

Registered number  
227478

**Cookson Overseas Limited**  
**Report and Financial Statements**  
**31 December 2006**



## Cookson Overseas Limited

### Directors' Report

The Directors present their report and audited financial statements for the year ended 31 December 2006

#### Principal activities and review of the business

The Company is an investment holding company for investments in group undertakings

#### Results and dividends

The loss for the year amounted to £21,140,652 (2005 £261,237,758) The Directors do not recommend the payment of a dividend (2005 £nil) A loss on disposal of fixed asset investments of £19,649,867 was recognised in the year, as detailed in note 8

#### Events after the balance sheet date

On 1 February 2007 the Company disposed of the whole of the issued share capital of Wilkes-Lucas Limited to Cookson Investments Limited at market value in exchange for an issue of shares by that company

The events since the year end do not indicate that there is any impairment in the items held at the balance sheet date

#### Political and charitable contributions

The Company made no political or charitable contributions during the year

#### Directors

During the year, no Director had any beneficial interest in the shares of the Company The Directors who served during the year and their interests in the ordinary shares of Cookson Group plc, the ultimate parent undertaking, are stated below

	Options to purchase 10p ordinary shares					Interests in 10p ordinary shares	
	*At 1 Jan 2006	Granted	Exercised	Lapsed	At 31 Dec 2006	*At 1 Jan 2006	At 31 Dec 2006
BR Elliston	202,389	19,988	59,486	3,352	159,539	10,310	13,145
RMH Malthouse	226,027	79,982	61,191	5,453	239,365	29,132	73,546
SA O'Hara	15,497	-	-	-	15,497	1,098	1,098
SC Upcott	68,162	-	-	-	68,162	2,569	2 569

\*SA O'Hara and SC Upcott were appointed directors on 12 December 2006, their interests are shown from that date

#### Movements in share capital

Movements in share capital during the financial year have been detailed in note 12

#### Disclosure of information to auditors

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 auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

**Cookson Overseas Limited**

**Directors' Report (continued)**

**Auditors**

The Company has passed elective resolutions in accordance with section 379A of the Companies Act 1985 and is therefore exempt from the obligation to hold an Annual General Meeting and to reappoint the auditors annually

BY ORDER OF THE BOARD

*Rachel S Fell*

Miss RS Fell  
Company Secretary

12 June 2007  
165 Fleet Street  
London  
EC4A 2AE

## **Cookson Overseas Limited**

### **Statement of 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 and applicable law (UK Generally Accepted Accounting Practice)

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 the 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

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

We have audited the financial statements of Cookson Overseas Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

*KPMG Audit Plc*

**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor  
London

15 June 2007

# Cookson Overseas Limited

## Profit and Loss Account

For the year ended 31 December 2006

	Notes	<u>2006</u>	<u>2005</u>
		£	£
Administrative expenses		69,794	(161,252)
Impairment of fixed asset investments	8	(5,336,260)	(278,784,328)
<b>Operating loss</b>	2	<u>(5,266,466)</u>	<u>(278,945,580)</u>
Income from investments	3	8,063,966	20,139,800
Loss on sale of fixed asset investments	8	(19,649,867)	-
Interest receivable and similar income	4	386,755	1,290,922
Interest payable and similar charges	5	(3,316,145)	(3,638,746)
<b>Loss on ordinary activities before taxation</b>		<u>(19,781,757)</u>	<u>(261,153,604)</u>
Tax on loss on ordinary activities	6	(1,358,895)	(84,154)
<b>Loss for the financial year</b>	13	<u>(21,140,652)</u>	<u>(261,237,758)</u>

The Company had no recognised 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 2006

	Notes	2006		2005	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	7		1,729,339		1,886,552
Investments	8		657,984,818		659,918,313
			<u>659,714,157</u>		<u>661,804,865</u>
<b>Current assets</b>					
Debtors	9	10,583,980		14,438,827	
Cash at bank and in hand		<u>13,754,903</u>		<u>6,538,483</u>	
		24,338,883		20,977,310	
<b>Creditors: amounts falling due within one year</b>	10	<u>(318,215,920)</u>		<u>(810,370,119)</u>	
<b>Net current liabilities</b>			(293,877,037)		(789,392,809)
<b>Total assets less current liabilities</b>			<u>365,837,120</u>		<u>(127,587,944)</u>
<b>Creditors: amounts falling due after more than one year</b>	11		-		(294,885)
<b>Net assets / (liabilities)</b>			<u>365,837,120</u>		<u>(127,882,829)</u>
<b>Capital and reserves</b>					
Called up share capital	12		18,117,904		18,018,930
Share premium			54,587,297		54,587,297
Profit and loss account	13		293,131,919		(200,489,056)
<b>Equity shareholders' funds</b>	14		<u>365,837,120</u>		<u>(127,882,829)</u>

The financial statements on pages 5 to 13 were approved by the Board of Directors on 12 June 2007, and signed on their behalf by



BR Elliston  
Director

## **Cookson Overseas Limited**

### **Notes to the Financial Statements For the year ended 31 December 2006**

#### **1 Accounting policies**

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

The financial statements 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.

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.

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

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

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

Intangible fixed assets are amortised on a straight-line basis over their estimated useful lives of 20 years.

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

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

##### ***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.



## Cookson Overseas Limited

### Notes to the Financial Statements (continued) For the year ended 31 December 2006

#### 2 Operating loss

The following items have been credited / (charged) in arriving at operating loss

	2006 £	2005 £
Write-back of provision for deferred consideration no longer required	294,777	-
Amortisation of intangible fixed assets	(157,213)	(157,213)
	<u>137,564</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. An allocated audit fee of £4,000 (2005 £4,000) was borne by the ultimate parent undertaking, Cookson Group plc.

#### 3 Income from investments

	2006 £	2005 £
Dividends received from subsidiary undertakings	<u>8,063,966</u>	<u>20,139,800</u>

#### 4 Interest receivable and similar income

	2006 £	2005 £
Interest received	349,832	191,007
Foreign exchange gain	36,923	1,099,915
	<u>386,755</u>	<u>1,290,922</u>

#### 5 Interest payable and similar charges

	2006 £	2005 £
Interest payable to parent undertaking	2,562,832	3,638,746
Interest payable to group undertakings	753,313	-
	<u>3,316,145</u>	<u>3,638,746</u>

## Cookson Overseas Limited

### Notes to the Financial Statements (continued) For the year ended 31 December 2006

#### 6 Taxation

	2006 £	2005 £
<i>Analysis of charge in period</i>		
UK corporation tax at 30% (2005 30%)	159,306	-
Prior year tax charge	1,090,694	-
Overseas tax	108,895	84,154
Tax on loss on ordinary activities	1,358,895	84,154
<i>Factors affecting the tax charge for the current period</i>		
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(19,781,757)	(261,153,604)
Current tax credit at 30% (2005 30%)	(5,934,527)	(78,346,081)
Effects of		
Overseas tax rate difference	108,895	84,154
Double tax relief	(1,563,645)	(3,119,148)
Expenses not deductible for tax purposes	8,149,297	83,712,515
Income not taxable	(517,756)	(2,429,327)
Losses surrendered to group	25,937	182,041
Prior year tax charge	1,090,694	-
Total current tax (see above)	1,358,895	84,154

#### 7 Intangible fixed assets

	Know-how licence £
<b>Cost</b>	
At 1 January 2006 and 31 December 2006	3,144,256
<b>Amortisation</b>	
At 1 January 2006	1,257,704
Charged in year	157,213
At 31 December 2006	1,414,917
<b>Net book value</b>	
At 31 December 2006	1,729,339
At 31 December 2005	1,886,552

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 its useful life of 20 years.

## Cookson Overseas Limited

### Notes to the Financial Statements (continued) For the year ended 31 December 2006

#### 8 Fixed asset investments

	Investments in subsidiary and associated undertakings £
<b>Cost</b>	
At 1 January 2006	992,358,646
Additions	87,322,483
Disposals	<u>(83,919,718)</u>
At 31 December 2006	<u>995,761,411</u>
<b>Provisions</b>	
At 1 January 2006	(332,440,333)
Impairment charge	<u>(5,336,260)</u>
At 31 December 2006	<u>(337,776,593)</u>
<b>Net book value</b>	
At 31 December 2006	<u>657,984,818</u>
At 31 December 2005	<u>659,918,313</u>

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

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

Where marked with an asterisk (\*), the ordinary capital of the above companies was owned by a Cookson Overseas Limited subsidiary at 31 December 2006 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 Polyclad Europe AB by £2,972,034

The Company increased its investment in Vesuvius-Premier Refractories (Holdings) Limited by £16,000,000

The Company increased its investment in Polyclad Laminates Taiwan Company Limited by £17,946,449

The Company purchased Alpha Fry Limited for £26,149,000 from Cookson Group plc

The Company purchased Cookson Precious Metals Limited for £24,255,000 from Cookson Group plc

# Cookson Overseas Limited

## Notes to the Financial Statements (continued) For the year ended 31 December 2006

### 8 Fixed asset investments (continued)

#### (b) Disposals

The Company had capital returned by Polyclad Laminates Cayman Islands Company Limited of £1,033,513

Enthone Pte Ltd commenced liquidation proceedings on 21 February, 2006 and the Company received an initial liquidation distribution of £36,583,698, which it has credited against its cost of investment in Enthone Pte Limited

On 20 April 2006, as part of a larger Cookson Group plc transaction, the Company disposed of its investment in the Polyclad group of companies, which had a carrying value of £46,302,507. Net proceeds of £23,352,640 were received, resulting in a loss on disposal of £19,649,867

#### (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 £5,336,260 to reduce the value of its investments in subsidiary undertakings to their 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

	2006 £	2005 £
Amounts owed by group undertakings	10,583,980	14,438,827

### 10 Other creditors

	2006 £	2005 £
Bank overdrafts	-	601,935
Amounts owed to parent undertaking	83,238,803	590,830,162
Amounts owed to group undertakings	228,533,868	213,646,478
Deferred consideration	-	98,295
Corporation tax	6,443,249	5,193,249
	318,215,920	810,370,119

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

	2006 £	2005 £
Deferred consideration	-	294,885

The accrual for deferred consideration was released in 2006 as it is no longer required

## Cookson Overseas Limited

### Notes to the Financial Statements (continued) For the year ended 31 December 2006

#### 12 Share capital

	2006 No.	2005 No.	2006 £	2005 £
<b>Authorised:</b>				
As at 1 January	180,000,000	180,000,000	180,000,000	180,000,000
Increase	514,860,601	-	514,860,601	-
	<u>694,860,601</u>	<u>180,000,000</u>	<u>694,860,601</u>	<u>180,000,000</u>
Capital reduction	-	-	(514,761,627)	-
As at 31 December	<u>694,860,601</u>	<u>180,000,000</u>	<u>180,098,974</u>	<u>180,000,000</u>
Ordinary shares of 3 4p each	532,879,531	-	18,117,904	-
Ordinary shares of £1 each	161,981,070	180,000,000	161,981,070	180,000,000
As at 31 December	<u>694,860,601</u>	<u>180,000,000</u>	<u>180,098,974</u>	<u>180,000,000</u>
<b>Allotted, called up and fully paid:</b>				
As at 1 January	18,018,930	18,018,930	18,018,930	18,018,930
Issue of new shares	514,860,601	-	514,860,601	-
Capital reduction	-	-	(514,761,627)	-
As at 31 December	<u>532,879,531</u>	<u>18,018,930</u>	<u>18,117,904</u>	<u>18,018,930</u>
Ordinary shares of 3 4p each	532,879,531	-	18,117,904	-
Ordinary shares of £1 each	-	18,018,930	-	18,018,930
As at 31 December	<u>532,879,531</u>	<u>18,018,930</u>	<u>18,117,904</u>	<u>18,018,930</u>

During the year, as part of an exercise sanctioned by the High Court of Justice to eliminate the deficit on its reserves and to create distributable reserves, the authorised share capital of the Company was increased from £180,000,000 to £694,860,601 by the creation of an additional 514,860,601 ordinary shares of £1 each. These additional shares were allotted to Cookson Group plc, the Company's parent undertaking, as fully paid by way of capitalisation of £514,860,601 of the loan that the Company owed to Cookson Group plc. Subsequently, the share capital of the Company was reduced by £514,761,627 by the cancellation of 96 6 pence of the nominal amount of £1 paid up on each of the 532,879,531 ordinary shares of £1 each in the issued share capital of the Company, thereby reducing the nominal amount of each such share from £1 to 3 4 pence. All 532,879,531 of the ordinary shares of 3 4 pence each have been issued and are deemed fully paid-up and none of the 161,981,070 ordinary shares of £1 each have been issued. Under the terms of the reduction, the £514,761,627 reduction becomes a distributable reserve of the Company (note 13).

## Cookson Overseas Limited

### Notes to the Financial Statements (continued) For the year ended 31 December 2006

#### 13 Profit and loss account

	2006 £	2005 £
At 1 January	(200,489,056)	57,205,763
Loss for the financial year	(21,140,652)	(261,237,758)
Transferred from other reserves	-	3,542,939
Arising on capital reduction (note 12)	514,761,627	-
At 31 December	293,131,919	(200,489,056)

During the year, as a result of a capital reduction exercise sanctioned by the High Court of Justice, the Company increased its distributable reserves by £514,761,627 (note 12). During 2005 the balance on other reserves was transferred to the profit and loss account.

#### 14 Reconciliation of movement in equity shareholders' funds

	2006 £	2005 £
At 1 January	(127,882,829)	133,354,929
Loss for the financial year	(21,140,652)	(261,237,758)
Issue of new shares	514,860,601	-
At 31 December	365,837,120	(127,882,829)

#### 15 Events after the balance sheet date

On 1 February 2007 the Company disposed of the whole of the issued share capital of Wilkes-Lucas Limited to Cookson Investments Limited at market value in exchange for an issue of shares by that company.

The events since the year end do not indicate that there is any impairment in the items held at the balance sheet date.

#### 16 Ultimate parent undertaking

The ultimate parent undertaking is Cookson Group plc, registered in England and Wales, which heads the largest group in which the results of the Company are consolidated. The financial statements of Cookson Group plc are available to the public and may be obtained from the Company Secretary, Cookson Group plc, 165 Fleet Street, London EC4A 2AE.

No other group financial statements include the results of the Company.