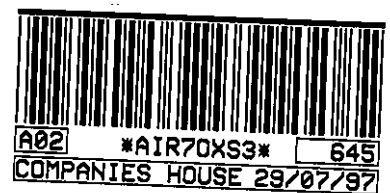


**FOSECO INTERNATIONAL LIMITED**  
**REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1996**  
**REGISTERED NO: 468147**



## **FOSECO INTERNATIONAL LIMITED**

### **DIRECTORS REPORT**

The directors present their report and accounts for the year ended 31 December 1996.

#### **Results and Dividends**

The Company's loss for the year after taxation amounted to £1,462,000(1995 loss £427,000).

The directors do not recommend the payment of any dividend (1995 : £Nil) and the loss of £1,462,000 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.

#### **Directors and their Interests**

A M Chater

M B Dearden

W E I Galloway

D W Hobbins

M B Jones

G Smith (Appointed 1 January 1996)

V C Watton (Appointed 1 January 1996)

Dr D E Bryant, Dr J Briggs, K A Cattell, M J Issott, A Sleight, and D M Spence all resigned on 1 January 1996

**FOSECO INTERNATIONAL LIMITED**  
**DIRECTORS' REPORT** (continued)

**Directors and their Interests** (continued)

No director had any interest in the shares of the Company. M B Dearden is also a director of Burmah Castrol plc, the ultimate parent undertaking, and his interests in the shares of that company are disclosed in its accounts.

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 1.1.96*	As at 31.12.96	As at 1.1.96*	Options granted	Options exercised/ cancelled	As at 31.12.96
A M Chater	Nil	Nil	12,454	3,503	2,706	13,251
W E I Galloway	Nil	2,429	41,410	10,542	2,429	49,523
D W Hobbins	Nil	Nil	15,135	3,877	809	18,203
M B Jones	Nil	Nil	15,604	2,016	2,659	14,961
G Smith	26	26	8,512	3,970	809	11,673
V C Watton	4,802	5,228	13,281	3,483	973	15,791

\* 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.

**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 18 November 1994. 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



Company Secretary  
Burmah Castrol House  
Pipers Way  
Swindon  
Wiltshire SN3 1RE

17 July 1997

**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.

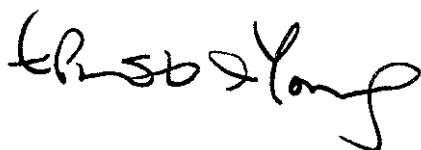
### Basis of Opinion

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 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG  
CHARTERED ACCOUNTANTS  
REGISTERED AUDITOR  
BIRMINGHAM

21 July 1997

**FOSECO INTERNATIONAL LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1996**

<u>Notes</u>	<u>Continuing Operations</u>	
	1996 £'000	1995 £'000
<b>3</b> Turnover	496	456
Cost of sales	(304)	(345)
Gross profit	192	111
<b>4</b> Other operating income	10,800	11,061
Distribution costs	(121)	(84)
Administrative expenses	(13,399)	(12,232)
<b>5</b> Operating loss	(2,528)	(1,144)
<b>8</b> Income from shares in group undertakings	-	463
<b>9</b> Net interest receivable	1	18
Loss on ordinary activities before tax	(2,527)	(663)
<b>10</b> Tax credit on loss on ordinary activities	1,065	236
<b>21</b> Loss on ordinary activities after taxation and transfer to reserves	(1,462)	(427)

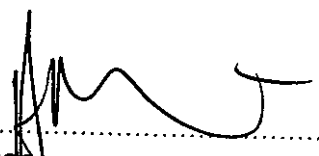
The Company has no recognised gains or losses other than the loss for the year.

**FOSECO INTERNATIONAL LIMITED**  
**BALANCE SHEET AT 31 DECEMBER 1996**

**Notes**

		1996 £'000	1995 £'000
	Fixed assets:		
11	Intangible assets	1,498	1,513
12	Tangible assets	856	2,004
13	Investment in subsidiary undertakings	1	1
		<u>2,355</u>	<u>3,518</u>
	Current assets:		
14	Stocks	22	56
15	Debtors	7,558	6,052
	Cash and short term deposits	835	448
		<u>8,415</u>	<u>6,556</u>
16	Creditors: amounts falling due within one year	<u>13,033</u>	<u>10,877</u>
	Net current liabilities	<u>(4,618)</u>	<u>(4,321)</u>
	Total assets less current liabilities	<u>(2,263)</u>	<u>(803)</u>
	Creditors: amounts falling due after more than one year:		
17	Provision for liabilities	11	9
		<u>(2,274)</u>	<u>(812)</u>
	Capital and reserves:		
19	Called-up equity share capital	500	500
20	Profit and loss account	<u>(2,774)</u>	<u>(1,312)</u>
		<u>(2,274)</u>	<u>(812)</u>

Approved by the board of directors on 17 July 1997  
 and signed on their behalf

AC    
 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**

Royalties receivable  
 From fellow subsidiary and associated  
 undertakings

1996	1995
£'000	£'000

10,800	11,061
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**FOSECO INTERNATIONAL LIMITED**  
**NOTES ON THE ACCOUNTS (continued)**

	1996 £'000	1995 £'000
<b>5 Operating Loss</b>		
Operating loss is stated after charging:		
Amortisation of intangible fixed assets	15	15
Depreciation of tangible fixed assets	1,173	705
Directors' remuneration (note 7)	1,314	1,314
Hire of plant and machinery	-	-
Auditors' remuneration	20	28
Staff costs (note 6)	4,048	6,156
Reorganisation costs	1,804	-

1996 No.	1995 No.
-------------	-------------

**6 Employees**

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

Management and technical	84	151
--------------------------	----	-----

	1996 £'000	1995 £'000
Staff costs during the year amounted to:		
Wages and salaries	3,249	5,014
Social Security costs	301	510
Other pension costs	545	632
	4,095	6,156

**7 Directors' remuneration**

Directors remuneration consists of:

Compensation for loss of office	-	257
Other emoluments (including pension contributions)	917	1,057
	917	1,314

**FOSECO INTERNATIONAL LIMITED**  
**NOTES ON THE ACCOUNTS** (continued)

	1996 No.	1995 No.
<b>7 Directors' remuneration (continued)</b>		
The emoluments of the Chairman were £NIL (1994 : £NIL).		
Emoluments of the highest paid director, excluding pension contributions, were £196,325 (1995 : £136,296). Total directors' emoluments, excluding pension contributions, fell within the ranges below:		
£Nil-£5000	1	4
£80,001-£85,000	-	1
£100,001-£105,000	1	-
£105,001-£110,000	-	1
£110,001-£115,000	1	1
£115,001-£120,000	3	-
£120,001-£125,000	-	1
£130,001-£135,000	-	1
£135,001-£140,000	-	1
£195,001-£200,000	1	-
	1996 £'000	1995 £'000
<b>8 Income from shares in group undertakings</b>		
Dividends from subsidiary undertaking	-	463
<b>9 Interest receivable/(payable)</b>		
Bank interest receivable	-	4
Interest receivable from other group undertakings	1	19
	1	23
Bank interest payable	-	(1)
Interest payable to other group undertakings	-	(4)
	1	18

**FOSECO INTERNATIONAL LIMITED**  
**NOTES ON THE ACCOUNTS** (continued)

<b>10</b>	<b>Tax credit on loss on ordinary activities</b>	<b>1996</b>	<b>1995</b>
		<b>£'000</b>	<b>£'000</b>
	The tax credit in the Profit and Loss Account is made up as follows:		
	Current tax:		
	Corporation tax at 33% (1995; 33%)	(863)	(164)
	Relief for overseas tax	(393)	(444)
		<u>(1,256)</u>	<u>(608)</u>
	Prior years adjustment	(218)	(65)
	Deferred taxation	-	-
	Overseas tax	409	437
	Tax credit	<u>(1,065)</u>	<u>(236)</u>
	Deferred taxation which has not been provided amounted to:	Balance	Balance
		31.12.96	31.12.95
		£'000	£'000
	Accelerated capital allowances	<u>(410)</u>	<u>(119)</u>
<b>11</b>	<b>Intangible fixed assets</b>	Technical know-how	
		£'000	
	Cost:		
	As at 1 January 1996 and 31 December 1996	1,558	
	Amortisation:		
	As at 1 January 1996	45	
	Charge for the year	15	
	As at 31 December 1996	<u>60</u>	
	Net book value as at 31 December 1996	<u>1,498</u>	
	Net book value as at 31 December 1995	<u>1,513</u>	

**FOSECO INTERNATIONAL LIMITED**  
**NOTES ON THE ACCOUNTS (continued)**

<b>12</b>	<b>Tangible fixed assets</b>	<b>Freehold Property £'000</b>	<b>Plant, Equipment and Vehicles £'000</b>	<b>Total £'000</b>
	Cost or valuation			
	At 1 January 1996	280	6,075	6,355
	Additions	125	346	471
	Inter-group transfers	-	(90)	(90)
	Disposals	(280)	(640)	(920)
	At 31 December 1996	125	5,691	5,816
	Depreciation:			
	At 1 January 1996	7	4,344	4,351
	Provided in year	5	1,168	1,173
	Inter-group transfers	-	(49)	(49)
	Disposals	(12)	(503)	(515)
	At 31 December 1996	-	4,960	4,960
	Net book amounts:			
	At 31 December 1996	125	731	856
	At 1 January 1996	273	1,731	2,004

**FOSECO INTERNATIONAL LIMITED**  
**NOTES ON THE ACCOUNTS (continued)**

**13 Investment in subsidiary undertakings**

	1996 £'000	1995 £'000
Subsidiary undertakings:		
Shares at cost	1	1

Name of undertaking	Holding	Proportion held
---------------------	---------	-----------------

**Subsidiary undertakings:**

Foseco International Exports Limited	Ordinary shares	100%
Pathia Limited	Ordinary shares	100%

The above undertakings are registered in England and are 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 1996.

**14 Stocks**

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

**15 Debtors**

	1996 £'000	1995 £'000
Trade debtors	19	34
Amounts owed by group undertakings	5,688	4,905
Corporation tax	1,256	610
Prepayments	233	503
Other debtors	362	-
	<u>7,558</u>	<u>6,052</u>



**FOSECO INTERNATIONAL LIMITED**  
**NOTES ON THE ACCOUNTS (continued)**

<b>16</b>	<b>Creditors: amounts falling due within one year</b>	<b>1996</b> <b>£'000</b>	<b>1995</b> <b>£'000</b>
	Bank overdraft	70	140
	Trade creditors	554	594
	Amounts owed to group undertakings	8,832	6,403
	Other taxes and social security	92	439
	Accruals	3,485	3,301
		<u>13,033</u>	<u>10,877</u>

<b>17</b>	<b>Creditors: amounts falling due after more than one year</b>	<b>1996</b> <b>£'000</b>	<b>1995</b> <b>£'000</b>
	Provision for Social Legislation Liability	<u>11</u>	<u>9</u>

**18**     **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 1995, and details of these are disclosed in the Burmah Castrol plc company accounts for the year ended 31 December 1995.

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

<b>19</b>	<b>Called-up share capital</b>	<b>1996</b> <b>£'s</b>	<b>1995</b> <b>£'s</b>
	Authorised share capital:		
	500,000 ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>
	Allotted, issued and fully paid:		
	500,000 ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>

**FOSECO INTERNATIONAL LIMITED**  
**NOTES ON THE ACCOUNTS** (continued)

<b>20</b>	<b>Profit and Loss account</b>	1995	1995
		£'000	£'000
	Balance at 1 January	(1,312)	(885)
	Loss for the year	(1,462)	(427)
		<hr/>	
	Balance at 31 December	(2,774)	(1,312)
		<hr/>	
<b>21</b>	<b>Reconciliation of movements in shareholders' funds</b>		
	Loss for the year	(1,462)	(427)
	Opening shareholders' funds	(812)	(385)
		<hr/>	
	Closing shareholders' funds	(2,274)	(812)
		<hr/>	