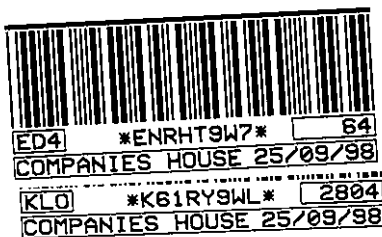


WILKES LUCAS LIMITED

(Registration No: 368205)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

PERIOD ENDED 31 DECEMBER 1997



WILKES LUCAS LIMITED

DIRECTORS' REPORT

The Directors submit their annual report and audited financial statements for the 1 month period ended 31 December 1997.

Principal Activity

The principal activity of the Company is that of providing finance to group undertakings and the holding of investments.

Review of Developments

During the period, the Company formed a Delaware General Partnership with Cookson Ceramics Limited, a fellow subsidiary of Cookson Group plc. The partnership is known as Cookson International Partnership. The Company contributed its holding in Cookson America Inc. to purchase a ten-nineteenths interest in the partnership. Subsequent to this, Cookson International Partnership acquired all of the issued cumulative preference shares of Cookson Financial Limited, a fellow subsidiary of Cookson Group plc.

The profit for the period was £12,752,394 which has been transferred to reserves. The Directors do not recommend the payment of a dividend (11 month period ended 30 November 1997 - £nil).

During the period the Company changed its accounting reference date to 31 December.

Directors

The Directors who served during the period were as follows:

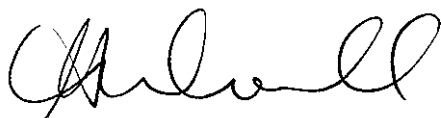
RMH Malthouse
GM McDonnall

During the period no Director had any beneficial interest in the shares of the Company.

As at 31 December 1997, RMH Malthouse held interests in 6,980 ordinary shares (30 November 1997: 6,980) and options to purchase 205,638 ordinary shares (30 November 1997: 205,638) in Cookson Group plc, the ultimate holding company. GM McDonnall held options to purchase 27,212 ordinary shares (30 November 1997: 27,212) in Cookson Group plc.

During the period RMH Malthouse and GM McDonnall were granted and exercised no options.

By order of the Board



Secretary

21 September 1998

The Adelphi
1-11 John Adam Street
London
WC2N 6HJ

DIRECTORS' RESPONSIBILITY STATEMENT TO THE MEMBERS

OF WILKES LUCAS LIMITED

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 maintaining proper accounting records which 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 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.

REPORT OF THE AUDITORS, KPMG AUDIT PLC
TO THE MEMBERS OF WILKES LUCAS LIMITED

We have audited the financial statements on pages 5 to 12.

Respective responsibilities of directors and auditors

As described on page 3 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 judgements 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 of the state of the Company's affairs as at 31 December 1997 and of its profit for the 1 month period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
LONDON

21 September 1998

WILKES LUCAS LIMITED**PROFIT AND LOSS ACCOUNT**

For the 1 month period ended 31 December 1997

	Notes	1 month period ended 31 December 1997 £	11 month period ended 30 November 1997 £
OPERATING LOSS	2	(2,101)	-
Interest receivable and similar income	3	12,917,897	887
Interest payable and similar expenses	4	(163,402)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		----- 12,752,394	----- 887
Tax on profit on ordinary activities	5	-	(300)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		----- 12,752,394	----- 587
Dividends		-	-
PROFIT TRANSFERRED TO RESERVES		----- 12,752,394 =====	----- 587 =====

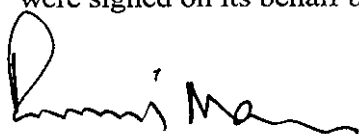
There are no recognised gains or losses in either period other than the net profit transferred to reserves shown above.

WILKES LUCAS LIMITED**BALANCE SHEET**

As at 31 December 1997

	Notes	31 December 1997 £	30 November 1997 £
FIXED ASSETS			
Investments	6	214,567,265	184,439,601
CURRENT ASSETS			
Investments	7	12,727,273	-
Debtors	8	3,580,028	139,311
Cash and bank		3,525	-
CREDITORS:			
Amounts falling due within one year	9	(33,547,085)	(300)
NET CURRENT (LIABILITIES)/ASSETS		(17,236,259)	139,011
TOTAL ASSETS LESS CURRENT LIABILITIES		197,331,006	184,578,612
CAPITAL AND RESERVES			
Called up share capital	10	93,221,313	93,221,313
Share premium account	11	91,356,712	91,356,712
Profit and loss account	11	12,752,981	587
TOTAL EQUITY SHAREHOLDERS' FUNDS		197,331,006	184,578,612

These financial statements were approved by the Board of Directors on 21 September 1998 and were signed on its behalf by:



DIRECTOR

WILKES LUCAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

a) Basis of Preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Presentation of the financial statements

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements since the Company is itself a wholly-owned subsidiary of Cookson Group plc. These financial statements present information about the Company as an individual undertaking and not about its group. The financial statements include the Company's share of Cookson International Partnership's results, assets and liabilities as it is a joint arrangement under FRS 9.

The Company is exempt from the requirement of FRS 1 (Revised) to prepare a cash flow statement as its cash flows are included within the consolidated cash flow statement of Cookson Group plc.

c) Investments

Investments in subsidiary undertakings ('subsidiaries') and associated undertakings ('associates') are stated at cost, less any provisions for diminution in value that are expected to be permanent.

Investments denominated in foreign currencies are translated at the exchange rates prevailing at the date of acquisition.

d) Taxation

The taxation charge for the period takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes (principally interest), but only to the extent that it is probable that an actual liability or recovery will crystallise.

e) Foreign currency translation

Transactions denominated in foreign currency are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities are retranslated at the exchange rate ruling on the balance sheet date. Any gains or losses arising from this retranslation are taken into the profit and loss account for the period.

f) Related party transactions

As the company is a wholly owned subsidiary of Cookson Group plc, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

WILKES LUCAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. OPERATING LOSS

Other than the Directors the Company had no employees during the period. The Directors received no remuneration in respect of their services to the Company during the period. The Auditors' remuneration is borne by the parent company.

	1 month period ended 31 December 1997 £	11 month period ended 30 November 1997 £
The operating loss comprises:		
Administrative expenses	2,101 =====	- =====

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	1 month period ended 31 December 1997 £	11 month period ended 30 November 1997 £
Interest receivable from parent	892	887
Interest receivable from a fellow subsidiary	6,818	-
Income from short-term investments	26,751	-
Dividend from a subsidiary	12,883,436	-
	----- 12,917,897 =====	----- 887 =====

WILKES LUCAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4. INTEREST PAYABLE AND SIMILAR EXPENSES

	1 month period ended 31 December 1997 £	11 month period ended 30 November 1997 £
Interest payable to parent	6,919	-
Foreign exchange loss	156,483	-
	----- 163,402 =====	----- - =====

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1 month period ended 31 December 1997 £	11 month period ended 30 November 1997 £
UK Corporation Tax at 31.0% (11 months ended 30 November 1997: 31.5%)	5,755,988	300
Double tax relief	(5,755,988)	-
	----- - =====	----- 300 =====

WILKES LUCAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

6. FIXED ASSET INVESTMENTS

	£
Cost at 30 November 1997	184,439,601
Acquisition of preference shares of Cookson Financial Limited in the period	30,127,664
Cost at 31 December 1997	<div style="border-top: 1px dashed black;">214,567,265</div> <div style="border-top: 3px double black;"></div>

Fixed asset investments represent holdings of 100% (unless otherwise stated) in the ordinary share capital of the following group subsidiaries:

- Cookson America Inc., incorporated in the USA (holding company), 50% holding.
- Cookson Financial Limited, incorporated in England and Wales (holding company), 53% holding of the issued cumulative preference share capital.

7. CURRENT ASSET INVESTMENTS

The Company's current asset investments are short-term money market placings, realisable in cash in less than one month.

8. DEBTORS

	31 December 1997 £	30 November 1997 £
Amount owed by parent	140,203	139,311
Amount owed by a fellow subsidiary	3,412,387	-
Prepayments and accrued income	27,438	-
	<div style="border-top: 1px dashed black;">3,580,028</div> <div style="border-top: 3px double black;"></div>	<div style="border-top: 1px dashed black;">139,311</div> <div style="border-top: 3px double black;"></div>

WILKES LUCAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 1997 £	30 November 1997 £
Amount owed to parent	3,412,387	-
Amount owed to subsidiaries	30,132,692	-
Trade creditors	1,706	-
Mainstream Corporation Tax creditor	300	300
	----- 33,547,085 =====	----- 300 =====

10. CALLED UP SHARE CAPITAL

	31 December 1997 £	30 November 1997 £
<u>Authorised</u>		
Non-equity:		
3.5% redeemable cumulative preference shares of £1 each	5,000	5,000
	=====	=====
Equity:		
Ordinary shares of £1 each	100,000,000	100,000,000
	=====	=====
<u>Issued, called up and fully paid</u>		
Equity:		
Ordinary shares of £1 each	93,221,313	93,221,313
	=====	=====

WILKES LUCAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

11. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	<u>Equity share capital</u> £	<u>Share premium account</u> £	<u>Profit and loss account</u> £	<u>Total</u> £
At 30 November 1997	93,221,313	91,356,712	587	184,578,612
Retained profit for the period	-	-	12,752,394	12,752,394
At 31 December 1997	<u>93,221,313</u>	<u>91,356,712</u>	<u>12,752,981</u>	<u>197,331,006</u>

12. ULTIMATE HOLDING COMPANY

The Company's ultimate holding company is Cookson Group plc, which is registered in England and Wales.

The largest group in which the results of the Company are consolidated is that headed by Cookson Group plc. The accounts of Cookson Group plc are available to the public and may be obtained from The Adelphi, 1-11 John Adam Street, London, WC2N 6HJ.

No other group accounts include the results of the Company.