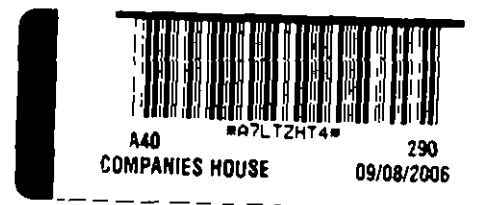


DIRECTORS' REPORT AND FINANCIAL STATEMENTS

VESUVIUS SCOTLAND LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2005



^{GCO}
COMPANY NO: 39523

VESUVIUS SCOTLAND LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2005

Principal activities

The principal activity of the company is the provision of loans to group companies and the receipt of interest thereon.

Proposed dividend and transfer to reserves

A dividend of £nil was paid during the year (2004: £nil) leaving a retained profit for the year of £1,166,000 to be transferred to reserves (2004: profit £664,000).

Directors and directors' interests

The directors of the company during the year to 31 December 2005 were as follows:

D J Lynes
J O Anderson

None of the directors holds shares in the company in his own right, the ownership of the company being vested in the immediate parent company, Vesuvius Group Limited.

The interests of directors in the share capital of the company's ultimate holding company Cookson Group plc were as follows.

	At 31 December 2005	At 31 December 2004
D J Lynes	2,925	2,925
JO Anderson	2,383	2,383

The interest shown above have been adjusted for the consolidation of the holding company's ordinary shares which took effect on 26 May 2005, when every 10 ordinary 1p shares held by shareholders were exchanged for 1 new 10p ordinary share.

In addition to the interests listed above, the following directors hold options to subscribe for ordinary shares of the ultimate holding company.

	At 1 January 2005	Granted	Share Consolidation	Lapsed	At 31 December 2005
DJ Lynes	203,670	-	(183,308)	(471)	19,891
JO Anderson	1,256,459	90,043	(1,211,877)	(1,156)	133,469

None of the directors had a beneficial interest in any contract to which the company was a party during the financial year, nor were there any schemes to benefit directors by enabling them to purchase shares in the company.

VESUVIUS SCOTLAND LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005 (CONT)

Auditors

A resolution for the reappointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board



RM Sykes
Secretary

80 Brown Street
Newmilns
Ayrshire
KA16 9AG

24th July 2006

VESUVIUS SCOTLAND 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

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law

VESUVIUS SCOTLAND LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VESUVIUS SCOTLAND LIMITED

We have audited the financial statements of Vesuvius Scotland Limited for the year ended 31 December 2005, which comprise the profit and loss account, balance sheet and the related notes. 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 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 described in the Statement of Directors' Responsibilities on page 4, the company's directors' are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- Give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended, and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit plc
Chartered Accountants
Registered Auditor

KPMG Audit Plc
24 July 2006

1 The Embankment
Neville Street
Leeds LS1 4DW

VESUVIUS SCOTLAND LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	<i>Note</i>	2005 £000	2004 £000
Interest receivable and similar income	3	1,166	664
Profit on ordinary activities before taxation		<u>1,166</u>	<u>664</u>
Tax on profit on ordinary activities	4	-	-
Profit on ordinary activities after taxation		<u>1,166</u>	<u>664</u>
Dividend		-	-
Profit on ordinary activities after taxation and retained profit for the financial year		<u><u>1,166</u></u>	<u><u>664</u></u>

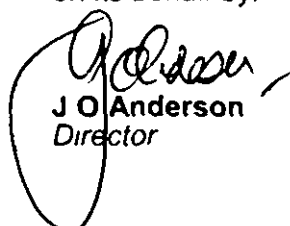
There are no recognised gains or losses other than the profit for the above two financial years.
A statement of movements on reserves is given in note 7.

VESUVIUS SCOTLAND LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2005

	Note	2005 £000	2004 £000
Current assets			
Debtors	5	21,818	20,652
Net current assets		20,818	20,652
Net assets		21,818	20,652
Capital and reserves			
Called up share capital	6	10	10
Profit and loss account	7	21,808	20,642
Equity shareholders' funds	8	21,818	20,652

These financial statements were approved by the board of directors on 24th July 2006 and were signed on its behalf by:


J O Anderson
Director

VESUVIUS SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2005

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 accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules as modified by the revaluation of freehold land and buildings.

Under FRS1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary of a UK parent company.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated, but not reversed, at the balance sheet date, with the exception that deferred taxation assets are only recognised if it is considered more likely than not that there will be suitable future profits from which the reversal of the underlying timing differences can be deducted. Provision is made for the tax that would arise on remittance of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable

Pension benefits

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

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are converted to sterling at the rate of exchange ruling at the balance sheet date. All transactions in foreign currencies are translated at monthly exchange rates. Any exchange gains and losses are dealt with in the profit and loss account.

2 Remuneration of directors

No emoluments have been received by the directors in respect of their services as directors to the company.

Two directors (2004: two) are members of the Cookson Group plc defined benefit pension scheme.

Information relating to directors' share options is given in the directors' report.

3 Interest receivable and similar income

	2005 £000	2004 £000
On amounts owed by group undertakings	1,166	664

VESUVIUS SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2005 (Cont)

4 Tax on profit on ordinary activities

	2005 £000	2004 £000
UK corporation tax at 30% (2004: 30%)	-	-

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2004: lower) than the standard rate of corporation tax in the UK (30% 2004: 30%). The differences are explained below:

	2005 £000	2004 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,166	664
Current tax charge at 30% (2004: 30%)	350	199
<i>Effects of</i>		
Loss relief from group companies for no payment	(350)	(199)
	-	-

5 Debtors: due within one year

	2005 £000	2004 £000
Amounts owed by parent and fellow subsidiary undertakings	21,818	20,652

6 Called up share capital - equity

	2005 £000	2004 £000
Authorised		
1,000 ordinary shares of £10 each	10	10
Allotted, called up and fully paid		
1,000 ordinary shares of £10 each	10	10

VESUVIUS SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2005 (Cont)

7 Reserves

Profit and loss account £000

At beginning of year	20,642
Retained profit for year	1,166
At end of year	21,808

8 Reconciliation of movements in equity shareholders' funds

	2005 £000	2004 £000
Profit for the financial year	1,166	664
Dividend	-	-
Net movement in shareholders' funds	1,166	664
Equity shareholders' funds at beginning of year	20,652	19,988
Equity shareholders' funds at end of year	21,818	20,652

10 Ultimate holding company

The company is a subsidiary undertaking of Cookson Group plc which is the ultimate holding company incorporated in Great Britain, registered in England

The largest group in which the results of the company are consolidated is that headed by Cookson Group plc. The consolidated accounts of this company are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

11 Related parties

The company has taken advantage of the exemptions under FRS 8 and accordingly does not disclose transactions or balances with entities which form part of the group.