

**Vesuvius Group Limited**

**Directors' report and financial  
statements**

**Registered number 2099093**

**31 December 2002**



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## Directors' report

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2002.

### Principal activity

The principal activity of the company is that of a holding company for certain operating companies of the Vesuvius Group.

### Business review

The results for the year are shown on page 5.

### Result and dividend

The retained loss transferred to reserves for the year, after taxation and dividends, amounted to £1,725,000 (2001: £1,628,000 profit).

An ordinary dividend of £2,200,000 was paid during the year (2001: £nil).

### Directors

The directors of the company during the year to 31 December 2002 were as follows:

J P Malherbe  
S L Howard  
G C Cozzani  
B R Elliston  
R M H Malthouse

None of the directors who held office at the end of the financial year has any disclosable interest in the shares of the company.

The interests of directors in the share capital of the company's ultimate holding company, Cookson Group plc, were as follows :

	At 31 December 2002	At 31 December 2001
JP Malherbe	20,141	19,928
SL Howard	713,976	188,995
GC Cozzani	158,028	50,780
BR Elliston	100,610	49,734
RMH Malthouse	153,524	40,705

## Directors' report *(continued)*

In addition to the interests listed above, the following directors hold options to subscribe for ordinary shares of the ultimate holding company :

	At 31 December 2001	Options granted during year	Rights Issue adjustment	Options exercised during year	Options lapsed during year	At 31 December 2002
JP Malherbe	833,863	644,033	20,006	-	-	1,497,902
SL Howard	4,320,072	3,432,568	121,454	-	249,110	7,624,984
GC Cozzani	1,689,712	1,457,872	47,769	-	-	3,195,353
BR Elliston	642,289	601,648	15,408	-	30,262	1,229,083
RMH Malthouse	669,591	634,551	16,064	-	17,371	1,302,835

By order of the board

*Rachid S. A.*

R S Fell  
 Secretary

The Adelphi  
 1-11 John Adam Street  
 London  
 WC2N 6HJ

13 June 2003

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.



KPMG Audit Plc

1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

## **Independent auditors' report to the members of Vesuvius Group Limited**

We have audited the financial statements on pages 5 to 11.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

13 JUNE 2003

**Profit and loss account**  
*for the year ended 31 December 2001*

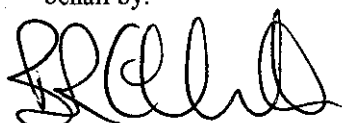
	<i>Note</i>	<b>2002</b> <b>£000</b>	<b>2001</b> <b>£000</b>
<b>Operating loss</b>	2	<b>(36)</b>	<b>(1)</b>
Income from shares in subsidiary undertakings	3	516	1,629
Interest payable	4	(8)	-
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		<b>472</b>	<b>1,628</b>
Tax on profit on ordinary activities	5	3	-
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation</b>		<b>475</b>	<b>1,628</b>
Dividends on equity shares	6	(2,200)	-
		<hr/>	<hr/>
<b>Retained (loss)/profit for the financial year</b>		<b>(1,725)</b>	<b>1,628</b>
<b>Retained profit brought forward</b>		<b>2,005</b>	<b>377</b>
		<hr/>	<hr/>
<b>Retained profit carried forward</b>		<b>280</b>	<b>2,005</b>
		<hr/>	<hr/>

There are no recognised gains or losses in either year other than the result for the year.  
 All activities in the year relate to continuing operations.

**Balance sheet**  
*at 31 December 2002*

	<i>Note</i>	<b>2002</b>	<b>2001</b>
		<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>			
Investments	7	37,310	37,343
<b>Current assets</b>			
Debtors	8	-	67
		<u>-</u>	<u>67</u>
<b>Creditors: amounts falling due within one year</b>	9	<b>(6,730)</b>	<b>(5,105)</b>
		<u>(6,730)</u>	<u>(5,038)</u>
<b>Net current liabilities</b>		<b>(6,730)</b>	<b>(5,038)</b>
<b>Net assets</b>		<b>30,580</b>	<b>32,305</b>
		<u>30,580</u>	<u>32,305</u>
<b>Capital and reserves</b>			
Called up share capital	10	30,300	30,300
Profit and loss account		280	2,005
		<u>30,580</u>	<u>32,305</u>
<b>Equity shareholders' funds</b>	11	<b>30,580</b>	<b>32,305</b>
		<u>30,580</u>	<u>32,305</u>

These financial statements were approved by the board of directors on **13 June** 2003 and were signed on its behalf by:



**B R Elliston**  
*Director*



## Notes

(forming part of the financial statements)

### 1 Accounting policies

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

#### *Change in accounting policy*

The company adopted, in 2002, Financial Reporting Standard ("FRS") 19, "Deferred Taxation".

#### *Deferred taxation*

Deferred taxation is recognised in respect of all timing differences that have originated, but not reversed, at the balance sheet date, with the exception that deferred taxation assets are only recognised if it is considered more likely than not that there will be suitable future profits from which the reversal of the underlying timing differences can be deducted. Provision is made for the tax that would arise on remittance of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

#### *Basis of preparation*

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards, and on a going concern basis as Cookson Group plc, the ultimate holding company, has confirmed that it will continue to provide financial support for the foreseeable future such that the company can meet all its external liabilities.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements since the company is itself a wholly owned subsidiary of Cookson Group plc. These financial statements present information about the company as an individual undertaking and not about its group.

The company is exempt from the requirement of FRS 1 (Revised) to prepare a cash flow statement as its cash flows are included within the consolidated cash flow statement of Cookson Group plc.

#### *Investments*

Investments in subsidiary undertakings ('subsidiaries') and associated undertakings ('associates') are stated at cost, less any provisions for diminution in value that are expected to be permanent.

#### *Related party transactions*

As the company is a wholly owned subsidiary of Cookson Group plc, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

### 2 Operating loss

Other than the directors the company had no employees during the year. The directors received no remuneration in respect of their services to the company during the year. The auditors' remuneration is borne by the parent company.

	2002 £000	2001 £000
The operating loss:		
Write off of certain fixed asset investments	(33)	-
Other operating costs	(3)	(1)
	<hr/>	<hr/>
	(36)	(1)
	<hr/>	<hr/>

**Notes (continued)**

**3 Income from shares in subsidiary undertakings**

	2002 £000	2001 £000
Dividends received from subsidiary undertakings	516	1,629

**4 Interest payable**

	2002 £000	2001 £000
Other	8	-

**5 Tax on profit on ordinary activities**

	2002 £000	2001 £000
UK corporation tax at 30% (2001: 30%)		
Current tax on income for the period	183	83
Adjustments in respect of prior periods	(69)	-
Double Taxation Relief	(117)	(83)
Tax on profits from ordinary activities	(3)	-

*Factors affecting the tax charge for the current period*

The current tax charge for the period is lower (2001: lower) than the standard rate of corporation tax on the UK (30%, 2001: 30%). The differences are explained below:

	2002 £000	2001 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	472	1,628
Current tax charge at 30% (2001: 30%)	142	488
<i>Effects of:</i>		
Overseas tax rate difference	66	25
Double taxation relief	(117)	(83)
Income not taxable	(1)	-
Loss relief from group companies for no payment	(24)	(430)
Prior year tax credit	(69)	-
Total current tax (see above)	(3)	-

No tax is payable as group relief has been received for nil consideration.

## Notes (continued)

### 6 Dividends paid

	2002 £000	2001 £000
Dividends paid to holding company (£0.066 per share)	2,200	-

### 7 Fixed asset investments

The fixed investments of the company represent investments in subsidiary undertakings and participating interests.

	Shares in group undertakings £000	Participating Interests £000	Total £000
<i>Cost and book value</i>			
At beginning of the year	36,896	447	37,343
Write down of investments	(33)	-	(33)
At end of the year	36,863	447	37,310

In the directors' opinion, the value of these investments is, in the long term, not less than their net book value.

Fixed asset investments represent holdings in the ordinary share capital of the following group subsidiaries and associates. The principal activity of all subsidiaries and associates is the production and sale of ceramics.

#### Group subsidiaries (100% holding unless otherwise stated)

	Country of incorporation	Principal Activity	Holding of issued equity share capital
Vesuvius Japan Inc	Japan	Refractory manufacturer	100%
Vesuvius Scotland Limited	Scotland	Refractory manufacturer	100%
Vesuvius Scandinavia AB	Sweden	Refractory manufacturer	100%
Metacon SA	Switzerland	Refractory manufacturer	100%
Vesuvius Nederland BV	Netherlands	Refractory manufacturer	100%
Vesuvius India Ltd	India	Refractory manufacturer	51%
Vesuvius Advanced Ceramics (Suzhou) Limited	China	Refractory manufacturer	100%

#### Market trade investments

Centro Sviluppo Materiali Spa, incorporated in Italy (8% holding)  
 Vesuvius Deutschland GmbH, incorporated in Germany (5% holding)

**Notes (continued)**

**8 Debtors**

	2002 £000	2001 £000
<i>Due within one year:</i>		
Pre-paid tax	-	67

**9 Creditors: amounts falling due within one year**

	2002 £000	2001 £000
Bank overdraft	4,425	-
Amounts owed to a fellow subsidiary undertaking	-	695
Amounts owed to a holding company	2,183	4,261
Other creditors	-	5
Corporation tax	122	146
	<u>6,730</u>	<u>5,107</u>

**10 Equity called up share capital**

	2002 £000	2001 £000
30,300,000 authorised ordinary shares of £1 each	30,300	30,300
Issued, called up and fully paid	<u>30,300</u>	<u>30,300</u>

**11 Reconciliation of movements in equity shareholders' funds**

	2002 £000	2001 £000
Profit for the financial year	475	1,628
Dividend	(2,200)	-
(Reduction)/increase in shareholders' funds	<u>(1,725)</u>	<u>1,628</u>
Opening shareholders' funds	32,305	30,677
Closing shareholders' funds	<u>30,580</u>	<u>32,305</u>

## **Notes** *(continued)*

### **12 Ultimate holding company**

The company's ultimate holding company is Cookson Group plc, which is registered in England and Wales.

The largest group in which the results of the Company are consolidated is that headed by Cookson Group plc. The accounts of Cookson Group plc are available to the public and may be obtained from The Adelphi, 1-11 John Adam Street, London, WC2N 6HJ.

No other group accounts include the results of the company.

### **13 Commitments and contingencies**

On 21 December 2001, Vesuvius Group Limited entered as guarantor into a £450m multicurrency credit agreement, between Cookson Group plc and Barclays Bank PLC and Citibank, NA, as co-ordinators, and Lloyds TSB Capital Markets as facility and security agent. During 2002 the facility was reduced to £291m. As part of this agreement Vesuvius Group Limited guaranteed and agreed to pay from time to time on demand any and every sums of money which Cookson Group plc is at any time liable to pay to the banking group. As at 31 December 2002 £28.1m (2001: £292.5m) was drawn by Cookson Group plc under the facility secured on the assets of Vesuvius Group Limited.

In addition, Vesuvius Group Limited also agreed as a primary obligation to indemnify the banking group from time to time on demand from and against any loss incurred by the banking group as a result on any of the obligations of Cookson Group.