

**FOSECO INTERNATIONAL LIMITED**  
**REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**  
**REGISTERED NO: 468147**



## **FOSECO INTERNATIONAL LIMITED**

### **DIRECTORS' REPORT**

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

#### **Results and Dividends**

The Company's profit for the year after taxation amounted to £3,257,000 (2002 £1,864,000).

The directors do not recommend the payment of any dividend (2002: £Nil) and the profit of £3,257,000 has been transferred to 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.

#### **Holding company**

The ultimate holding company is Foseco Jersey Limited

#### **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.

## **FOSECO INTERNATIONAL LIMITED**

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

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

The company is a fully owned subsidiary of Foseco Jersey Limited, a company registered in Jersey. As such the directors are not required to notify the company of their shareholdings and therefore no disclosure can be made concerning their shareholdings in Foseco Jersey Limited.

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 2003 the Company had an average of 46 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

21 June 2004

## **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 2003, which comprise the Profit and Loss Account, Balance Sheet, and the related notes 1 to 21. These financial statements have been prepared on the basis of 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**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 transactions with the company 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 United Kingdom 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 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 of the state of affairs of the company as at 31 December 2003 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

Date 21 JUNE 2004

**FOSECO INTERNATIONAL LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003**

Notes	Continuing Operations	
	2003 £'000	2002 £'000
3	Turnover	1,146
	Cost of sales	<u>(703)</u>
	Gross profit	443
4	Other operating income	12,518
	Distribution costs	(10)
	Administrative expenses	<u>(9,102)</u>
5	Operating profit	3,849
8	Net interest receivable	34
	Profit on ordinary activities before tax	<u>3,883</u>
9	Taxation on profit on ordinary activities	<u>(626)</u>
19	Profit on ordinary activities after taxation and transfer to reserves	<u>1,864</u>

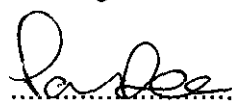
The Company has no recognised gains or losses other than the profit for the year.

**FOSECO INTERNATIONAL LIMITED**

**BALANCE SHEET AT 31 DECEMBER 2003**

Notes		2003 £'000	2002 £'000
	Fixed assets:		
10	Tangible assets	256	1,471
11	Investments	46	-
		<u>302</u>	<u>1,471</u>
	Current assets:		
12	Stocks	23	25
13	Debtors	11,303	11,179
	Cash and short term deposits	88	414
		<u>11,414</u>	<u>11,618</u>
14	Creditors: amounts falling due within one year	3,748	8,381
	Net current assets	<u>7,666</u>	<u>3,237</u>
	Total assets less current liabilities	7,968	4,708
	Creditors: amounts falling due after more than one year:		
15	Provision for liabilities	23	20
	Shareholders' net assets	<u>7,945</u>	<u>4,688</u>
	Capital and reserves:		
18	Called-up equity share capital	11,000	11,000
19	Profit and loss account	(3,055)	(6,312)
20	Equity shareholders' funds	<u>7,945</u>	<u>4,688</u>

Approved by the board of directors on 21 June 2004  
and signed on their behalf

  
.....  
Director

## **FOSECO INTERNATIONAL LIMITED**

### **NOTES TO THE ACCOUNTS**

#### **1. Parent Undertaking**

The Company's ultimate parent undertaking is Foseco (Jersey) Limited, a company registered in Jersey. The Company's accounts are incorporated into the consolidated accounts of Foseco Holding Limited 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 Holding Limited may be obtained from Coleshill Road, Tamworth, Staffordshire B78 3TL.

The immediate parent undertaking is Foseco Limited which does not prepare group accounts. Copies of its company accounts may also be obtained from Coleshill Road, Tamworth, Staffordshire B78 3TL.

#### **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:

Freehold property - 2.50%

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. Taxation**

Following the introduction of FRS19 provision is made for deferred tax in so far as a liability or asset arose as a result of transactions that had occurred by the balance sheet date and gave rise to an obligation to pay more tax in the future, or a right to pay less tax in the future. An asset has not been recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

##### **f. 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.

##### **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.

##### **i. 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.

## FOSECO INTERNATIONAL LIMITED

### NOTES TO THE ACCOUNTS (continued)

#### 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

	2003 £'000	2002 £'000
Royalties receivable		
From fellow subsidiary and associated undertakings	<u>12,518</u>	<u>10,905</u>

#### 5. Operating Profit

	2003 £'000	2002 £'000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	122	204
Hire of plant and machinery	117	129
Auditors' remuneration	10	10
Staff costs (note 6)	3,541	3,091

#### 6. Employees

	2003 No.	2002 No.
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The average monthly number of employees during the year was made up as follows:

Management and technical	<u>42</u>	<u>41</u>
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Staff costs during the year amounted to:

Wages and salaries	2,937	2,603
Social Security costs	277	189
Other pension costs	327	299
	<u>3,541</u>	<u>3,091</u>

# FOSECO INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS (continued)

### 7. Directors' Remuneration

	2003 £'000	2002 £'000
Directors Remuneration consists of:		
Other emoluments (excluding pension contributions)	755	636
Contributions to a defined benefit pension scheme	111	134
	<u>866</u>	<u>770</u>
Highest paid directors remuneration consists of:		
Other emoluments	285	202
Contributions to a defined benefit pension scheme	44	45
	<u>329</u>	<u>247</u>

### 8. Interest Receivable

	2003 £'000	2002 £'000
Interest receivable from third parties	3	3
Interest receivable from fellow subsidiary	31	-
	<u>34</u>	<u>3</u>

### 9. Taxation

	2002 £	2002 £
The tax charge for the year comprises		
<i>UK corporation tax</i>		
Current tax charge/(credit) on income for the period	565	427
Overseas withholding tax	565	427
Double taxation relief	(565)	(427)
Prior year adjustment	-	-
Total current tax	<u>565</u>	<u>427</u>
<i>Deferred tax</i>		
Current year charge/(credit)	61	(408)
Prior year charge/(credit)	-	-
	<u>626</u>	<u>19</u>

# FOSECO INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS (continued)

### 9. Taxation (continued)

	2003 £	2002 £
Tax reconciliation		
UK corporation tax @ 30% of profit before tax	1,086	565
Prior year amounts	-	-
Non-deductible and non-taxable items	-	28
Group relief not paid for	(521)	(574)
Deferred tax origination and reversal of timing differences	61	408
Capital transaction	-	-
Current tax on profit on ordinary activities before tax	<u>626</u>	<u>427</u>

The elements of deferred tax are as follows:	2003 £'000	2002 £'000
Accelerated capital allowances	(221)	(282)
Other timing differences	36	36
Deferred tax asset	<u>(185)</u>	<u>(246)</u>

The movements in the deferred tax balance were as follows:

Provision at beginning of year	(246)	162
Amount charged/(credited) to profit and loss account	61	(408)
Provision at end of year	<u>(185)</u>	<u>(246)</u>

**FOSECO INTERNATIONAL LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**10. Tangible fixed assets**

	<b>Freehold Property £'000</b>	<b>Plant, Equipment and Vehicles £'000</b>	<b>Total £'000</b>
Cost			
At 1 January 2003	1,206	1,216	2,422
Exchange on opening balance	-	(8)	(8)
	<u>1,206</u>	<u>1,208</u>	<u>2,414</u>
Additions	-	20	20
Disposals	<u>(1,206)</u>	<u>(56)</u>	<u>(1,262)</u>
At 31 December 2003	<u>-</u>	<u>1,172</u>	<u>1,172</u>
Depreciation:			
At 1 January 2003	96	855	951
Exchange on opening balance	-	(8)	(8)
	<u>96</u>	<u>847</u>	<u>943</u>
Provided in year	-	122	122
Disposals	<u>(96)</u>	<u>(53)</u>	<u>(149)</u>
At 31 December 2003	<u>-</u>	<u>916</u>	<u>916</u>
Net book amounts:			
At 31 December 2003	<u>-</u>	<u>256</u>	<u>256</u>
At 31 December 2002	<u>1,110</u>	<u>361</u>	<u>1,471</u>

**FOSECO INTERNATIONAL LIMITED****NOTES TO THE ACCOUNTS (continued)****11. Investments**

	<b>2003</b> <b>£'000</b>	<b>2002</b> <b>£'000</b>
Additions	<u>46</u>	<u>-</u>
	<u>46</u>	<u>-</u>

The company invested USD 75,000 as 50 % of the share capital in Foseco Dokum Sanayi registered in Turkey. The main trade of this company is the sale of Foseco products in Turkey

**12. Stocks**

	<b>2003</b> <b>£'000</b>	<b>2002</b> <b>£'000</b>
Stock	<u>23</u>	<u>25</u>

Stock consists wholly of machine parts and equipment for resale to group undertakings. Stocks are valued at lower of cost or net realisable value.

**13. Debtors**

	<b>2003</b> <b>£'000</b>	<b>2002</b> <b>£'000</b>
Trade debtors	416	532
Amounts owed by group undertakings	10,363	9,433
Prepayments	184	864
Other debtors	155	104
Deferred tax	<u>185</u>	<u>246</u>
	<u>11,303</u>	<u>11,179</u>

**14. Creditors: amounts falling due within one year**

	<b>2003</b> <b>£'000</b>	<b>2002</b> <b>£'000</b>
Trade creditors	817	1,204
Amounts owed to group undertakings	922	5,806
Corporation tax	-	-
Other taxes and social security	222	94
Accruals	<u>1,787</u>	<u>1,277</u>
	<u>3,748</u>	<u>8,381</u>

# FOSECO INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS (continued)

### 15. Provision for Liabilities and Charges

	2003 £'000	2002 £'000
Provision for Social Legislation Liability		
At 1 January	20	16
Provided during year	3	4
At 31 December	<u>23</u>	<u>20</u>

### 16. 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 2003 the deficit in this scheme was £5.6m.

### 17. Financial Commitments

Annual commitments under non-cancellable operating leases as follows:

Group	2003 £'000			2002 £'000		
	Land & Buildings	Other	Total	Land & Buildings	Other	Total
Operating Leases which expire:						
Within one year	-	14	14	-	12	12
Within two to five years	-	70	70	-	88	88
Within over five years	135	-	135	-	-	-
	<u>135</u>	<u>84</u>	<u>219</u>	<u>-</u>	<u>100</u>	<u>100</u>

### 18. Called-up Share Capital

	2003 £	2002 £
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)

#### 19. Profit and Loss account

	2003 £'000	2002 £'000
Balance at 1 January	(6,312)	(8,176)
Profit for the year	<u>3,257</u>	<u>1,864</u>
Balance at 31 December	<u>(3,055)</u>	<u>(6,312)</u>

#### 20. Reconciliation of movements in shareholders' funds

	2003 £'000	2002 £'000
Profit for the year	3,257	1,864
Opening shareholders' funds	<u>4,688</u>	<u>2,824</u>
Closing shareholders' funds	<u>7,945</u>	<u>4,688</u>

#### 21. 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