

COMPANY NUMBER: 4250748

FOSECO (UK) LIMITED

(formerly Decorbrick Limited)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD 12 JULY 2001 TO 31 DECEMBER 2001



FOSECO (UK) LIMITED

Registered No. 4250748

DIRECTORS

Mr DG Hussey
Mr PD Dean

SECRETARY

Mrs SM Roberts

AUDITORS

Ernst & Young
One Colmore Row
Birmingham
B3 2DB

REGISTERED OFFICE

Coleshill Road
Fazeley
Tamworth
Staffordshire
B78 3TL

FOSECO (UK) LIMITED

DIRECTORS' REPORT

The directors present their first report and financial statements for the period 12 July 2001 to 31 December 2001.

Principal Activity and Review of the Period

The Company was incorporated on 12 July 2001 with the name Decorbrick Limited. On 28 August 2001, the company changed its name to Foseco (UK) Limited. On 28 September 2001, as part of the acquisition of the business of Foseco, Fosbel, Remet and Chem-Trend from Burmah Castrol by a new company Foseco (Jersey) Limited, Foseco (UK) Limited acquired the operations set out in note 22 of these Financial Statements.

The principal activities of the Company following the acquisition are the development, manufacture and supply of metallurgical chemicals to the higher quality segments of the foundry and steelmills industries worldwide, consumables and materials for investment casting and the supply of chemical releasants used in the manufacture of rubber, polymeric, composite and high pressure die cast components.

Future Developments

The directors expect that the Company will continue with the principal activities set out above.

Directors

The names of the persons who were directors of the Company during the period and at 31 December 2001 were as follows:-

DG Hussey	(appointed 21 August 2001)
PD Dean	(appointed 13 September 2001)
Instant Companies Limited	(appointed 12 July 2001, resigned 8 August 2001)
JT Cameron	(appointed 8 August 2001, resigned 21 August 2001)

Result and Dividend

The loss for the period after taxation amounted to £449,000. The Directors do not recommend the payment of a dividend in respect of this financial period.

Auditors

A resolution to appoint Ernst & Young LLP will be put to the members at the Annual General Meeting.

Share Capital

The authorised share capital of the Company is £1,000 divided into 1,000 Ordinary shares of £1 each. The total issued share capital of £1,000 is divided into 1,000 Ordinary shares of £1 each held by Foseco Holding Limited.

Parent Undertaking

Prior to 28 September 2001, the ultimate parent undertaking was Jordans Limited. On 28 September 2001, the ownership of the entire share capital of the entity was transferred from Instant Companies Limited, a subsidiary of Jordans Limited, to Foseco Holding Limited the parent undertaking.

FOSECO (UK) LIMITED

DIRECTORS' REPORT

Disabled Employees

The Company gives full consideration to application for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the group's policy where practicable to provide continuing employment under normal terms and conditions and to provide training and career development, and promotion to disabled employees wherever appropriate.

Employee Involvement

The Directors attach great importance to the maintenance and development of good labour relations and employee involvement and training. The results are discussed at meetings held with senior management and the opportunity is taken to inform them of Group developments. Employees everywhere are encouraged to be aware of the performance of their business and of the group as a whole. The diverse nature of the Group's activities places the responsibility for such matters with local management in a manner appropriate to the particular circumstances of each business.

Employee involvement in the Group's profitability is encouraged through locally based bonus and profit related pay schemes and executive bonus schemes.

Research & Development

The company is actively involved in Research and Development activities and works closely with its customers to develop new products and technologies.

On behalf of the Board

Sharon Roberts

SM Roberts
Secretary

[12] June 2002

FOSECO (UK) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare accounts for the period, 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 the period. In preparing those accounts, the directors are required:

- to select suitable accounting policies and apply them consistently
- to make judgments and estimates that are reasonable and prudent
- to state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts
- to prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the accounts comply with Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors confirm that they have complied with these requirements, and, having a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF **FOSECO (UK) LIMITED**

We have audited the Company's financial statements for the period ended 31 December 2001 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Reconciliation of Shareholders' Funds and the related notes 1 to 22. These financial statements have been prepared on the basis of the accounting policies set out therein.

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 group 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 group'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 2001 and of the loss of the Company for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Ernst & Young LLP
Registered Auditor
Birmingham

[12] June 2002

FOSECO UK LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD 12 JULY 2001 TO 31 DECEMBER 2001

	Note	2001 £'000
Turnover	2	10,785
Cost of sales		(7,831)
		<hr/>
Gross profit		2,954
Distribution costs		(533)
Administration expenses		(2,864)
		<hr/>
Operating loss	3	(443)
Other finance income		-
		<hr/>
Loss before interest and taxation		(443)
Interest payable and similar charges	6	(6)
		<hr/>
Loss on ordinary activities before tax		(449)
Taxation	7	-
		<hr/>
Loss on ordinary activities after tax transferred to reserves	16	(449)
		<hr/> <hr/>

FOSECO UK LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE PERIOD 12 JULY 2001 TO 31 DECEMBER 2001

	<u>2001</u> <u>£'000</u>
Loss for the period	(449)
	<hr/>
Total recognised gains and losses relating to the period	(449)
	<hr/> <hr/>

Reconciliation of movement in shareholders' funds for the period ended 31 December 2001

	<u>2001</u> <u>£'000</u>
Total recognised losses for the year	(449)
Opening shareholders' funds	-
New equity issued during the year	35,239
	<hr/>
Closing shareholders' funds	34,790
	<hr/> <hr/>

Note of historical cost profits and losses for the period ended 31 December 2001

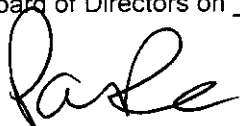
There is no difference between the reported loss and the historical cost loss for the period.

FOSECO UK LIMITED

BALANCE SHEET AT 31 DECEMBER 2001

	Note	2001 £'000
Fixed assets		
Intangible assets	8	(1,425)
Tangible assets	9	10,158
Investments	10	17,254
		<hr/>
		25,987
		<hr/>
Current assets		
Stocks	11	4,596
Debtors	12	13,265
Cash at bank and in hand		416
		<hr/>
		18,277
		<hr/>
Creditors: amounts falling due within one year	13	(9,474)
		<hr/>
Net current assets		8,803
		<hr/>
Net assets		34,790
		<hr/> <hr/>
Capital and reserves		
Called up share capital	15	1
Share premium	15	35,238
Profit and loss account	16	(449)
		<hr/>
Equity shareholders' funds		34,790
		<hr/> <hr/>

Approved by the Board of Directors on 12 June 2002



Notes on the Financial Statements

1. Accounting Policies

a) Basis of accounting

The Financial Statements are prepared in accordance with the Companies Act 1985 and with applicable accounting standards and under the historical cost accounting rules.

b) Group Accounts

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

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. Therefore, group accounts are not required by reason of Section 228(1) of the Companies Act 1985 and the Company is also exempt from the requirement of Financial Reporting Statement No. 1 (Revised) – "Cash Flow Statements".

The report and accounts of Foseco Holding Limited may be obtained from P.O. Box 5516, Coleshill Road, Tamworth, Staffordshire, B78 3TL. This is the parent undertaking of the group of which the company is a member and for which group accounts are prepared.

c) Intangibles

Goodwill arising on consolidation, being the difference between the purchase consideration paid for a business and the fair value of the net identifiable assets acquired, is capitalised and amortised through the profit and loss account over its expected useful life (up to a maximum of 20 years). Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from Goodwill if the fair value can be measured reliably on initial recognition. Intangible assets are amortised on a straight-line basis over their estimated useful lives up to a maximum of 20 years.

d) Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the Company's ordinary activities, stated net of sales taxes. All turnover is derived from acquisitions held as continuing operations.

e) Depreciation

Depreciation is calculated on original cost, on a straight-line basis over the expected life of the asset so as to write the asset down to its estimated residual value. The rates of depreciation adopted are:

Freehold land	nil
Freehold buildings and long leasehold property	over expected economic life not exceeding 50 years
Short leasehold property	over the term of the lease
Plant and other equipment	4% to 33%

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Notes on the Financial Statements (continued)

1. Accounting Policies (continued)

f) **Stocks**

Stocks are valued at the lower of cost and net realisable value. Cost includes all direct expenditure and appropriate production overhead expenditure 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.

g) **Taxation**

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

No provision is made for any potential taxation liability which may arise on the excess arising on the revaluation of property over its cost value, nor the distribution of the retained profits of overseas subsidiary undertakings and joint ventures.

Deferred taxation represents the amount required to allow for the effect of certain items of income and expense (primarily depreciation) being attributable for tax purposes to periods different from those in which credits or charges are recorded in the Financial Statements.

Deferred taxation is provided on the liability method on all timing differences, including pensions, to the extent that they are expected to reverse in the future, without being replaced, calculated at the rate at which it is estimated that tax will be payable.

h) **Research and development**

Expenditure on research and development is written off in the year in which it is incurred.

i) **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 contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

j) **Leasing**

Finance leases are capitalised at the estimated fair value at the date of inception of each lease. The total finance charges are allocated over the period of the lease so as to give an approximately constant annual rate of charge on the balance of each obligation.

Rentals paid under operating leases are charged to income evenly over the term of the lease.

k) **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 transaction. All differences are taken to the profit and loss account.

l) **Going concern**

After considering the Company's budget and its strategic plans, the Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future, being at least twelve months from the date of approval of the financial statements. They therefore continue to adopt the going concern basis in the financial statements.

Notes on the Financial Statements (continued)

2 Segmental analysis

Area of Activity:

	2001		
	Total	Inter-	Sales to
	Sales	Segment	Third
	£'000	sales	Parties
		£'000	£'000
Foundry	5,063	579	4,484
Steelmills	3,846	173	3,673
Investment Castings & Releasants	2,761	133	2,628
	11,670	885	10,785

Geographical Area:

	2001		
	Total	Inter-	Sales to
	sales	segment	third
	£'000	sales	parties
		£'000	£'000
UK	11,670	885	10,785
	11,670	885	10,785

Turnover by destination:

	2001
	£'000
UK	5,830
USA	220
Mainland Europe	4,244
Pacific	491
Total external turnover	10,785

Notes on the Financial Statements (continued)

3 Operating loss

	2001 £'000
This is stated after charging/(crediting):	
Staff costs (Note 4)	2,541
Depreciation of owned assets	453
Amortisation of excess on acquisition	(18)
Rentals payable under operating leases - land and buildings	17
- plant and machinery	76
Auditors' remuneration - audit fees	1
- non audit fees	5
Research and development expenditure	26

Also included within operating loss is the following exceptional cost:

	2001 £'000
Restructuring costs	379

Exceptional costs relate mainly to redundancies as a result of of the restructuring within the Foseco Group.

4 Staff costs

	2001 £'000
Wages and salaries	2,181
Social security costs	178
Current service pension costs	182
	2,541

Average number employed:

	2001 Number
Manufacturing	226
Administration	139
	365

Notes on the Financial Statements (continued)

5 Directors' Remuneration

The Directors are also Directors of the parent company, Foseco Holding Limited and details of their remuneration are disclosed in the accounts of that company. Remuneration paid in respect of the Directors has been paid through another group company and the Directors consider it inappropriate to allocate the relevant proportions of their remuneration across the group.

6 Interest payable and similar charges

	2001 £'000
Bank loans and overdrafts	(6)
Interest payable	(6)
Interest receivable	-
	<hr/>
Net interest payable	(6)
	<hr/>

7 Taxation

Based on the loss before tax for the year, there is no tax charge. There is no provided or unprovided deferred tax in the year.

8 Intangible assets

	Goodwill £'000
Cost	
At 12 July 2001	-
Acquisitions	(1,443)
	<hr/>
At 31 December 2001	(1,443)
	<hr/>
Amortisation	
At 12 July 2001	-
Amortisation for the period	18
	<hr/>
At 31 December 2001	18
	<hr/>
Net book value	
At 31 December 2001	(1,425)
	<hr/>

Notes on the Financial Statements (continued)

9 Tangible fixed assets

	Land and buildings £'000	Plant and other equipment £'000	Payments on account and assets in course of construction £'000	Total £'000
Cost or valuation				
At 12 July 2001	-	-	-	-
Acquisitions	4,459	5,936	98	10,493
Additions	5	74	39	118
At 31 December 2001	4,464	6,010	137	10,611
Depreciation				
At 12 July 2001	-	-	-	-
Provision for period	52	401	-	453
At 31 December 2001	52	401	-	453
Net book value				
At 31 December 2001	4,412	5,609	137	10,158

	2001 £'000
a) Land and buildings:	
Freehold	4,251
Long leasehold	161
Short leasehold	-
Net book value	4,412

b) The net book value of plant and other equipment includes £Nil m in respect of assets held under finance leases.

Notes on the Financial Statements (continued)

10 Fixed asset investments

	Shares in subsidiary undertakings £'000
Cost	
At 12 July 2001	-
Acquisitions	17,254
	<hr/>
At 31 December 2001	17,254
	<hr/>
Amounts provided:	
At 12 July 2001	-
	<hr/>
At 31 December 2001	-
	<hr/>
Net book value	
At 31 December 2001	17,254
	<hr/>

- a) On 28 September 2001, the Company acquired Foseco Limited, Foseco Steel UK Ltd., Remet UK Ltd., Chem Trend UK Ltd., and Chem-Trend China Investments Ltd. from Burmah Castrol. In addition, the Company acquired certain trading assets of the Business from Lubricants (UK) Limited, formerly Burmah Castrol Trading Limited
- b) The Company's cost of investment in subsidiary undertakings is stated at the aggregate of the cash consideration and either the nominal value of the shares issued as consideration where Sections 131 and 133 of the Companies Act 1985 apply or in all other cases the market value of the Company's shares on the date they were issued as consideration.

The fair values attributed to the net tangible assets of the business acquired on 28 September 2001 were:

	Book value at acquisition £'000	Fair value adjustments £'000	Fair value to the group £'000
Investments in subsidiaries	17,254	-	17,254
Tangible fixed assets	10,493	-	10,493
Stocks	4,589	(25)	4,564
Debtors	13,974	(256)	13,718
Creditors	(9,695)	(75)	(9,770)
Cash	423	-	423
Provisions	(239)	239	-
Other	729	(729)	-
	<hr/>	<hr/>	<hr/>
	37,528	(846)	36,682
			<hr/>
Goodwill/(excess) on acquisition			(1,443)
			<hr/>
Total consideration including expenses			35,239
			<hr/>

Notes on the Financial Statements (continued)

11 Stocks

	2001 £'000
Raw materials	1,590
Work-in-progress	334
Finished stock	2,672
	<hr/>
	4,596
	<hr/>

12 Debtors

	2001 £'000
Trade debtors	12,597
Current taxation	58
Other debtors	414
Prepayments	196
	<hr/>
	13,265
	<hr/>

13 Creditors: amounts falling due within one year

	2001 £'000
Trade creditors	6,257
Other creditors	2,141
Other taxes and social security	440
Accruals and deferred income	636
	<hr/>
	9,474
	<hr/>

Notes on the Financial Statements (continued)

14 Obligations under leases and hire purchase contracts

Annual commitments under non-cancellable operating leases are as follows:-

Company	Land and buildings 2001 £'000	Other 2001 £'000	Total 2001 £'000
Operating leases which expire:			
Within one year	113	260	373
In two to five years	95	345	440
In over five years	95	-	95
	<hr/>	<hr/>	<hr/>
	303	605	908
	<hr/>	<hr/>	<hr/>

15 Share capital

Share capital	2001 £'000
a) Authorised Ordinary shares of £1 each	1
	<hr/>
	Number
b) Allotted, called up and fully paid Ordinary shares issued on incorporation At 12 July 2001	1
Allotted during period	999
	<hr/>
At 31 December 2001	1,000
	<hr/>

On incorporation one share was issued at par to Instant Companies Limited. On 12 July one share was transferred to Bruce Hanton. On 8 August, one share was transferred to Foseco Holding Limited. On 28 September, 999 shares were issued at a premium of £35,273.28 per share to Foseco Holding Limited.

Share premium

	2001 £'000
Arising on shares allotted during the period and at 31 December 2001	35,238
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Notes on the Financial Statements (continued)

16 Reserves

	Profit & loss Account £'000
At 12 July 2001	-
Retained loss	(449)
	<hr/>
At 31 December 2001	(449)
	<hr/> <hr/>

17 Capital commitments

	2001 £'000
Capital commitments not provided for in the Financial Statements in respect of contracts placed and agreements made	Nil
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18 Pension schemes

The Company is a member of a defined benefit pension 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 consistent and reasonable basis.

At 31 December 2001 the surplus in this scheme was £48,927.

19 Contingent liabilities

Value Added tax

The Company and its UK subsidiaries are members of a Group VAT registration together with the UK companies in the relevant Groups headed by Foseco Holding Limited. All companies within the Groups are jointly and severally liable for any amounts due to Customs and Excise in respect of Value Added Tax.

20 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 the group during the period.

21 Ultimate Parent Undertaking

The ultimate parent undertaking is Foseco (Jersey) Limited, registered in Jersey.

Notes on the Financial Statements continued

22. Subsidiary undertakings and joint ventures

The share capital of the subsidiary undertakings is designated, with minor exceptions, as ordinary shares.

The subsidiary undertakings operating in the UK are all registered in England. Other subsidiary undertakings are incorporated in the country of operation.

Particulars of minor or non-trading subsidiary undertakings which do not materially affect the Group results have been excluded.

All shareholdings represent 100% of the equity and the voting rights except where indicated. The trading activities of the companies are set out on page 2.

Operating in the UK

- Foseco Limited (formerly Foseco plc) – Holding company
- Chem-Trend China Investments Limited – Holding company

Operating outside the UK

- Chem-Trend (Shanghai) Trading Company Limited