

**Wilkes-Lucas Limited**

**Report and Accounts**

**31 December 2003**



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## Wilkes-Lucas Limited

### Directors' Report

The directors present their report and accounts for the year ended 31 December 2003.

#### Principal activity

The principal activity of the Company is that of providing finance to group undertakings and the holding of investments.

#### Results and dividends

The loss for the financial year was £96,450,218 (2001: £6,129,943). The Directors do not recommend the payment of a dividend (2002: £nil).

#### 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 interest in the ordinary shares of Cookson Group plc, the ultimate holding company, are stated below.

	Options to purchase 1p ordinary shares				Interests in 1p ordinary shares		
	At 1	Granted	Exercised	Lapsed	At 31	At 31	At 31
	January 2003				December 2003	December 2003	December 2002
BR Elliston	1,229,083	89,323	-	29,634	1,288,772	65,078	100,610
RMH Malthouse	1,302,835	108,333	-	30,581	1,380,587	153,524	153,524

#### Directors' responsibilities

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### 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 15 June 2004.

*Rachel S. Fell*

Miss RS Fell  
Company Secretary

## Auditors' Report

### Independent auditors' report to the members of Wilkes-Lucas Limited

We have audited the financial statements on pages 3 to 11.

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 1, the accounts 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 accounts 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 accounts, 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 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 accounts. It also includes an assessment of the significant estimate and judgements made by the Directors in the preparation of the accounts 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 accounts.

#### Opinion

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

London  
EC4Y 8BB

*29 June 2004*

**Wilkes-Lucas Limited****Profit and Loss Account****For the year ended 31 December 2003**

	<b>Notes</b>	<b>2003</b>	<b>2002</b>
		<b>£</b>	<b>£</b>
<b>Operating loss</b>	2	(10,909)	(64,849)
Income from investments	3	11,827,787	2,125,560
Interest receivable and similar income	4	3,959,355	33,594,530
Amounts written off fixed asset investments	7	(78,750,000)	-
Interest payable and similar charges	5	(33,476,451)	(41,787,359)
<b>Loss on ordinary activities before taxation</b>		<u>(96,450,218)</u>	<u>(6,132,118)</u>
Tax on loss on ordinary activities	6	-	2,175
<b>Retained loss for the financial year</b>	11	<u>(96,450,218)</u>	<u>(6,129,943)</u>

# Wilkes-Lucas Limited

## Balance Sheet As at 31 December 2003

	Notes	2003		2002	
		£	£	£	£
<b>Fixed Assets</b>					
Investments	7		770,025,083		889,589,496
<b>Current assets</b>					
Debtors	8	559,374		157,408,932	
Cash at bank and in hand		<u>3,458</u>		<u>3,305</u>	
		562,832		157,412,237	
<b>Creditors: amounts falling due within one year</b>	9	(569,309,846)		(734,998,127)	
<b>Net current liabilities</b>			(568,747,014)		(577,585,890)
			<u>201,278,069</u>		<u>312,003,606</u>
<b>Equity Capital and Reserves</b>					
Called up share capital	10		165,870,440		165,870,440
Share premium			216,184,012		216,184,012
Profit and loss account	11		<u>(180,776,383)</u>		<u>(70,050,846)</u>
	12		<u>201,278,069</u>		<u>312,003,606</u>



BR Elliston  
Director

Approved by the board on 15 June 2004.

**Wilkes-Lucas Limited****Statement of total recognised gains and losses  
For the year ended 31 December 2003**

	2003	2002
	£	£
Loss for the financial year	(96,450,218)	(6,129,943)
Exchange differences arising on foreign currency investments and loans	(14,275,319)	(6,213,986)
Total recognised losses related to the year	<u>(110,725,537)</u>	<u>(12,343,929)</u>

# **Wilkes-Lucas Limited**

## **Notes to the Accounts**

**For the year ended 31 December 2003**

### **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 financial statements include the Company's share of Cookson International Partnership's results, assets and liabilities, as it is a joint arrangement under FRS 9.

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.

#### ***Investments***

Investments in subsidiary undertakings ('subsidiaries') and associated undertakings ('associates') are stated at costs, less any provisions for diminution in value that are expected to be permanent.

Investments denominated in foreign currencies are translated at the exchange rates prevailing at the date of acquisition.

#### ***Taxation***

The charge for taxation is based on the loss 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.

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

Assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the year end. The gains and losses arising on translation are included in the profit and loss account, except where foreign currency borrowings have been made to finance an investment, in which case the exchange differences on investments are offset within reserves against exchange differences on the related borrowings. To the extent of any excess borrowings, such exchange 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 group.

# Wilkes-Lucas Limited

## Notes to the Accounts

For the year ended 31 December 2003

### 2 Operating loss

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 remuneration is borne by the parent company.

### 3 Investment income

	2003 £	2002 £
Preference dividends received from investments	<u>11,827,787</u>	<u>2,125,560</u>

### 4 Interest receivable and similar income

	2003 £	2002 £
Interest receivable from parent undertaking	3,549,728	4,941,947
Interest receivable from subsidiary undertaking	409,627	2,103,038
Foreign exchange gain	-	26,549,545
	<u>3,959,355</u>	<u>33,594,530</u>

### 5 Interest payable and similar charges

	2003 £	2002 £
Interest payable to a parent undertaking	14,492,193	37,663,604
Interest payable to a fellow group undertaking	1,039,383	1,185,212
Interest payable to subsidiary undertaking	3,233,997	2,938,543
Foreign exchange loss	<u>14,710,878</u>	<u>-</u>
	<u>33,476,451</u>	<u>41,787,359</u>

# Wilkes-Lucas Limited

## Notes to the Accounts

For the year ended 31 December 2003

### 6 Taxation

	2003 £	2002 £
Analysis of charge in period		
UK corporation tax at 30% (2001: 30%)	-	-
Prior year tax charge / (credit)	-	(2,175)
Tax on loss on ordinary activities	-	(2,175)
<i>Factors affecting the tax charge for the current period</i>	<b>2003 £</b>	<b>2002 £</b>
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(96,450,218)	(6,132,118)
Current tax (credit) at 30% (2001: 30%)	(28,935,065)	(1,839,635)
<i>Effects of:</i>		
Expenses not allowable	23,659,764	
Income not taxable for tax purposes	(3,548,336)	(583,121)
Net addition to tax losses carried forward	4,691,548	2,422,756
Losses surrendered for no payment	4,132,089	-
Prior year tax (credit)/ charge	-	(2,175)
Total current tax (see above)	-	(2,175)

No tax charge arises on the results for the year due to the availability of corporation tax losses.

The unrecognised deferred tax asset is approximately £18.5m (2002: £13.8m) in respect of operating losses. If circumstances change in the future resulting in the recoverability of the deferred tax asset becoming more certain the asset will be recognised. This will only be the case if there is persuasive and reliable evidence suggesting that suitable taxable profits will be generated in the future.

## Wilkes-Lucas Limited

### Notes to the Accounts

For the year ended 31 December 2003

#### 7 Fixed asset investments

	Investments in subsidiary undertakings £
<b>Cost</b>	
At 1 January 2003	889,589,496
Foreign exchange	<u>(40,814,413)</u>
At 31 December 2003	<u>848,775,083</u>
<b>Provisions</b>	
At 1 January 2003	-
Movement in year	<u>(78,750,000)</u>
At 31 December 2003	<u>(78,750,000)</u>
<b>Net book value</b>	
At 31 December 2003	<u>770,025,083</u>
At 31 December 2002	<u>889,589,496</u>

As the result of a transfer of assets from one subsidiary to another, the value of the Company's investment in certain subsidiary undertakings is now below the amount at which it is stated in the Company's accounting records. As a result, the investment in Cookson America Inc and Premier Refractories International Inc were valued as a whole as it would fail to give a true and fair view to charge a diminution to the Company's profit and loss account for the year on an individual investment basis.

The principal subsidiaries of Wilkes-Lucas Limited and the countries in which they are incorporated are as follows:

- |                                       |                                    |
|---------------------------------------|------------------------------------|
| * Cookson America, Inc., USA (78.75%) | * Stern / Leach Company, USA       |
| * Cookson Investments, Inc., USA      | * Stern Metals, Inc., USA          |
| * Fry's Metals, Inc., USA             | * Vesuvius Crucible Company, USA   |
| * Polyclad Laminates, Inc., USA       | * Vesuvius U.S.A. Corporation, USA |

Where marked with an asterisk (\*), the ordinary capital of the above companies was owned by a Wilkes-Lucas Limited subsidiary at 31 December 2003. All of the above are wholly-owned, unless otherwise stated.

# Wilkes-Lucas Limited

## Notes to the Accounts

For the year ended 31 December 2003

### 8 Debtors

	2003 £	2002 £
Amounts owed by parent undertaking	-	146,508,459
Amounts owed by subsidiary undertaking	279,031	9,225,003
Other debtors	280,343	1,675,470
	<u>559,374</u>	<u>157,408,932</u>

### 9 Creditors: amounts falling due within one year

	2003 £	2002 £
Amounts owed to parent undertaking	492,379,942	643,029,105
Amounts owed to a fellow group undertaking	21,348,981	36,018,124
Amounts owed to subsidiary undertaking	55,580,923	55,950,898
	<u>569,309,846</u>	<u>734,998,127</u>

### 10 Share capital

	2003 £	2002 £
Authorised:		
400,000,000 Ordinary shares of £1 each	400,000,000	400,000,000
5,000 3.5% redeemable cumulative preference shares of £1 each	5,000	5,000
	<u>400,005,000</u>	<u>400,005,000</u>

	2003 £	2002 £
Allotted, called up and fully paid:		
165,870,440 ordinary shares of £1 each	<u>165,870,440</u>	<u>165,870,440</u>

## **Wilkes-Lucas Limited**

### **Notes to the Accounts**

**For the year ended 31 December 2003**

#### **11 Profit and loss account**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
At 1 January	(70,050,846)	(57,706,917)
Loss for the financial year	(96,450,218)	(6,129,943)
Exchange differences arising on foreign currency investments and loans	<u>(14,275,319)</u>	<u>(6,213,986)</u>
At 31 December	<u>(180,776,383)</u>	<u>(70,050,846)</u>

#### **12 Reconciliation of movement in shareholders' funds**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
At 1 January	312,003,606	324,347,535
Loss for the financial year	(96,450,218)	(6,129,943)
Exchange differences arising on foreign currency investments and loans	<u>(14,275,319)</u>	<u>(6,213,986)</u>
At 31 December	<u>201,278,069</u>	<u>312,003,606</u>

#### **13 Commitments and contingencies**

Amongst others Wilkes-Lucas Limited, as a guarantor, is party to an Amendment and Restatement Agreement relating to a £450m multicurrency credit agreement, between Cookson Group plc as Borrower and a number of banks ('Lenders'). During 2003 the facility was reduced to £188m and comprised of a £108m multicurrency revolving loan facility and a £80m forward start sterling term loan facility, the latter being available to refinance the Borrower's existing Convertible bond. As part of this agreement Wilkes-Lucas Limited jointly and severally guarantees and agrees to pay from time to time on demand any and every sums of money which Cookson Group plc is at any time liable to pay to the Lenders. As at 31 December 2003 £nil was drawn by Cookson Group plc under the credit agreement facility secured on the various assets of Wilkes-Lucas Limited.

In addition, Wilkes-Lucas Limited also agreed jointly and severally as a primary obligation to indemnify the Lenders from time to time on demand from and against any loss incurred by the Lenders as a result of any of the obligations of Cookson Group plc.

#### **14 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 265 Strand, London, WC2R 1DB

No other group accounts include the results of the Company.