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REGISTERED NUMBER: 00137114 (England and Wales)

Strategic Report, Report of the Directors and Financial Statements for the Year Ended 31 December 2019

for

Vale Europe Limited

Vale Europe Limited

Contents of the Financial Statements
for the Year Ended 31 December 2019

Vale Europe Limited

Company Information
for the Year Ended 31 December 2019

DIRECTORS:	S D Stacey B Tipping G Gilpin
SECRETARY:	Vistra Company Secretaries Limited
REGISTERED OFFICE:	Suite 1, 3rd Floor 11-12 St. James's Square London SW1Y 4LB
REGISTERED NUMBER:	00137114 (England and Wales)
INDEPENDENT AUDITORS:	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditor One Kingsway Cardiff CF10 3PW

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

REVIEW OF BUSINESS
Products
The company produces and sells a variety of refined metal products, which can be summaries as follows:

Nickel - pellets and powders: produced not sold externally but through a tolling arrangement.

GENERAL MARKET CONDITIONS

Nickel
Stainless steel is a significant driver of demand for nickel, particularly in China. In 2019, stainless steel production in China represented 65% of total nickel demand. As a consequence, changes in Chinese stainless steel production have a large impact on global nickel demand. In 2019, Chinese stainless steel production grew 11% compared to 2% in 2018. Also, there was growth in stainless focused on 300-series grade steels, which contains relatively high amounts of nickel, due to superior physical characteristics compared to other austenitic stainless steel series.

Due to the COVID-19 pandemic, our near-term view for nickel has changed. We now see the nickel market enter into a surplus in 2020 compared to our previous view of continued deficits, but our long-term outlook for nickel continues to remain positive.

While stainless steel production is a major driver of global nickel demand, stainless steel producers can obtain nickel with a wide range of nickel content, including secondary nickel (scrap). The choice between primary and secondary nickel is largely based on their relative prices and availability. On average between 2015 and 2019, secondary nickel accounted for approximately 40% of total nickel used for stainless steel. Regional availability and consumption of secondary nickel varies. In China, due to low availability of scrap, the use of secondary nickel represents 21% of the total nickel used for stainless steel, while nickel pig iron, a relatively low grade nickel product made primarily in China from imported lateritic ores, accounts for approximately 37%.

In recent years, Chinese domestic production of nickel pig iron accounted for the majority of world nickel supply growth. In 2019, approximately 570 thousand metric tons, representing 24% of world primary nickel supply was produced as nickel pig iron in China using nickel ore from the Philippines and Indonesia. Chinese nickel pig iron production was adversely affected by export restriction of unprocessed ores from Indonesia, beginning in 2014. In January 2017, the Indonesian government issued a ministerial decree changing the 2009 mining law that banned the export of unprocessed and semi-processed ores from the country. The ministerial decree allows for the controlled recommencement of nickel ore exports from Indonesia giving broad availability of ores for the production of nickel pig iron in China with the expectation of re-enforcing the export ban in 2022. As a result, the bottleneck for production had shifted away from ore availability to nickel pig iron capacity. In 2019, the Indonesian government has advanced the export ore ban from the beginning of 2022 to the beginning of 2020. These dynamics have allowed Indonesia to emerge as a large producer of nickel pig iron. In 2019, 383kt of nickel as nickel pig iron was produced in Indonesia much of it integrated directly to produce stainless steel. We expect nickel pig iron production in Indonesia to continue to grow, while China's nickel pig iron production to be impacted by the Indonesian ore export ban advancement.

In addition, the high value segment, which consumes both Upper Class and Lower Class I products, is the second largest market, making up 26% of the nickel demand in 2019. Global high value markets declined slightly by 1% compared to a growth of 1% in 2018 with China, the largest consumer of the high value market at 28% in 2019, leading the contraction at a 3% decline compared to 2018 demand. However, we anticipate that demand will return to growth in 2020.

LME nickel prices increased during 2019 to an average of US$ 13,936/t, from US$ 13,122/t in 2018. The nickel market was in deficit in 2019 by approximately 23kt. Global exchange inventories (London Metals Exchange and Shanghai Future Exchange) declined 28,418 metric tons from January 1, 2019 to December 31, 2019, implying some off-exchange inventory holding. We expect the market to be relatively balanced in 2020.

Clydach operates as a tolling refinery and therefore the fluctuations in nickel price do not directly affect the revenues of Vale Europe Limited given all costs are reimbursed. However, over the longer term the nickel price outlook will be a factor in the decision of how to allocate ore feed within the Vale network of operations.

PRINCIPAL RISKS AND UNCERTAINTIES
From the perspective of the company, the principal risks and uncertainties are largely integrated with the principal risks and uncertainties of the ultimate parent undertaking. However, from a UK perspective there are nevertheless certain risks that the company is exposed to as a result of its operations.

Liquidity risk
The company actively maintains short-term debt finance that is designed to ensure the company has sufficient funds for operations.

Brexit
At the time of signing the Directors report no agreement has been reached as to the terms of exit from the EU, and hence there are still risks that at this stage are difficult to quantify reliably. There are still a number of possible outcomes for Brexit, all of which have the potential to change the risk profile of the Company. Although the UK government continue to state that the risk of exiting, after the transition period, without a deal is unlikely, prudence requires the Company to consider this risk and plans for appropriate mitigation.

Every business in the UK will face similar risks and the main ones are as follows:
With regard to disruption to supply chains the risk in particular is that goods imported are disrupted by additional Customs formalities. If, for example, goods are delayed in clearing customs this could have a knock on effect on production if the necessary feed is not readily available. This in turn could have a knock on effect when shipping refined metals to end customers.

The company has undertaken a review of its supply chain, including meeting with key suppliers, to identify the risks and taken steps to increase inventories in the short term of key raw materials. This will allow operations to continue without any impact to production in the event of a no deal and disruption at the port of entry. The company has also reviewed plans with hauliers to manage through any disruption and identified alternative shipping lines that can be activated within a few days.

With regards to customer supplies the company has already taken steps to move some inventory holdings into warehousing in the Netherlands to provide a buffer during any port disruption.

With regard to people, the Company employs some EU nationals in the UK but does not anticipate any disruption to the operations in the event that restrictions are introduced limiting the ability of EU Nationals to work in the UK.

COVID -19
The coronavirus outbreak ("COVID-19") was first reported in December, 2019 and has since spread through various countries, with reports of multiple fatalities from the virus, including locations where Vale has its main operations.

On March 11, 2020, the World Health Organization assessed COVID-19 as a pandemic. During the month of March 2020, governmental authorities in various jurisdictions imposed lockdowns or other restrictions to contain the virus, and as a result, various businesses suspended or reduced their operations. The final impact on the global economy and financial markets is still uncertain but is expected to be significant.

As the outbreak develops over the regions where Vale operates, the Company may face workforce related operational difficulties and may need to adopt contingency measures. A significant portion of Vale's revenue is originated from sales made to customers in North America, Asia and Europe, and Vale relies on an extensive logistics and supply chain, including several ports, distribution centers and suppliers that have operations in affected regions. The Company is closely evaluating the impact of the COVID-19 on its business. Below is a summary of the impacts on Vale's business to date:

Liquidity – In March 2020, Vale took precautionary measures in order to increase its cash position and preserve financial flexibility in light of current uncertainty in the global markets resulting from the COVID-19 outbreak. Vale drew down US$5 billion under its revolving credit lines maturing June 2022 (US$2 billion) and December 2024 (US$3 billion) and has discontinued the nickel hedge accounting program.

Fair value of other assets and liabilities - At this time, the COVID-19 outbreak has not caused any significant impact on the fair value of the Company's assets and liabilities. However, abnormally large changes have occurred in the valuation of financial assets across many markets since the outbreak. The outbreak continues to be uncertain, making it impossible to forecast the final impact it could have on the economy, and in turn, on the Company's business, liquidity, and financial position meaning that the fair values of the Company's assets and liabilities may change in later periods.

Supply chain – The Company's supply chain might be significantly impacted by the COVID-19 outbreak, which would result in suspension of operations, operation difficulties, and increases in costs and expenses. In addition, the Company has suspended all non-essential construction works, which could delay the achievement of the expansion plans, revision of operations or resumption of production capacity.

Health, safety and environment (HSE)
The company operates one refinery in the UK and these operations are subject to numerous laws and regulations relating to health, safety and environment. Although we believe that our current operations are in compliance with current regulations, violations of such laws and regulations can lead to fines and penalties. The company's operations are qualified to ISO 14001 (Environmental Management) and OHSAS 1800 (Occupational Health & Safety) Standard. The company is committed to the highest standards of Health, Safety and Environmental practice and HSE managers in each of the operations are tasked with ensuring such practices are maintained. Specialist third party and internal auditors make regular site visits to ensure compliance with local regulations.

NICKEL MARKET OUTLOOK 2020
In the long term, the battery segment shows important upside potential as electric vehicle production continues to attract significant investments, which could positively affect nickel price and our nickel premiums. As currently foreseeable, commercially viable electric vehicle battery technologies utilize nickel; increasing nickel content in such batteries results in improved energy storage and lower cost. As a result, nickel demand is expected to surge, particularly given the expected increase in production of electric vehicles and the trends towards increased battery size and increased nickel content in batteries to improve performance and lower cost.

KEY PERFORMANCE INDICATORS (KPI'S)
The directors of Vale Europe Limited manage the company's business on a divisional platform, in line with strategic decisions that are made on a global basis by Vale Canada Limited. The directors of Vale Europe Limited provide input to the global decision making process. Vale Europe Limited essentially acts as an intermediary for the group's global nickel and PGM activities.

The leadership team at Clydach Refinery monitor 26 KPIs on a monthly basis during a refinery performance meeting, the KPIs cover 6 main areas of activity; Health and Safety, Environment, People, Production, Finance and Maintenance. Health and Safety indicators include the number of high potential incidents and injury frequency rate, Environment monitors our compliance with regulatory requirements, People focuses on overall headcount but also absenteeism and overtime costs, Production tracks the finished Nickel produced compared to budget, Finance KPIs include operational and capital budgets while Maintenance has a number of KPIs that look at the performance of maintenance jobs versus the plan.

The 2019 final KPI results were overall green; Operational costs were £80,000 under budget for the full year and down year on year, Nickel Production was marginally under budget due to a number of maintenance related unplanned stoppages that are being addressed in the 2020 Capital plan and the excellent Safety record of the refinery continued with a Total Recordable Injury Frequency rate below 5 and proactive safety reporting of unsafe conditions or near misses at a record level.

FUTURE DEVELOPMENTS AND SIGNIFICANT EVENTS
The Company is confident that it will continue to trade and meet its financial obligations for the foreseeable future.

During the financial year 2018, the company closed the Acton refinery and the decommissioning is in progress and on target.

On the 8th February 2019 the sale of the Acton land to a third party was agreed. The transaction took the form of a sale and leaseback agreement, with the lease running for the duration of the decommissioning process at zero cost. Vale Europe received proceeds of £67m, this relates to the sale less retention value. It is expected to conclude the decommissioning and finish the lease by June 2021. Acton will be shown in the financial statements as a discontinued operation.

Statement of directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006
This section serves as our section 172 statement and should be read in conjunction with the Strategic report. Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, including the impact of its activities on the community, the environment and the Company's reputation, when making decisions. Acting in good faith and fairly between members, the Directors consider what is most likely to promote the success of the Company for its members in the long term. Whilst the importance of giving due consideration to our stakeholders is not new, we are explaining in more detail this year how the Board engages with our stakeholders, thus seeking to comply with the requirement to include a statement setting out how our Directors have discharged this duty.

- Following the departure of 3 senior managers at the end of 2018 and a subsequent internal reorganisation of senior management, the Directors have established the Clydach Leadership Team ('CLT'), with effect from 1 January 2019. The CLT, comprises the senior functional management roles and together is comprised of those with responsibility for interacting with the Company's principal stakeholders. It is envisaged that this change in management structure will further enhance consideration of stakeholder interests in decision making at both Board and management level.

- The CLT meet weekly to discuss current issues for each function and track progress towards strategic goals. On a monthly cadence a performance meeting is held to review key performance indicators and variance analysis.

- On an annual basis the CLT coordinates a strategy setting process utilising the Hoshin Kanri X matrix approach to align all levels of the organisation to the short and long term objectives of the company. The objectives are set by the board in collaboration with supervisors and managers of all departments taking into account the wider group goals, a SWOT analysis of the business and local needs.

- The Board continues to enhance its methods of engagement with the workforce. Within the CLT employee engagement is owned by the Corporate Affairs Specialist, she is responsible for designing and executing the engagement strategy. For 2019 this included monthly engagement council meetings with representatives from all departments attending, regular internal newsletters, bi-annual training days for all employees and regular union/management meetings.

- The Board is committed to maintaining its strong relationship with the local community that has been built during its more than 100 years of operation. Each year The Board approves donations to local organisations such as the Clydach Mens Shed, Leon Heart Fund and Clydach Army Cadets. In addition an open day was held in October 2019 with the local community invited to come for tours of the refinery and to learn more about what we do.

- We aim to work responsibly with our suppliers with the relationship governed by a code of conduct signed by both parties to document the standards by which we operate and expect our suppliers to operate.

- The Board continues to strive for operational excellence in all areas of the business and has maintained a number of ISO standards over the past years including 9001 Quality and 14001 Environment. In 2019 we added to this list ISO 45001 Safety Management System which recognises the consistent high standards we have throughout our business.

ON BEHALF OF THE BOARD:

....
B Tipping - Director

Date: 4/8/2020

Report of the Directors
for the Year Ended 31 December 2019

The directors present their report with the financial statements of the company for the year ended 31 December 2019.

PRINCIPAL ACTIVITY
The principal activity of Vale Europe Limited ("the company") during the year was the refining of nickel.

DIVIDENDS
No dividends will be distributed for the year ended 31 December 2019.

RESEARCH AND DEVELOPMENT
The company continues to be involved in research and development programmes within its various fields of activity, particularly in the development of new and improved production processes.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

S D Stacey
B Tipping

Other changes in directors holding office are as follows:

M McCann - resigned 13 March 2019
G Gilpin - appointed 8 February 2019

FINANCIAL RESULTS AND DIVIDEND
The financial profit for the year ended 31 December 2019 for total operations was £51 million (2018: £29 million). Turnover was £59 million (2018: £146 million).

The retained profit for the year has been transferred to revenue reserves.

CHARITABLE AND POLITICAL CONTRIBUTIONS
Contributions to United Kingdom charitable, educational and scientific organisations in 2019 amounted to £14,024 (2018: £16,860). No political contributions were made.

EMPLOYEE PARTICIPATION
The company continued to consult employees, to provide them systematically with information and to achieve a common awareness of economic and financial factors, by a variety of means including regular meetings between senior management and all employees, a network of consultative committees and the regular publication of financial and other information.

The company has in place profit-sharing or bonus arrangements related to financial performances, in which all employees participate.

DISABLED PERSONS
It is the company's policy to give full and fair consideration to applications for employment made by disabled persons, to continue whenever possible the employment of those who have become disabled and to provide equal opportunities for the training and career development of disabled employees. If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

GOING CONCERN
The directors have completed an assessment of the business in light of the current Covid – 19 pandemic in order to identify the key risks over the medium term and determined that the financial stability continues to be good despite the challenging business environment.

Vale Europe has a tolling agreement with Vale Canada and under this agreement the operational expenses are reimbursed by Vale Canada along with an additional tolling fee. The only situation in which Vale Canada would not make a payment is if it declares force majeure. Therefore, the main risk to Vale Europe continuing as a Going Concern is the ability of Vale Canada to continue fulfilling the tolling agreement.

Vale Europe's cash flow needs are met through an intercompany loan relationship with Vale Canada. The current balance of which at 30th April 2020 is £202.3m providing more than enough liquidity to support the Vale Europe operations as needed. With the Vale group taking steps during the pandemic to access short term financing to support its subsidiaries where needed the directors judge the counterparty risk to not be significant at this time.

At this stage it is clearly hard to know with a high level of certainty what the recovery from the pandemic will look like and exactly how it will impact the customers that the products produced in Clydach are sold to. However, the directors believe the risk of a significant change in the production levels in Clydach are unlikely. We have so far seen a fall in sales of Clydach products (made by Clydach, sold by Vale Canada) of around 15% YTD vs the same period in 2019, with a low in April (33% fall YoY) and May data showing a recovery (26% fall).

In the first 5 months of 2020 production for Vale Europe has been higher than budget and the trend is continuing for the year with a 1.5% increase on the original budget for the year. The current 2021 production plan is for an increased production of Nickel to be produced with feed supply being the only limiter. This could change as we progress through the year and the effects of Coronavirus are understood further including the risk of a second wave, but do demonstrate the robustness in demand expected by the marketing teams

Economic indicators are currently suggesting we will see a V shaped economic recovery unless there is a significant 2nd wave of COVID-19. For the Nickel Market in particular the Chinese Nickel Industries PMI was above 50 for the 3rd consecutive month in May at 51.44. While still early these are all positive indications that we will not see a significant downturn in demand.

Due to the COVID-19 pandemic, our near-term view for nickel has changed. We now see the nickel market enter into a surplus in 2020 compared to our previous view of continued deficits, but our long-term outlook for nickel continues to remain positive.

Taking all of the above factors into account, the directors have a reasonable expectation that the company has adequate resources to continue in business for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

INDEPENDENT AUDITORS
The auditors, PricewaterhouseCoopers LLP, Statutory Auditors, will be proposed for reappointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

........B T Tipping........
B Tipping - Director

Date: ....4/8/2020....

Statement of Directors' Responsibilities for the Year Ended 31 December 2019

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 UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 judgements and 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;

- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

ON BEHALF OF THE BOARD:

....
B Tipping - Director

Date: 4/8/2020

Vale Europe Limited
Independent Auditors' Report to the Members of
Vale Europe Limited

Report on the audit of the financial statements

Opinion

In our opinion, Vale Europe Limited's financial statements:

- give a true and fair view of the state 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Report of the Directors and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2019 is consistent with the financial statements and has been

prepared in accordance with applicable legal requirements.
In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of Directors' Responsibilities set out on page 10, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility

Stuart Couch

Stuart Couch (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
One Kingsway
Cardiff
CF10 3PW

Date: 4 August 2020

Income Statement
for the Year Ended 31 December 2019

	Notes	2019 Continuing £'000	2019 Discontinued £'000	2019 Total £'000
TURNOVER	5	57,675	1,812	59,487
Cost of sales		(53,440)	507	(52,933)
GROSS PROFIT		4,235	2,319	6,554
Distribution costs		(31)	-	(31)
Administrative expenses		(644)	51,388	50,744
OPERATING PROFIT		3,560	53,707	57,267
Interest receivable and similar income	7	3,514	-	3,514
Amounts written off investments		-	-	-
Interest payable and similar expenses	8	(1,332)	-	(1,332)
PROFIT BEFORE TAXATION	9	5,742	53,707	59,449
Tax on profit	10	(1,304)	(6,851)	(8,155)
PROFIT FOR THE FINANCIAL YEAR		4,438	46,856	51,294

Vale Europe Limited

Income Statement
for the Year Ended 31 December 2019

	Notes	2018 Continuing £'000	2018 Discontinued £'000	2018 Total £'000
TURNOVER	5	60,425	85,443	145,868
Cost of sales		(31,355)	(78,204)	(109,559)
GROSS PROFIT		29,070	7,239	36,309
Distribution costs		(57)	(74)	(131)
Administrative expenses		(286)	(4,895)	(5,181)
OPERATING PROFIT		28,727	2,270	30,997
Interest receivable and similar income	7	1,845	135	1,980
Amounts written off investments		-	-	-
Interest payable and similar expenses	8	(935)	-	(935)
PROFIT BEFORE TAXATION	9	29,637	2,405	32,042
Tax on profit	10	(1,428)	(1,406)	(2,834)
PROFIT FOR THE FINANCIAL YEAR		28,209	999	29,208

Statement of Comprehensive Income
for the Year Ended 31 December 2019

	Notes	2019 £'000	2018 £'000
PROFIT FOR THE YEAR		51,294	29,208
OTHER COMPREHENSIVE INCOME			
Actuarial gain on pension scheme		5,690	3,844
Deferred tax movement relating to other comprehensive income		(314)	(849)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		5,376	2,995
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		56,670	32,203

Balance Sheet
31 December 2019

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
FIXED ASSETS					
Tangible assets	11		36,573		32,878
Investments	12		215		215
			36,788		33,093
CURRENT ASSETS					
Stocks	13	2,861		2,808	
Debtors	14	234,066		145,289	
Cash at bank		4,821		22,840	
		241,748		170,937	
CREDITORS :					
Amounts falling due within one year	15	24,914		10,950	
NET CURRENT ASSETS			216,834		159,987
TOTAL ASSETS LESS CURRENT LIABILITIES			253,622		193,080
PROVISIONS FOR LIABILITIES	17		(145,157)		(130,334)
PENSION LIABILITY	19		(6,048)		(16,999)
NET ASSETS			102,417		45,747
CAPITAL AND RESERVES					
Called up share capital	18		35,500		35,500
Share premium			32,393		32,393
Retained earnings/(Accumulated losses)			34,524		(22,146)
SHAREHOLDERS' FUNDS			102,417		45,747

The financial statements were approved by the Board of Directors on 4/8/2020 and were signed on its behalf by:

B Tipping

B Tipping - Director

Vale Europe Limited

Statement of Changes in Equity
for the Year Ended 31 December 2019

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Total equity £'000
Balance at 1 January 2018	35,500	(54,349)	32,393	13,544
Changes in equity				
Profit for the year	-	29,208	-	29,208
Other comprehensive income for the year, net of income tax	-	2,995	-	2,995
Other Comprehensive Income	35,500	(51,354)	32,393	16,539
Balance at 31 December 2018	35,500	(22,146)	32,393	45,747
Changes in equity				
Profit for the year	-	51,294	-	51,294
Other comprehensive income for the year, net of income tax	-	5,376	-	5,376
Balance at 31 December 2019	35,500	34,524	32,393	102,417

The notes form part of these financial statements

1. STATUTORY INFORMATION

Vale Europe Limited is a private company, limited by shares and is incorporated in the United Kingdom It is domiciled in England and Wales, registration number 00137114. The address of the registered office is Suite 1, 3rd Floor, 11-12 St. James's Square, London SW1Y 4LB.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

3. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

Basis of preparing the financial statements
The financial statements have been prepared under the historical cost convention.

The financial statements contain information about Vale Europe Limited as an individual company and do not contain consolidated financial information as the intermediate parent of a group. The company is exempt under the provisions of S401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Vale S.A., a company incorporated in Brazil.

Going concern
The company's business activities, together with the factors likely to affect its future development and position, are set out in more detail in the Report of the Directors on pages 8 and 9. In summary, Vale Europe has a tolling agreement with Vale Canada and under this agreement the operational expenses are reimbursed by Vale Canada along with an additional tolling fee. The only situation in which Vale Canada would not make a payment is if it declares force majeure. Therefore, the main risk to Vale Europe continuing as a Going Concern is the ability of Vale Canada to continue fulfilling the tolling agreement, which even based on our assessment of the current unusual market factors is considered unlikely.

The company has significant financial resources and the directors believe that the company will be able to manage its business risks successfully despite the current economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in business for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Financial Reporting Standard 102 - reduced disclosure exemptions
The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

Revenue recognition
Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Turnover comprises income from tolling arrangements relating to intergroup metal processing, and is recognised on a straight line basis over the period of the agreements.

continued...

3. **ACCOUNTING POLICIES - continued**

Fixed assets
The cost of fixed assets is their purchase cost, together with any incidental cost of acquisition. Land and buildings cost includes capitalised elements of the decommissioning and closure provision which relate to the dismantling and removal of relevant assets. Changes in the estimate of these costs are recognised through fixed assets.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Land and buildings - 2.5 - 10%
Plant and machinery - 4 - 20%
Fixtures, fittings, tools and equipment - 4 - 14%

Freehold land is not depreciated.

Assets in the course of construction include costs incurred in the design and planning of assets prior to the commencement of their construction, where the construction of the asset can be anticipated with reasonable certainty.

Impairment of value
At each reporting date fixed assets and investments are reviewed to determine whether there is any indication that those assets/investments have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset/investment is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated amount, and an impairment loss is recognised immediately in the profit and loss account.

If an impairment loss subsequently reverses, the carrying amount of the asset/investment is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset/investment in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account.

Stocks
Stocks are valued at the lower of cost and estimated selling price less costs to sell. Cost includes an appropriate share of production overheads and are assigned to individual items of stock on the basis of weighted average costs method. At the end of the reporting period, net realisable value of stocks are assessed and a provision for losses on obsolete or slow-moving stock may be recognised.

Taxation
Taxation 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 in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred Taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

continued...

3. **ACCOUNTING POLICIES - continued**

Research and development
Research and development costs are charged to the profit and loss account as incurred.

Exchange rates
Transactions in foreign currencies are translated into sterling at the foreign exchange rate ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated into sterling at rates ruling at the year end. Exchange differences are taken to the profit and loss account.

Pension costs
The company operates a defined benefit scheme. Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The difference between the market value of the assets of the scheme and the present value of the accrued pension liabilities are shown as a liability on the balance sheet and is presented separately after other net assets on the face of the balance sheet.

The increase in the present value of the liabilities of the company's defined benefit pension scheme expected to arise from employee service in the period is charged to operating profit.

The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the other comprehensive income statement.

Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet.

The company operates a defined contribution plan. This is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Basic financial instruments
1. **Trade and other debtors / creditors**
    - Trade and other debtors are recognised initially at transaction price less attributable transaction costs.
    - Trade and other creditors are recognised initially at transaction price plus attributable transaction costs.
    - Subsequent to initial recognition they are measured at amortized cost using the effective interest method, less any impairment losses in the case of trade debtors.

2. **Cash and cash equivalents**
    - Cash and cash equivalents comprise cash balances and call deposits.

Investments
Investments are stated at cost less any provision for impairment.

continued...

3. **ACCOUNTING POLICIES - continued**

Provisions
Provisions are recognised only when there is a present obligation (legal or constructive) resulting from a past event, and it is probable that the settlement of this obligation will result in an outflow of resources, and the amount of the obligation can be reasonably estimated. Provisions are measured at the present value of the expenditure expected to be required to settle an obligation using a pre-tax rate which reflects current market assessments of the time value of money and risks specific to the obligation.

Provision obligations relating to the initial amount or the cost of the dismantling and removal of fixed assets that do not relate to production are included in the cost of the asset; other provision obligations are expensed.

Provisions are recognised for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

Discontinued operations
Discontinued operations are components of the company that have been closed down and are part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operation.

They are included in the profit and loss account in a separate column for the current period., and re-presented for the prior period so that the disclosure relates to all operations that have been discontinued by the end of the reporting period.

4. **ACCOUNTING ESTIMATES AND JUDGEMENTS**

In preparing these financial statements, the company has made judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Key Estimates and assumptions have been made in the following areas:
Useful life of tangible assets - this has been based on past experience of the life of an asset.
Shelf life of stock - this has been based on a review of the items and condition.
Deferred tax asset - this has been based on a review of the balance.
Decommissioning and closure provision - this has been based on a decommissioning plan prepared by external experts every 5 years. In addition the timing of the cash flows and discount rates used to establish net present value of the obligations require management's judgement, for more detail see note 17.

5. **TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the company.
An analysis of turnover by class of business is given below:

	2019	2018
	£'000	£'000
Nickel, platinum group metals	59,487	145,868
	59,487	145,868

An analysis of turnover by geographical market is given below:

	2019	2018
	£'000	£'000
Europe	2,159	38,587
Asia	-	1,857
Americas	57,328	105,411
Other	-	13
	59,487	145,868

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6. EMPLOYEES AND DIRECTORS

	2019	2018
	£'000	£'000
Wages and salaries	10,908	14,043
Social security costs	1,331	1,912
Other pension costs	2,686	4,279
	14,925	20,234

The monthly average number of employees during the year was as follows:

	2019	2018
Nickel, platinum group metals	221	224

	2019	2018
	£	£
Directors' remuneration	213,728	535,016
Directors' long term incentive schemes	-	24,703

The number of directors to whom retirement benefits were accruing was as follows:	2019	2018
Money purchase schemes	2	2
Defined benefit schemes	-	2

Information regarding the highest paid director is as follows:

	2019	2018
	£	£
Emoluments etc	140,404	209,353

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019	2018
	£'000	£'000
Interest receivable from group undertakings	3,431	1,832
Interest receivable from third parties	83	148
	3,514	1,980

continued...

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 £'000	2018 £'000
Interest on pension scheme liabilities	5,087	4,801
Expected return on pension scheme assets	(4,295)	(3,867)
Net interest expense on net defined benefit pension liability (note 18)	792	934
Other charges	351	1
Interest paid to group undertakings	189	-
	1,332	935

9. PROFIT BEFORE TAXATION

Profit/(loss) before taxation is stated after charging/(crediting) the following amounts:

	2019 £'000	2018 £'000
Depreciation (owned assets)	2,261	2,914
Hire of plant and machinery - operating leases	474	442
Foreign exchange loss	344	2,102
Profit on disposal of fixed assets : profit on sale of Acton	(66,989)	-
Costs associated with decommissioning	25,209	(17,288)
Auditor's remuneration:		
Audit of these financial Statements	80	84
Audit of UK Pension Scheme	16	10

10. TAX ON PROFIT

Analysis of the tax charge
The tax charge on the profit for the year was as follows:

	2019 £'000	2018 £'000
Current tax:		
UK corporation tax	6,850	1,671
Adjustment in respect of prior period	(99)	198
Total current tax	6,751	1,869
Deferred tax	1,404	965
Tax on profit	8,155	2,834

UK corporation tax has been charged at 19% (2018 - 19%).

continued...

10. TAX ON PROFIT - continued

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2019 £'000	2018 £'000
Profit before tax	59,449	32,042
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	11,295	6,088
Effects of:		
Expenses not deductible for tax purposes	(607)	(4,417)
Utilisation of tax losses	(3,984)	-
Adjustments to tax charge in respect of previous periods	(99)	198
Tax on losses carried forward	146	-
Adjustment for deferred tax	1,404	965
Total tax charge	8,155	2,834

Tax effects relating to effects of other comprehensive income

	2019		
	Gross £'000	Tax £'000	Net £'000
Actuarial gain/ (loss) on pension scheme	5,690	(314)	5,376

	2018		
	Gross £'000	Tax £'000	Net £'000
Actuarial gain/ (loss) on pension scheme	3,844	(849)	2,995

The current UK tax rate that has been used for the period is 19%.

A reduction in the UK corporation tax rate from 20% to 18% (effective from 1 April 2020) was substantively enacted on 26 October 2015. Further reductions to 17% (effective April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. In March 2019 the tax rate was revised back up to 19% but this is a non adjusting PBSE. The deferred tax asset at 31 December 2019 has been calculated based on rate of 17%.

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11. **TANGIBLE FIXED ASSETS**

	Freehold property £'000	Plant and machinery £'000	Fixtures and fittings £'000	Assets in course of construction £'000	Totals £'000
COST					
At 1 January 2019	35,185	104,776	7,567	1,445	148,973
Additions	-	-	-	6,029	6,029
Disposals	(4,091)	(33,511)	(2,187)	-	(39,789)
Reclassification/transfer	4,371	2,069	477	(6,917)	-
At 31 December 2019	35,465	73,334	5,857	557	115,213
DEPRECIATION					
At 1 January 2019	29,866	81,440	4,789	-	116,095
Charge for year	408	1,503	350	-	2,261
Disposals	(4,018)	(33,511)	(2,187)	-	(39,716)
At 31 December 2019	26,256	49,432	2,952	-	78,640
NET BOOK VALUE					
At 31 December 2019	9,209	23,902	2,905	557	36,573
At 31 December 2018	5,319	23,336	2,778	1,445	32,878

12. **INVESTMENTS**

Investment in subsidiary undertakings:

	Subsidiary undertaking £'000
Cost and net book value at 31 December 2018 and 31 December 2019	215

At 31 December 2019 the company's investment in subsidiary undertakings comprised the following:

	Country of incorporation	Business activity	Ordinary Shares %	Net liabilities at 31 December 2019 £'000	Loss year to 31 December 2019 £'000
Vale Taiwan Ltd	Taiwan	Nickel Refining	100	(2,463)	(414)

In the opinion of the directors, the investment in Vale Taiwan Limited is not worth less that its carrying value in the financial statements.
Address – No.40, Xingye Rd., Kaohsiung City, 83162, Taiwan

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13. STOCKS

	2019	2018
	£'000	£'000
Stocks	2,861	2,808

In the opinion of the directors there is no material difference between the stated amount of stocks and their replacement value.

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£'000	£'000
Trade debtors	44	44
Amounts owed by group undertakings	221,408	125,912
Other debtors	5	399
Corporation Tax Debtor	-	409
Deferred tax asset	70	1,788
VAT	12,539	16,737
	234,066	145,289

Amounts owed by group undertakings includes loans made to Vale Canada Limited of £209m (2018: £117m). The loans are considered short term, repayable on demand and accrue interest of 1% above base rate annually.

The elements of deferred tax asset are as follows:

	2019	2018
	£'000	£'000
Difference between accumulated depreciation and amortisation and capital allowances	1,215	1,359
Other timing differences	(257)	(257)
Deferred tax on pension liability	(1028)	(2,890)
Deferred tax asset	(70)	(1,788)

The movement on the deferred tax asset in relation to the pension liability is set out below:

	Deferred tax on pension liability £'000
At 1 January 2019	(2,890)
Charged to the profit and loss account during the year	1,548
Charged to the other comprehensive statement	314
At 31 December 2019	(1,028)

continued...

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£'000	£'000
Trade creditors	2,102	2,371
Corporation Tax Creditor	1,738	-
Amounts owed to group undertakings	12,114	114
Taxation and social security	635	801
Other creditors	6,546	7,664
Deferred government grants	1,779	-
	24,914	10,950

16. LEASING AGREEMENTS

At 31 December 2019 the company has non-cancellable, operating lease commitments payable as follows:

	2019	2018
	£'000	£'000
Within one year	309	371
Within two to five years	961	961
After five years	211	392
	1,481	1,724

Further capital expenditure not provided in financial statements:

	2019	2018
	£'000	£'000
Contracts placed	17,656	3,336

continued...

17. **PROVISIONS FOR LIABILITIES**

	Decommissioning and closure £'000	Holiday Pay £'000	Total £'000
At 1 January 2019	130,155	179	130,334
Utilised during the year	(10,008)	(34)	(10,042)
Charged to the profit and loss account:			
Change in estimate of obligation	24,927	-	24,927
Deducted from cost of fixed assets	(62)	-	(62)
At 31 December 2019	145,012	145	145,157

The decommissioning and closure provision relates to the environmental clean-up and decommissioning costs that the Company will incur upon closure of the sites. The discount rates used in discounting the decommissioning and closure provision to its present value is 0%, reflecting a risk free rate that matches the expected timing of the cash-flows.

The Acton site is in the decommissioning process and due to be completed by early 2021.

The Clydach site is based on the Life of Mine plan created by Vale Canada Limited and reflects the cost of returning the site to a condition to be used for industrial usage. That plan would include demolishing most of the buildings on site and remediating the land to a standard agreed with National Resources Wales.

The holiday pay provision represents holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the salary cost payable for the period of absence.

18. **CALLED UP SHARE CAPITAL**

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2019 £'000	2018 £'000
71,000,000 (2018: 71,000,000)	Ordinary	50p	35,500	35,500

continued...

19. PENSION LIABILITY

Defined benefit scheme

The company sponsors a defined benefit pension scheme (the Vale Europe Pension Plan) for its employees in the UK. The Scheme is funded by payment of contributions from the company to a trustee administered fund. Benefits were built up in the Scheme during the year on a "final earnings" basis, whereby the associated pension benefits are calculated with reference to a member's Final Pensionable Earnings at retirement or on leaving the Scheme, if earlier.

On leaving the Scheme the benefits allow for revaluation to retirement in line with price inflation as measured by the Retail Prices Index, subject to a maximum of 5% per annum compound. In addition to the benefits under the Plan, the company pays discretionary pension increases directly to certain pensioners. The present values of these discretionary pensions are included in these disclosures, as are the payments and corresponding company contributions.
The last full actuarial valuation was for 31st December 2018. The valuation was completed and submitted to the regulator on 31 March 2020.

	2019 £'000	2018 £'000
Present value of funded defined benefits obligations	188,892	178,025
Fair value of plan assets	(182,844)	(161,026)
Deficit	6,048	16,999

Movement in present value of defined benefit obligation	2019 £'000	2018 £'000
At 1 January	178,025	186,446
Service cost	2,406	3,970
Interest cost	5,087	4,801
Actuarial losses and (gains)	11,025	(9,607)
Benefits paid	(7,651)	(7,585)
At 31 December	188,892	178,025

Movement in fair value of plan assets	2019 £'000	2018 £'000
At 1 January	161,026	160,995
Expected return on plan assets	4,295	3,867
Actuarial gain / (losses)	16,715	(5,763)
Contributions by employer	8,459	9,552
Benefits paid	(7,651)	(7,585)
At 31 December	182,844	161,026

Expense recognised in the profit and loss account	2019 £'000	2018 £'000
Current service cost	2,406	3,970
Net interest on defined benefit liability	792	934
Total	3,198	4,904

continued...

19. **PENSION LIABILITY (Cont.)**

The total amount recognised in the other comprehensive income statement in respect of actuarial gains and losses is £5,690,000 gain (2018: £3,844,000).

Cumulative actuarial losses reported in the other comprehensive income statement are £99,694000 (2018: £105,384,000).
The major categories of scheme assets as a percentage of total scheme assets are:

	2019	2018
Equities	44.0%	40.3%
Fixed interest gilts	10.4%	19.9%
Index-Linked gilts	17.5%	10.2%
Corporate bonds	28.1%	29.6%
	100%	100%

	2019	2018
	£'000	£'000
Actual return on scheme assets	21,010	(1,896)

Principal assumptions

The principal actuarial assumptions at the balance sheet date were:

	2019	2018
Discount Rate	2.10%	2.90%
Interest on assets	2.10%	2.60%
Inflation (RPI)	3.15%	3.55%
Inflation (CPI)	2.25%	2.55%
Rate of increase of salaries	3.90%	4.30%
Rate of increase of pensions in payment:		
Fixed	0.00%	0.00%
RPI (Max 5%)	3.05%	3.40%
RPI (Max 2.5%)	2.20%	2.35%
Pre-retirement mortality	S2 PA YOB, CMI 2018 Rate of improvement of 1.25% Pa for males and 1% pa for females	S2 PA YOB, CMI 2017 Rate of improvement of 1.25% Pa for males and 1% pa for females
Post retirement mortality	S2 PA YOB, CMI 2018 rate of improvement of 1.25% pa for males and 1% pa for females	S2 PA YOB, CMI 2017 rate of improvement of 1.25% pa for males and 1% pa for females
Withdrawals	Scheme scale	Scheme scale
Cash Commutation	Members are assumed to commute pension benefits at retirement for cash lump sums equal to 75% of the maximum permitted	Members are assumed to commute pension benefits at retirement for cash lump sums equal to 75% of the maximum permitted

continued...

19. **PENSION LIABILITY (Cont.)**

Defined contribution scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £244,037 (2018: £230,584).

20. **IMMEDIATE AND ULTIMATE PARENT UNDERTAKING**

The immediate parent undertaking is Vale Inco Europe Holdings. The ultimate parent undertaking and controlling party is Vale S.A., a company incorporated in Brazil.

Vale S.A. is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2019. The consolidated financial statements of Vale S.A. can be obtained from Vale S.A. Praia De Botafogo 186 Offices 701 - 1901, Botafogo 22250-145, Rio de Janeiro, Brazil.

Vale Canada Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. Address – 200 Bay Street, Royal Bank Plaza, Suite 1600, South Tower, P.O. Box 70 Toronto, Ontario M5J 2K2 Canada