

**FOSECO INTERNATIONAL LIMITED**  
**REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**  
**REGISTERED NO: 468147**



# **FOSECO INTERNATIONAL LIMITED**

## **DIRECTORS' REPORT**

The directors present their report and accounts for the year ended 31 December 2005.

### **Results and Dividends**

The company's profit for the year after taxation amounted to £8,869,000 (2004 £4,932,000). Following the implementation of FRS 21, dividends are now recognised in the accounts in the year in which they are paid, such that the amount recognised in the 2005 accounts, as described in note 10, is last year's final proposed dividend of £1,700,000 together with an interim dividend for 2005 of £2,164,000 (2004: £Nil).

### **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. As in previous years the company has traded through a branch in the Middle East

### **Significant Events**

The ultimate holding company at the start of the year was Foseco (Jersey) Limited. On 12 May 2005, a group restructuring occurred wherein a new company, Foseco plc, registered in England, acquired the entire ordinary share capital of Foseco (Jersey) Limited and was then floated on the London Stock Exchange.

The ultimate holding company following the restructuring is Foseco plc.

On 12 May 2005, the company sold its investment in Foseco Döküm Sanayi ve Ticaret Limited Sirketi to another group company, Foseco Holding BV, for £2,164,000.

### **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.

## FOSECO INTERNATIONAL LIMITED

### DIRECTORS' REPORT (continued)

#### Directors and their Interests

The directors who served during the year were as follows:

P D Dean  
D G Hussey  
R P H Johnson  
G Millar  
S M Roberts

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

The interests of the directors in the shares of Foseco plc were:-

	Ordinary shares of 0.25p each	shares of 0.25p each	Awards under the Long term incentive plan - ordinary shares of 0.25p each			
	As at 5.4.05*	As at 31.12.05	As at 5.4.05*	Granted 22.06.2005	Lapsed	As at 31.12.05
P D Dean	Nil	692,637	Nil	139,860	Nil	139,860
D G Hussey	Nil	1,267,881	Nil	200,142	Nil	200,142
R P H Johnson	Nil	-	Nil	52,387	Nil	52,387
G Millar	Nil	273,925	Nil	48,575	Nil	48,575
S M Roberts	Nil	88,047	Nil	36,531	Nil	36,531

\* Date of incorporation of Foseco plc.

Awards under Long term incentive plan refer to the Foseco plc scheme of which all the directors are participants. Full details of this scheme are available in the Foseco plc Annual Report and Financial Statements.

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.

The company has indemnified all directors and officers of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985. Such qualifying third party indemnity provision was in force during the year.

## **FOSECO INTERNATIONAL LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **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 2005 the company had an average of 15 days purchases outstanding in trade creditors.

#### **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 LLP shall be deemed to be re-appointed as auditors 28 days after the accounts are sent to the members.

By order of the board

*Sharon Roberts*

S M Roberts  
Company Secretary  
Coleshill Road  
Tamworth  
Staffordshire B78 3TL

16 May 2006

## **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.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FOSECO INTERNATIONAL LIMITED**

We have audited the company's financial statements for the year ended 31 December 2005, which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 22. 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 auditors' 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 the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, 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 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 judgments 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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*  
Ernst & Young LLP  
Registered auditor  
Birmingham  
*16 May* 2006

# FOSECO INTERNATIONAL LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

Notes		Continuing Operations	
		2005	2004
		£'000	Restated £'000
3	Turnover	1,772	1,425
	Cost of sales	<u>(1,139)</u>	<u>(941)</u>
	Gross profit	633	484
4	Other operating income	18,984	14,609
	Distribution costs	(11)	(16)
	Selling Expenses	(693)	(765)
	Administrative expenses	<u>(9,206)</u>	<u>(8,743)</u>
5	Operating profit	9,707	5,569
8	Net interest receivable	65	34
	Profit on ordinary activities before tax	<u>9,772</u>	<u>5,603</u>
9	Taxation on profit on ordinary activities	(903)	(671)
20	Profit on ordinary activities after taxation	<u>8,869</u>	<u>4,932</u>

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

Details of dividends paid during the year and those proposed after the balance sheet date are set out in note 10 to the financial statements.

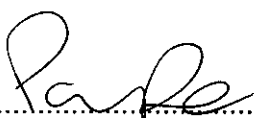
A statement of movements on reserves is set out in note 20 to the financial statements

# FOSECO INTERNATIONAL LIMITED

## BALANCE SHEET AT 31 DECEMBER 2005

Notes	2005 £'000	2004 Restated £'000
Fixed assets:		
11 Tangible assets	89	173
12 Investments	-	46
	<u>89</u>	<u>219</u>
Current assets:		
13 Stocks	44	54
14 Debtors	20,771	16,225
Cash and short term deposits	99	83
	<u>20,914</u>	<u>16,362</u>
15 Creditors: amounts falling due within one year	<u>(3,109)</u>	<u>(3,681)</u>
Net current assets	<u>17,805</u>	<u>12,681</u>
Total assets less current liabilities	17,894	12,900
Creditors: amounts falling due after more than one year:		
16 Provision for liabilities and charges	<u>(12)</u>	<u>(23)</u>
Shareholders' net assets	<u>17,882</u>	<u>12,877</u>
Capital and reserves:		
19 Called-up equity share capital	11,000	11,000
20 Profit and loss account	6,882	1,877
	<u>17,882</u>	<u>12,877</u>
20 Equity shareholders' funds	<u>17,882</u>	<u>12,877</u>

Approved by the board of directors on 16 May 2006  
and signed on their behalf

  
.....  
Director



# **FOSECO INTERNATIONAL LIMITED**

## **NOTES TO THE ACCOUNTS**

### **1. Parent Undertaking**

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

The Company's ultimate parent undertaking at the start of the year was Foseco (Jersey) Limited, a company registered in Jersey, and Foseco plc from 12 May 2005. The Company's accounts are incorporated into the consolidated accounts of Foseco plc which are prepared in accordance with UK legislation and include a consolidated cash flow statement.

The Company is therefore exempt from the requirements of Financial Reporting Standard No 1 (Revised) - 'Cash Flow Statements'.

The report and accounts of Foseco plc may be obtained from Coleshill Road, Tamworth, Staffordshire, B78 3TL. This is the parent undertaking of the smallest and largest group into which the company's results are consolidated and for which group accounts are prepared and are publicly available.

The immediate parent undertaking is Foseco Overseas Limited which does not prepare group accounts.

### **2. Accounting Policies**

#### **a. Accounting Convention**

The accounts are prepared in accordance with applicable accounting standards under the historical cost convention as modified for the revaluation of certain fixed assets.

#### **b. 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:

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

#### **c. 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.

#### **d. Research and Development**

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

## **FOSECO INTERNATIONAL LIMITED**

### **NOTES TO THE ACCOUNTS (continued)**

#### **2. Accounting Policies (continued)**

##### **e. 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.

##### **f. Taxation**

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.
- Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

##### **g. Company Pensions**

The Company participates in a defined benefit plan as a member of a UK-wide group pension scheme, but is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis. Therefore the plan is accounted for as a defined contribution scheme, and the contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

##### **h. Leasing Commitments**

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

## FOSECO INTERNATIONAL LIMITED

### NOTES TO THE ACCOUNTS (continued)

#### 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. Prior year adjustment

Following the implementation of FRS 21 – Events after the balance sheet date – and the enabling amendments to the Companies Act 1985, a proposed dividend can be recognised only in the period in which it is declared by the company (usually when approved by shareholders in general meeting) or paid. Previously, dividends were accounted for in the period to which they related, irrespective of when a liability for such dividends arose.

A prior year adjustment has been recorded to the company balance sheet as at 31 December 2004 to exclude from creditors: amounts falling due within one year a proposed dividend of £1,700,000 and to add this item back to retained profits. Dividends are no longer presented in the profit and loss account, but are dealt with in the notes to the accounts and through the Reconciliation of Shareholders' Funds and Movement on Reserves (see notes 10 and 20). The dividend proposed out of retained profits at 31 December 2004 of £1,700,000 which was shown as a dividend payable for the year ended 31 December 2004 is now shown as a paid dividend in the year ended 31 December 2005. No such adjustment was required as at 1 January 2004 as no dividends were proposed in the preceding period.

### 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

	2005 £'000	2004 £'000
Gain on disposal of Investments	2,118	-
Royalties receivable from fellow subsidiary and associated undertakings	16,866	14,609
	<u>18,984</u>	<u>14,609</u>

# FOSECO INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS (continued)

### 5. Operating Profit

	2005 £'000	2004 £'000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	86	97
Hire of plant and machinery	74	96
Auditors' remuneration borne by another group company	-	-
Staff costs (note 6)	<u>3,708</u>	<u>4,547</u>

### 6. Employees

	2005 No.	2004 No.
The average monthly number of employees during the year was made up as follows:		
Management and technical	<u>50</u>	<u>44</u>
	£'000	£'000
Staff costs during the year amounted to:		
Wages and salaries	3,010	3,704
Social security costs	362	416
Other pension costs	<u>336</u>	<u>427</u>
	<u>3,708</u>	<u>4,547</u>

### 7. Directors' Remuneration

	2005 £'000	2004 £'000
Directors remuneration consists of:		
Other emoluments (excluding pension contributions)	1,168	841
Pension contributions	<u>137</u>	<u>122</u>
	<u>1,305</u>	<u>963</u>

The remuneration of the highest paid director was:

Other emoluments	452	362
Pension contributions	<u>50</u>	<u>48</u>
	<u>502</u>	<u>410</u>

In relation to this director his accrued pension at 31 December 2005 was £13,690 pa and his accrued lump sum was £114,290

Members of defined benefit pension scheme	<u>4</u>	<u>4</u>
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For awards under the Long term incentive plan see the Directors Report. No shares have been received under this plan in 2005

# FOSECO INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS (continued)

### 8. Interest Receivable

	2005 £'000	2004 £'000
Interest (payable to)/ receivable from third parties	(1)	1
Interest receivable from fellow subsidiary	66	33
	<u>65</u>	<u>34</u>

### 9. Taxation

	2005 £'000	2004 £'000
The tax charge for the year comprises		
<i>UK corporation tax</i>		
Current tax charge on income for the period	869	672
Overseas withholding tax current year	860	672
Double taxation relief	(860)	(672)
Overseas withholding tax previous year	34	-
Total current tax	<u>903</u>	<u>672</u>
<i>Deferred tax</i>		
Current year charge	-	(1)
Current tax charge for the period	<u>903</u>	<u>671</u>
	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Tax reconciliation		
UK corporation tax @ 30% of profit before tax	2,932	1,681
Withholding taxes borne	903	672
Non-deductible and non-taxable items	378	-
Double tax relief	(860)	(672)
Group relief not paid for	(2,450)	(1,009)
Current tax on profit on ordinary activities before tax	<u>903</u>	<u>672</u>

	2005 £'000	2004 £'000
The elements of deferred tax are as follows:		
Accelerated capital allowances	(186)	(186)
Deferred tax asset	<u>(186)</u>	<u>(186)</u>

The movements in the deferred tax balance were as follows:

Asset at beginning of year	(186)	(185)
Amount charged/(credited) to profit and loss account	-	(1)
Asset at end of year	<u>(186)</u>	<u>(186)</u>

# FOSECO INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS (continued)

### 10. Dividends

	2005 £'000	2004 £'000
Equity dividends on ordinary shares:		
Final paid – 15.45p (2004:Nil)	2,164	-
Interim paid – 19.67p (2004:Nil)	1,700	-
	<u>3,864</u>	<u>-</u>
Proposed for approval by shareholders at Annual General Meeting		
Final proposed –Nil p (2004: 15.45p)	<u>-</u>	<u>1,700</u>

### 11. Tangible fixed assets

	Plant, Equipment and Vehicles £'000	Total £'000
Cost		
At 1 January 2005	1,172	1,172
Exchange on opening balance	<u>2</u>	<u>2</u>
	1,174	1,174
Additions	1	1
Disposals	<u>(75)</u>	<u>(75)</u>
At 31 December 2005	<u>1,100</u>	<u>1,100</u>
Depreciation:		
At 1 January 2005	999	999
Exchange on opening balance	<u>-</u>	<u>-</u>
	999	999
Provided in year	86	86
Disposals	<u>(74)</u>	<u>(74)</u>
At 31 December 2005	<u>1,011</u>	<u>1,011</u>
Net book amounts:		
At 31 December 2005	<u>89</u>	<u>89</u>
At 1 January 2005	<u>173</u>	<u>173</u>

# FOSECO INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS (continued)

### 12. Investment in associate undertaking

	2005 £'000	2004 £'000
At 1 January	46	46
Disposals	(46)	-
At 31 December	-	46

On 12 May 2005, the company sold its investment in 50% of the share capital of Foseco Döküm Sanayi ve Ticaret Limited Sirketi, a company incorporated in Turkey, to another group company, Foseco Holding BV, for £2,164,000.

### 13. Stocks

	2005 £'000	2004 £'000
Stock	44	54

Stock consists wholly of machine parts and equipment for resale to group undertakings. Stocks are valued at lower of cost or net realisable value. The difference between the purchase price and the replacement value of stock is not considered to be material.

### 14. Debtors

	2005 £'000	2004 £'000
Trade debtors	341	280
Amounts owed by group undertakings	19,800	15,465
Prepayments	6	201
Other debtors	438	93
Deferred tax	186	186
	20,771	16,225

### 15. Creditors: amounts falling due within one year

	2005 £'000	2004 Restated £'000
Trade creditors	441	445
Amounts owed to group undertakings	625	865
Other taxes and social security	130	197
Other creditors	1,808	2,174
Pensions	105	-
	3,109	3,681

# FOSECO INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS (continued)

### 16. Provision for Liabilities and Charges

	2005 £'000	2004 £'000
Provision for Social Legislation Liability		
At 1 January	23	23
Provided during year	6	-
Paid during year	(17)	-
At 31 December	<u>12</u>	<u>23</u>

The provision for social legislation liability relates to provisions for End of Service Gratuity to Employees in Dubai. This provision is expected to be utilised within three years.

### 17. Company Pensions

The Company is a member of a defined benefit scheme which includes all the UK subsidiaries of the group, and is unable to identify its share of the underlying assets and liabilities of the scheme on a reasonable and consistent basis. At 31 December 2005 the deficit in this scheme was £6.9m.

### 18. Financial Commitments

Annual commitments under non-cancellable operating leases as follows:

	2005 £'000			2004 £'000		
	Land & Buildings	Other	Total	Land & Buildings	Other	Total
Operating leases which expire:						
Within one year	-	60	60	-	28	28
Within two to five years	-	63	63	-	45	45
Within over five years	135	-	135	135	-	135
	<u>135</u>	<u>123</u>	<u>258</u>	<u>135</u>	<u>73</u>	<u>208</u>

### 19. Called-up Share Capital

	2005 £	2004 £
Authorised share capital:		
11,000,000 ordinary shares of £1 each	<u>11,000,000</u>	<u>11,000,000</u>
Allotted, issued and fully paid:		
11,000,000 ordinary shares of £1 each	<u>11,000,000</u>	<u>11,000,000</u>



## FOSECO INTERNATIONAL LIMITED

### NOTES TO THE ACCOUNTS (continued)

#### 20. Reconciliation of shareholders' funds and movement on reserves

	Share Capital	Profit and Loss account	Total Shareholders' funds
	£'000	£'000	£'000
At 1 January 2004	11,000	(3,055)	7,945
Profit for the year	-	4,932	4,932
At 31 December 2004 (as restated)	11,000	1,877	12,877
At 31 December 2004			
As originally stated	11,000	177	11,177
Prior year adjustment (note 1)	-	1,700	1,700
As restated	11,000	1,877	12,877
Profit for the year	-	8,869	8,869
Dividends	-	(3,864)	(3,864)
At 31 December 2005	11,000	6,882	17,882

#### 21. Related Party Transactions

The Company is a subsidiary undertaking and 90% or more of its voting rights are controlled within the group. The Financial Statements of the Foseco plc group are publicly available. The Company is therefore exempt 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.

#### 22. Significant Event

The ultimate holding company at the start of the year was Foseco (Jersey) Limited. On 12 May 2005, a group restructuring occurred wherein a new company, Foseco plc registered in England, acquired the entire ordinary share capital of Foseco (Jersey) Limited and was then floated on the London Stock Exchange.

The ultimate parent undertaking following the group restructuring is Foseco plc.