

**Vesuvius Group Limited**

**Directors' report and financial  
statements**

**Registered number 2099093**

**31 December 2004**



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28/10/2005

## Contents

Directors' report	1
Statement of directors' responsibilities	3
Independent auditors' report to the members of Vesuvius Group Limited	4
Profit and loss account	6
Balance sheet	7
Notes	8

## Directors' report

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2004.

### 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 £1,778,000 (2003: profit £5,159,000).

An ordinary dividend of £2,600,000 was paid during the year (2003: £14,330,000).

### Directors

The directors of the company during the year to 31 December 2004 were as follows:

J P Malherbe  
S L Howard - Resigned 1 October 2004  
G C Cozzani - Resigned 31 January 2005  
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 2004	At 31 December 2003
JP Malherbe	20,141	20,141
GC Cozzani	158,028	158,028
BR Elliston	63,810	65,078
RMH Malthouse	153,524	153,524

## 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 2003	Options granted during year	Options exercised during year	Options lapsed during year	At 31 December 2004
JP Malherbe	1,807,986	124,096	-	(74,561)	1,857,521
GC Cozzani	3,338,758	710,485	-	(81,337)	3,967,906
BR Elliston	1,288,772	185,766	-	(30,792)	1,443,746
RMH Malthouse	1,380,587	264,781	-	(29,415)	1,615,953

By order of the board

*Rachel S. Fell*  
**R S Fell**  
Secretary

265 Strand  
London  
WC2R 1DB

25 October 2005

## **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

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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 2004 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

*27 October*

2005

**Profit and loss account**  
*for the year ended 31 December 2004*

	<i>Note</i>	<b>2004</b> <b>£000</b>	<b>2003</b> <b>£000</b>
<b>Operating loss</b>		-	-
Profit on disposal of interest in subsidiary		-	24
Loss on liquidation of subsidiary		(241)	(87)
Permanent diminution in value of investment		-	(8,533)
Income from shares in subsidiary undertakings	3	921	28,268
Interest payable	4	-	(183)
Interest receivable	5	142	-
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		<b>822</b>	<b>19,489</b>
Tax on profit on ordinary activities	6	-	-
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation</b>		<b>822</b>	<b>19,489</b>
Dividends on equity shares	7	(2,600)	(14,330)
		<hr/>	<hr/>
<b>Retained (loss)/profit for the financial year</b>		<b>(1,778)</b>	<b>5,159</b>
<b>Retained profit brought forward</b>		<b>5,439</b>	<b>280</b>
		<hr/>	<hr/>
<b>Retained profit carried forward</b>		<b>3,661</b>	<b>5,439</b>
		<hr/>	<hr/>

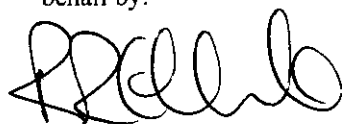
There are no recognised gains or losses in either year other than the result for the year.

All activities in the year relate to continuing operations.

**Balance sheet**  
*at 31 December 2004*

	Note	2004 £000	2003 £000
<b>Fixed assets</b>			
Investments	8	27,537	28,329
<b>Current assets</b>			
Debtors	9	733	-
Cash at bank and in hand		5,731	9,652
		<u>6,464</u>	<u>9,652</u>
<b>Creditors: amounts falling due within one year</b>	10	<u>(40)</u>	<u>(2,242)</u>
<b>Net current assets</b>		<u>6,424</u>	<u>7,410</u>
<b>Net assets</b>		<u>33,961</u>	<u>35,739</u>
<b>Capital and reserves</b>			
Called up share capital	11	30,300	30,300
Profit and loss account		3,661	5,439
<b>Equity shareholders' funds</b>	12	<u>33,961</u>	<u>35,739</u>

These financial statements were approved by the board of directors on 25 October 2005 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.

#### ***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.

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.

#### ***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.

#### ***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 Employees**

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.

**Notes** (continued)

**3 Income from shares in subsidiary undertakings**

	2004 £000	2003 £000
Dividends received from subsidiary undertakings	921	28,268

**4 Interest payable**

	2004 £000	2003 £000
Amounts payable on bank accounts	-	183

**5 Interest receivable**

	2004 £000	2003 £000
Amounts receivable on bank accounts	142	-

**6 Tax on profit on ordinary activities**

**Taxation on profit from ordinary activities**

Analysis of charge in period

	2004 £000	2003 £000
UK corporation tax at 30% (2003: 30%)	-	-
Prior year tax charge (credit)	-	-
Tax on profits from ordinary activities	-	-

*Factors affecting the tax charge for the current period*

	2004 £000	2003 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	822	19,489
Current tax (credit) at 30% (2003: 30%)	247	5,847
<i>Effects of:</i>		
Overseas tax rate difference	117	-
Double taxation relief	(334)	(493)
Items not deductible for tax purposes	72	-
Income not taxable	-	(4,473)
Loss relief from group companies for no payment	(102)	(881)
Total current tax (see above)	-	-

## Notes (continued)

### 7 Dividends paid

	2004 £000	2003 £000
Dividends paid to holding company	2,600	14,330

### 8 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	36,415	447	36,862
Subsidiaries liquidated	(9,325)	-	(9,325)
At end of the year	27,090	447	27,537
<i>Provision for permanent diminution in value</i>			
At beginning of the year	8,533	-	8,533
Subsidiary liquidated	(8,533)	-	(8,533)
At end of the year	-	-	-
<b>Net book value at 31 December 2004</b>	<b>27,090</b>	<b>447</b>	<b>27,537</b>
Net book value at 31 December 2003	27,882	447	28,329

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 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).

## Notes (continued)

### 9 Debtors

	2004 £000	2003 £000
Amounts owed by group companies	733	-

### 10 Creditors: amounts falling due within one year

	2004 £000	2003 £000
Amounts owed to a holding company	-	2,141
Corporation tax	40	101
	40	2,242

### 11 Equity called up share capital

	2004 £000	2003 £000
30,300,100 authorised ordinary shares of £1 each	30,300	30,300
Issued, called up and fully paid	30,300	30,300

### 12 Reconciliation of movements in equity shareholders' funds

	2004 £000	2003 £000
Profit for the financial year	822	19,489
Dividend	(2,600)	(14,330)
(Reduction)/increase in shareholders' funds	(1,778)	5,159
Opening shareholders' funds	35,739	30,580
Closing shareholders' funds	33,961	35,739

### 13 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 Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

No other group accounts include the results of the company.

## Notes (continued)

### 14 Commitments and contingencies

Amongst others, Vesuvius Group Limited, as a Guarantor, was during the year party to a £148m credit agreement (being originally a £450m multicurrency credit agreement, subsequently reduced to £188m via an Amendment and Restatement Agreement dated 5 December 2003 and reduced further to £148m during 2004) between Cookson Group plc (as "Borrower") and a number of banks ("Lenders"). As part of this credit agreement, Vesuvius Group Limited jointly and severally guaranteed and agreed to pay from time to time on demand any and every sums of money which Cookson Group plc was at any time liable to pay to the Lenders. As at 31 December 2004 £40m was drawn under this credit agreement by Cookson Group plc secured on the various assets of Vesuvius Group Limited.

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

Subsequent to the balance sheet date, on 1 March 2005, Cookson Group plc refinanced its credit facility, replacing it with a new unsecured £200m multicurrency credit facility. All security and upstream guarantees under the previous facility were released. Consequently, as from 1 March 2005, Vesuvius Group Limited is no longer a guarantor of Cookson Group plc credit facilities.

### 15 Post balance sheet event

On 7 February 2005 Vesuvius Group Limited transferred its investment in Vesuvius Advanced Ceramics (Suztion) Limited to Cookson Overseas Limited.