Deloro Stellite Group Limited

Annual report

For the year ended 31 December 2011

Registered no: 03290596

Deloro Stellite Group Limited

Annual report for the year ended 31 December 2011

Contents

Deloro Stellite Group Limited

Director and advisers

Director
J N Fleming

Secretary and registered office
P C Tadman
Units 4 & 5
Bicester Business Park
Telford Road
Bicester
Oxfordshire
OX26 4LD

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
31 Great George Street
Bristol
BS1 5QD

Solicitors
S J Berwin LLP
10 Queen Street Place
London
EC4R 1BE

Principal bankers
Royal Bank of Scotland
135 Bishopsgate
London
EC2M 3UR

Deloro Stellite Group Limited

Report of the director for the year ended 31 December 2011

The director presents his report and the audited financial statements for the year ended 31 December 2011, which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8

Company registration number
The company is registered in England and Wales under company number 3290596

Principal activities
The company acts as a holding company

Review of business and future developments
The company is a subsidiary of Deloro Holdings Inc and is a non-trading business This is expected to continue in the future On the 1st March 2012 the entire Deloro Stellite Group were sold to Kennametal Inc , a US listed global supplier of innovative custom and standard wear-resistant solutions The impact of this sale is reflected as appropriate through these financial statements

The company has taken advantage of the exemption permitted by Financial Reporting Standard No 2 not to produce consolidated financial statements as it is a wholly owned subsidiary of an EC incorporated company which prepares consolidated financial statements The results for the company show a pre-tax loss of US$8,610,000 for the year (2010 US$97,000 loss)

The profit and loss account for the year is set out on page 5

Going Concern
These financial statements have been prepared under the going concern basis on the grounds that the directors have received confirmation that the correct ultimate parent company, Kennametal Inc , will continue to support the company for the foreseeable future

Key Performance Indicators (KPI's)
Given the straightforward nature of the business, the company's director is of the opinion that analysis using Key Performance Indicators is not necessary for an understanding of the development, performance or position of the business

Financial Risk Management
As an intermediate holding company, with no external customers or suppliers, the only financial risks the company is exposed to are in respect of the value of its investments and movements in interest rates
The company maintains a series of policies and procedures intended to limit these risks and the board, in conjunction with management of its parent company, reviews the performance of its subsidiary on a periodic basis and also, until the acquisition of then Deloro Stellite Group by Kennametal Inc , fixed approximately 66% of its annual interest expense through swap and interest rate cap contracts whereby variable interest rates were exchanged for a fixed rate or were limited to a defined maximum

Dividends and transfers to reserves
The director does not recommend the payment of a dividend in respect of the year (2010 nil) The loss for the year of US$8,610,000 (2010 US$97,000 loss) has been taken to reserves

Director
The directors of the company during the year to 31 December 2011 and up to the date of this report were
J N Fleming
Filippo Meccaci (appointed 25 April 2012)
Simone Pratesi (appointed 25 April 2012)

Changes in fixed assets
The movements in fixed assets during the year are set out in note 8 to the financial statements

Statement of director's responsibilities
The director is responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Deloro Stellite Group Limited

Report of the director for the year ended 31 December 2011 (continued)

Statement of director's responsibilities (continued)
Company law requires the director to prepare financial statements for each financial year Under that law the director has prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the director must not approve the financial statements unless he is 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 director is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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 director is 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 and enable them to ensure that the financial statements comply with the Companies Act 2006 He is 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

Post balance sheet events
On the 1st March 2012 the entire Group was sold to Kennametal Inc , a US listed global supplier of innovative custom and standard wear-resistant solutions, for €277m As a result of the transaction the senior and mezzanine loans, Duke Street Capital loans and revolving credit facilities previously owed by the Group have been settled and the Group are no longer bound by the covenants which were a condition of these debts Kennametal is a leading provider of manufacturing products and services that touch nearly every manufacturing process The acquisition of Deloro Stellite is in alignment with Kennametal's growth strategy and positions the Kennametal Group to further achieve geographic and end market growth

The Deloro Stellite Group has been renamed Kennametal Stellite and will continue to trade from its existing locations across the world

Statement of disclosure of information to auditors
So far as the director is aware, there is no relevant audit information (that is, information needed by the company's auditors in preparing their report) of which the company's auditors are unaware and the director has taken all steps that he ought to have taken as director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors
A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

On behalf of the board

J N Fleming
Director
28 September 2012

Deloro Stellite Group Limited

Independent auditors' report to the members of Deloro Stellite Group Limited

We have audited the financial statements of Deloro Stellite Group Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors
As explained more fully in the Director's Responsibilities Statement set out on pages 2 and 3, the director is 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 Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the director; and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom 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 Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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 director's remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

David Charles (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
28 September 2012

Deloro Stellite Group Limited

Profit and loss account for the year ended 31 December 2011

	Notes	2011	2010
		$000	$000
Administrative expenses		(2,101)	(3,375)
Operating loss	2	(2,101)	(3,375)
Interest receivable and similar income	5	3,274	7,962
Interest payable and similar charges	6	(9,783)	(4,684)
Loss on ordinary activities before taxation		(8,610)	(97)
Tax on loss on ordinary activities	7	-	-
Loss for the financial year	15&17	(8,610)	(97)

There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above, and their historical cost equivalents

The company has no recognised gains and losses other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented

All the above amounts relate to continuing operations There were no discontinued operations

Deloro Stellite Group Limited

Balance Sheet at 31 December 2011

	Notes	2011 $000	2010 $000
Fixed assets			
Tangible assets	8	**11**	2
Investments	9	**-**	21,600
		11	21,602
Current assets			
Debtors	10	**813**	1,587
Creditors: amounts falling due within one year	11	**(23,171)**	(23,730)
Net current liabilities		**(22,358)**	(22,143)
Total assets less current liabilities		**(22,347)**	(541)
Creditors: amounts falling due after more than one year	12	**(77,133)**	(90,329)
Net liabilities		**(99,480)**	(90,870)
Capital and reserves			
Called up share capital	13	**25**	25
Share premium account	14	**1,459**	1,459
Profit and loss account	15	**(100,964)**	(92,354)
Total shareholders' deficit	17	**(99,480)**	(90,870)

The financial statements on pages 5 to 16 were approved by the board of directors on 28 September 2012 and signed on its behalf by

J N Fleming
Director

Deloro Stellite Group Limited   Registered number 3290596

Deloro Stellite Group Limited

Notes to the financial statements for the year ended 31 December 2011

1 Principal accounting policies

These financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom A summary of the more important accounting policies, which have been applied consistently is set out below

Going concern
These financial statements have been prepared under the going concern basis on the grounds that the directors have received confirmation that the ultimate parent company, Kennametal Inc , will continue to support the company for the foreseeable future

Basis of accounting
The financial statements are prepared in accordance with the historical cost convention

Foreign currencies
The assets and liabilities of the company are denominated in, and the records maintained in, US dollars as this is the functional currency of the company Transactions denominated in foreign currencies are recorded at the rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the balance sheet date All foreign exchange differences are taken to the profit and loss account in the year in which they arise

Foreign exchange differences on bank loans, overdrafts and preference shares are reported as part of net finance costs rather than profit/(loss) from operations

Transactions with related parties
The company has taken advantage of the exemption permitted by Financial Reporting Standard No 8 not to disclose any transactions with other wholly-owned group companies as it is a wholly-owned subsidiary whose ultimate parent prepares consolidated financial statements

Cash flow Statement
The company has taken advantage of the exemption permitted by the Financial Reporting Standard No 1 not to produce a cash flow statement as it is a wholly owned subsidiary of an EC incorporated company

Consolidation
The company has taken advantage of the exemption permitted by Financial Reporting Standard No 2 not to produce consolidated financial statements as it is a wholly owned subsidiary of an EC incorporated company which prepares consolidated financial statements

Goodwill
Goodwill arising on acquisition represents the excess of the fair value of the purchase consideration including incidental cost of acquisition over the fair value of the identifiable net assets acquired Goodwill is capitalised and amortised over its estimated useful life of up to 20 years

Investments
The company holds investments in subsidiaries at cost The company evaluates the carrying value of investments in each financial year to determine if there has been an impairment in value, which would result in the inability to recover the carrying amounts When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account

Deferred Financing Fees
Qualifying costs of issuing debt are accounted for as a deduction from the proceeds received on issue and are written off over the life of the debt. Costs of renegotiating debt, which do not meet certain criteria under FRS4, 'Capital Instruments', are written off to the profit and loss account as incurred.

Deloro Stellite Group Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

1 Principal accounting policies (continued)

Tangible fixed assets
The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned The principal annual rates used for this purpose are

Fixtures and fittings	4 - 5 years
Computer equipment	3 years

Pension contributions
The company operates a defined contribution pension scheme for its employees Costs in respect of the defined contribution pension scheme are charged to the profit and loss account as incurred

Deferred taxation
Provision is made for deferred tax on all material timing differences using the incremental liability approach Deferred tax assets are recognised where their recovery is considered more likely than not The company has chosen not to adopt a policy of discounting deferred tax assets or provisions

Share based options
In 2006 certain employees of the company acquired equity instruments which are subject to service-based vesting conditions At 31 December 2011 no A Ordinary shares (2010 nil) were subject to vesting conditions over a remaining period of 1 year The shares were acquired at fair value and are equity settled

Equity settled share based payments are measured at fair value and charged to the profit and loss account in line with the vesting conditions in accordance with FRS20 The amount of share based payment expense is not material to the financial statements

2 Operating loss

Operating loss for the year is stated after charging/(crediting) the following

	2011 $000	2010 $000
Depreciation charge for the year		
- owned assets	**6**	1
Services provided by the company's auditors and its associates		
- fee payable for the audit	**178**	159
- other services relating to taxation	**56**	19
Foreign exchange loss	**1,345**	1,697

The audit fee includes amounts for subsidiaries and parent companies not recharged

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Notes to the financial statements for the year ended 31 December 2011 (continued)

3 Directors' emoluments

The remuneration paid to the directors of Deloro Stellite Group Limited was as follows

	2011 $000	2010 $000
Aggregate emoluments	**478**	452
Contributions paid to money purchase pension schemes	**69**	66

	2011 Number	2010 Number
Members of money purchase pension schemes	**1**	1

The amounts in respect of the highest paid director are as follows

	2011 $000	2010 $000
Aggregate emoluments	**478**	452
Contributions paid to money purchase pension schemes	**69**	66

4 Employee information

The average weekly number of persons (including executive directors) employed during the year was

	2011 Number	2010 Number
Administration	**9**	9

	2011 $000	2010 $000
Staff costs		
Wages and salaries	**2,721**	2,429
Social security costs	**184**	152
Other pension costs	**198**	187
	3,103	2,768

5 Interest receivable and similar income

	2011 $000	2010 $000
Interest on loans to group undertakings	**2,789**	2,406
Foreign exchange gain on bank loans and overdrafts	**485**	3,083
Foreign exchange gain on preference shares	**-**	2,473
	3,274	7,962

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Notes to the financial statements for the year ended 31 December 2011 (continued)

6 Interest payable and similar charges

	2011 $000	2010 $000
Interest payable on bank loans and overdrafts	**2,754**	2,959
Wnte-off of deferred financing fees	**668**	642
Preference share dividend 7 5p (2010 7 5p) per £1 share	**2,535**	2,369
Redemption premium on preference shares	**1,846**	(1,537)
Interest on loans from group undertakings	**1,795**	251
Foreign exchange loss on preference shares	**185**	-
	9,783	4,684

Dunng 2010 the company reviewed its calculation in respect of the redemption premium on preference shares As a result of the review it was identified that the redemption premium was overaccrued in prior years and hence was corrected in 2010 resulting in the credit noted above As the correction is not considered to be fundamental to the presentation of the financial statements a prior year adjustment was not made

7 Tax on loss on ordinary activities

	2011 $000	2010 $000
Current tax		
UK Corporation tax at 26 5% (2010 28%)	**-**	-

The tax for the year is the higher (2010 higher) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2011 of 26 5% (2010 28%) The differences are explained below

Factors affecting the current tax charge for the year		
Loss on ordinary activities at UK rate 26 5% (2010 28%)	**(2,282)**	(27)
Effects of		
Expenses not deductible for tax purposes	**(130)**	(130)
Losses not recognised	**2,412**	157
	-	-

Deferred tax asset of $12,859,000 (2010 $12,487,000) relating to tax losses, are not recognised as it is not considered more likely than not that they will be recovered in the foreseeable future

The deferred tax balance above is calculated using a tax rate of 25% which has been enacted under the Finance Act 2011 The chancellor has also proposed changes to further reduce the main tax rate of corporation by 1% per annum to 22% by 1 April 2014, but these changes are yet to be substantially enacted and therefore are not included in the figures above

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Notes to the financial statements for the year ended 31 December 2011 (continued)

8 Tangible fixed assets

	Fixtures and Fittings and computer equipment $000
Cost	
At 1 January 2011	179
Additions	14
Disposals	(86)
Exchange adjustments	3
At 31 December 2011	**110**
Accumulated depreciation	
At 1 January 2011	(177)
Charge for the year	(6)
Disposals	86
Exchange adjustments	(2)
At 31 December 2011	**99**
Net book value	
At 31 December 2011	**11**
At 31 December 2010	2

Deloro Stellite Group Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

9 Fixed asset investments

	Investments	Goodwill	Provision against Investments and Goodwill	Intercompany Debtors	**Total**
	$000	$000	$000	$000	**$000**
At 1 January 2011	24,064	41,936	(66,000)	21,600	21,600
Disposals/repayments	-	-	-	(21,600)	(21,600)
At 31 December 2011	**24,064**	**41,936**	**(66,000)**	**-**	**-**

Interests in group undertakings

Company	Country of Incorporation	Description of shares held	Proportion of nominal value of issued shares held Direct	Indirect
DS Holdings (USA), Inc	USA	Ordinary shares	100%	
DS UK Limited	Great Britain	Preference shares		100%
Deloro Stellite Holdings Corporation	USA	Ordinary shares		100%
Deloro Stellite LP	USA	Partnership Interest		100%
Deloro Stellite	Great Britain	Ordinary shares		100%
Deloro Stellite Holding GmbH & Co KG	Germany	Partnership Interest		100%
DS Verwaltungsgesellschaft mbH	Germany	Ordinary shares		100%
Deloro Stellite GmbH	Germany	Ordinary shares		100%
Deloro Stellite Inc	Canada	Ordinary shares		100%
Microfusione Stellite S p A	Italy	Ordinary shares		100%
Hettiger Stellite GmbH	Germany	Ordinary shares		100%
DS Srl	Italy	Ordinary shares		100%
Deloro Stellite India Private Ltd	India	Ordinary shares		80 0%
Shanghai Stellite Co Limited	China	Ordinary shares		58 4%

The main trading companies of the group are Deloro Stellite LP, Deloro Stellite, Deloro Stellite Holding GmbH & Co KG, Deloro Stellite GmbH, Deloro Stellite Inc (Canada), Microfusione Stellite SPA and Shanghai Stellite The remaining companies are non-trading holding and intermediate holding companies or small trading companies which are not material to the group Interests in group undertakings are stated at historical cost to the company with no amounts written off

The director considers the value of the unprovided investments to be supported by their underlying assets

10 Debtors

	2011	2010
	$000	$000
Amounts falling due within one year		
Prepayments and accrued income	**813**	1,587

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Notes to the financial statements for the year ended 31 December 2011 (continued)

11 Creditors: amounts falling due within one year

	2011 $000	2010 $000
Bank loans and overdrafts	**12,010**	21,994
Amounts owed to group undertakings	**9,908**	-
Trade creditors	**541**	846
Accruals and deferred income	**562**	538
Accrued interest	**150**	352
	23,171	23,730

The bank loans and overdrafts are secured over certain assets of the company and its subsidiaries

12 Creditors: amounts falling due after more than one year

	2011 $000	2010 $000
Bank and other loans	**6,310**	22,226
Cumulative preference shares	**70,823**	68,103
	77,133	90,329

The bank loans and overdrafts are secured over certain assets of the company and its subsidiaries

Maturity analysis

	2011 $000	2010 $000
Repayable as follows		
In one year or less	**21,918**	21,994
Between one and two years	**76,987**	11,854
Between two and five years	**2,532**	81,502
Five years or more	**-**	-
	101,437	115,350
Deferred financing fees	**(2,386)**	(3,027)
	99,051	112,323

Preference shares

	2011 $	2010 $
Issued		
10,166,231 A Preference shares of £1 each	**15,859,320**	15,802,389
9,562,500 A 1% Preference shares of £0 01 each	**18,882**	18,814
187,420 B Preference shares of £0 10 each	**29,238**	29,133
	15,907,440	15,850,336

Preference Share Premium

	Par value $000	Share Premium $000	Unpaid dividends and interest $000	**Total $000**
1 January 2011	15,850	29,805	22,448	68,103
Charged to the profit & loss account in the year	-	-	2,535	2,535
Foreign exchange loss	57	107	21	185
31 December 2011	**15,907**	**29,912**	**25,004**	**70,823**

Deloro Stellite Group Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

12 Creditors: amounts falling due after more than one year (continued)

The holders of the Class A and Class B redeemable preference shares do not have votıng rıghts and do not have partıcıpatıon rıghts other than as follows

(ı) The holders of the Class A redeemable preference shares have the rıght to a preference share redemptıon premıum set at £0 156247 ($0 226855) per share or $1,362,000 whıch accumulates ınterest at 7 5% annually

(ıı) The holders of Class A and Class B redeemable preference shares have rıghts to cumulatıve dıvıdends at 7 5% annually plus ınterest on prıncıpal and cumulatıve dıvıdends at 7 5% annually

(ııı) Upon redemptıon, the Class B redeemable preference shareholders have the rıght to £5 90112 ($8 56793) per share plus all dıvıdends and ınterest earned up to the redemptıon date

The preference shares may be redeemed at the optıon of the Company or holders of fifty percent or more of the preference shares ın ıssue subject to statutory requırements, for the sum of £1 and all preferred dıvıdends declared or earned up to the redemptıon date In any event, the Company must redeem the preference shares no later than 2013

The holders of the new Class A 1% preference shares have no votıng rıghts but do have the rıghts to cumulatıve dıvıdends at 1% annually

Bank loans and overdrafts
The bank loans and overdrafts ıncluded ın the above comprıse the followıng

	2011 $000	2010 $000
Revolvıng Credıt Facılıty	**4,899**	11,215
Senıor Debt Term Loan A2 ($3,120,406) USD LIBOR plus 3 50% due 2013	**3,120**	8,309
Senıor Debt Term Loan A3 (€441,442) EUR LIBOR plus 3 50% due 2013	**574**	1,575
Senıor Debt Term Loan B3 ($1,479,618) USD LIBOR plus 4 00% due 2014	**1,480**	2,100
Senıor debt Term Loan B4 (€2,758,679) EUR LIBOR plus 4 00% due 2014	**3,586**	5,247
Senıor Debt Capex Facılıty (€5,421,222) EUR LIBOR plus 3 50% due 2013	**7,047**	18,801
	20,706	47,247
Less amounts due wıthın one year	**(12,010)**	(21,994)
Less Deferred Fınancıng Fees	**(2,386)**	(3,027)
Amounts due after one year	**6,310**	22,226

EUR LIBOR (3 month) was 1 29214% and 0 93875% at 31 December 2011 and 31 December 2010 respectıvely
USD LIBOR (3 month) was 0 58100% and 0 30281% at 31 December 2011 and 31 December 2010 respectıvely

Fınancıal covenants relatıng to the Senıor Debt and Revolvıng Credıt Facılıty ınclude, among other thıngs, mınımum tangıble net worth levels, earnıngs to debt costs ratıos and cash flow coverage of debt servıce Addıtıonally, capıtal expendıtures are lımıted to a certaın level as defined by the credıt agreement

As a result of the purchase of the Deloro Stellıte Group by Kennametal Inc on 1 March 2012, the senıor and mezzanıne loans and the revolvıng credıt facılıty were settled and hence the financıal covenants relatıng to thıs debt no longer apply

12 Creditors: amounts falling due after more than one year (continued)

Principle repayments of debt

The schedule of principal payments on debt, excluding finance lease obligations, is as follows

	2011 $000	2010 $000
2011	-	21,994
2012	21,918	11,854
2013	76,987	77,829
2014	2,532	3,673
	101,437	115,350

Finance Leases

The company has no finance lease obligations (2010 none)

13 Called-up share capital

	2011 $	2010 $
Allotted, called up and fully paid		
1,062,500 A ordinary shares of £0 01 each	18,516	18,516
390,958 C ordinary shares of £0 01 each	6,611	6,611
	25,127	25,127

The holders of the A Ordinary and C Ordinary shares have one vote per share

14 Share Premium Account

	$000
At 1 January 2011 and 31 December 2011	1,459

15 Profit and loss account

	2011 $000	2010 $000
At 1 January	(92,354)	(92,257)
Loss for the financial year	(8,610)	(97)
At 31 December	(100,964)	(92,354)

16 Financial commitments

The company had no commitments under operating leases (2010 none)

17 Reconciliation of movements in shareholders' deficit

	2011 $000	2010 $000
At 1 January	**(90,870)**	(90,773)
Loss for the year	**(8,610)**	(97)
Shareholders' deficit at 31 December	**(99,480)**	(90,870)

18 Related party transactions

The company has taken advantage of the exemptions available to it under Financial Reporting Standard 8 'Related Party Disclosures', not to disclose any transactions or balances with entities that are also wholly owned subsidiaries of the group

19 Effective exchange rate

The effective exchange rate used in the preparation of these financial statements as at 31 December 2011, was $1 5600 to £1, (2010 $1 5544 to £1)

20 Ultimate and immediate parent companies

At 31 December 2011 the directors regard Deloro Stellite Holdings 1 Limited, a company incorporated in England and Wales as the ultimate parent undertaking At 31 December 2011, by virtue of their shareholding in Deloro Stellite Holdings 1 Limited, the directors consider Duke Street Capital Limited to be the ultimate controlling party of the company The immediate parent undertaking is Deloro Holdings Inc, a company incorporated in United States of America

The company is therefore exempt from the requirement to prepare and deliver to the Registrar of Companies consolidated financial statements Copies of the consolidated financial statements of Deloro Stellite Holdings 1 Limited, which is the parent undertaking of the smallest and largest group to consolidate these financial statements, may be obtained from the Company Secretary, Deloro Stellite Holdings 1 Limited, Unit 4, Bicester Business Park, Telford Road, Bicester, Oxfordshire OX26 4LD

From 1st March 2012 the company and the Deloro Stellite Group were acquired by Kennametal Inc , a company incorporated in the United States of America and listed on the New York Stock Exchange, who became the ultimate parent undertaking from that date

21 Post balance sheet event

Sale of the Group
On the 1st March 2012 the entire Group was sold to Kennametal Inc , a US listed global supplier of innovative custom and standard wear-resistant solutions, for €277m As a result of the transaction the senior and mezzanine loans, Duke Street Capital loans and revolving credit facilities previously owed by the Group have been settled and the Group are no longer bound by the covenants which were a condition of these debts Kennametal is a leading provider of manufacturing products and services that touch nearly every manufacturing process The acquisition of Deloro Stellite is in alignment with Kennametal's growth strategy and positions the Kennametal Group to further achieve geographic and end market growth

The Deloro Stellite Group has been renamed Kennametal Stellite and will continue to trade from its existing locations across the world