

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOSECO INTERNATIONAL LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2009



COMPANY NUMBER 468147

FOSECO INTERNATIONAL LIMITED

DIRECTORS REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

The Directors present their annual report and the audited financial statements for the year ended 31 December 2009

Principal activities and business review

The Company is a wholly owned subsidiary of Foseco Overseas Limited. The ultimate holding company is Cookson Group plc, a leading company operating on a worldwide basis in Ceramics, Electronics and Precious Metals markets.

The Company's principal activities during the year were as follows:

- the development and licensing of consumable products, primarily for use in foundry and steel-making industries,
- providing central resources for the Foundry sector of the Ceramics division of Cookson Group plc;
- supplying consumable products and services to customers in the Middle East through a branch in Dubai.

There have not been any significant changes in the Company's principal activities during the year.

The Company's turnover and gross profit arises from the supply of products and services in the Middle East. Other operating income predominantly consists of royalties received from other group companies in relation to the licensing of products developed by the Company. As shown in the Company's profit and loss account on page 7, the Company's turnover has decreased by 3% and the operating profit has decreased by 49% over the prior year.

The balance sheet on page 8 shows that the Company's net assets have decreased during the year by £1,979,000.

Cookson Group plc manages its operations on a divisional basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of development, performance or position of the business. The performance of the Cookson Group plc as a whole, which includes the Company, is discussed in Cookson Group plc annual report, which does not form part of this report.

Results and dividends

The Company's profit for the year after tax amounted to £7,032,000 (2008: £11,008,000). Dividends of £9,000,000 were paid in the year (2008: £Nil).

Principal risks and uncertainties

The Company's Directors consider the risks for the Company to be covered by those presented in the Cookson Group plc annual report, which does not form part of this report.

Research and development

The Company continues its commitment in the area of research and development in terms of both existing product lines and a range of new products on behalf of group companies. Expenditure on research and development during 2009 was £1,619,000 (2008: £2,317,000). Fellow subsidiary undertakings of the Cookson Group plc also perform research and development activities.

FOSECO INTERNATIONAL LIMITED

DIRECTORS REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 (Cont'd)

Future developments

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

Directors

The Directors who served during the year were as follows

BR Elliston
RPH Johnson
RMH Malthouse
A Stead
LA Plutshack Resigned 1 April 2009

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.

The Company does not follow any particular code in relation to its suppliers.

At 31 December 2009, the Company had an average of 22 days purchases outstanding in trade creditors (2008 25 days)

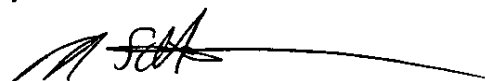
Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

By order of the board



M Satterthwaite
Company Secretary

1 Midland Way
Central Park
Barlborough Links
Derbyshire
S43 4XA

21st September 2010

FOSECO INTERNATIONAL LIMITED

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under UK Company Law the Directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, enabling them to ensure that the financial statements comply with the Companies Act 2006. 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 INTERNATIONAL LIMITED

Independent auditors' report to the members of Foseco International Limited

We have audited the financial statements of Foseco International Limited for the year ended 31 December 2009 set out on pages 7 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 explained more fully in the Directors' Responsibilities Statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of the Company's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

FOSECO INTERNATIONAL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEW FOSECO (UK) LIMITED (Cont)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion.

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Johnathan Pass (Senior Statutory Auditor)

For and on behalf of

KPMG Audit Plc
Statutory Auditor

Chartered Accountants
1 The Embankment
Leeds
West Yorkshire
LS1 4DW

21/2/2010

FOSECO INTERNATIONAL LIMITED

Profit and loss account for the year ended 31 December 2009

	<i>Note</i>	2009 £000	2008 £000
Turnover		2,603	2,694
Cost of sales		(1,814)	(1,700)
		<hr/>	<hr/>
Gross profit		789	994
Administrative expenses		(9,154)	(12,175)
Other operating income	4	14,722	23,751
		<hr/>	<hr/>
Operating profit		6,357	12,570
Rationalisation of operating activities		(564)	-
Profit on disposal of intangible asset		1,769	-
Interest receivable	7	119	209
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3	7,681	12,779
Tax on profit on ordinary activities	8	(649)	(1,771)
		<hr/>	<hr/>
Profit for the financial year	17	7,032	11,008
		<hr/> <hr/>	<hr/> <hr/>

Movements in reserves are shown in note 17

There were no recognised gains and losses in the current or preceding year other than the results reported above

The results for both the current and preceding year all relate to continuing operations

FOSECO INTERNATIONAL LIMITED

Balance sheet at 31 December 2009

	<i>Note</i>	2009 £000	£000	2008 £000	£000
Fixed assets					
Tangible assets	10		30		51
Current assets					
Stock	11	226		379	
Debtors	12	40,867		38,794	
Cash at bank and in hand		5,309		836	
		<u>46,402</u>		<u>40,009</u>	
Creditors: amounts falling due within one year	13	(17,315)		(8,943)	
		<u></u>		<u></u>	
Net current assets			29,087		31,066
Total assets less current liabilities			<u>29,117</u>		<u>31,117</u>
Provision for liabilities and charges	15		-		(32)
			<u></u>		<u></u>
Net assets			<u>29,117</u>		<u>31,085</u>
Capital and reserves					
Called up share capital	16		11,000		11,000
Profit and loss account	17		18,117		20,085
			<u></u>		<u></u>
Equity shareholder's funds	18		<u>29,117</u>		<u>31,085</u>

These financial statements were approved by the Board of Directors on 21st September 2010 and were signed on its behalf by



BR Elliston
Director

FOSECO INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2009

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards (UK Generally Accepted Accounting Practice) and under the historical cost accounting rules

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the financial statements of the Company

Under Financial Reporting Standard 1 'Cash flow statements' the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Cookson Group plc, the Company has taken advantage of the exemption contained in FRS 8 'Related party transactions' and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Cookson Group plc, within which this Company is included, can be obtained from the address given in note 21

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Plant, equipment and vehicles - 10-50%

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be reliably measured. Revenue is recognised at the fair value of the consideration received or receivable and represents the amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes

FOSECO INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2009 (Cont'd)

Royalties

Royalty income is recognised on an accruals basis

Interest

Interest income is recognised as the interest accrues to the net carrying amount of the financial asset

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost includes all direct expenditure and appropriate production overhead incurred in bringing goods to their current state under normal operating conditions. Net realisable value is based on estimated selling price less costs expected to be incurred to completion and disposal. Provision has been made for obsolescence or other losses where necessary

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and account purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Pensions

The Company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred

FOSECO INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2009 (Cont'd)

2 Turnover

Turnover represents the invoiced amount of goods sold and services provided during the year, excluding value added tax. The Directors consider all turnover consists of a single class of business

All turnover originates in the UAE

3 Profit on ordinary activities before taxation

	2009 £000	2008 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Depreciation and other amounts written off tangible fixed assets	15	10
Operating lease charges:		
Land and buildings	150	150
Other	64	56
Research and development costs	1,619	2,317
	<u> </u>	<u> </u>
Auditors' remuneration:		
Audit of these financial statements	9	6
	<u> </u>	<u> </u>

4 Other operating income

	2009 £000	2008 £000
Royalties receivable from fellow subsidiary and associated undertakings	14,722	23,751
	<u> </u>	<u> </u>

FOSECO INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2009 (Cont'd)

5 Remuneration of Directors

	2009 £000	2008 £000
Directors' emoluments	414	867
Compensation for loss of office	293	715
	<u>707</u>	<u>1,582</u>

Retirement benefits are accruing to one Director (2008 one) under defined benefit schemes

The remuneration of the highest paid Director, excluding pension contributions, was £225,000 (2008 £253,000) The highest paid Director also received compensation for loss of office of £294,000 (2008 £373,000)

The highest paid Director has accrued a defined benefit pension of £30,000 per annum (2008 £30,000)

6 Staff numbers and costs

The average number of persons employed by the Company (including Directors) during the year, analysed by category, was as follows:

Number of employees

	2009	2008
Management and technical	32	45
	<u>32</u>	<u>45</u>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	2,482	3,863
Social security costs	211	703
Other pension costs	333	674
	<u>3,026</u>	<u>5,240</u>

7 Interest receivable

	2009 £000	2008 £000
Group interest receivable	119	209
	<u>119</u>	<u>209</u>

FOSECO INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2009 (Cont'd)

8 Taxation

Analysis of charge in period

	2009 £000	£000	2008 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	671		1,656	
Adjustment in respect of previous years	-		14	
<i>Overseas tax</i>		671		1,670
Current year with holding tax	671		1,036	
Double tax relief	(671)		(1,036)	
<i>Deferred tax (see note 14)</i>				-
Origination/reversal of timing differences	(22)		101	
		(22)		101
Tax on profit on ordinary activities		649		1,771

Tax reconciliation

The current year tax charge for the period is lower (2008: lower) than the standard rate of corporation tax in the UK of 28% (2008: 28.5%) The differences are explained below

	2009 £000	2008 £000
Profit before tax	7,681	12,779
Current tax at 28% (2008: 28.5%)	2,151	3,642
<i>Effects of:</i>		
Overseas withholding tax	671	1,036
Double tax relief	(671)	(1,036)
Non-deductible and non-taxable items	9	28
Short-term timing differences	(2)	-
Group relief not paid for	(1,467)	(1,913)
Difference between depreciation and capital allowances	(20)	(101)
Adjustment in respect of prior years	-	14
Total current tax charge	671	1,670

FOSECO INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2009 (Cont'd)

Factors that may affect future tax charges

The future tax charge is affected by the amount of group relief surrendered/utilised without payment

9 Dividends

	2009 £000	2008 £000
Final dividend paid	9,000	-

10 Tangible fixed assets

	Plant, equipment and vehicles £000
Cost	
At beginning of year	1,155
Additions	6
Disposals	(4)
Asset impairment	(296)
At end of year	861
Depreciation	
At beginning of year	1,104
Charge for year	15
Asset impairment	(288)
At end of year	831
Net book value	
At 31 December 2009	30
At 31 December 2008	51

FOSECO INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2009 (Cont'd)

11 Stocks

	2009 £000	2008 £000
Finished goods and goods for resale	226	379

12 Debtors

	2009 £000	2008 £000
Trade debtors	194	346
Amounts owed by group undertakings	40,412	38,069
Deferred tax asset (see note 14)	107	85
Prepayments and accrued income	154	294
	<u>40,867</u>	<u>38,794</u>

13 Creditors: amounts falling due within one year

	2009 £000	2008 £000
Trade creditors	335	391
Amounts owed to group undertakings	14,916	6,552
Corporation tax	620	620
Other tax and social security	76	119
Accruals and deferred income	1,368	1,261
	<u>17,315</u>	<u>8,943</u>

FOSECO INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2009 (Cont'd)

14 Deferred Tax

	£000	£000
Asset at beginning of year	85	186
Credit/(Charge) to the profit and loss for the year	22	(101)
Asset at end of year	107	85

The elements of the deferred taxation asset (*at 28%, 2008 28 5%*) are as follows

	2009 £000	2008 £000
Short term timing difference	7	0
Difference between accumulated depreciation and capital allowances	100	85

15 Provision for liabilities and charges

	£000
<i>Provision for social legislation liability</i>	
At 1 January 2009	32
Provided during year	564
Paid during year	(596)
At 31 December 2009	-

16 Called up share capital

	2009 £000	2008 £000
Authorised:		
11,000,000 ordinary shares of £1 each	11,000	11,000
Allotted, called up and fully paid:		
11,000,000 ordinary shares of £1 each	11,000	11,000

FOSECO INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2009 (Cont'd)

17 Reserves

	Profit and loss account £000
At 31 December 2008	20,085
Profit for the year	7,032
Dividend	(9,000)
At 31 December 2009	18,117

18 Reconciliation of movements in shareholders' funds

	2009 £000	2008 £000
Profit for the financial year	7,032	11,008
Dividend	(9,000)	-
Net (reduction in)/addition to shareholders' funds	(1,968)	11,008
Opening shareholders' funds	31,085	20,077
Closing shareholders' funds	29,117	31,085

19 Commitments

Annual commitments under non-cancellable operating leases are as follows

	2009 £000	2008 £000
<i>Land and buildings</i>		
Operating leases which expire		
In the second to fifth years inclusive	150	-
Over five years	-	150
	150	150
<i>Other</i>		
Operating leases which expire		
Within one year	8	48
In the second to fifth years inclusive	19	25
	27	73

FOSECO INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2009 (Cont'd)

20 Pension scheme

The Company participates in a UK defined benefit scheme operated by its ultimate parent company ('UK Scheme'). As the Company is unable to identify its share of the underlying assets and liabilities of the UK Scheme, it therefore accounts for its membership as it would for a defined contribution scheme.

Costs charged in the year in respect of its contributions to the UK Scheme were £315,000 (2008 £666,000), £26,000 (2008 £46,000) was accrued in respect of such contributions

The last independent actuarial valuation, as at 30 June 2007, showed a surplus of assets for the UK Scheme as a whole of £1.3 million over liabilities of £39.4 million. With effect from 1 January 2009, the UK Scheme was merged into the Cookson Group Pension Plan ('UK Plan'). Further information on the UK Plan is included in the accounts of the ultimate parent company, Cookson Group plc.

21 Ultimate parent Company and parent undertaking of larger group of which the Company is a member

The Company's immediate parent is Foseco Overseas Ltd, a Company incorporated in the UK.

The Company's ultimate parent and ultimate controlling party is Cookson Group plc, a Company incorporated in the UK. The consolidated financial statements of Cookson Group plc are the largest group in which the results of the Company are consolidated. These consolidated financial statements are available to the public and may be obtained from Cookson Group plc, 165 Fleet Street, London EC4A 2AE.