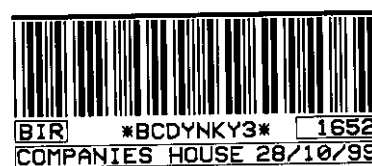


FOSECO INTERNATIONAL LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1998
REGISTERED NO: 468147



FOSECO INTERNATIONAL LIMITED

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1998.

Results and Dividends

The Company's loss for the year after taxation amounted to £2,910,000 (1997 loss £1,104,000).

The directors do not recommend the payment of any dividend (1997 : £Nil) and the loss of £2,910,000 has been offset against reserves.

Review of the Business

The Company's principal activity during the year was the development and licensing of chemical products, primarily for use in metal melting industries.

Fixed Assets

The changes in fixed assets during the year are summarised in the notes to the accounts.

Research and Development

The Company continues to increase its commitment in the area of research and development in terms of both existing product lines and a range of new products.

Future Developments

The directors consider that the business of the Company is unlikely to change in the foreseeable future.

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.

FOSECO INTERNATIONAL LIMITED

DIRECTORS' REPORT (continued)

Directors and their Interests

R Barwick	(Appointed 1 February 1998)
A M Chater	(Resigned 1 February 1998)
W E I Galloway	(Resigned 1 June 1998)
D W Hobbins	(Resigned 31 August 1999)
D G Hussey	(Appointed 1 June 1998)
M B Jones	
S Roberts	(Appointed 30 November 1998)
G Smith	(Resigned 31 October 1998)
V C Watton	(Resigned 30 November 1998)

No director had any interest in the shares of the Company.

The interests of the 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
R W Barwick	1,871	2,732	12,441	7,010	7,600	11,851
D W Hobbins	Nil	Nil	21,460	4,857	8,841	17,476
D Hussey	Nil	Nil	19,875	10,668	9,196	21,347
M B Jones	1,706	Nil	15,932	5,823	1,211	20,544
S M Roberts	Nil	Nil	1,614	Nil	Nil	1,614

* Or at the date of appointment, whichever is later

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 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.

At 31 December 1998 the Company had an average of 27 days purchases outstanding in trade creditors.

FOSECO INTERNATIONAL LIMITED

DIRECTORS' REPORT (continued)

Auditors

In accordance with s386 of the Companies Act 1985, a resolution to dispense with the obligation to appoint auditors annually was passed on 22 December 1997. Accordingly Ernst & Young shall be deemed to be re-appointed as auditors 28 days after the accounts are sent to the members.

By order of the board



E.G. Parker
Company Secretary

Burmah Castrol House
Pipers Way
Swindon
Wiltshire SN3 1RE

27 September1999

FOSECO INTERNATIONAL LIMITED

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
- 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.

REPORT OF THE AUDITORS TO THE MEMBERS OF FOSECO INTERNATIONAL LIMITED

We have audited the accounts on pages 6 to 17 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 8, 9 and 10.

Respective Responsibilities of Directors and Auditors

As described on page 4 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.

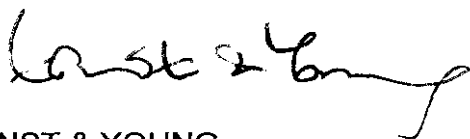
Basis of Opinion

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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG
REGISTERED AUDITOR
BIRMINGHAM

18 October 1999

FOSECO INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998

<u>Notes</u>	<u>Continuing Operations</u>	
	1998 £'000	1997 £'000
3 Turnover	454	316
Cost of sales	(239)	(180)
Gross profit	215	136
4 Other operating income	12,033	11,063
Distribution costs	-	(77)
Administrative expenses	(14,441)	(12,382)
5 Operating loss	(2,193)	(1,260)
8 Net interest receivable/(payable)	122	(1)
Loss on ordinary activities before tax	(2,071)	(1,261)
9 Tax (charge)/credit on loss on ordinary activities	(839)	157
20 Loss on ordinary activities after taxation and transfer to reserves	(2,910)	(1,104)

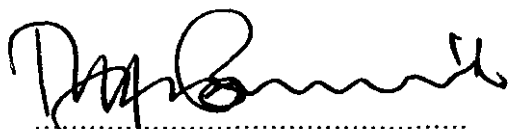
The Company has no recognised gains or losses other than the loss for the year.

FOSECO INTERNATIONAL LIMITED

BALANCE SHEET AT 31 DECEMBER 1998

Notes		1998 £'000	1997 £'000
	Fixed assets:		
10	Intangible assets	6,174	6,174
11	Tangible assets	615	818
12	Investment in subsidiary undertakings	1	1
		<u>6,790</u>	<u>6,993</u>
	Current assets:		
13	Stocks	26	1
14	Debtors	6,989	8,844
	Cash and short term deposits	275	164
		<u>7,290</u>	<u>9,009</u>
15	Creditors: amounts falling due within one year	<u>11,865</u>	<u>10,865</u>
	Net current liabilities	<u>(4,575)</u>	<u>(1,856)</u>
	Total assets less current liabilities	2,215	5,137
	Creditors: amounts falling due after more than one year:		
16	Provision for liabilities	3	15
	Shareholders' net assets	<u>2,212</u>	<u>5,122</u>
	Capital and reserves:		
18	Called-up equity share capital	9,000	9,000
19	Profit and loss account	<u>(6,788)</u>	<u>(3,878)</u>
	Equity shareholders' funds	<u>2,212</u>	<u>5,122</u>

Approved by the board of directors on 27 September 1999
and signed on their behalf


.....
Director

FOSECO INTERNATIONAL LIMITED

NOTES ON THE 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 Section 288 (1) of the Companies Act 1985 and the Company is, also, exempt from the requirements of Financial Reporting Statement No. 1 - '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 Fundamental accounting concept

The accounts have been prepared under the going concern concept because the Company's main creditors (the parent undertaking and fellow subsidiary undertakings) have agreed not to recall the amounts advanced to the Company until all other creditors have been paid.

b Accounting convention

The accounts are prepared in accordance with applicable accounting standards under the historical cost convention.

FOSECO INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS (continued)

2 Accounting policies (continued)

c Depreciation

Depreciation is provided on all tangible fixed assets, commencing in the year following acquisition, at rates calculated to write-off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold property - 2.50%

Plant, equipment and vehicles - various rates between 10% and 50%.

d Stocks

Stocks are stated at the lower of cost and net realisable value.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

e Research and development

Research and development expenditure is written off as incurred. Research laboratories' equipment is written off over its expected life.

f Deferred taxation

Deferred taxation is provided on the liability method on timing differences, at the rate at which it is anticipated that the tax will be paid, except for those which are not expected to reverse in the foreseeable future.

g Foreign currencies

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.

FOSECO INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS (continued)

2 Accounting policies (continued)

h Company pensions

The Company is party to Group pension schemes which require contributions to be made to separately administered funds. Contributions to the schemes are paid in accordance with the Group's funding policy for pensions and are charged to the profit and loss account as incurred.

i Leasing commitments

Rentals paid under operating leases are charged to profit and loss account as incurred.

j Government grants

Government grants on capital expenditure are credited to a deferred income account and are released to revenue over the expected useful life of the relevant asset by equal annual amounts.

Grants of a revenue nature are credited to the profit and loss account in the period to which they relate.

k Intangible fixed assets

Intangible fixed assets are stated at cost, less accumulated amortisation.

3 Turnover

Turnover is stated at the value of goods and services provided to customers, net of attributable taxes.

The destination of all the company's turnover is Asia.

4 Other operating income

	1998 £'000	1997 £'000
Royalties receivable From fellow subsidiary and associated undertakings	12,033	11,063

FOSECO INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS (continued)

	1998 £'000	1997 £'000
5 Operating Loss		
Operating loss is stated after charging:		
Depreciation of tangible fixed assets	257	388
Directors' remuneration (note 7)	859	744
Hire of plant and machinery	143	53
Auditors' remuneration	26	24
Staff costs (note 6)	4,011	3,804
Reorganisation costs	3,420	778

	1998 No.	1997 No.
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6 Employees

The average monthly number of employees during the year was made up as follows:

Management and technical	69	76
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	1998 £'000	1997 £'000
Staff costs during the year amounted to:		
Wages and salaries	3,579	2,801
Social Security costs	305	335
Other pension costs	127	668
	4,011	3,804

FOSECO INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS (continued)

	1998 £'000	1997 £'000
7 Directors' remuneration		
Directors remuneration consists of:		
Other emoluments (excluding pension contributions)	712	580
	<u>712</u>	<u>580</u>

Emoluments of the highest paid director, excluding pension contributions, were £130,839 (1997: £150,975).

Nine directors were members of a Defined Benefit Pension Scheme

	1998 £'000	1997 £'000
8 Interest receivable/(payable)		
Interest receivable from third parties	162	-
Bank interest payable	-	(1)
Interest payable to other group undertakings	(40)	-
	<u>122</u>	<u>(1)</u>

FOSECO INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS (continued)

9 Tax charge on loss on ordinary activities	1998	1997
	£'000	£'000
The tax charge in the Profit and Loss Account is made up as follows:		
Current tax:		
Corporation tax	632	(319)
Relief for overseas tax	(387)	(378)
	<u>245</u>	<u>(697)</u>
Prior years adjustment	482	141
Overseas tax	399	399
Deferred tax	(287)	-
Tax charge/(credit)	<u>839</u>	<u>(157)</u>

Provision has been made for deferred tax (assets)/liabilities as shown below:

	Balance 31/12/97 £'000	P&L Account £'000	Balance 31/12/98 £'000
Accelerated capital allowances	-	(482)	(482)
Short term timing differences	-	278	278
less relief for overseas taxes	-	(83)	(83)
	<u>-</u>	<u>(287)</u>	<u>(287)</u>

Deferred taxation which has not been provided amounted to:	Balance 31.12.97 £'000	Balance 31.12.98 £'000
--	------------------------------	------------------------------

Accelerated capital allowances	<u>(9)</u>	-
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10 Intangible fixed assets	Technical know-how £'000
Cost:	
As at 1 January and 31 December 1998	<u>6,249</u>
Amortisation:	
As at 1 January and 31 December 1998	<u>75</u>
Net book value as at 31 December 1998	<u>6,174</u>
Net book value as at 31 December 1997	<u>6,174</u>

The directors are of the opinion that the underlying value of the intangible fixed assets is not less than the current net book value and, therefore, no further amortisation is required.

FOSECO INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS (continued)

11	Tangible fixed assets	Freehold Property £'000	Plant, Equipment and Vehicles £'000	Total £'000
	Cost			
	At 1 January 1998	125	2,458	2,583
	Additions	-	117	117
	Inter-group transfers	-	(27)	(27)
	Disposals	-	(1,484)	(1,484)
	At 31 December 1998	125	1,064	1,189
	Depreciation:			
	At 1 January 1998	3	1,762	1,765
	Provided in year	2	255	257
	Inter-group transfers	-	(16)	(16)
	Disposals	-	(1,432)	(1,432)
	At 31 December 1998	5	569	574
	Net book amounts:			
	At 31 December 1998	120	495	615
	At 1 January 1998	122	696	818

FOSECO INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS (continued)

12 Investment in subsidiary undertakings

	1998 £'000	1997 £'000
Subsidiary undertakings:		
Shares at cost	1	1

Name of undertaking	Holding	Proportion held
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Subsidiary undertaking:

Pathia Limited	Ordinary shares	100%
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The above undertaking is registered in England and is involved in the export of the Group's products and the management of international operations.

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

13 Stocks

Stock consists wholly of machine parts and equipment for resale to group undertakings.

14 Debtors	1998 £'000	1997 £'000
Trade debtors	213	57
Amounts owed by group undertakings	5,401	7,337
Corporation tax	-	697
Prepayments	1,088	585
Other debtors	287	168
	<u>6,989</u>	<u>8,844</u>

FOSECO INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS (continued)

15	Creditors: amounts falling due within one year	1998 £'000	1997 £'000
	Bank overdraft	103	121
	Trade creditors	1,082	411
	Amounts owed to group undertakings	7,030	5,760
	Corporation tax	25	-
	Other taxes and social security	80	50
	Accruals	3,545	4,523
		<u>11,865</u>	<u>10,865</u>

16	Creditors: amounts falling due after more than one year	1998 £'000	1997 £'000
	Provision for Social Legislation Liability	<u>3</u>	<u>15</u>

17 Company pensions

The Company is party to Group pension schemes which are designed to provide retirement benefits based on final salaries. The assets of the schemes are held separately from those of the Company and the Group. Qualified consulting actuaries carry out actuarial valuations and assessments of the schemes at least once in every three years. The most recent actuarial valuations were carried out at 6 April 1998, and details of these are disclosed in the Burmah Castrol plc company accounts for the year ended 31 December 1998.

The charge to profit and loss in these accounts represents contributions payable to the schemes in accordance with the Group's funding policy.

18	Called-up share capital	1998 £'s	1997 £'s
	Authorised share capital:		
	9,000,000 ordinary shares of £1 each	<u>9,000,000</u>	<u>9,000,000</u>
	Allotted, issued and fully paid:		
	9,000,000 ordinary shares of £1 each	<u>9,000,000</u>	<u>9,000,000</u>

FOSECO INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS (continued)

19	Profit and Loss account	1998	1997
		£'000	£'000
	Balance at 1 January	(3,878)	(2,774)
	Loss for the year	<u>(2,910)</u>	<u>(1,104)</u>
	Balance at 31 December	<u>(6,788)</u>	<u>(3,878)</u>
20	Reconciliation of movements in shareholders' funds		
	Loss for the year	(2,910)	(1,104)
	Increase in Share Capital	-	8,500
	Opening shareholders' funds	<u>5,122</u>	<u>(2,274)</u>
	Closing shareholders' funds	<u>2,212</u>	<u>5,122</u>