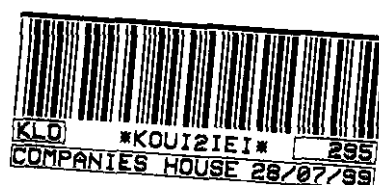


FOSECO PLC
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1998
REGISTERED NO: 383505



FOSECO PLC
NOTES ON THE 1998 ACCOUNTS (continued)
FOSECO PLC

DIRECTORS' REPORT

The directors submit their annual report and audited accounts for the year ended 31 December 1998.

RESULTS AND DIVIDENDS

The results for the year disclose a profit after taxation of £4,835,000 (1997 loss £35,308,000). The directors do not recommend the payment of a dividend (1997 - Nil) and the profit for the year is therefore transferred to reserves.

REVIEW OF THE BUSINESS

The company is the holding company of an international group whose principal business is speciality chemicals. A list of principal subsidiary undertakings and their activities appears in Note 12 to the accounts.

YEAR 2000

The company is a subsidiary of Burmah Castrol plc and is included in the Burmah Castrol group programme addressing the impact of the year 2000. Details of this programme can be found in the report and accounts of Burmah Castrol plc. Copies can be obtained from the Company Secretary's department, Burmah Castrol House, Pipers Way, Swindon, Wiltshire SN3 1RE.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

M B Dearden	(resigned 1 February 1998)
J R L Dee	
W E I Galloway	(resigned 1 June 1998)
B Hardy	
Mr J R P Pike	(appointed 1 February 1998)
Mr D Hussey	(appointed 1 June 1998)

No director had any interest in the shares of the company. J R P Pike and B Hardy are also directors of Burmah Castrol plc, the ultimate parent undertaking, and their interests in the shares of that company are disclosed in its accounts.

FOSECO PLC
NOTES ON THE 1998 ACCOUNTS (continued)
FOSECO PLC

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS (continued)

The interests of the other directors in the shares of Burmah Castrol plc were:

	Ordinary shares of £1 each		Options to subscribe for ordinary shares of £1 each			
	As at 1.1.98	As at 31.12.98	As at 1.1.98	Options granted	Options exercised/ cancelled	As at 31.12.98
J R L Dee	5,290	2,232	24,132	0	0	24,132
D Hussey	0	0	19,875	10,668	9,196	21,347

No director was interested during or at the end of the year in any contract which was significant in relation to the Company's business.


SUPPLIER PAYMENT POLICY

The Company seeks to agree payment terms with each of its suppliers, ensuring that they are aware of those terms when it enters into binding purchase transactions. Terms of payment are adhered to, subject to the Company being satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions in the relevant purchase contract.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board



A. P. Busson
 Company Secretary

Burmah Castrol House
 Pipers Way
 Swindon
 Wiltshire SN3 1RE

23 July 1999

FOSECO PLC
NOTES ON THE 1998 ACCOUNTS (continued)
FOSECO PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 of the company 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
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts, 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 keeping 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.

FOSECO PLC
NOTES ON THE 1998 ACCOUNTS (continued)

REPORT OF THE AUDITORS TO THE MEMBERS OF FOSECO PLC

We have audited the accounts on pages 5 to 11, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

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 estimates 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 accounts 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 affairs of the company as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

ERNST & YOUNG
REGISTERED AUDITOR
LONDON

26 July 1999

FOSECO PLC
NOTES ON THE 1998 ACCOUNTS (continued)
FOSECO PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998

Notes	1998 £'000	1997 £'000
Income from shares in group undertakings	227	272
(Loss)/Profit on exchange	<u>(52)</u>	<u>1</u>
	175	273
5 Interest receivable	46	60
7 Amounts written back/(provided) against fixed asset investments	4,620	(35,590)
	<hr/>	<hr/>
Profit/(Loss) on ordinary activities before taxation	4,841	(35,257)
6 Taxation charge	<u>(6)</u>	<u>(51)</u>
Profit/(Loss) on ordinary activities after taxation	4,835	(35,308)
Retained (loss) brought forward	<u>(14,409)</u>	<u>20,899</u>
(Loss) carried forward	<u>(9,574)</u>	<u>(14,409)</u>

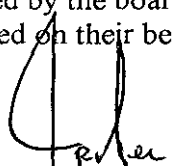
The Company has no recognised gains or losses other than the profit for the year.

FOSECO PLC
NOTES ON THE 1998 ACCOUNTS (continued)
FOSECO PLC

BALANCE SHEET AT 31 DECEMBER 1998

Notes	1998 £'000	1997 £'000
7 Fixed asset investments Subsidiary undertakings	26,527	21,959
8 Current assets: Debtors	49,119	48,845
9 Creditors: amounts falling due within one year: Other creditors	66	59
Net current assets	<u>49,053</u>	<u>48,786</u>
Total assets less current liabilities	<u>75,580</u>	<u>70,745</u>
Capital and reserves:		
10 Called-up share capital	22,912	22,912
Share premium account	37,242	37,242
Special reserve	25,000	25,000
Profit and loss account	<u>(9,574)</u>	<u>(14,409)</u>
11 Shareholders' funds	<u>75,580</u>	<u>70,745</u>

Approved by the board of directors on 23 July 1999
and signed on their behalf.


.....
Director

FOSECO PLC
NOTES ON THE 1998 ACCOUNTS (continued)
FOSECO PLC

NOTES ON THE 1998 ACCOUNTS

1. Parent undertaking

These accounts present information about the company as an individual undertaking and not about its group.

The Company is a wholly-owned subsidiary undertaking of Burmah Castrol plc, registered in Scotland. The Company's accounts are incorporated into the consolidated accounts of Burmah Castrol plc, which are prepared in accordance with UK legislation and include a consolidated cash flow statement.

Group accounts are, therefore, not required by reason of Section 228 (1) of the Companies Act 1985 and the Company is, also, exempt from the requirement of Financial Reporting Statement No. 1 (Revised) - 'Cash Flow Statements'.

The report and accounts of Burmah Castrol plc may be obtained from the Registrar of Companies, Companies House, 37 Castle Terrace, Edinburgh, EH1 2EB. This is the parent undertaking of the smallest and largest group of which the company is a member and for which group accounts are prepared.

2. Accounting policies

- (a) The accounts are prepared in accordance with applicable accounting standards under the historical cost convention.
- (b) Investments in subsidiary undertakings are stated at cost less amounts written off.
- (c) Deferred taxation is provided on the liability method on timing differences to the extent that they are expected to reverse in the future, calculated at the rate at which that tax is expected to be payable.
- (d) Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. All differences are taken to the profit and loss account.

3. Auditors' remuneration

Auditors' remuneration for both years has been borne by another group undertaking.

4. Directors' emoluments

No persons who held office as director during 1998 and 1997 received any emoluments in respect of their services to the company.

FOSECO PLC
NOTES ON THE 1998 ACCOUNTS (continued)
FOSECO PLC

NOTES ON THE 1998 ACCOUNTS (continued)

5	Interest receivable	1998 £'000	1997 £'000
	Interest receivable from other group undertakings	<u>46</u>	<u>60</u>

6 **Taxation charge/(credit)**

The tax charge in the Profit and Loss Account is made up as follows:

Current tax:		
UK Corporation Tax @ 31% (1997 - 31.49%)	101	126
Less: relief of overseas taxes	<u>(56)</u>	<u>(68)</u>
	45	58
Prior year adjustment	(39)	-
Overseas taxes	-	(7)
Deferred taxation	<u>-</u>	<u>-</u>
	<u>6</u>	<u>51</u>

No provision for deferred tax is required (1997 £Nil).

7. **Fixed asset investments**

**Subsidiary
undertakings
£'000**

Cost:	
At 1 January 1998 and at 31 December 1998	<u>57,420</u>
Amounts written off:	
At 1 January 1998 and 31 December 1998	<u>(508)</u>
Amounts provided:	
At 1 January 1998	(35,590)
Amounts written back during the year	<u>4,620</u>
At 31 December 1998	<u>(30,970)</u>
Net loans due from subsidiary undertakings:	
At 1 January 1998	637
Reduction during the year	<u>(52)</u>
At 31 December 1998	<u>585</u>
Net book value:	
At 31 December 1998	<u>26,527</u>
At 31 December 1997	<u>21,959</u>

FOSECO PLC
NOTES ON THE 1998 ACCOUNTS (continued)

In the opinion of the Directors, the aggregate value of the investment in subsidiary undertakings is not less than the net book value at 31 December 1998.

Details of the principal subsidiary undertakings are set out in note 12.

8. Debtors	1998	1997
	£'000	£'000
Amounts owed by group undertakings	<u>49,119</u>	<u>48,845</u>
9. Other creditors	1998	1997
	£'000	£'000
UK Corporation Tax	65	58
Accruals	<u>1</u>	<u>1</u>
	<u>66</u>	<u>59</u>

10. Share capital	Authorised		Allotted, called up and fully paid	
	1998	1997	1998	1997
	No. 000	No. 000	£'000	£'000
Ordinary shares of 25p each	104,000	104,000	21,912	21,912
4.375% cumulative preference shares of £1 each	1,000	1,000	1,000	1,000
8.25% convertible redeemable cumulative second preference shares of £1 each	8,800	8,800	-	-
			<u>22,912</u>	<u>22,912</u>

FOSECO PLC
NOTES ON THE 1998 ACCOUNTS (continued)

11. Reconciliation of movement in shareholders' funds	1998 £'000	1997 £'000
Profit/(loss) for the year	4,835	(35,308)
Opening shareholders' funds	70,745	106,053
Closing shareholders' funds	<u>75,580</u>	<u>70,745</u>
Represented as:		
Equity Interests	74,580	69,745
Non-equity interests	<u>1,000</u>	<u>1,000</u>
	<u>75,580</u>	<u>70,745</u>

12. Principal subsidiary and associated undertakings

The company's subsidiary and associated undertakings are in the business of speciality chemicals, including metallurgical chemicals, construction and mining chemicals, and other interests.

The following is a list of principal subsidiary and associated undertakings of which Foseco plc is either directly or through subsidiary companies, the beneficial owner of the whole, or such lesser percentage as is stated, of the equity share capital. Countries in which undertakings are incorporated or registered are given in brackets.

Fosroc SAE (50.65%)	(Egypt)
Fosbel International Limited (51%)	(England)
Foseco (FS) Limited	(England)
Foseco (GB) Limited	(England)
Foseco International Limited +	(England)
Foseco Technology Limited +	(England)
Foseco Transnational Limited +	(England)
Fosroc International Limited +	(England)
Minerals Separation Limited +	(England)
Unicorn Industries plc +	(England)
Fosroc Chemicals (India) Limited (74%)	(India)
Foseco India Limited (51%) +	(India)
Protim Abrasives Limited	(Republic of Ireland)
Burmah Castrol Philippines Inc.	(Philippines)
Foseco Zimbabwe (PVT) Limited	(Zimbabwe)
Foseco (Malaysia) Sdn. Bhd.	(Malaysia)
Foseco Espanola SA	(Spain)
Foseco Holding (Ireland) Limited	(Republic of Ireland)
Foseco (Thailand) Limited	(Thailand)
Foseco Foundry (China) Limited	(China)
Shenzhen Foseco Jinke-Non Ferrous Metallurgical Materials Co. Limited	(China)

+ Shares held by Foseco plc

FOSECO PLC
NOTES ON THE 1998 ACCOUNTS (continued)

13. Related Party Transactions

The Company is a subsidiary undertaking and 90% or more of its voting rights are controlled within the group. The group Financial Statements are publicly available. The Company is therefore exempted from the requirements of FRS8 to disclose material related party transactions insofar as the transactions occur within the group. There were no material transactions with related parties outside of the group during the year.