

Registered number  
227478

**Cookson Overseas Limited**

**Report and Accounts**

**31 December 2005**



## Cookson Overseas Limited

### Directors' Report

The Directors present their report and accounts for the year ended 31 December 2005.

#### Principal activities and review of the business

The Company's principal activity is the holding of investments.

#### Results and dividends

The loss for the year amounted to £261,237,758 (2004: profit of £55,338,589). The Directors do not recommend the payment of a dividend (2004: £nil).

#### Directors

The interests in the share capital of Cookson Group plc of DH Millard, who resigned as a director on 31 July 2005, are shown in the report and accounts of that Company.

The interests of the remaining directors of the Company in the share capital of Cookson Group plc are stated below.

	Options to purchase 1p ordinary shares			Options to purchase 10p ordinary shares				At 31 December 2005
	At 1 January 2005	Granted	Lapsed	At 26 May 2005	Restated At 27 May 2005	Exercised	Lapsed	
BR Elliston	1,443,746	608,775	-	2,052,521	205,245	-	2,856	202,389
RMH Malthouse	1,615,953	709,459	-	2,325,412	232,537	3,780	2,730	226,027

	Interests in 1p ordinary shares		Interests in 10p ordinary shares Restated post consolidation	
	At 1 January 2005	At 26 May 2005	At 27 May 2005	At 31 December 2005
BR Elliston	63,810	166,912	16,690	10,310
RMH Malthouse	153,524	253,524	25,352	29,132

At the Cookson Group plc Annual General Meeting held on 26 May 2005, shareholders approved a share consolidation. The share consolidation took effect following the close of business on 26 May 2005, with shareholders receiving one new ordinary share of 10p each for every 10 existing ordinary shares of 1p each held at the close of business on 26 May 2005. Trading in the new ordinary shares of 10p commenced on 27 May 2005.

## **Cookson Overseas Limited**

### **Directors' Report (continued)**

#### **Directors' responsibilities**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

#### **Auditors**

The Company has passed elective resolutions in accordance with section 379A of the Companies Act and is therefore exempt from the obligation to hold an Annual General Meeting and to reappoint the auditors annually.

This report was approved by the board on **23 October 2006**

**Rachel S. Fell**

Miss RS Fell  
Company Secretary

## **Independent auditors' report to the members of Cookson Overseas Limited**

We have audited the financial statements on pages 4 to 12.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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

### **Basis of audit opinion**

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

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc  
Chartered Accountants  
London  
Registered Auditor

25 OCTOBER 2006

# Cookson Overseas Limited

## Profit and Loss Account For the year ended 31 December 2005

	Notes	<u>2005</u>	<u>2004</u>
		£	£
Administrative expenses		(161,252)	(157,630)
Impairment of fixed asset investments	8	(278,784,328)	-
Other operating income		-	16,758,809
<b>Operating (loss) / profit</b>	2	<u>(278,945,580)</u>	<u>16,601,179</u>
Income from investments	3	20,139,800	36,265,393
Profit on sale of fixed asset investments	8	-	118,551
Interest receivable and similar income	4	1,290,922	2,460,814
Interest payable and similar charges	5	(3,638,746)	(7,355)
<b>(Loss) / profit on ordinary activities before tax</b>		<u>(261,153,604)</u>	<u>55,438,582</u>
Tax on (loss) / profit on ordinary activities	6	(84,154)	(99,993)
<b>(Loss) / profit for the financial year</b>	13	<u>(261,237,758)</u>	<u>55,338,589</u>

The Company has no gains or losses for the two financial years other than those disclosed above.

All activities relate to continuing operations.

# Cookson Overseas Limited

## Balance Sheet As at 31 December 2005

	Notes	2005		2004	
		£	£	£	£
<b>Fixed Assets</b>					
Intangible assets	7		1,886,552		2,043,765
Investments	8		659,918,313		887,516,301
			<u>661,804,865</u>		<u>889,560,066</u>
<b>Current assets</b>					
Debtors	9	14,438,827		5,080,167	
Cash at bank and in hand		<u>6,538,483</u>		<u>10,336,892</u>	
		20,977,310		15,417,059	
<b>Creditors: amounts falling due within one year</b>					
Bank overdrafts		(601,935)		-	
Other creditors	10	<u>(809,768,184)</u>		<u>(771,256,998)</u>	
		(810,370,119)		(771,256,998)	
<b>Net current liabilities</b>			(789,392,809)		(755,839,939)
<b>Total assets less current liabilities</b>			<u>(127,587,944)</u>		<u>133,720,127</u>
<b>Creditors: amounts falling due after more than one year</b>	11		(294,885)		(365,198)
<b>Net (liabilities) / assets</b>			<u>(127,882,829)</u>		<u>133,354,929</u>
<b>Capital and Reserves</b>					
Called up share capital	12		18,018,930		18,018,930
Share premium			54,587,297		54,587,297
Others reserves	14		-		3,542,939
Profit and loss account	13		<u>(200,489,056)</u>		<u>57,205,763</u>
Equity shareholders' funds	15		<u>(127,882,829)</u>		<u>133,354,929</u>



BR Elliston  
Director

Approved by the board on 23 October 2006

## **Cookson Overseas Limited**

### **Notes to the Accounts**

**For the year ended 31 December 2005**

#### **1 Accounting policies**

##### ***Accounting convention***

The accounts have been prepared on a going concern basis, and, in the event of the Company being unable to meet its liabilities, the ultimate parent company has undertaken to provide financial support and such other support as may be required. The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

##### ***Presentation of the financial statements***

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

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

During the year the Company adopted the following new financial reporting standards issued by the Account Standards Board:

FRS 21 *Events after the balance sheet date*

FRS 25 *Financial instruments: disclosure and presentation*

FRS 28 *Corresponding amounts*

##### ***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date which could give rise to an obligation in the future.

##### ***Intangible fixed assets***

Intangible fixed assets are amortised at rates calculated to write off their cost, evenly over their useful economic lives.

##### ***Investments***

Investments in subsidiary undertakings ('subsidiaries') and associated undertakings ('associates') are stated at cost, less any provision for impairment.

##### ***Foreign currencies***

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

##### ***Related party transactions***

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

## **Cookson Overseas Limited**

### **Notes to the Accounts (continued) For the year ended 31 December 2005**

#### **2 Operating (loss) / profit**

The following item has been charged in arriving at operating (loss) / profit:

	<b>2005</b> £	<b>2004</b> £
Amortisation of intangible fixed assets	<u>(157,213)</u>	<u>(157,213)</u>

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

#### **3 Income from investments**

	<b>2005</b> £	<b>2004</b> £
Dividends received	<u>20,139,800</u>	<u>36,265,393</u>

#### **4 Interest receivable and similar income**

	<b>2005</b> £	<b>2004</b> £
Bank interest received	191,007	46,457
Foreign exchange gain	<u>1,099,915</u>	<u>2,414,357</u>
	<u>1,290,922</u>	<u>2,460,814</u>

#### **5 Interest payable and similar charges**

	<b>2005</b> £	<b>2004</b> £
Interest payable to parent undertaking	<u>3,638,746</u>	<u>7,355</u>



# Cookson Overseas Limited

## Notes to the Accounts (continued) For the year ended 31 December 2005

### 6 Taxation

	2005 £	2004 £
Analysis of charge in period		
UK corporation tax at 30% (2004: 30%)	-	-
Double tax relief	-	-
Prior year tax charge/(credit)	-	(17,292)
Overseas tax	84,154	117,285
Tax on profits from ordinary activities	84,154	99,993
<i>Factors affecting the tax charge for the current period</i>		
<i>Current tax reconciliation</i>		
(Loss) / profit on ordinary activities before tax	(261,153,604)	55,438,582
Current tax (credit) / charge at 30% (2004: 30%)	(78,346,081)	16,631,575
<i>Effects of:</i>		
Overseas tax rate difference	84,154	-
Double tax relief	(3,119,148)	(9,148,314)
Expenses not deductible for tax purposes	83,712,515	20,410
Income not taxable	(2,429,327)	(5,028,473)
Loss relief to / (from) group companies for no payment	182,041	(2,357,913)
Prior year tax charge/(credit)	-	(17,292)
Total current tax (see above)	84,154	99,993

### 7 Intangible fixed assets

	Know-how licence £
<b>Cost</b>	
At 1 January and 31 December 2005	3,144,256
<b>Amortisation</b>	
At 1 January 2005	1,100,491
Charged in year	157,213
At 31 December 2005	1,257,704
<b>Net book value</b>	
At 31 December 2005	1,886,552
At 31 December 2004	2,043,765

The know-how licence above relates to the costs, on 30 December 1997, of acquiring a know-how licence from Ceramtec Limited. The licence is being amortised on a straight-line basis over a period of 20 years.

## Cookson Overseas Limited

### Notes to the Accounts (continued) For the year ended 31 December 2005

#### 8 Fixed asset investments

	Investments in subsidiary and associate undertakings £
<b>Cost</b>	
At 1 January 2005	941,172,306
Additions	53,131,189
Disposals	<u>(1,944,849)</u>
At 31 December 2005	<u>992,358,646</u>
<b>Provisions</b>	
At 1 January 2005	(53,656,005)
Impairment charge	<u>(278,784,328)</u>
At 31 December 2005	<u>(332,440,333)</u>
<b>Net book value</b>	
At 31 December 2005	<u>659,918,313</u>
At 31 December 2004	<u>887,516,301</u>

The principal subsidiaries and joint ventures of Cookson Overseas Limited and the countries in which they are incorporated are as follows:

* Cookson Ceramics Ltd., England and Wales	* Polyclad Laminates, Inc., USA (note 16)
* Cookson Investments, Inc., USA	* Stern/Leach Company, USA
Cookson Investments Ltd., England and Wales	* Stern Metals, Inc., USA
Cookson Singapore Pte Ltd., Singapore	* Vesuvius Crucible Company, USA
* Electroplating engineers of Japan Ltd. Japan (50%)	* Vesuvius U.S.A. Corporation, USA
* Fry's Metals Inc., USA	Wilkes-Lucas Ltd., England and Wales

Where marked with an asterisk (\*), the ordinary capital of the above companies was owned by a Cookson Overseas Limited subsidiary at 31 December 2005. All of the above are wholly-owned, unless otherwise stated.

#### The following investment activity occurred during the year:-

##### (a) Additions

The Company increased its investment in Vesuvius-Premier Refractories (Holdings) Limited by £42,000,000

The Company increased its capital in Koutadly – Consultadoria Economic e Participacoes, S.A. by £33,067.

The Company increased its investment in Wugang-Vesuvius Advanced Ceramics (Wuhan) Co., Ltd. by a further £1,952,889.

The Company purchased 100% of the share capital of Vesuvius China Limited from Vesuvius Group Limited for £7,978,811. The Company also contributed 100% of its shares in Vesuvius Zyarock Ceramics (Suzhou) Company Limited to Vesuvius China Limited. The value of the contribution was £1,165,922. The cost of investment was increased by a further £500 for legal fees.

## Cookson Overseas Limited

### Notes to the Accounts (continued) For the year ended 31 December 2005

#### 8 Fixed asset investments (continued)

##### (b) Disposals

The Company transferred 0.85% of its investment in Vesuvius Mid-East Limited to Cookson Overseas Investments Limited for £5,244.

The Company had capital returned by Vesuvius Skawina Materialy Ogniowale Sp., z.o.o. of £764,689

The Company transferred 0.01% of its investment in Koutadly – Consultadoria Economica e Participacoes, S.A. to Cookson Overseas Investments Limited for £8,994.

##### (c) Impairment

Following a reassessment of the expected future profit contributions from its investments in subsidiary undertakings, the Company has recognised an impairment loss of £278,784,328 to reduce the value of its investment in subsidiary undertakings to its recoverable amount. The impairment loss was measured by reference to the value in use of the investments, using risk-adjusted discount rates that ranged between 11.7% and 12.9%.

#### 9 Debtors

	2005 £	2004 £
Amounts owed by group undertakings	<u>14,438,827</u>	<u>5,080,167</u>

#### 10 Other creditors

	2005 £	2004 £
Amounts owed to parent undertaking	590,830,162	589,381,574
Amounts owed to group undertakings	213,646,478	176,581,890
Deferred consideration	98,295	100,000
Corporation tax	<u>5,193,249</u>	<u>5,193,534</u>
	<u>809,768,184</u>	<u>771,256,998</u>

#### 11 Creditors: amounts falling due after more than one year

	2005 £	2004 £
Deferred consideration	<u>294,885</u>	<u>365,198</u>

Deferred consideration will be paid in equal instalments between 2006 and 2009.

## Cookson Overseas Limited

### Notes to the Accounts (continued) For the year ended 31 December 2005

#### 12 Share capital

	2005 £	2004 £
Authorised:		
180,000,000 Ordinary shares of £1 each	<u>180,000,000</u>	<u>180,000,000</u>
Allotted, called up and fully paid:		
18,018,930 Ordinary shares of £1 each	<u>18,018,930</u>	<u>18,018,930</u>

#### 13 Profit and loss account

	2005 £	2004 £
At 1 January	57,205,763	1,867,174
(Loss) / profit for the financial year	(261,237,758)	55,338,589
Transferred from other reserves	<u>3,542,939</u>	<u>-</u>
At 31 December	<u>(200,489,056)</u>	<u>57,205,763</u>

#### 14 Other reserves

	2005 £	2004 £
At 1 January	3,542,939	3,542,939
Transferred to profit and loss account	<u>(3,542,939)</u>	<u>-</u>
At 31 December	<u>-</u>	<u>3,542,939</u>

During the year the balance on other reserves was transferred to the profit and loss account.

#### 15 Reconciliation of movement in shareholders' funds

	2005 £	2004 £
At 1 January	133,354,929	78,016,340
(Loss) / profit for the financial year	<u>(261,237,758)</u>	<u>55,338,589</u>
At 31 December	<u>(127,882,829)</u>	<u>133,354,929</u>

## **Cookson Overseas Limited**

### **Notes to the Accounts (continued)**

**For the year ended 31 December 2005**

#### **16 Events after the balance sheet date**

On 20 April 2006, as part of a larger Cookson Group plc transaction, the Company disposed of its investments in the Polyclad group of companies. Immediately prior to this, and as part of the same transaction, the Company increased the carrying value of its investment in these same companies, which at 31 December 2005 amounted to £26.1 million, by £16.4 million. Although the allocation of the proceeds on disposal by Cookson Group plc has not yet been finalised, the transaction is expected to give rise to a loss for the Company of approximately £17 million, which will be recognised in its accounts for the year ending 31 December 2006.

#### **17 Ultimate holding company**

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

The largest group in which the results of the Company are consolidated is that headed by Cookson Group plc. The accounts of Cookson Group plc are available to the public and may be obtained from 165 Fleet Street, London, EC4A 2AE.

No other group accounts include the results of the Company.