

FOSECO (UK) LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2006

REGISTERED NO: 4250748

SATURDAY



A56TTD2

A07

29/09/2007

537

COMPANIES HOUSE

FOSECO (UK) LIMITED

DIRECTORS

Mr D G Hussey

Mr P D Dean

Mr J R P Pike

SECRETARY

Mrs S M Roberts

AUDITORS

Ernst & Young LLP No 1 Colmore Square Birmingham B4 6HQ

REGISTERED OFFICE

Coleshill Road Fazeley Tamworth Staffordshire B78 3TL

FOSECO (UK) LIMITED

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2006.

Result and dividends

The profit for the year after tax amounted to £198,000 (2005 £1,526,000) The Directors paid a dividend of £nil in respect of this financial period (2005 £16,172,000) The resultant profit for the year of £198,000 was transferred to reserves

On 20 June 2007 the Company received a dividend of £ 7,000,000 from Foseco Overseas limited and declared and paid an interim dividend of £7,000,000

Principal activities and review of the business

The Company is a wholly owned subsidiary of Foseco Holding Limited The ultimate holding company is Foseco plc

The principal activities of the Foseco plc group are the development, manufacture and supply of consumable products and services to the higher quality segments of the foundry and steel-making industries worldwide

On 12 May 2005, the Company transferred all of its foundry and steel mills trading operations to a fellow subsidiary for a consideration of £13,705,000 The results of these businesses until the date of disposal are shown as "Discontinued Operations" in the Profit And Loss Account

The Company's principal activity is now holding the investment in certain subsidiary undertakings of the Foseco plc group The Company's income consists of dividends received from these investments. The balance sheet on page 9 shows that the Company's net assets have increased during the year by £198,000 mainly as a result of the release of a provision for diminution in the value of its subsidiary undertakings

The Foseco plc group 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 Foseco plc group as a whole, which includes the Company, is discussed in the Foseco plc Annual Report, which does not form part of this report

Principal risks and uncertainties

The Company's directors consider the risks for the Company to be the same as the risks to the Foseco plc group that are discussed in the Foseco plc Annual Report, which does not form part of this report

FOSECO (UK) LIMITED

DIRECTORS' REPORT (continued)

Research and development

The Company does not perform research and development. Fellow subsidiary undertakings of the Foseco plc group perform research and development activities for the group. The research and development activities are discussed in the Foseco plc Annual Report, which does not form part of this report.

Future developments

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

Fixed assets

The changes in fixed assets during the year are summarised in the notes to the accounts.

Directors

The directors of the Company during the year and at 31 December 2006 were as follows:

D G Hussey
P D Dean

Mr J R P Pike was appointed as a director on 14 June 2007.

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

No director was interested either during or at the end of the year in any contract which was significant in relation to the Company's business.

There were no qualifying third party indemnity provisions (as defined by s309B of the Companies Act 1985) in force at any time during the year.

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, the immediate parent undertaking.

FOSECO (UK) LIMITED

DIRECTORS' REPORT (continued)

Employees

Details of the number of employees and related costs can be found in note 4 to the accounts

Directors' statement as to disclosure of information to auditors

Having made enquiries of fellow directors and the Company's auditors, each of the directors who was a director at the date of approving this report confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

In accordance with s386 of the Companies Act 1985, a resolution to dispense with the obligation to appoint auditors annually was passed on 8 October 2002. Accordingly Ernst & Young LLP shall be deemed to be reappointed as auditors 28 days after the accounts are sent to the members

On behalf of the Board

Sharon Roberts

S M Roberts
Secretary

10 September 2007

FOSECO (UK) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 estimates that are reasonable and prudent,
- 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements 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 AUDITOR'S REPORT TO THE MEMBERS OF FOSECO (UK) LIMITED

We have audited the Company's financial statements for the year ended 31 December 2006, which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 16. 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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP
Ernst & Young LLP

Registered auditor
Birmingham

Date

20 September 2007

FOSECO (UK) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £'000 Discontinued operations	2006 £'000 Continuing operations	2006 £'000 Total	2005 £'000 Discontinued operations	2005 £'000 Continuing operations	2005 £'000 Total
Turnover	2	-	-	-	14,437	-	14,437
Cost of sales		-	-	-	(11,956)	-	(11,956)
Gross profit		-	-	-	2,481	-	2,481
Distribution costs		-	-	-	(517)	-	(517)
Selling costs		-	-	-	(1,090)	-	(1,090)
Administration expenses		-	-	-	(1,119)	-	(1,119)
Release of diminuation provision	9		196	196			
Operating profit/(loss)	3	-	196	196	(245)	-	(245)
Net profit/(loss) on sale of businesses	6	-	1	1	(393)	-	(393)
Profit/(loss) before interest and tax		-	197	197	(638)	-	(638)
Income from Investments		-	1	1	-	2,164	2,164
Profit/(loss) on ordinary activities before tax		-	198	198	(638)	2,164	1,526
Tax	7	-	-	-	-	-	-
Profit/(loss) on ordinary activities after tax	13	-	198	198	(638)	2,164	1,526

The Company has no recognised gains or losses other than the profit for the year of £198,000 (2005. £1,526,000)

Details of dividends paid during the year are set out in note 8 to the financial statements

A reconciliation of movements in shareholders' funds is set out in note 13 to the accounts

FOSECO (UK) LIMITED**BALANCE SHEET AT 31 DECEMBER 2006**

Notes		2006 £'000	2005 £'000
	Fixed Assets		
9	Investments	18,691	18,495
		<u>18,691</u>	<u>18,495</u>
	Current Assets		
10	Debtors	18,109	18,095
11	Creditors amounts falling due within one year	(13)	(1)
	Net current assets	<u>18,096</u>	<u>18,094</u>
	Total assets less current liabilities	<u>36,787</u>	<u>36,589</u>
	Capital and reserves		
12	Called-up share capital	1	1
13	Share premium	35,238	35,238
13	Profit and loss account	1,548	1,350
13	Total shareholders' funds	<u>36,787</u>	<u>36,589</u>

Approved by the Board of Directors on 10 September 2007

and signed on their behalf by.



Director

FOSECO (UK) LIMITED

NOTES TO THE ACCOUNTS

1. Accounting Policies

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 rule

Group Accounts

These financial statements present information about the Company as an individual undertaking and not about its group. The Company does not have to prepare group accounts as it is a subsidiary of a European parent that prepares group accounts

The Company's ultimate parent undertaking is Foseco plc. 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. 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 Annual Report of Foseco plc may be obtained from Coleshill Road, Tamworth, Staffordshire, B78 3TL or from the Foseco website at www.foseco.com. This is the parent undertaking of the 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

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 measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes

Investment income

Investment income is recognised when the right to receive payment is established

FOSECO (UK) LIMITED

NOTES TO THE ACCOUNTS (continued)

Tax

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 a 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, and 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, associates 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 future reversal of the underlying timing difference 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

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

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

FOSECO (UK) LIMITED

NOTES TO THE ACCOUNTS (continued)

2. Segmental analysis

Geographical area (destination of sales)

	2006			2005		
	Total Sales £000	Inter Segment Sales £000	Sales to third parties £000	Total Sales £000	Inter Segment Sales £000	Sales to third parties £000
To the UK	-	-	-	7,213	-	7,213
To Continental Europe	-	-	-	5,727	-	5,727
To the Americas	-	-	-	818	-	818
To the Pacific	-	-	-	678	-	678
Total	-	-	-	14,437	-	14,437

The sales relate to foundry and steelmills trading operations, which were discontinued from 12 May 2005 following the transfer of the trading operations to a fellow subsidiary

3. Operating profit/(loss)

	Note	2006 £'000	2005 £'000
This is stated after charging/(crediting)			
Staff costs	4	-	3,170
Depreciation of owned assets		-	306
Amortisation of goodwill		-	(53)
Rentals payable under operating leases			
- land and buildings		-	151
- plant and machinery		-	308
Auditors' remuneration			
Current year audit fees have been borne by another group entity			
- audit fees		-	12

FOSECO (UK) LIMITED

NOTES TO THE ACCOUNTS (continued)

4. Staff costs

	2006	2005
	£'000	£'000
Wages and salaries	-	2,683
Social security costs	-	254
Current service pension costs	-	233
	<u>-</u>	<u>3,170</u>

Average number employed

	Number	Number
Manufacturing	-	67
Administration	-	24
	<u>-</u>	<u>91</u>

5. Directors' remuneration

The Directors are also Directors of the parent company, Foseco plc 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. Non operating exceptional items

	2006	2005
	£'000	£'000
Profit on sale of business - note (a)	1	-
Loss on transfer of businesses – note (b)	-	(393)
	<u>1</u>	<u>(393)</u>

- (a) The profit on sale arose from the further payment arising from an adjustment for the assets relating to the disposal of the releasants business of the Company
- (b) The loss on transfer arose from the transfer of the Foundry and Steel Businesses on 12 May to New Foseco (UK) Limited, a fellow subsidiary undertaking, for £13,705,000, and includes attributable negative less positive goodwill of £2,512,000.

FOSECO (UK) LIMITED

NOTES TO THE ACCOUNTS (continued)

7. Tax

a) Tax charge

The tax charge is nil for the year (2005 £nil) due to the benefits of group relief available at nil cost since the Company is a member of a group for the purposes of relief under Section 402 of the Income and Corporation Taxes Act 1998.

b) Factors affecting the tax charge for the year

The tax charge for the year is nil which is lower than the expected tax charge calculated at the standard rate of corporation tax in the UK (30%)

The differences are explained below

	2006 £'000	2005 £'000
Profit on ordinary activities before tax	198	1,526
UK corporation tax		
UK corporation tax @ (30%) of profit before tax	59	458
Expenses not deductible	-	427
Non-taxable items	250	(649)
Decelerated capital allowances	-	92
Movements in short term timing differences	-	(45)
Utilisation of group relief not paid	(309)	(283)
Current tax charge for the period	-	-

c) Deferred tax

At 31 December 2006 there was no recognised deferred tax liability (2005 £nil) for taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries, since the Company has no liability to additional tax because it can control the reversal of any temporary differences and has no intention to remit the earnings retained at that date

8. Dividends

	2006 £'000	2005 £'000
Equity dividends on ordinary shares		
Final paid £nil per share (2005 £16,172,000)	-	16,172

During 2005 the final dividend of £16,172,000 was paid. No dividends have been paid or proposed during 2006.

On 20 June 2007 the Company declared and paid a dividend of £7,000,000

FOSECO (UK) LIMITED

NOTES TO THE ACCOUNTS (continued)

9. Fixed asset investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 January and 31 December 2006	<u>18,691</u>
Amounts provided:	
At 1 January	196
Release	<u>(196)</u>
At 31 December 2006	<u>-</u>
Net book value	
At 31 December 2006	18,691
At 31 December 2005	<u>18,495</u>

The activities of the Company's subsidiary undertakings are in the supply of consumable products and services for use in the foundry and steel-making industries. Details of the principal subsidiary undertakings are set out in note 15.

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.

10. Debtors

	2006 £'000	2005 £'000
Amounts due from fellow subsidiary companies	18,106	18,079
Other debtors	3	16
	<u>18,109</u>	<u>18,095</u>

11. Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Amounts due to fellow subsidiary companies	<u>13</u>	<u>1</u>

FOSECO (UK) LIMITED

NOTES TO THE ACCOUNTS (continued)

12. Share capital

	2006 £'000	2005 £'000
a) Authorised, 1,000 Ordinary shares of £1 each	1	1
	<hr/>	<hr/>
	£'000	£'000
b) Allotted, called up and fully paid 1,000 Ordinary shares of £1 each	1	1
	<hr/>	<hr/>

13. Reconciliation of movement in shareholders' funds and movement on reserves

	Called-up share capital £'000	Share premium £'000	Profit & loss account £'000	Total £'000
At 1 January 2005	1	35,238	15,996	51,235
Profit for the year	-	-	1,526	1,526
Dividend paid	-	-	(16,172)	(16,172)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2005	1	35,238	1,350	36,589
Profit for the year	-	-	198	198
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	1	35,238	1,548	36,787
	<hr/>	<hr/>	<hr/>	<hr/>

14. Related party transactions

The Company is a subsidiary undertaking and 90% or more of its voting rights are controlled within the group. The Foseco plc group Financial Statements are publicly available. The Company is therefore exempt from the requirements of FRS 8 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.

FOSECO (UK) LIMITED

NOTES TO THE ACCOUNTS (continued)

15. Subsidiary undertakings and joint ventures

The ultimate holding company is Foseco plc, incorporated in England. The principal activities of the Company's subsidiary and associated undertakings are the development, manufacture and supply of metallurgical chemicals to the higher quality segments of the foundry and steel industries worldwide. The Company's principal activity is holding the investment in certain subsidiary undertakings of the Foseco plc group.

The following is a list of principal subsidiary undertakings of which Foseco (UK) Limited is either directly or through subsidiary companies, the beneficial owner of the whole, or such lesser percentage as is stated, of the equity share capital. The subsidiary undertakings operating in the UK are all registered in England. Particulars of minor or non-trading subsidiary undertakings which do not materially affect the Company's results have been excluded. All shareholdings represent 100% of the equity and the voting rights except where indicated.

Operating in the UK

Foseco Overseas Limited (formerly Foseco Limited) - Holding company +
Foseco International Limited
Foseco Steel (Holdings) China Limited

Operating outside the UK

Foseco India Limited (66.48%) (incorporated in India) ++
Foseco Foundry (China) Limited (incorporated in China)

Notes

+ Shares held by Foseco (UK) Ltd

++ Shares held by Foseco (UK) Ltd 8.48% by Foseco Overseas Limited 58%

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

In the opinion of the directors of the Company, the value of the interest in the subsidiary undertakings is not less than the amount at which that asset is stated in the balance sheet.

16. Post balance sheet event

On 20 June 2007 the Company received a dividend from its subsidiary, Foseco Overseas Limited of £7,000,000. The Company declared and paid a dividend on the same day of the same amount to its parent company, Foseco Holding Limited.