

Minteq UK Limited

Annual report and financial statements

Registered number 2123886

31 December 2018



Contents

Strategic report	1
Directors' report	3
Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements	4
Independent auditor's report to the members of Minteq UK Limited	5
Profit and Loss Account and Other Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Notes	11

Strategic report

Principal activities

The company manufactures a comprehensive range of monolithic refractory products which are primarily used to form a heat or abrasion resistant lining or a working surface in a large number of different industries and applications. The company provides a design, installation and application service for these and other factored refractory and wire goods.

The company also produces precipitated calcium carbonate, principally for the sealant and pharmaceutical industries.

Business review

The results for the year are set out on page 8. Turnover increased by £2.2m (7%) to £33.2m with a decrease in gross profit of £1.0m (18.9%).

The company continues to manage cost of sales through careful sourcing of raw materials including group purchasing where appropriate. At both UK manufacturing sites process and efficiency improvements are constantly being developed through the use of Lean Manufacturing techniques.

The refractory division had a strong year in 2018. Brexit had a positive impact on sales, but as raw materials are purchased in euros or USD, there was an increase in the cost base. This was generally recovered through supply chain re-negotiations. Worldwide raw material costs increased significantly driven by China's environmental policy. The forecast for 2019 is a similar outlook to that achieved in 2018 as global steel production is forecasted to be in-line with 2018.

The precipitated calcium carbonate division saw a decrease of 0.2% in sales tonnage. But the division continued to benefit from the post-Brexit Euro and USD exchange rates with minimal effect on the cost base.

Appropriate credit terms are agreed with all customers and these are closely managed and regularly reviewed.

The funding of pension liabilities is split between equities and other assets in line with projected benefit obligations for each scheme. The pension scheme is subject to funding risks, principally poor performance of the equity investments and increased longevity of the members.

Key financial performance indicators include the monitoring and management of working capital.

Key performance indicators

	2018	2017	Measure
Return on assets	4.4%	6.2%	Profit before interest and tax/Tangible assets plus current assets less intra-group items
Stock turnover	8.1	9.2	Turnover/Stock
Sales per employee	£294,000	£293,000	Turnover/Average number of employees
Turnover growth	7.1%	5.3%	Turnover prior year

Principle risks and uncertainties

The Company is exposed to competitive risk in the market in which it operates and constantly monitors prices being offered by its competitors. On the refractories side, the risk is that the customer decides to move away from accepting our business model, either by separating the labour and equipment from the material supply or by deciding that low priced commodity products should be the way to go. Energy is a significant cost to the business. It is monitored on a daily basis and forward prices are fixed where appropriate.

Strategic report *(continued)*

Research and development

Research and development is carried out at the premises of a fellow subsidiary undertaking in Ireland and recharged to the group.

Future developments

The market may be affected by the following in 2019:

- i) Exchange rate effects – currently the euro exchange rate continues to be at a favourable level on the sales side
- ii) Existing contracts have been renewed for 2019
- iii) PCC business continues at 2018 levels

By order of the board



NG Hall
Director

The Broadgate Tower
Third Floor
20 Primrose Street
London
EC2A 2RS

23 September 2019

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2018.

Directors

The directors who held office during the year and up to the date of signing this report were as follows:

Brett Argirakis

Neil George Hall (appointed 20 December 2018)

Robert Brown (resigned 28 November 2018)

Proposed dividend

The directors do not recommend the payment of a final dividend (2017: £nil). During the year an interim dividend of £2,650,000 was paid.

Political contributions

The Company made no political donations or incurred any disclosable political expenditure during the year.

Disclosure of information to auditor

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

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

Auditor

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

By order of the board



NG Hall
Director

The Broadgate Tower
Third Floor
20 Primrose Street
London
EC2A 2RS

23 September 2019

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

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.



KPMG LLP

1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
United Kingdom

Independent auditor's report to the members of Minteq UK Limited

Opinion

We have audited the financial statements of Minteq UK Limited ("the company") for the year ended 31 December 2018 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as prices of raw materials, recoverability of debtors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Independent auditor's report to the members of Minteq UK Limited (continued)

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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

We have nothing to report in these respects.

Independent auditor's report to the members of Minteq UK Limited (continued)

Directors' responsibilities

As explained more fully in their statement set out on page 4 the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

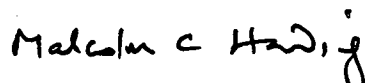
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Malcolm Harding (Senior Statutory Auditor)

For and on behalf of KPMG LLP Statutory Auditor

Chartered Accountants

1 Sovereign Square

Sovereign Street

Leeds

West Yorkshire

26 September 2019

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2018

		2018 £000	2017 £000
Turnover	2	33,241	31,038
Cost of sales		(29,047)	(25,868)
Gross profit		4,194	5,170
Distribution costs		-	104
Administrative expenses		(2,002)	(2,172)
Operating profit	3-5	2,192	3,102
Other interest receivable and similar income	6	17	177
Interest payable and similar charges	7	(364)	(383)
Profit before taxation		1,845	2,896
Tax on profit	8	88	(423)
Profit for the financial year		1,933	2,473
Other comprehensive income			
Remeasurement of the net defined benefit liability		5,407	62
Income tax on other comprehensive income		(929)	(10)
Other comprehensive income for the year, net of income tax		4,478	52
Total comprehensive income for the year		6,411	2,525

Results for the year are all derived from continuing operations.

The notes on pages 11 to 24 form part of these financial statements.

Balance Sheet
At 31 December 2018

	<i>Note</i>	2018 £000	£000	2017 £000	£000
Fixed assets					
<i>Intangible assets</i>					
Patents	9		90		128
Tangible assets	10		8,154		7,439
Investments	11		22,634		22,634
			<hr/>		<hr/>
			30,878		30,201
Current assets					
Stocks	12	4,100		3,390	
Debtors (including £57,000 (2017: £177,000) due after more than one year)	13	8,250		8,362	
Cash at bank and in hand		7,422		9,012	
		<hr/>		<hr/>	
		19,772		20,764	
Creditors: amounts falling due within one year	14	(6,233)		(4,865)	
		<hr/>		<hr/>	
Net current assets			13,539		15,899
			<hr/>		<hr/>
Total assets less current liabilities			44,417		46,100
Provisions for liabilities					
Pensions and similar obligations	16	(8,732)		(14,176)	
		<hr/>		<hr/>	
			(8,732)		(14,176)
			<hr/>		<hr/>
Net assets			35,685		31,924
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	17	29,488		29,488	
Profit and loss account		6,197		2,436	
		<hr/>		<hr/>	
Shareholders' funds			35,685		31,924
			<hr/>		<hr/>

The notes on pages 11 to 24 form part of these accounts.

These financial statements were approved by the board of directors on **2319** 2019 and were signed on its behalf by:



NG Hall
Director

Company registered number: 2123886

Statement of Changes in Equity

	Called up Share Capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2017	29,488	(89)	29,399
Total comprehensive income for the period			
Profit or loss	-	2,473	2,473
Other comprehensive income	-	52	52
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	2,525	2,525
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017	29,488	2,436	31,924
	<hr/>	<hr/>	<hr/>

	Called up Share Capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018	29,488	2,436	31,924
Total comprehensive income for the period			
Profit or loss	-	1,933	1,933
Other comprehensive income	-	4,478	4,478
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	6,411	6,411
	<hr/>	<hr/>	<hr/>
Transaction with owners, recorded directly in equity			
Dividends	-	(2,650)	(2,650)
	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	(2,650)	(2,650)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	29,488	6,197	35,685
	<hr/>	<hr/>	<hr/>

The notes on pages 11 to 24 form part of these accounts.

Notes

(forming part of the financial statements)

1 Accounting policies

Minteq UK Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The ultimate parent undertaking is Mineral Technologies Inc., which is incorporated in the United States of America. The accounts and annual report of Mineral Technologies Inc., incorporate the results of the company and can be obtained from Minerals Technologies Inc., 622 Third Avenue, New York, NY 10017, USA.

The company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- Cash Flow Statement and related note;

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The Company's business activities, together with the factors likely to affect its future performance and position, are set out in the Strategic report.

The Company meets its day to day working capital requirements through cash generated from operating activities.

The Company's forecasts and projections, taking account of reasonably possible changes in performance, show that the Company is expected to have a sufficient level of financial resources available and therefore the directors believe that the Company is well placed to manage its business risks successfully despite an element of economic uncertainty.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to prepare the financial statements on a going concern basis.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Notes (continued)

1 Accounting policies (continued)

1.4 Classification of financial instruments issued by the company

In accordance with FRS 102.22, financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5 Basic financial instruments

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 amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Buildings 30 years
- Leasehold land and buildings life of lease
- Plant and machinery, fixtures, fittings and equipment 5 to 15 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes (continued)

1 Accounting policies (continued)

1.7 Intangible assets, goodwill and negative goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Other intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Patents and trademarks 7 years
- Goodwill 20 years

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the standard principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.9 Impairment excluding stocks, and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes (continued)

1 Accounting policies (continued)

1.9 Impairment excluding stocks, and deferred tax assets (continued)

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.10 Employee benefits

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The entity's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The entity determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the entity's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The entity recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

1.11 Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

Notes (continued)

1 Accounting policies (continued)

1.12 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.13 Taxation

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associates to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

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.

Notes (continued)

2 Turnover

	2018 £000	2017 £000
By geographical market		
UK and Ireland	13,131	11,973
Scandinavia	1,805	1,841
Other European	13,332	12,878
Other	4,973	4,346
	<u>33,241</u>	<u>31,038</u>

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

2018 £000	2017 £000
-	-

Auditor's remuneration:

	2018 £000	2017 £000
Audit of these financial statements	<u>34</u>	<u>30</u>

Amounts receivable by the company's auditor and its associates in respect of the audit of financial statements of associated pension schemes is £7500 (2017: £7,000).

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2018	2017
Manufacturing	53	47
Administration	11	12
Field sales and services	49	47
	<u>113</u>	<u>106</u>

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	4,984	5,387
Social security costs	624	598
Contributions to defined benefit plans	1,209	1,857
Redundancy	128	25
	<u>6,945</u>	<u>7,867</u>

Notes (continued)

5 Directors' remuneration

	2018 £000	2017 £000
Directors' remuneration	92	92
Company contributions to defined benefit scheme	3	3
Redundancy	120	-
	<u>215</u>	<u>95</u>

	Number of directors 2018	2017
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	<u>1</u>	<u>1</u>

6 Other interest receivable and similar income

	2018 £000	2017 £000
Bank interest	16	10
Net foreign exchange gain	-	165
Other interest	1	2
	<u>17</u>	<u>177</u>

7 Interest payable and similar charges

	2018 £000	2017 £000
Bank charges	15	16
Net interest expense on net defined benefit liabilities	332	365
Net foreign exchange losses	15	-
Other interest	2	2
	<u>364</u>	<u>383</u>

Notes (continued)

8 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2018 £000	£000	2017 £000	£000
<i>Current tax</i>				
Current tax on income for the period		381		496
Adjustments in respect of prior periods		(495)		(71)
Total current tax		(114)		425
<i>Deferred tax (see note 15)</i>				
Origination and reversal of timing differences			89	
Change in tax rate	26		(11)	
Adjustments in respect of previous periods	-		(70)	
		26		8
Total tax		(88)		433

	£000	2018 £000	£000	£000	2017 £000	£000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	(114)	26	(88)	425	(2)	423
Recognised in other comprehensive income	-	929	929	-	10	10
Total tax	(114)	955	841	425	8	433

Reconciliation of effective tax rate

	2018 £000	2017 £000
Profit for the year	1,933	2,473
Total tax expense	(88)	423
Profit excluding taxation	1,845	2,896
Tax using the UK corporation tax rate of 19.00% (2017:19.25 %)	351	557
Tax rate change	(3)	(9)
Non-deductible expenses	59	15
Effect of group relief/other reliefs	-	-
(Over) provided in prior years	(495)	(140)
Total tax (credit)/expense included in profit or loss	(88)	423

Notes (continued)

9 Intangible assets and goodwill

	Goodwill £000	Patents £000	Total £000
Cost			
Balance at 31 December 2017 and 31 December 2018	5,184	280	5,464
Amortisation and impairment			
Balance at 1 January 2018	5,184	152	5,336
Amortisation for the year	-	38	38
Balance at 31 December 2018	5,184	190	5,374
Net book value			
At 1 January 2018	-	128	128
At 31 December 2018	-	90	90

10 Tangible fixed assets

	Freehold land £000	Long leasehold land and buildings £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Assets in course of construction £000	Total £000
Cost						
Balance at 1 January 2018	2,000	2,943	25,412	2,100	334	32,789
Other acquisitions	-	131	131	28	1,237	1,527
Disposals	-	-	(23)	(11)	-	(34)
Reclassification	-	157	302	9	(468)	-
Balance at 31 December 2018	2,000	3,231	25,822	2,126	1,103	34,282
Depreciation and impairment						
Balance at 1 January 2018	-	2,411	21,358	1,581	-	25,350
Depreciation charge for the year	-	41	658	94	-	793
Disposals	-	-	(5)	(10)	-	(15)
Balance at 31 December 2018	-	2,452	22,011	1,665	-	26,128
Net book value						
At 1 January 2018	2,000	532	4,054	519	334	7,439
At 31 December 2018	2,000	779	3,811	461	1,103	8,154

Notes (continued)

11 Fixed asset investments

	£000
<i>Cost</i>	
At beginning and end of year	22,634

The undertakings in which the Company's interest at the year-end is more than 20% are as follows.

	Registered address and country of incorporation	Principal activity	Class and percentage of shares held	
<i>Related undertakings</i>				
MTI Technologies UK Ltd	The Broadgate Tower, Third Floor, 20 Primrose Street, London, EC2A 2RS England and Wales	Investment holding company	Redeemable 'A' shares of £1 each	26.7%
MTX Singapore Holdings PTE Ltd	30 Cecil Street, #19-08 Prudential Tower, Singapore 049712	Investment holding company	Common stock of SGD\$1	35.2%

The redeemable shares are redeemable any time after 20 August 2015 at the discretion of MTI Technologies UK Limited.

During 2016 the company acquired a shareholding in a new Singapore holding company (MTX Singapore Holdings PTE Ltd) set up to help MTI growth in Asia.

12 Stocks

	2018 £000	2017 £000
Raw materials and consumables	1,522	1,254
Work in progress	13	43
Finished goods	2,565	2,093
	<u>4,100</u>	<u>3,390</u>

13 Debtors

	2018 £000	2017 £000
Trade debtors	6,044	4,468
Amounts owed by group undertakings	263	1,012
Other debtors	91	105
Deferred tax assets (see note 15)	1,283	2,239
Corporation tax recoverable	222	-
Prepayments and accrued income	176	111
Finances receivable (including £57,000 (2017: £177,000) due after more than one year)	171	427
	<u>8,250</u>	<u>8,362</u>

Notes (continued)

14 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	3,444	2,465
Amounts owed to group undertakings	1,453	500
Taxation and social security	82	153
Corporation tax	-	477
Other creditors	239	-
Accruals and deferred income	1,015	1,270
	<u>6,233</u>	<u>4,865</u>

15 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2018 £000	2017 £000	Liabilities 2018 £000	2017 £000	Net 2018 £000	2017 £000
Accelerated capital allowances	-	-	200	171	200	171
Employee benefits	(1,483)	(2,410)	-	-	(1,483)	(2,410)
Other	-	-	-	-	-	-
	<u>(1,483)</u>	<u>(2,410)</u>	<u>200</u>	<u>171</u>	<u>(1,283)</u>	<u>(2,239)</u>
Tax (assets) / liabilities	(1,483)	(2,410)	200	171	(1,283)	(2,239)
Net of tax liabilities/(assets)	200	171	(200)	(171)	-	-
	<u>200</u>	<u>171</u>	<u>(200)</u>	<u>(171)</u>	<u>-</u>	<u>-</u>
Net tax (assets) / liabilities	<u>(1,283)</u>	<u>(2,239)</u>	<u>-</u>	<u>-</u>	<u>(1,283)</u>	<u>(2,239)</u>

Notes (continued)

16 Employee benefits

The Company operates a pension scheme providing benefits based on final pensionable pay. The latest full actuarial valuation was carried out at 5 April 2018 and was updated for FRS 102 purposes to 31 December 2018 by a qualified independent actuary.

During the year a special contribution of £815,214 was made to further fund the scheme deficit.

The information disclosed below is in respect of the Minteq UK Pension Scheme for which the Company is the sponsoring employer throughout the periods shown.

Net pension liability

	2018 £000	2017 £000
Defined benefit obligation	(40,069)	(48,317)
Plan assets	31,337	34,141
	<hr/>	<hr/>
Net pension liability	(8,732)	(14,176)
	<hr/>	<hr/>

Movements in present value of defined benefit obligation

	2018 £000	2017 £000
At 1 January	48,317	46,046
Current service cost	670	643
Past service cost	150	-
Interest expense	1,153	1,206
Remeasurement: actuarial losses	(7,731)	1,429
Contributions by members	194	209
Benefits paid	(2,684)	(1,216)
	<hr/>	<hr/>
At 31 December	40,069	48,317
	<hr/>	<hr/>

Movements in fair value of plan assets

	2018 £000	2017 £000
At 1 January	34,141	31,626
Remeasurement: return on plan assets less interest income	821	840
Remeasurement: actuarial gains/(losses)	(2,324)	1,491
Contributions by employer	1,190	1,190
Contributions by members	193	209
Benefits paid	(2,684)	(1,215)
	<hr/>	<hr/>
At 31 December	31,337	34,141
	<hr/>	<hr/>

Notes (continued)

16 Employee benefits (continued)

Expense recognised in the profit and loss account

	2018 £000	2017 £000
Current service cost	670	643
Past service cost	150	-
Net interest on net defined benefit liability	332	365
	<hr/>	<hr/>
Total expense recognised in profit or loss	1,152	1,008
	<hr/>	<hr/>

The fair value of the plan assets and the return on those assets were as follows:

	2018 Fair value £000	2017 Fair value £000
Diversified growth funds	20,495	22,716
Corporate bonds	5,924	6,006
Fixed interest gilts	2,926	2,933
Cash	309	566
Insured annuities	1,683	1,920
	<hr/>	<hr/>
	31,337	34,141
	<hr/>	<hr/>
Actual return on plan assets	(1,444)	2,331
	<hr/>	<hr/>

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	2018 %	2017 %
Discount rate	3.00	2.45
Future salary increases	3.00	3.00
CPI inflation	2.25	2.15
RPI inflation	3.25	3.15
	<hr/>	<hr/>

The last full actuarial valuation of the Plan was performed as at 5 April 2018. To measure the defined benefit obligation as at 31 December 2018, the liabilities at 5 April 2018 have been rolled forward in an approximate manner to 31 December 2018 and have then been restated on the assumptions adopted for accounting purposes. In rolling forward the liabilities, approximate allowance has been made for cash flows in to and out of the Plan and benefit accrual up to 31 December 2018.

In valuing the liabilities of the pension fund at 31 December 2018, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 21.3 years (male), 23.4 years (female).
- Future retiree upon reaching 65: 23.7 years (male), 24.9 years (female).

Notes (continued)

16 Employee benefits (continued)

At 31 December 2018, the methodology for calculating the discount rate shown above has changed. The yield curve used in calculating the discount rate has altered from a standard yield curve used by the actuary in the prior year to an alternative yield curve which ignores university bonds and outlier bonds with high durations. It is believed this approach is more suitable given the yields on the excluded bonds could be artificially low and unsuitable. This adjustment has increased the discount rate by circa 0.05% per annum and reduced the liabilities by circa £1,000,000.

17 Called up share capital

	2018 £000	2017 £000
<i>Allotted, called up and fully paid</i>		
29,488,166 Ordinary shares of £1 each	29,488	29,488

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

18 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018 £000	2017 £000
Less than one year	162	129
Between one and five years	324	304
More than five years	2,001	2,088
	<u>2,487</u>	<u>2,521</u>

During the year £196,000 was recognised as an expense in the profit and loss account in respect of operating leases (2016 : £157,000).

19 Commitments

Capital commitments

Contractual commitments to purchase tangible fixed assets at the year-end were £nil (2017: £nil).

20 Contingencies

There is a guarantee to HM Customs & Excise under a £200,000 (2017: £200,000) facility for a deferment of payment of VAT on imported goods

21 Ultimate parent company and parent company of larger group

The ultimate holding company and ultimate controlling party is Mineral Technologies Inc., a company incorporated in the United States of America.

The largest group in which the results of the company are consolidated is that headed by Minerals Technologies Inc. The consolidated accounts of this group are available to the public and may be obtained from Minerals Technologies Inc., 622 Third Avenue, New York, NY 10017, USA.