopting a prudent stance in relation to our liquid resources, and we currently have a strong liquidity position in the UK parent company of WBB & Co Limited. The ultimate parent of SCR Sibelco has not recommended payment of the 2019 final dividend to Shareholders and we have implemented strict cost and cash flow management measures to ensure we protect the cash position of those Sibelco Group Companies within the UK.

Section 172(1) statement

The Board of directors, having regard to their duties under s172 of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. The Company's senior leadership team considers the view of its stakeholders through regular reporting and uses this information to access the impact of decisions on each stakeholder group. Details of the company's key stakeholders and how we engage with them are set out below.

Engagement with employees

Our employees are key to our company. We are committed to ensuring an inclusive and innovative work environment. In order for our employees to provide regular constructive feedback we invite them to participate in annual engagement surveys that drive change within the business. The senior management team share the overall results of the survey with employees use them to implement any actions for improvement.

Strategic report (continued)

Section 172(1) statement (continued)

On a bi-annual basis, senior management team have also committed to physically attend each of our locations and hold site representative forums where personnel are invited to a Q&A session with the management team and are able, without prejudice, discuss any and all topics relevant to the production site or the business as a whole.

On a more regular basis each site holds a monthly Forum with site management and employee groups to ensure there is a regular two-way flow of information.

During the Covid-19 pandemic we continued to operate in all ten of our physical production facilities across the country as the industries we serve were categorised as essential to the Country. In order to do this safely we introduced multiple safe operating procedures in all locations and for all regular activities, starting with strict temperature controls at each site entrance. We also introduced restriction of movement on site and social distancing in addition to providing all the necessary PPE to protect our workforce. Due to the nature of the business there were only limited employees who could work from home, but those people were encouraged to do so where practical and safe. As the COVID-19 situation has evolved we have maintained regular communication with our employees regarding any additional measures we have had to introduce.

Developing our employees is key to the business therefore we have our own "Sibelco Academy" which provides on the job training to give them the skills and knowledge they require to do their jobs as well as opening up possibilities to learn new skills in different areas. As a company we also subscribe to Edx which allows employees to have access to free certificated courses in many subjects. This program is facilitated by our Learning and Development function.

In 2019 the company introduced a partially funded social committee who organise social events for employees as well as events which support local Charities and Community causes. Even through the Covid-19 situation where social gatherings have been difficult, if not impossible, the social committee has continued to provide positive communication flow to the workforce in the form of online activities.

The Company is an equal opportunities employer and gives full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. The Company has a requirement that all employees must abide by its Code of Conduct highlighting that any type of discrimination will not be tolerated and reinforcing the availability of the Code of Conduct Hot Line to report breaches of any kind.

Suppliers

Sibelco UK Ltd suppliers are valued as our external partners and are vital to the business.

We have developed procedures linked to supplier selection, development and assessment in the UK to ensure we work in a safe partnership with our suppliers. Each supplier has to take part in, and agree to, multiple site inductions, relevant to the activity taking place. Each supplier must also be part of our approved contractors database where relevant safety certifications and insurance documentation are checked and stored again demonstrating that the suppliers meet our high standards of safety, which is always our number one priority as a business.

Each supplier is allocated a direct procurement contact to ensure communication channels are open for any and all necessary discussions.

Regular complaint reviews are also done internally to ensure suppliers action and respond to any open complaints to ensure corrective measures are implemented.

Strategic report (continued)

Section 172(1) statement (continued)

Customers

We engage with our customers in a number of ways outlined below

Vice President – Global Business Line (VP)

As a company we operate across ten different categories of business, known internally as Business Lines (BL). Each of these BL's has a global lead who is responsible for managing a multi-national team of Account Managers who will locally take responsibility for customers assigned to their BL. The VP is also responsible for complex customer organisations that span across multiple sites and, in many instances, geographies. The VP also has a responsibility for the profit or loss of the BL globally. The VP works together with local team members to align on both operational and customer strategic objectives to ensure that as a business we can continue to provide our customers to the high level as is expected. Note 2 in the accounts shows the various BL's in questions together with the associated revenue each provides to the company.

Account Managers

Each of our customers is allocated to a business line and subsequently an Account Manager is assigned to them. Even though the Business Lines are sometimes led by employees who are not based in the UK, as a company we ensure that each customer has a local account manager they can contact. Each Account Manager will regularly visit, or if not possible to visit they will call and interact with new and existing customers to understand market changes and trends. They are the primary commercial contact for all buying accounts and own the customer relationships.

Technical Consultants and Technical Engineers

Depending on the market, or specificity of the products being sold, we employ a technical team who offer specialist advice direct to our diverse customer base. These employees regularly visit and interact with new and existing customers to implement best practice of technology and train new customers on applications. They are the primary technical and operational contact for the customer.

Customer Experience Representatives (CEX)

In 2019 Sibelco created a new function in order to monitor our customers experience when interacting with Sibelco, either with our head office functions or directly at our production facilities. This team provides the customer with direct contact and is able to act and resolve any issues faced. We feel this is an important new function proving that we operate with the "customer at the centre". CEX also proactively call customers on a regular basis to gain feedback on service performance – delivery, quality and responsiveness.

Customer Service Representatives (CS)

Based at our head office in Sandbach this team places all orders for products, request pricing and raise complaints. CSRs are divided based on export or domestic and then Business Line. CS have a very important role in the business providing a link to Customer Experience and also Account Managers.

Community Liaison

Due to the nature of our business and the perception that our operational facilities would negatively impact surrounding communities we ensure that we support many community projects by way of either direct involvement, or sponsorship/donation to local causes. Each production facility also holds regular open days with the community to allow local residents to visit and see first hand the high standards to which we operate and to allow open engagement with senior site management.

Environment

Again, due to the nature of our business and the impact our operations have on the surrounding environment, it is vitally important to us that we do everything possible to maintain and preserve the surrounding environment. Even prior to the first extraction of any material our sustainability function must have in place a detailed plan of how we will return the area back to a fully restored and environmentally sound state. Note 19 of the accounts shows the restoration provision commitment made by the company.

As a company we also engage multiple environmental consultants who advise on each stage of our operations to ensure that we do not interfere with any endangered wildlife habitats.

By order of the board



S Tatton
Director

Date: 23/12/2020

Registered office
Brookside Hall
Congleton Road
Sandbach
Cheshire
CW11 4TF

Directors' report

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

Directors of the Company

The following is a list of all persons who were directors of the Company at any time between 1 January 2019 and the date of this report:

KJE Decat

J-L Deleersnyder

J Emsens – resigned 25th of June, 2019

MC James

F Moreno Diaz – resigned 31st of December, 2019

MP Addiscott – resigned 31st of March, 2019

JW van Put

S Tatton – appointed 3rd of January, 2019

Dividends

No dividend was paid during the year (2018: nil).

Research and Development

We base our Research and Development on having a deep understanding of our mineral products, their upgrading opportunities, the actual and future needs of customers and of the markets Sibelco operates in. It means offering the right products and technologies that customers require and bringing them to market fast and effectively.

Future Developments

Globally, economic recovery continues at a slow rate and trading conditions will again be challenging, however the Company remains in a strong position to take advantage of further market upturns. The Company's strategic plan is still well founded and we will continue to improve production efficiencies and invest in areas of growth. The Company is currently preparing for the impact of BREXIT by assessing the potential outcomes likely during 2020. An internal committee is working on these assessments and also to make recommendations on how best to mitigate any potential impacts to the trading capability of the Company after BREXIT. Currently, the only areas of concern highlighted relate to the import and export of material and strategic plans have already been put into place.

Financial instruments

The risks related to financial instruments are provided in the strategic report on page 2.

Directors' report (continued)

Going Concern

The directors have adopted the going concern basis in preparing the accounts taking into consideration the impact of the current COVID-19 environment on the business for the remainder of 2020, and the period of twelve months from the approval of these accounts. Whilst the situation evolves daily, making scenario planning difficult, we have considered impacts on sales volumes to each Business Line using up to data sales forecasts, related profit margin and associated cash flows. We have assumed that our operations will continue to remain open, despite the potential for localised Government lockdowns as we have been designated as an essential business due to the markets we serve. We have also assumed that we will continue to be able to sell our products to customers. Whilst the virus may impact across many functions of the business it has manifested itself primarily in lost volumes and has required significant action in relation to operational cost reductions.

Overall, for 2020 we remain confident that the forecasted volumes will be achieved, however we have also scenario-planned for a reduction of volumes (in the range of 5% - 20%). For 2021 we have scenario-planned in relation to volumes dropping from budget 2020 in line with volumes achieved during the height of the pandemic (in the range of 20-30% below budget 2020), and the impact lasting for a significant part of 2021.

The revenue and operational impact of such a volume loss would have a negative impact on Sibelco UK profitability however the scenario modelling indicates that we would remain profitable over the next 12 months.

We operate as an integral part of the SCR Sibelco NV group using internal credit facilities via our internal financing company, Silfin NV and hence, in concluding on going concern, we obtained a letter of support from our parent undertaking covering a period of at least 12 months from the date of approval of the financial statements. We have considered the group's financial position in reaching our conclusions. We are satisfied that a combination of our scenario planning and the support which has been confirmed from our parent undertaking means that it is appropriate for the accounts to be prepared on a going concern basis.

Post Balance Sheet Event

The outbreak of COVID-19 is considered to be a non-adjusting post balance sheet event as at 31 December 2019 on the basis that the World Health Organisation was first informed of cases of a new virus in Wuhan on 31 December and as such had not declared a global health emergency at that date. Consequently, no adjustments have been made to the Company's reported results or financial position as a result of COVID-19. The impact of this has been disclosed in the strategic report. The future financial impact cannot presently be estimated as it is highly dependent on the severity and duration of the pandemic, but it could be material to the Company's results and financial position and could result in the revision of certain estimates, in particular bad debt and slow moving stock provisions.

On 31st July 2020 a new loan was placed between the company and WBB & Co Ltd for a value of £10,97m with a maturity date of 15th September 2021. In December 2020 an existing loan between the company and Silfin NV of £14.5m was extended for a further three month period to March 2021.

Health and Safety

The safety of our employees, contractors, visitors and the public is our first and most important priority. Our goal is a workplace which is, as far as reasonably practicable, safe and without risks to health – ZERO HARM - where each and every employee is always concerned for their own safety and the safety of others. This is in line with the Sibelco Going for Zero programme. In support of our ambition of ZERO Harm, Sibelco UK has undertaken a Safety Day on all sites with a focus on Emergency Preparedness in 2019. The Safety Days are an annual event with different relevant themes being focussed on each year. Future plans include further development of our Behavioural Safety Program as part of the commitment towards continuous improvement.

The company has maintained its SHEQ management systems and associated accreditation to recognised national and international standards, namely; OSHAS18001, ISO14001 and ISO9001. In addition, the company has achieved the ISO50001 accreditation following the successful implementation of an Energy Management system throughout the UK business

Directors' report (continued)

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

During the year, the policy of providing employees with information about the group has been continued through the newsletters, announcements, road shows, employee representative meeting. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the Company's bonus schemes.

Restoration and Community

We continuously engage with local communities and key stakeholders to achieve mutually beneficial outcomes from our operations around the UK. As well as minimising any disruption caused by our activities, we actively support numerous community projects every year.

In addition to ensuring our quarries are fully compliant with (and in many cases go beyond) legislative environmental requirements, we work with numerous local environmental groups to create brand new wildlife habitats that make a positive contribution to biodiversity – many of which have won awards at both local and national level.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

By order of the board



S Tatton

Director

Date: 23 / 12 / 2020

Registered office

Brookside Hall
Congleton Road
Sandbach
Cheshire
CW11 4TF

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIBELCO UK LIMITED

Opinion

We have audited the financial statements of Sibelco UK Ltd for the year ended 31 December 2019 which comprise of the Income statement, Statement of comprehensive income, Statement of changes in equity, Statement of financial position, Cash flow statement and related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view 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 IFRSs as adopted by the European Union; 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 below. 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.

Emphasis of matter – Effects of COVID-19

We draw attention to Note 1 and Note 27 of the financial statements, which describes the economic and social consequences the company is facing as a result of COVID-19 which is mainly impacting customer demand. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIBELCO UK LIMITED (continued)

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.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIBELCO UK LIMITED (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, 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.

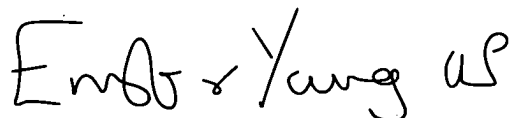
Auditor's responsibilities for the audit of the financial statements

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 these financial statements.

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

Use of our 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.



Julian Yates (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester

Date: 23/12/20

Income statement
for the year ended 31 December 2019

	<i>Note</i>	2019	2018
		£	£
Revenue	2	126,798,058	130,642,781
Cost of sales		(79,695,560)	(88,637,976)
Gross profit		47,102,498	42,004,805
Transportation costs		(21,553,867)	(19,633,444)
Administrative expenses		(19,937,492)	(14,681,832)
Other operating income	2	12,589	291,262
Other operating expenses	3	(1,623,313)	(3,353,901)
Operating profit	4	4,000,415	4,626,890
Finance income	7	51,358	113,379
Finance expense	8	(1,721,311)	(1,403,870)
Net financing expense		(1,669,953)	(1,290,491)
Profit before taxation		2,330,462	3,336,399
Taxation	9	228,102	(312,673)
Profit for the year		2,558,564	3,023,726

The above results all relate to continuing operations.

The notes on pages 18 to 52 form part of these financial statements.

Statement of comprehensive income
for the year ended 31 December 2019

	<i>Note</i>	2019	2018
		£	£
Profit for the year		2,558,564	3,023,726
Remeasurement of the net defined benefit pension liability		(9,412,828)	8,716,902
Deferred tax movements on defined benefit pension liability taken to other comprehensive income		1,600,181	(1,531,208)
Total comprehensive income for the year	23	(5,254,083)	10,209,420
Total comprehensive income is attributable to:			
Equity shareholders	23	(5,254,083)	10,209,420

Statement of changes in equity
for the year ended 31 December 2019

	Share capital	Share premium account	Capital Reserve	Profit and loss account	Total
	£	£	£	£	£
At 1 January 2018	220,404	24,049,998	146,944	4,065,426	28,482,772
Adjustment for restoration provision	-	-	-	-	-
Profit for the year	-	-	-	3,023,726	3,023,726
Remeasurement of defined benefit liability	-	-	-	8,716,902	8,716,902
Deferred tax movements on defined benefit liability	-	-	-	(1,531,208)	(1,531,208)
Dividend paid	-	-	-	-	-
At 1 January 2019	220,404	24,049,998	146,944	14,274,846	38,692,192
Adjustment for restoration provision	-	-	-	-	-
Profit for the year	-	-	-	2,558,564	2,558,564
Remeasurement of defined benefit liability	-	-	-	(9,412,828)	(9,412,828)
Deferred tax movements on defined benefit liability	-	-	-	1,600,181	1,600,181
Dividend paid	-	-	-	-	-
At 31 December 2019	220,404	24,049,998	146,944	9,020,763	33,438,109

The notes on pages 18 to 52 form part of these financial statements.

Statement of financial position
at 31 December 2019

	Note	2019	2018
		£	£
Non-current assets			
Intangible assets	10	99,363	31,774
Property, plant and equipment	11	71,647,488	55,503,577
Investments	12	6,059,310	6,059,310
Deferred tax	21	1,398,922	846,192
		<u>79,205,083</u>	<u>62,440,853</u>
Current assets			
Inventories	13	15,567,325	16,018,408
Trade and other receivables	14	14,464,067	18,723,100
Tax receivable		2,055,444	261,755
Cash and cash equivalents including amounts held with fellow group undertakings	15	24,300,573	26,856,727
		<u>56,387,409</u>	<u>61,859,990</u>
Total assets		<u>135,592,492</u>	<u>124,300,843</u>
Current liabilities			
Trade and other payables	16	(25,681,484)	(32,720,299)
Overdrafts and financial liabilities	17	(17,749,149)	(303,081)
		<u>(43,430,633)</u>	<u>(33,023,380)</u>
Non-current liabilities			
Trade and other payables	16	(3,536,859)	(3,538,473)
Financial liabilities	17	(24,290,248)	(18,037,992)
Employee benefits	18	(18,048,756)	(18,729,102)
Provisions	19	(12,847,887)	(12,279,704)
		<u>(58,723,750)</u>	<u>(52,585,271)</u>
Total liabilities		<u>(102,154,383)</u>	<u>(85,608,651)</u>
Net assets		<u>33,438,109</u>	<u>38,692,192</u>
Equity			
Called up share capital	22	220,404	220,404
Capital reserve	23	146,944	146,944
Share premium account	23	24,049,998	24,049,998
Profit and loss account	23	9,020,763	14,274,846
Total equity		<u>33,438,109</u>	<u>38,692,192</u>

The notes on pages 18 to 52 form part of these financial statements.

These financial statements were approved by the board of directors on 23 December 2020 and signed on its behalf by:



S Tatton
Director

Cash flow statement
for the year ended 31 December 2019

	Note	2019	2018
		£	£
Cash flows from operating activities			
Profit before taxation		2,330,462	3,336,399
<i>Adjustments for:</i>			
Depreciation charge	11	7,852,758	5,181,460
Amortisation charge	10	24,087	27,101
Financial income	7	(51,358)	(113,379)
Financial expense	8	1,721,311	1,403,870
Net (profit) on sale of property, plant and equipment		-	(186,586)
GMP past service cost		-	2,000,000
Other net financial and debt charges		(313,808)	(75,820)
		<u>11,563,452</u>	<u>11,573,045</u>
(Increase)/decrease in inventories	13	451,083	(4,166,601)
(Increase)/decrease in receivables		4,259,032	2,670,054
Increase/(decrease) in payables		(7,040,425)	5,928,503
Increase/(decrease) in provisions		186,597	(22,125)
Contributions to defined benefit pension scheme	18	(10,475,999)	(10,316,997)
		<u>(1,056,260)</u>	<u>5,665,879</u>
Corporation tax (paid)/repaid		(518,137)	(792,698)
Net cash from operating activities		(1,574,397)	4,873,181
Cash flows from investing activities			
Capital element of finance lease payments		(3,148,642)	(430,341)
Interest received		51,358	113,379
Proceeds from sale of property, plant and equipment		-	291,262
Purchase of intangible non-current assets	10	(91,676)	-
Purchase of property, plant and equipment	11	(11,221,059)	(4,470,934)
		<u>(14,410,019)</u>	<u>(4,496,634)</u>
Net cash (used in) investing activities only		(14,410,019)	(4,496,634)
Cash flows from financing activities			
Interest paid		(393,071)	(242,946)
Interest element of finance leases		(250,020)	(7,598)
Decrease in overdraft		-	(256,386)
Increase of loan owed to group undertaking		14,200,000	3,349,878
Dividends paid		-	-
		<u>13,556,909</u>	<u>2,842,948</u>
Net cash from financing activities		13,556,909	2,842,948
Net increase in cash and cash equivalents		(2,427,507)	3,219,495
Net cash and cash equivalents at 1 January		26,728,080	23,508,585
Net cash and cash equivalents at 31 December		24,300,573	26,728,080
Cash and cash equivalents included in current assets	15	24,300,573	26,856,727
Current borrowings owed to fellow group undertakings	17	-	(128,647)
		<u>24,300,573</u>	<u>26,728,080</u>

Cash and cash equivalents include amounts held with fellow group undertakings.

Notes

(forming part of the financial statements)

1 Accounting policies

Sibelco UK Limited (the "Company") is a company incorporated and domiciled in the UK.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). However, the Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirement of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- (b) the requirement of paragraphs 130(f) (ii)-(iii), 134(d) – 134(f) and 135(c) to (e) of IAS 36 Impairment of Assets.

The full disclosures relating to these exemptions can be found in the consolidated financial statements of the ultimate parent company of the group, SCR Sibelco NV incorporated in Belgium.

The accounting policies set out below have been applied consistently to all periods in these financial statements.

The financial statements have been prepared on a going concern basis. See the Directors' report for further information concerning the appropriateness of this assumption.

Going concern

The directors have adopted the going concern basis in preparing the accounts taking into consideration the impact of the current COVID-19 environment on the business for the remainder of 2020, and the period of twelve months from the approval of these accounts. Whilst the situation evolves daily, making scenario planning difficult, we have considered impacts on sales volumes to each Business Line using up to data sales forecasts, related profit margin and associated cash flows. We have assumed that our operations will continue to remain open, despite the potential for localised Government lockdowns as we have been designated as an essential business due to the markets we serve. We have also assumed that we will continue to be able to sell our products to customers. Whilst the virus may impact across many functions of the business it has manifested itself primarily in lost volumes and has required significant action in relation to operational cost reductions.

Overall, for 2020 we remain confident that the forecasted volumes will be achieved, however we have also scenario-planned for a reduction of volumes (in the range of 5% - 20%). For 2021 we have scenario-planned in relation to volumes dropping from budget 2020 in line with volumes achieved during the height of the pandemic (in the range of 20-30% below budget 2020), and the impact lasting for a significant part of 2021.

The revenue and operational impact of such a volume loss would have a negative impact on Sibelco UK profitability however the scenario modelling indicates that we would remain profitable over the next 12 months.

We operate as an integral part of the SCR Sibelco NV group using internal credit facilities via our internal financing company, Silfin NV and hence, in concluding on going concern, we obtained a letter of support from our parent undertaking covering a period of at least 12 months from the date of approval of the financial statements. We have considered the group's financial position in reaching our conclusions. We are satisfied that a combination of our scenario planning and the support which has been confirmed from our parent undertaking means that it is appropriate for the accounts to be prepared on a going concern basis.

Changes in accounting policies and disclosures

New and amended standards and interpretations

The Company applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

The Company only lists and addresses those new and amended standards and interpretations that are relevant to the Company's financial position, performance and/or disclosures.

Notes (continued)

The nature and the impact of each new standard and amendment is described below:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Company adopted IFRS 16 using the modified retrospective method of adoption, with the cumulative effect recognised at the date of initial application of 1 January 2019. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

In addition the Company also elected to use the following practical expedients to leases previously classified as operating leases when applying the standard using the modified retrospective method.

- A single discount rate has been applied to a portfolio of leases with reasonably similar characteristics (e.g., leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).
- Rely on the assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review. Initial direct costs have been excluded from the measurement of the right-of-use asset at the date of initial application. Hindsight has been used, such as in determining the lease term if the contract contains options to extend or terminate the lease.
- Comparative figures are not restated under the retrospective method of adoption and the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application of 1 January 2019.

Notes (continued)

1 Accounting policies (continued)

Based on the above, as at 1 January 2019 the effect of IFRS 16 adoption is as follows:

Assets	£
Right of use assets: Land & Buildings	2,417,879
Right of use assets: Plant & Processing equipment	<u>7,108,171</u>
Total assets	9,526,050
 Liabilities	
Lease obligations IFRS16	<u>9,526,050</u>
Total liabilities	9,526,050

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	£
Operating Lease commitments at December 2018	13,620,085
Lease of low value assets	(2,500)
Other lease obligations	<u>(3,161,069)</u>
Operating lease obligations as of 1 January 2019 (gross, without discounting)	10,456,516
Discounting	<u>(930,466)</u>
Operating lease obligations as of 1 January 2019 (net, discounted)	9,526,050

Operating leases relating to supply of plant & machinery for the extraction of minerals are included in the operating lease commitments at 31 December 2018. However, consistent with the application of IFRS16, specifically the right to control an asset, these contracts have been excluded for the scope of IFRS16. In this context, "Other lease obligations" mainly reflects the scope exclusion for these service contracts.

Notes (continued)

1 Accounting policies (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Entity determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Entity applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Company determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Company.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no material impact on the consolidated financial statements of the Company as it did not have material plan amendments, curtailments, or settlements during the period.

Consolidated financial statements

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. The financial statements present information about the Company as an individual undertaking and not about its group.

Notes (continued)

1 Accounting policies (continued)

Intangible assets and goodwill

In respect of acquisitions that have occurred since 1 January 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

In respect of acquisitions prior to 1 January 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable save that only separable intangibles were recognised and goodwill was amortised. On transition, certain items recognised as other intangibles under IFRS (but not all such items) have been separately accounted for with appropriate adjustments against goodwill, and amortisation of goodwill has ceased, as required by IFRS 1.

Other intangible assets that are acquired by the company are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Software	-	3-5 years
Customer-related intangible assets	-	5 years

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 January 2004, the date of transition to Adopted IFRSs, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under finance leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. All other lease payments, 'operating leases', are described on page 15.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The depreciation of the site restoration asset component is over a 12 year period. The estimated useful lives are as follows:

Buildings – freehold and long leasehold	-	30 years
Buildings – short leasehold	-	Length of lease
Plant and equipment	-	3, 5, 7 or 12 years
Motor cars	-	5 years

Freehold land is not depreciated except in the case of certain mineral deposits. Assets under construction are not depreciated before being brought into operation.

Mineral deposits (included within land and buildings) are initially recognised at cost and are then depreciated on a per tonne basis in relation to the geologists' estimates of total tonnage in the deposit. These estimates of remaining tonnage are reassessed each year and the prospective depreciation charge per tonne is adjusted accordingly.

Assets under construction consist of the directly attributable costs of property, plant and equipment being brought into operation for the purpose of extraction and processing of clay and minerals

Notes (continued)

1 Accounting policies (continued)

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease term is determined as the non-cancellable period of a lease together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The Company considers all relevant facts and circumstances in the assessment whether an option is reasonably certain to be exercised such as significant leasehold improvements undertaken (or expected to be undertaken) over the term of the contract and costs relating to the termination of the lease, such as negotiation costs, relocation costs, costs of identifying another underlying asset suitable for the Company's needs.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is usually not readily determinable. The Company determines the incremental borrowing rate based on an applicable reference rate and a specific margin. The reference rate is based on the specific lessee's country reflecting the currency and country risk and taking into account the lease term of the contract. The margin reflects the incremental spread applicable to the Company based on market data and available funding contracts. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in Financial Liabilities – see Note 17: Overdrafts and Financial liabilities

Notes (continued)

1 Accounting policies (continued)

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of both machinery and office equipment that are considered to be low value which is defined as £10,000 for the whole Company. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Inventories

Inventories are stated at the lower of cost and estimated net realisable value. Cost includes appropriate overheads and is determined on the 'first in first out' or average cost basis.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Note 19 contains information about the assumptions and estimates relating to restoration provisions.

Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Notes (continued)

1 Accounting policies (continued)

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Defined benefit plans

The Company operates a defined benefit pension plan for Sibelco UK Limited and its intermediate parent company, Watts Blake Bearne & Co Ltd. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) is deducted. The liability discount rate is the yield at the reporting date on AA credit rated bonds that have maturity dates approximating to the terms of the Company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

All actuarial gains and losses, along with any corresponding deferred taxation are recognised directly in equity and are presented in the Statement of comprehensive income.

Where the calculation results in a benefit to the Company, the asset recognised is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Revenue from Contracts with customers

The Company is in the business of providing industrial minerals to serve its customers in the glass, ceramics, energy, metal & casting, construction & engineering, chemical, electronics and other industries.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The Company has generally concluded that it is the principal in its revenue arrangements, except for the agency services below, because it typically controls the goods or services before transferring them to the customer.

Sale of goods

Revenue from sale of equipment is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. The normal credit term is 30 to 90 days upon delivery.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of equipment, the Company considers the effects of variable consideration and the existence of significant financing components (if any).

By-products are ignored until they are sold, at which time revenues are recognised in profit or loss and classified as other income.

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts provide customers with volume rebates. The volume rebates give rise to variable consideration.

(ii) Significant financing component

Generally, the Company receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Notes *(continued)*

1 Accounting policies *(continued)*

In case the Company receives long-term advances from customers the transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Company and its customers at contract inception, to take into consideration the significant financing component.

Contract balances

(i) Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

(ii) Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

(iii) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

Rendering of services

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the reporting date.

Commissions

Amounts collected on behalf of, and passed on to, the seller in an agency relationship are not revenue of the agent. In such relationship, the revenue of the agent is the amount of commission which is deducted from the selling price plus any other charges made by the agent to the seller and other parties.

In case of a principal in an agency relationship, the revenue is the gross amount charged to the ultimate customer. Any commissions paid to (or deducted by) agents is accounted for as an expense.

Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement unless it is more appropriate to recognise them on some other systematic and rational basis.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

Expenses

Operating lease payments

Payments from operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Notes (continued)

1 Accounting policies (continued)

Net financing costs

Net financing costs comprise interest payable, finance charges on finance leases, interest receivable on funds invested and dividend income that are recognised in the income statement. Finance charges from finance leases are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

Other operating income

Profits arising on the sale of property, plant and equipment are recognised within other operating income. The sale is recognised upon legal completion. Where there are associated costs including, but not limited to, agent fees, VAT, land remediation necessarily incurred to secure a sale, they are netted against the sales proceeds.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Investments

Investments in subsidiaries are carried at cost less impairment

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows. A central component of the Company's treasury policy is that cash balances and bank overdrafts are held with a fellow group undertaking, to maximise financial benefits to the Company and its ultimate parent undertaking. All cash balances, overdrafts, loans and borrowings between the group and other companies in the SCR-Sibelco NV group are organised on an arm's length basis, being interest bearing at relevant market rates.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from its operating activities. Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, they are stated at their fair value, with any resultant gain or loss being recognised in the income statement, along with any gains or losses recognised in the hedged item.

Notes (continued)

1, Accounting policies (continued)

Impairment excluding inventories and deferred tax assets

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Accounting judgements

Management consider there are no critical accounting judgements made in the preparation of the financial statements. The key sources of estimation and uncertainty are:

Mineral properties

The directors have reviewed the carrying value of mineral properties reported within land and buildings and believe it is appropriate in the context of current trading levels and strategic direction of the Group.

Pensions

The directors have employed the services of an actuary in assessing pension assets and liabilities. Note 18 contains information about principal actuarial assumptions used in the determination of the assets and liabilities for the defined benefit obligations.

Restoration provisions

Note 19 contains information about the assumptions and estimates relating to restoration provisions.

Notes (continued)

2 Revenue & other operating income

	2019 £	2018 £
Sale of goods by geographical location		
UK	74,223,727	75,872,417
Europe	38,689,781	41,600,638
Rest of World	13,884,550	13,169,726
	<u>126,798,058</u>	<u>130,642,781</u>

	2019 £	2018 £
Sales of goods by Business line		
Build Environment	54,965,553	51,073,399
Coating, Polymer & Chemical Solutions	15,410,567	21,305,025
Glass Solutions	30,107,423	31,395,937
Water & Environmental Solutions	1,693,318	1,807,634
Intercompany	24,621,197	25,060,786
	<u>126,798,058</u>	<u>130,642,781</u>

	2019 £	2018 £
Other operating income		
Profit on disposal of land	-	85,762
Profit on disposal of property, plant and equipment	12,589	205,500
	<u>12,589</u>	<u>291,262</u>

During the year the Company sold a further section of an old quarry to a local council, and an old fishing lake to a sports club. All proceeds were received in the year.

Notes (continued)

3 Other operating expenses

	2019 £	2018 £
Redundancy and reorganisation	670,758	72,000
Property consultancy and other costs	952,555	1,177,223
Loss on disposal of property, plant and equipment	-	104,678
Exceptional cost relating to pension GMP recognition	-	2,000,000
	<u>1,623,313</u>	<u>3,535,901</u>

4 Operating profit

	2019 £	2018 £
The operating profit is stated after charging / (crediting):		
Depreciation of property plant and equipment - owned	4,755,369	4,705,093
Depreciation of property plant and equipment – leased	304,544	476,367
Depreciation of property plant and equipment – right of use	2,792,845	-
Cost of inventories recognised as expense	18,599,255	21,283,276
Amortisation of intangible fixed assets	24,087	27,101
Auditor remuneration: Audit of these financial statements	68,000	67,796
Hire of plant and equipment	3,297,222	4,889,468
Exchange differences	159,743	(258,815)
Property rental income	(238,406)	(199,442)
	<u></u>	<u></u>

Notes (continued)

5 Remuneration of directors

The remuneration of the Executive Directors is determined annually by the Remuneration Committee. The Remuneration Committee has discretion to make awards to Directors when merited by performance or to reconcile to local market conditions or other special circumstances.

The emoluments of the directors were as follows:

	2019 £	2018 £
Directors' emoluments	528,968	545,489
Payments to defined contribution pension schemes	3,877	13,306
	<u>532,845</u>	<u>558,795</u>

The amounts set out above include remuneration in respect of the highest paid Director as follows:

	2019 £	2018 £
Directors' emoluments	<u>417,634</u>	<u>434,601</u>

The remuneration of some of the Sibelco UK Limited directors, who are also directors of SCR Sibelco NV, is borne in that company's financial statements.

6 Staff numbers and costs

	2019 £	2018 £
Wages and salaries	15,373,138	14,919,347
Social security costs	1,461,380	1,493,297
Pension costs: Contributions to defined contribution plans (see note 18)	1,563,846	1,776,349
Expenses related to defined benefit plans	447,000	350,004
GMP equalisation costs	-	2,000,000
	<u>18,845,364</u>	<u>20,538,997</u>

The average number of persons, including Directors, employed by the Company during the year was:

	Number	Number
Operations	301	307
Selling, general and administration	79	79
	<u>380</u>	<u>386</u>

Notes (continued)

7 Finance income

	2019 £	2018 £
Interest income from fellow group undertakings	51,313	70,193
External interest income	-	2
Other financial income	45	43,184
	<u>51,358</u>	<u>113,379</u>

8 Finance expense

	2019 £	2018 £
Interest expense to fellow group undertakings	393,071	242,946
Interest expense of RoU assets	246,492	-
Interest charge on finance leases	3,528	7,598
Other financial expenses to fellow group undertakings	114,368	-
Other financial expenses	199,440	75,820
Unwinding of discount on provisions (note 19)	381,586	358,506
Net interest on defined benefit pension plan obligation (note 18)	382,826	719,000
	<u>1,721,311</u>	<u>1,403,870</u>

Notes (continued)

9 Taxation

	2019	2018
	£	£
Recognised in the income statement		
Current tax expense on profit for the year at 19.00% (2018: 19.00%)	(1,844,819)	(571,085)
Adjustments in respect of prior years	569,267	(192,283)
Current tax (credit) / expense	(1,275,552)	(763,368)
Deferred tax expense:		
Origination and reversal of temporary differences	2,384,807	955,879
Reduction in tax rate	(197,842)	172,798
Adjustments in respect of previous years	(1,139,515)	(52,636)
Deferred tax expense (see note 21)	1,047,450	1,076,041
Total tax in income statement	(228,102)	312,673
	2019	2018
	£	£
Reconciliation of effective tax rate		
Profit before taxation	2,330,462	3,336,399
Tax using UK corporation tax rate of 19.00% (2018: 19.00%)	442,787	633,916
Non-deductible expenses	97,219	99,473
Adjustments to tax charge in respect of previous years	(570,248)	(244,919)
Change in deferred taxation rate	(197,841)	172,798
Other reconciling items	(19)	(348,595)
Total tax in income statement	(228,102)	312,673

Notes (continued)

10 Intangible assets

	Software £	Contract-related intangibles £	Total £
Cost			
At 1 January 2018	468,316	282,547	750,863
Disposals	-	-	-
Transfers	-	-	-
At 31 December 2018	468,316	282,547	750,863
At 1 January 2019	468,316	282,547	750,863
Disposals	-	-	-
Additions	91,676	-	91,676
At 31 December 2019	559,992	282,547	842,539
Amortisation			
At 1 January 2018	468,316	223,672	691,988
Charge in the year	-	27,101	27,101
Disposals	-	-	-
At 31 December 2018	468,316	250,773	719,089
At 1 January 2019	468,316	250,773	719,089
Charge in the year	4,170	19,917	24,087
Disposals	-	-	-
At 31 December 2019	472,486	270,690	743,176
Net book value			
At 1 January 2018	-	58,875	58,875
At 31 December 2018 and 1 January 2019	-	31,774	31,774
At 31 December 2019	87,506	11,857	99,363

The amortisation charge in the current and prior year is recognised in administrative expenses in the income statement.

Notes (continued)

11 Property, plant and equipment

	Land and buildings	Plant and vehicles	Under construction	Land & Buildings R of U assets	Plant & Vehicles R of U assets	Total
	£	£	£	£	£	£
Cost						
At 1 January 2018	65,880,647	112,523,978	3,836,789	-	-	182,241,414
Additions	-	-	4,470,934	-	-	4,470,934
Transfers	9,600	2,196,960	(2,206,560)	-	-	-
Disposals	(439,590)	(1,546,168)	(58,494)	-	-	(2,044,252)
At 31 December 2018	65,450,657	113,174,770	6,042,669	-	-	184,668,096
At 1 January 2019	65,450,657	113,174,770	6,042,669	-	-	184,668,096
Adoption of IFRS 16	-	-	-	2,417,879	7,108,171	9,526,050
Additions	1,280	-	11,219,779	16,931	954,510	12,192,500
Remeasurement -RoU assets	-	-	-	-	2,278,119	2,278,119
Transfers	(68,775)	4,734,758	(4,665,983)	-	-	-
Disposals	(8,927)	(889,120)	-	-	-	(898,047)
At 31 December 2019	65,374,235	117,020,408	12,596,465	2,434,810	10,340,800	207,766,718
Depreciation						
At 1 January 2018	37,835,090	88,087,544	-	-	-	125,922,634
Provided for the year	1,146,591	4,034,869	-	-	-	5,181,460
Disposals	(439,590)	(1,499,985)	-	-	-	(1,939,575)
At 31 December 2018	38,542,091	90,622,428	-	-	-	129,164,519
At 1 January 2019	38,542,091	90,622,428	-	-	-	129,164,519
Provided for the year	1,148,421	3,911,492	-	151,969	2,707,015	7,918,897
Remeasurement -RoU assets	-	-	-	-	(66,139)	(66,139)
Disposals	(8,927)	(889,120)	-	-	-	(898,047)
At 31 December 2019	39,681,585	93,644,800	-	151,969	2,640,876	136,119,230
Net book value						
At 1 January 2018	28,045,557	24,436,434	3,836,789	-	-	56,318,780
At 31 December 2018 and 1 January 2019	26,908,566	22,552,342	6,042,669	-	-	55,503,577
At 31 December 2019	25,692,650	23,375,608	12,596,465	2,282,841	7,699,924	71,647,488

The plant and vehicles net book value of £30,803,590 includes £114,873 held under finance leases (2018: £419,417). The land and buildings net book value of £28,247,434 includes £7,800 (2018: £7,800) of net book value relating to mineral properties.

Notes (continued)

12 Investments

<i>Cost and net book value</i>	Shares in group undertakings £
At 1 January 2018, 31 December 2018 and 31 December 2019	6,059,310

The Company has the following investments in subsidiaries and associates:

Company	Country of incorporation or registration
Ellastone Investments Limited	England
Viaton Industries Limited	England
Fordath Limited	England
Ilamian Limited	England
Prestige Sports Surfaces Limited	England

The subsidiary undertakings all have share capital consisting solely of ordinary shares and are directly held, with the exception of Viaton Industries Limited, which is owned by Ellastone Investments Limited.

Each company is wholly owned (except Prestige Sports Surfaces Limited which is 50% owned) and operates in its country of incorporation or registration. Ellastone Investments Ltd and Viaton Industries Ltd are both non-reading companies. Fordath, Ltd, Ilamian Ltd and Prestige Sports Surfaces Ltd have been dormant in both the current and prior years. The Company's share of Prestige Sports Surfaces Ltd net assets is £50 (2018: £50). The Company is exempt from the requirement to account for the associate using the equity method, as provided for under IAS 28 paragraph 13 (c).

13 Inventories

	2019 £	2018 £
Raw materials and consumables	3,282,702	4,137,802
Work in progress	3,252,005	11,821,810
Finished goods	9,032,618	58,796
	15,567,325	16,018,408

During the year £239,233 was debited to the income statement for writing down inventories to their net realisable value (2018: £922,853). This is recognised in cost of sales.

Notes (continued)

14 Trade and other receivables

Amounts falling due within one year:	2019 £	2018 £
Trade receivables	11,045,049	10,359,064
Amounts owed by fellow group and subsidiary undertakings	1,707,704	6,158,510
Other receivables	492,545	1,454,249
Prepayments and accrued income	1,218,769	751,307
	<u>14,464,067</u>	<u>18,723,100</u>

15 Cash and cash equivalents

	2019 £	2018 £
External cash and cash equivalents	8,373,158	9,252,920
Cash and cash equivalents held with fellow group undertakings	15,927,415	17,603,804
	<u>24,300,573</u>	<u>26,856,724</u>

16 Trade and other payables

Amounts falling due within one year:	2019 £	2018 £
Trade payables	17,020,778	18,079,463
Amounts owed to fellow group and subsidiary undertakings	4,708,872	11,202,221
Social security and other taxes	108,619	662,638
Other payables	788,300	530,627
Non trade payables and accrued expenses	3,054,915	2,245,350
	<u>25,681,484</u>	<u>32,720,299</u>
Amounts falling due after more than one year:	2019 £	2018 £
Amounts owed to fellow group and subsidiary undertakings	3,536,859	3,538,553
	<u>3,536,859</u>	<u>3,538,553</u>

Notes (continued)

17 Overdrafts and financial liabilities

Amounts falling due within one year:	2019 £	2018 £
Current borrowings owed to fellow group undertakings	-	128,647
Lease obligation IFRS16	3,249,149	174,434
Unsecured loan due to fellow group undertakings	14,500,000	-
	<u>17,749,149</u>	<u>303,081</u>
Amounts falling due after more than one year:	2019 £	2018 £
Lease obligation IFRS16	6,634,608	82,355
Unsecured loan due to fellow group undertakings	17,655,640	17,955,637
	<u>24,290,248</u>	<u>18,037,992</u>

Maturity of financial liabilities	Overdraft and unsecured loans		Finance leases	
	2019 £	2018 £	2019 £	2018 £
In one year or less	14,500,000	128,647	3,249,149	174,434
In more than one year but less than two years	105,681	14,605,681	2,507,508	82,355
In more than two years but less than five years	17,549,959	3,349,956	2,393,512	-
In more than five years	-	-	1,733,588	-
	<u>32,155,640</u>	<u>18,084,284</u>	<u>9,883,757</u>	<u>256,789</u>

In September 2019 all outstanding loans towards Silfin NV, acting via its Irish branch were repaid due to the closure of that branch. These loans were replaced by loans from Silfin NV acting via its Belgian branch. These loans were for £14.5m with an initial interest rate of 1.54% repayable on 15 September 2020, and a loan for £3.3m with an initial interest rate of 2.18%, repayable on the 15th December 2023. During 2019 a further loan was taken from Silfin NV for £14.2m with an initial interest rate of 2.12%. This is for a period of 5 years, maturing on 16th December 2024. Finance lease obligations includes the adoption of IFRS16 from 1st January 2019.

Notes (continued)

17 Overdrafts and financial liabilities (continued)

Lease obligation IFRS16 at 31 December 2019:

	Interest £	Principal £
In one year or less	-	3,249,149
In more than one year but less than two years	-	6,634,608
	<hr/>	<hr/>
	-	9,883,757
	<hr/>	<hr/>

Finance leases at 31 December 2018:

	Interest £	Principal £
In one year or less	-	174,434
In more than one year but less than two years	-	82,355
	<hr/>	<hr/>
	-	256,789
	<hr/>	<hr/>

Notes (continued)

18 Employee benefits

Pension plans

Final salary pension benefits are provided by the scheme to all members, the assets of which are held separately from the Company under the control of Trustees. The assets are invested in a wide range of stock exchange and government securities. Following a consultation with all active members of the scheme, a decision was made to close the final salary pension scheme to future accrual of defined benefits. From 1 January 2014 the scheme closed to future defined benefit accrual and all active members were offered entry to a new defined contribution section of the scheme.

Defined benefit plans

The Company information disclosed below is in respect of the whole of the pension plan which the Company fully recognises within its financial statements.

	2019 £000	2018 £000
Present value of funded defined benefit obligations	234,081	214,159
Fair value of plan assets	(216,032)	(195,744)
Present value of net funded obligations	18,049	18,385
Present value of unfunded obligations	-	344
Recognised liability for defined benefit obligations	18,049	18,729
Movements in present value of defined benefit obligation		
	2019 £000	2018 £000
At 1 January	214,503	233,575
Interest cost	6,109	5,494
Actuarial (gains)/losses	22,591	(17,150)
Past service cost	-	2,000
Benefits paid	(9,122)	(9,416)
At 31 December	234,081	214,503

Notes (continued)

18 Employee benefits (continued)

Movements in fair value of plan assets

	2019 £000	2018 £000
At 1 January	195,774	198,531
Expected return on plan assets	5,726	4,775
Actuarial (losses)/gains	13,178	(8,433)
Contributions by employer – Sibelco UK	10,476	10,317
Benefits paid	(9,122)	(9,416)
	<hr/>	<hr/>
At 31 December	216,032	195,774
	<hr/>	<hr/>

The actual return on plan assets during the year was £18.9m (2018: (£3.7m)).

Expense recognised in the income statement

	2019 £000	2018 £000
Net interest on defined benefit pension plan obligation recognised in Sibelco UK Ltd	383	719
Administrative cost of defined benefit pension plan	350	350
Past service cost relating to GMP pension equalisation		2,000
	<hr/>	<hr/>
Total	733	3,069
	<hr/>	<hr/>

Notes (continued)

18 Employee benefits (continued)

The fair value of the plan assets were as follows:

	2019 £000	2018 £000
Equities	15,253	9,199
Cash	5,287	4,339
Property	-	15,124
Other	195,492	167,112
	<u>216,032</u>	<u>195,774</u>

The expected return on plan assets is determined by reference to relevant indices. The overall expected return is calculated by weighting the individual rates in accordance with the anticipated balance in the investment portfolio.

Principal actuarial assumptions (expressed as weighted averages):

	2019 %	2018 %
Discount rate	2.1	2.9
Future pension increases (pre-2007)	3.0	3.3
Future pension increases (post-2007)	1.9	2.2

Assumptions regarding future mortality are set based on advice in accordance with published statistics. The current mortality table used is 100% of S1NA tables, CM12011 projections with a long term rate of improvement of 1.0% pa.

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescales covered, may not necessarily been borne out in practice. The expected return on plan assets is based on market expectation at the beginning of the year for returns over the life of the benefit obligation.

The history of the plans for the current and prior years is as follows:

	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Present value of defined benefit obligation	234,081	214,503	233,575	233,133	193,509
Fair value of plan assets	(216,032)	(195,774)	(198,531)	(190,170)	(164,045)
Deficit	<u>18,049</u>	<u>18,729</u>	<u>35,044</u>	<u>42,963</u>	<u>29,464</u>

The Company expects to contribute approximately £11.1m to its defined benefit plan in the next financial year.

Defined contribution plans

New and existing employees are offered entry to a stakeholder pension scheme. The total expense relating to this plan in the current year was £1,563,846. (2018: £1,600,508).

Notes (continued)

19 Provisions

	Contingent consideration £	Restoration provisions £	Onerous contracts £	Total £
Balance at 1 January 2018	150,000	11,598,323	195,000	11,943,323
(Release)/additional provision	-	(22,125)	-	(22,125)
Unwinding of discount (note 8)	-	358,506	-	358,506
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	150,000	11,934,704	195,000	12,279,704
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 January 2019	150,000	11,934,704	195,000	12,279,704
(Release)/additional provision	-	186,597	-	186,597
Unwinding of discount (note 8)	-	381,586	-	381,586
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	150,000	12,502,887	195,000	12,847,887
	<hr/>	<hr/>	<hr/>	<hr/>

The amounts recognised as provisions for restoration are the best estimate of expenditure that would be required to settle the present obligation of decommissioning sites of business activity and bringing them to the prevailing local environmental standards. In order to achieve this, the discounted estimate of the final liability is apportioned to accounting periods by reference to the level of mineral reserves and annual production rates, specific to the individual site. The Company expects to utilise the provision between 2016 and 2066.

During the year a revision of the best estimate has given rise to an increase in the provision of £517,973 which has been charged to the income statement in 2019 (2018 increase in provision of £447,856).

Where alternative use of the site has been identified, following the exhaustion of mineral reserves, and no decommissioning or restoration costs are expected to be incurred, no provision is made.

Contingent consideration relates to the fair value of possible future payments in respect of the acquisition of Ellastone Investments Limited. These payments are contingent on certain operational objectives being completed which is expected to be in 2021.

Provisions for onerous contracts represent the present value of future cash flows in respect of contractual arrangements where there are insufficient corresponding cash inflows.

Notes (continued)

20 Financial instruments

The Company's financial assets and financial liabilities are set out below

	2019 £	2018 £
Financial assets		
Trade and other receivables (note 14 – excluding £1,218,769 (2018: £751,307) of prepayments and accrued income)	13,245,299	17,971,793
Cash and cash equivalents (note 15)	24,300,573	26,856,727
	<u>37,545,872</u>	<u>44,828,520</u>
Financial liabilities		
Trade and other payables (note 16)	(29,218,343)	(36,258,772)
Current borrowings owed to fellow group undertakings (note 17)	(14,500,000)	(128,647)
Unsecured loan due to fellow group undertakings (note 17)	(17,655,640)	(17,955,637)
Finance lease obligations (note 17)	(9,883,757)	(256,789)
	<u>(71,257,740)</u>	<u>(54,599,845)</u>

The fair values of the Company's financial assets and liabilities are not materially different from their carrying values. IFRS 7 requires the classification of fair value measurements using a fair value hierarchy that reflects the nature of the inputs used in making the assessments.

The fair value of the company's foreign currency forward contracts is designated at level 2 as the inputs are based on quoted prices in active markets for identical assets or liabilities. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instrument.

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Detailed cash flow forecasts are prepared on a monthly basis with the objective of alerting senior management to potential future risks. The company operates its banking facilities within a Group Cash Pooling arrangement, mitigating the effects of liquidity risks.

The Company was contractually obliged to make repayments of principal and payments of interest as detailed below.

	Carrying amount £	Contractual cash flows	Within one year or on demand £	1-2 years £	3-5 years £	More than 5 years £
2019						
Trade and other payables	29,218,343	29,218,343	29,218,343	-	-	-
Current borrowings owed to group undertakings	14,500,000	14,500,000	14,500,000	-	-	-
Borrowings from fellow group undertakings	17,655,640	17,655,640	-	-	17,655,640	-
Finance lease obligations	9,883,757	9,883,757	3,249,149	2,507,508	2,393,512	1,733,588
	<u>71,257,740</u>	<u>71,257,740</u>	<u>46,967,492</u>	<u>2,507,508</u>	<u>20,049,152</u>	<u>1,733,588</u>
2018						
Trade and other payables	36,258,772	36,258,772	36,258,772	-	-	-
Current borrowings owed to group undertakings	128,647	128,647	128,647	-	-	-
Borrowings from fellow group undertakings	17,955,637	17,955,637	-	-	-	17,955,637
Finance lease obligations	256,789	256,789	174,434	82,355	-	-
	<u>54,599,845</u>	<u>54,599,845</u>	<u>36,541,853</u>	<u>82,355</u>	<u>-</u>	<u>17,955,637</u>

Notes (continued)

20 Financial instruments (continued)

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The amounts presented in the statement of financial position are net of impairment for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The impairment shown below represents the difference between the carrying value of the specific trade receivables and the present value of the expected recoverable amount.

Given the large number of internationally dispersed customers the Company has limited concentration of credit risk with regard to its trade and other receivables. Trade receivables are non-interest bearing and generally on terms of 30 to 90 days.

As at 31 December 2019, the Company had made a provision for impairment of third party receivables of £472,157 (2018: £159,358). See below for the movements in the provision for impairment of receivables.

	Provision for impairment £
At 1 January 2018	111,554
Debit to the income statement for the year	47,804
Utilisation	-
At 31 December 2018	159,358
At 1 January 2019	159,358
Debit to the income statement for the year	312,799
Utilisation	-
At 31 December 2019	472,157

As at 31 December, the ageing analysis of third party trade receivables is as follows:

	Carrying value (note 14) £	Provision for impairment £	Total trade receivables £	Not past due £	Less than 30 days past due £	30 to 60 days past due £	60 to 90 days past due £	More than 90 days past due £
2019	11,045,049	472,157	11,517,206	5,647,391	4,959,978	316,596	87,630	505,611
2018	10,359,034	159,358	10,518,392	5,852,385	3,996,566	434,365	34,573	200,503

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The Company's market risk principally relates to exchange rate fluctuations on its export sales and purchases. This is mitigated through the use of forward exchange contracts.

Notes (continued)

20 Financial instruments (continued)

Foreign currency risk management

The Company uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from its operating activities. Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, they are stated at their fair value, with any resultant gain or loss being recognised in the income statement, along with any gains or losses recognised in the hedged item. The carrying value of the Company's foreign currency assets and liabilities at the reporting date was as follows.

31 December 2019

	Euro	US Dollar
Cash and cash equivalents and overdraft	433,811	582,245
Trade and intercompany receivables	2,175,806	107,218
Trade and intercompany payables	(4,380,262)	299,227
	<hr/>	<hr/>
Net (exposure) / position	(1,770,645)	988,690
	<hr/>	<hr/>

31 December 2018

	Euro	US Dollar
Cash and cash equivalents and overdraft	556,773	(27,475)
Trade and intercompany receivables	1,556,155	141,745
Trade and intercompany payables	(11,080,119)	(46,925)
Derivative financial instruments	83,799	-
	<hr/>	<hr/>
Net (exposure) / position	(8,883,392)	67,345
	<hr/>	<hr/>

Principal value

There are no foreign exchange forward contracts outstanding at the year end (2018: 3).

Sensitivity analysis

At 31 December 2019, the company is mainly exposed to the Euro and the US dollar. The following table details the effect on profit or loss of a 10 per cent weakening in the exchange rate of these currencies against Sterling when applied to outstanding monetary items denominated in foreign currency as at 31 December 2018. The calculation assumes that the change in exchange rate occurred at the reporting date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for 2018.

	2019 £	2018 £
€	(170,366)	(996,355)
\$	83,214	7,483

A 10% strengthening of the above currencies against sterling at 31 December would have had the following impact on effect on profit or loss, on the basis that all other variables remain constant.

	2019 £	2018 £
€	139,390	815,199
\$	(68,084)	(6,122)

Notes (continued)

20 Financial instruments (continued)

Interest rate risk management

Profile

At the reporting date, the only exposure which the Company has to interest rate risk is in relation to its loans from another group undertaking. As outlined in note 17, these loans are unsecured. The £14.5m loan is due for repayment on 15 September 2020 and has an interest rate of 1.54%. The £3.3m loan is due for repayment on 15th December 2023 and has an initial interest rate of 2.3%. The £14.2m loan is due for repayment on 16th December 2024 and has an initial interest rate of 2.12%

The Company's interest-bearing borrowings are as follows:

	2019 £	2018 £
Variable rate borrowings		
Financial liabilities – non derivative borrowings	(32,049,956)	(17,849,956)

Capital management

The company defines capital as its net assets, or equity. At the reporting date, the company had no debt other than the interest bearing borrowings from another group undertaking as outlined above. Detailed cash flow forecasts are prepared on a monthly basis with the objective of alerting senior management to potential future risks and enabling them to manage the company's capital effectively. The group cash pooling arrangements allow for surplus capital to be fully utilised and shortfalls in capital to be met.

Notes (continued)

21 Deferred tax

Deferred tax assets and (liabilities) are attributable to the following:

	2019 £	2018 £
Property, plant and equipment	(3,546,355)	(3,641,424)
Employee benefits	3,474,936	3,521,285
Other deferred tax assets	1,470,341	966,331
	<u> </u>	<u> </u>
Net deferred tax assets	1,398,922	846,192
	<u> </u>	<u> </u>

Other deferred tax assets principally relate to the provisions detailed in note 19.

Deferred tax assets and liabilities within the same tax jurisdiction have been offset as permitted by IAS 12. Deferred taxation is calculated in full on temporary differences under the liability method using a tax rate of 17% (2018: 17%).

Movement in deferred tax during the year:

	1 January 2019 £	Recognised in income £	Recognised in equity £	31 December 2019 £
Property, plant and equipment	(3,641,424)	95,069	-	(3,546,355)
Employee benefits	3,521,285	(1,646,530)	1,600,181	3,474,936
Other deferred tax assets	966,331	504,010	-	1,470,341
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net deferred tax asset	846,192	(1,047,451)	1,600,181	1,398,922
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Movement in deferred tax during the prior year:

	1 January 2018 £	Recognised in income £	Recognised in equity £	31 December 2018 £
Property, plant and equipment	(3,604,824)	(36,600)	-	(3,641,424)
Employee benefits	5,957,480	(904,987)	(1,531,208)	3,521,285
Other deferred tax assets	1,100,785	(134,454)	-	966,331
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net deferred tax asset	3,453,441	(1,076,041)	(1,531,208)	846,192
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

22 Share capital

	2019 Number	2018 Number	2019 £	2018 £
Ordinary shares of £1 each:				
Authorised, allotted, called up and fully paid – classified in equity	220,404	220,404	220,404	220,404
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes (continued)

23 Reserves

	Share premium account £	Capital Reserve £	Profit and loss account £
At 1 January 2019	24,049,998	146,944	14,274,846
Adjustment for restoration provision	-	-	-
Total comprehensive income for the year	-	-	(5,254,083)
Dividends paid	-	-	-
At 31 December 2019	24,049,998	146,944	9,020,763

The capital reserve relates to an adjustment made in prior years for the maintenance of capital on the redemption of own shares. During the year a dividend of £0 (£0.00 per share) was paid (2018: £0 - £0.00 per share).

24 Commitments

	2019 £	2018 £
Contracts placed for future capital expenditure	1,952,888	806,480

25 Leases

The Group leases railway equipment, operating equipment and buildings under a number of lease agreements. The Group also has certain leases of machinery with lease terms of 12 months or less and leases which are of low value, and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Right-of-use assets:

	Land and buildings £	Processing equipment £	2019 £
First time adoption IFRS 16	2,417,879	7,108,171	9,526,050
Additions	16,931	954,510	971,441
Lease Remeasurements	-	2,278,119	2,278,119
Depreciation expenses	(151,969)	(2,640,876)	(2,792,845)
	<u>2,282,841</u>	<u>7,699,924</u>	<u>9,982,765</u>

Notes (continued)

25 Leases (continued)

Lease obligations:

	2019 £
First time adoption IFRS 16	9,526,050
Recognised under IAS 17	83,045
Additions	971,441
Accretion of interest	246,492
Payments	(3,287,527)
Lease remeasurements	2,344,258
	<u>9,883,759</u>
Non - current	6,634,608
Current	3,249,151
	<u>9,883,759</u>

Lease Expenses:

	2019 £
Depreciation expense of right-of-use assets PPE (Note 11)	2,792,845
Interest expenses on right-of-use assets	246,492
Expense relating to short-term leases (included in cost of sales)	3,205,891
Expenses relating to short term lease (included in administration expenses)	6,505
Expenses relating to leases of low-value assets	409,655
	<u>6,661,388</u>

In 2019, the Company recognised £6.7million as an expense in profit or loss in respect of leases. The expenses related to short-term leases within cost of sales. It mainly relates to leases for mining and extraction equipment which do not meet the requirements of IFRS 16, specifically due to the right to control the asset remaining with the lessor.

Notes (continued)

26 Related party transactions

The following transactions were carried out with fellow group and subsidiary undertakings:

	2019 £	2018 £
Sale of goods	24,524,865	25,033,305
Purchase of goods	11,294,645	16,440,500
Administration costs recharged to the Company	5,445,387	6,271,934
Administration costs recharged by the Company	2,809,352	2,286,538
Interest payable	363,372	242,946
Interest receivable	51,313	70,193
	<u> </u>	<u> </u>

The year-end balances with related parties are as follows:

	2019 £	2018 £
Investments in subsidiary undertakings	6,059,260	6,059,260
Receivables from fellow group and subsidiary undertakings	1,707,704	3,478,217
Cash and cash equivalents held with fellow group undertakings	15,927,416	17,603,837
Cash and cash equivalents owed to fellow group undertakings	-	(128,647)
Unsecured loan due to fellow group undertakings	(32,155,640)	(17,955,637)
Payables to fellow group and subsidiary undertakings	(8,318,905)	(14,740,694)
	<u> </u>	<u> </u>

Remuneration of key management personnel

A number of the Directors are not involved in the day-to-day control and administration of the Company and receive no remuneration. The total remuneration expense of key local management recognised in the income statement during 2019 was £505,410 (2018: £558,795) including £3,877 (2018: £13,306) of post-employment benefits. None of them have been granted share options or share based payments (2018: none).

27 Post Balance Sheet Events Note

The outbreak of COVID-19 is considered to be a non-adjusting post balance sheet event as at 31 December 2019 on the basis that the World Health Organisation was first informed of cases of a new virus in Wuhan on 31 December and as such had not declared a global health emergency at that date. Consequently, no adjustments have been made to the Company's reported results or financial position as a result of COVID-19. The impact of this has been disclosed in the strategic report. The future financial impact cannot presently be estimated as it is highly dependent on the severity and duration of the pandemic, but it could be material to the Company's results and financial position and could result in the revision of certain estimates, in particular bad debt and slow moving stock provisions.

On 31st July 2020 a new loan was placed between the company and WBB & Co Ltd for a value of £10.97m with a maturity date of 15th September 2021. In December 2020 an existing loan between the company and Silfin NV of £14.5m was extended for a further three month period to March 2021.

Notes *(continued)*

28 Ultimate parent company and parent company of the larger group

The Company's immediate parent company and controlling party is Sibelco Minerals and Chemicals (Holdings) Limited, registered in England and Wales. Copies of the Sibelco Minerals and Chemicals (Holdings) Limited financial statements are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

The smallest and largest group in which the results of the company are consolidated is that of the ultimate parent undertaking and controlling related party, SCR Sibelco NV. This company is incorporated in Belgium, with its consolidated financial statements available from Balanscentrale, at Nationale Bank van België, Balanscentrale, de Berlaimontlaan 14, 1000 Brussels.