

Registered number: 09943170

Magnesita International Limited

Directors' report and audited financial statements

For the period from 8 January 2016 (date of incorporation) to 31 December 2016

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Magnesita International Limited

Company Information

| | |
|----------------------------|--|
| Directors | L G Perrotti Rossato O A Castro Lustosa Nogue C A D'Amicis E Guardiano Leme Gotilla O C P Lopes L R Mariani Bittencourt Magnesita Refratários S.A. |
| Company secretary | L G Perrotti Rossato |
| Registered number | 09943170 |
| Registered office | 22a St James' Square London SW1Y 4JH |
| Independent auditor | PKF Cooper Parry Group Limited One Central Boulevard Blythe Valley Business Park Solihull West Midlands B90 8BG |

Magnesita International Limited

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Magnesita International Limited

Directors' Report
For the period ended 31 December 2016

The directors present their report and the financial statements for Magnesita International Limited ("the Company") for the period from 8 January 2016 (date of incorporation) to 31 December 2016. The directors of the Company have decided to take the exemption from preparing a strategic report that is available to small companies.

Incorporation

The Company was incorporated on 8 January 2016 and commenced trading at the same date.

Principal activity

The principal activity of the Company is the provision of management consultancy services. The directors do not anticipate any change in the nature of the Company's principal activity going forward.

Results

The loss for the period, after taxation, amounted to £3,385,248.

The directors do not recommend the payment of a dividend.

Directors

The directors who served during the period, and to the date of this report were:

L G Perrotti Rossato (appointed 8 January 2016)
O A Castro Lustosa Nogue (appointed 12 April 2017)
C A D'Amicis (appointed 12 April 2017)
E Guardiano Leme Gotilla (appointed 8 January 2016)
O C P Lopes (appointed 13 January 2016)
L R Mariani Bittencourt (appointed 12 April 2017)
Magnesita Refratários S.A. (appointed 8 January 2016)
B R Ally (appointed 4 February 2016 and resigned 16 March 2017)

Going Concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, because of the continued support of the business by its parent company, Magnesita Refratários S.A. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Magnesita International Limited

Directors' Report (continued)
For the period ended 31 December 2016

Auditor

The auditor, PKF Cooper Parry Group Limited, was appointed as independent auditor during the period and have indicated their willingness to continue in office. A resolution concerning their reappointment will be proposed at the members' meeting to approve these financial statements.

This report has been prepared in accordance with the small companies regime of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

Carlo Alberto D'Amicis

C A D'Amicis

Director

Date: 27.03.2017

Magnesita International Limited

Directors' Responsibilities Statement
For the period ended 31 December 2016

The directors are responsible for preparing 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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Magnesita International Limited

Independent Auditor's Report to the Shareholders of Magnesita International Limited

We have audited the financial statements of Magnesita International Limited for the period ended 31 December 2016, set out on pages 6 to 17. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter

We draw attention to note 2.3 in the financial statements, which indicates that the company requires financial support from its immediate parent company to continue to meet its liabilities as they fall due. Our opinion is not modified in respect of this matter.

Magnesita International Limited

Independent Auditor's Report to the Shareholders of Magnesita International Limited (continued)

Opinion on other matter 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 Directors' Report for the financial period for which the financial statements are prepared is consistent with those financial statements and this report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters where 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; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.

PKF Cooper Parry Group Limited

Daniel Parker (Senior Statutory Auditor)

for and on behalf of
PKF Cooper Parry Group Limited

One Central Boulevard
Blythe Valley Business Park
Solihull
West Midlands
B90 8BG

Date:

27/9/17

Magnesita International Limited

**Statement of Comprehensive Income
For the period ended 31 December 2016**

| | Note | 2016 £ |
|--------------------------------------|------|---------------------------|
| Administrative expenses | | (3,385,248) |
| Loss before tax | | <u>(3,385,248)</u> |
| Tax on loss | 7 | - |
| Loss for the financial period | | <u><u>(3,385,248)</u></u> |

There was no other comprehensive income for the period.

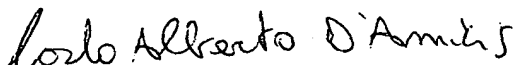
The notes on pages 9 to 17 form part of these financial statements.

Magnesita International Limited
Registered number: 09943170

Statement of Financial Position
As at 31 December 2016

| | Note | 2016 £ |
|--|------|--------------------|
| Fixed assets | | |
| Tangible assets | 8 | 35,015 |
| Current assets | | |
| Debtors: amounts falling due within one year | 9 | 233,541 |
| Cash at bank and in hand | | 235,062 |
| | | <u>468,603</u> |
| Creditors: amounts falling due within one year | 10 | (2,265,900) |
| Net current liabilities | | <u>(1,797,297)</u> |
| Total assets less current liabilities | | <u>(1,762,282)</u> |
| Net liabilities | | <u>(1,762,282)</u> |
| Capital and reserves | | |
| Called up share capital | 11 | 1,622,966 |
| Profit and loss account | | (3,385,248) |
| | | <u>(1,762,282)</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



C A D'Amicis

Director

Date: 27.08.2017

The notes on pages 9 to 17 form part of these financial statements.

Magnesita International Limited

Statement of Changes in Equity
For the period ended 31 December 2016

| | Called up share capital £ | Profit and loss account £ | Total equity £ |
|---|---------------------------------|---------------------------------|--------------------|
| As at 8 January 2016 | - | - | - |
| Total comprehensive loss for the period | - | (3,385,248) | (3,385,248) |
| Shares issued during the period | 1,622,966 | - | 1,622,966 |
| At 31 December 2016 | <u>1,622,966</u> | <u>(3,385,248)</u> | <u>(1,762,282)</u> |

The notes on pages 9 to 17 form part of these financial statements.

Magnesita International Limited

Notes to the Financial Statements
For the period ended 31 December 2016

1. General information

Magnesita International Limited is a private company limited by shares incorporated in the United Kingdom. The address of its registered office and principal place of business is 22a St. James' Square, London, SW1Y 4JH.

2. Accounting policies**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of IAS 7 Statement of Cash Flows

2.3 Going concern

The financial statements have been prepared on a going concern basis. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, because of the continued support of the business by its parent company, Magnesita Refratários S.A. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

2. Accounting policies (continued)

2.4 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

| | |
|-----------------------|-----------|
| Fixtures and fittings | - 3 years |
| Office equipment | - 3 years |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.5 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.6 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.7 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.8 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Magnesita International Limited

Notes to the Financial Statements
For the period ended 31 December 2016

2. Accounting policies (continued)**2.9 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

2.10 Current and deferred taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

**Notes to the Financial Statements
For the period ended 31 December 2016**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In applying the company's accounting policies, the directors are required to make judgments, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgments, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical evidence and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgments, estimates and assumptions, the actual results and outcomes may differ.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

Deferred tax asset

Management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Operating lease commitments

Directors must determine whether leases entered into by the company, either as a lessor or a lessee, are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis based on an evaluation of the terms and conditions of the arrangements, and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

The company, as a lessee, obtains the use of property. The classification of such leases as operating or finance lease requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

Provisions

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flow at a rate that reflects the time value of money and the risks specific to the liability.

Whether a present obligation is probable or not requires judgment. The nature and type of risks for these provisions differ and management's judgment is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not.

Depreciation and residual values

The Directors have reviewed the asset lives and associated residual values of all fixed asset classes, and in particular, the useful economic life and residual values of fixtures and fittings, and have concluded that asset lives and residual values are appropriate.

Magnesita International Limited

**Notes to the Financial Statements
For the period ended 31 December 2016**

4. Auditor's remuneration

The company paid the following amounts to its auditor in respect of the audit of the financial statements:

| | |
|-------------------------------|---------------------|
| | 2016 £ |
| Fees for audit of the company | 4,000 |
| | <u><u>4,000</u></u> |

5. Employees

The average monthly number of employees, including the directors, during the period was as follows:

| | |
|------------|-----------------|
| | 2016 No. |
| Management | 2 |
| | <u><u>2</u></u> |

6. Directors' remuneration

| | |
|-----------------------|-------------------------|
| | 2016 £ |
| Directors' emoluments | 1,191,576 |
| | <u><u>1,191,576</u></u> |

The aggregate remuneration of the highest paid director was £586,667.

Magnesita International Limited

Notes to the Financial Statements
For the period ended 31 December 2016

7. Taxation

| | 2016 £ |
|--------------------------|-------------|
| | <hr/> |
| Total current tax | - |
| | <hr/> <hr/> |

Factors affecting tax charge for the period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 20%. The differences are explained below:

| | 2016 £ |
|--|-------------|
| (Loss)/profit on ordinary activities before tax | (3,385,248) |
| | <hr/> |
| (Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% | (677,050) |
| Effects of: | |
| Expenses not deductible for tax purposes | 332,253 |
| Tax rate changes | (203) |
| Unprovided deferred tax assets | 345,000 |
| | <hr/> |
| Total tax charge for the period | - |
| | <hr/> <hr/> |

Factors that may affect future tax charges

The UK Government announced as part of the Finance (No 2) Act 2015, which received Royal Assent on 18 November 2015 that the main rate of corporation tax rate would be reduced from 20% to 19% from 1 April 2017 and further to 17% from 1 April 2020. This will affect the rate at which future UK current tax will be payable and the rate at which any deferred tax assets & liabilities are expected to reverse.

The Company has estimated losses of £1,748,000 available for carry forward against future trading profits. At the year end the estimated deferred tax asset unrecognised was £345,000.

Magnesita International Limited

Notes to the Financial Statements
For the period ended 31 December 2016

8. Tangible fixed assets

| | Fixtures and fittings £ | Office equipment £ | Total £ |
|--------------------------|-------------------------------|--------------------------|----------------------|
| Cost or valuation | | | |
| At 8 January 2016 | - | - | - |
| Additions | 25,387 | 12,268 | 37,655 |
| At 31 December 2016 | <u>25,387</u> | <u>12,268</u> | <u>37,655</u> |
| Depreciation | | | |
| At 8 January 2016 | - | - | - |
| Charge for the period | 2,539 | 101 | 2,640 |
| At 31 December 2016 | <u>2,539</u> | <u>101</u> | <u>2,640</u> |
| Net book value | | | |
| At 31 December 2016 | <u><u>22,848</u></u> | <u><u>12,167</u></u> | <u><u>35,015</u></u> |

Magnesita International Limited

**Notes to the Financial Statements
For the period ended 31 December 2016**

9. Debtors

| | 2016 £ |
|------------------------------------|----------------|
| Amounts owed by group undertakings | 1 |
| Other debtors | 200,858 |
| Prepayments and accrued income | 32,682 |
| | <u>233,541</u> |

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Included within other debtors due within one year is a loan to L G Perrotti Rossato, see note 13.

10. Creditors: Amounts falling due within one year

| | 2016 £ |
|------------------------------------|------------------|
| Amounts owed to group undertakings | 815,802 |
| Payroll liabilities | 42,304 |
| Other creditors | 3,000 |
| Accruals and deferred income | 1,404,794 |
| | <u>2,265,900</u> |

Amounts owed to group undertakings are unsecured, interest free and payable on demand.

11. Share capital

| | 2016 £ |
|---|------------------|
| Shares classified as equity | |
| Allotted, called up and fully paid | |
| 1,622,966 Ordinary shares of £1 each | <u>1,622,966</u> |

On incorporation, the company issued 1 ordinary £1 share at par. During the period ended 31 December 2016 there were four further issues of shares, 1 June 2016 272,965 ordinary £1 shares were issued at par, 12 July 2016 500,000 ordinary £1 shares were issued at par, 14 September 2016 250,000 ordinary £1 shares were issued at par and 7 November 2016 600,000 ordinary £1 shares were issued at par. Consideration was received in full for all issues of shares.

Magnesita International Limited

Notes to the Financial Statements
For the period ended 31 December 2016

12. Commitments under operating leases

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2016 £ |
|-----------------------|---------------|
| Not later than 1 year | 57,500 |
| | <u>57,500</u> |

13. Director's advances

On 15th July 2016 an interest-free loan was made to L G Perrotti Rossato of £25,000, this is included in other debtors. Amounts repaid during the period totalled £nil.

The maximum outstanding balance during the period was £25,000.

The loan was repaid in full in April 2017.

14. Related party transactions

Advantage has been taken of the exemption available under FRS 101 not to disclose transaction with wholly owned subsidiary companies on the grounds that group consolidated financial statements are prepared and are publicly available.

The directors consider there to be no key management personnel, other than the directors, who have authority and responsibility for planning, directing and controlling the activities of the company.

15. Parent undertaking and controlling party

The Company's parent undertaking and ultimate controlling party is Magnesita Refratários S.A., an entity registered in Brazil. The address of the parent is Dr. Eduardo de Souza Aranha Street 397, 5th Floor, 04543-121, Sao Paulo, Brazil.