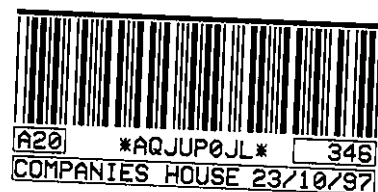


COOKSON FINANCIAL LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 1996

(Registration No: 758145)



COOKSON FINANCIAL LIMITED
DIRECTORS' REPORT

The directors submit their annual report and audited financial statements for the year ended 31 December 1996.

Principal Activities and Business Review

The principal activity of the Company is that of holding Company for Vesuvius Group Ltd, a Company registered in England, whose principal activity is that of holding company for certain overseas operating companies of the Vesuvius group.

The profit for the period transferred to reserves is £nil (1995:£1,564). The directors do not recommend the payment of a dividend.

Directors

The directors who served during the year were as follows:

BR Elliston	(appointed 1 May 1996)
RM Oster	(resigned 1 May 1996)
IS Barr	(resigned 1 May 1996)
SL Howard	
RMH Malthouse	(appointed 1 May 1996)

During the year no director had any beneficial interest in the shares of the Company or any other Group undertaking except the ultimate parent.

The interests of the Directors, holding office at the year end, in the ordinary shares and options to purchase ordinary shares in Cookson Group plc, the ultimate holding company, are set out below:

Ordinary Shares	At 31 December 1996	At Date of Appointment
RMH Malthouse	6,980	6,780
BR Elliston	1,931	1,876

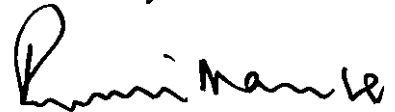
Options to purchase ordinary shares	At 31 December 1996	Granted during year whilst in office	At date of Appointment
RMH Malthouse	147,856	53,254	94,602
BR Elliston	157,847	32,741	125,106

No options were exercised by the two Directors above during the period they were in office.

COOKSON FINANCIAL LIMITED
DIRECTORS' REPORT (Contd)

SL Howard, is also a director of Cookson Group plc, the ultimate holding company. His interests in and options to purchase 50p ordinary shares in Cookson Group plc are shown in the financial statements of that Company.

By order of the Board



Secretary

6 OCTOBER 1997

130 Wood Street
London
EC2V 6EQ

**DIRECTORS' RESPONSIBILITY STATEMENT TO THE MEMBERS
OF COOKSON FINANCIAL LIMITED**

Company law requires the directors to prepare financial statements for each financial year 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 COOKSON FINANCIAL LIMITED

We have audited the financial statements on pages 6 to 9.

Respective responsibilities of directors and auditors

As described on page 4 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 1996 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditors
LONDON

16 October 1997

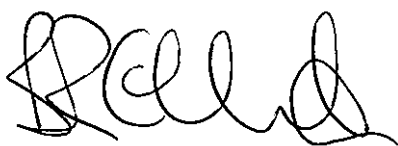
COOKSON FINANCIAL LIMITED**PROFIT AND LOSS ACCOUNT***For the year ended 31 December 1996*

	1996 £	1995 £
Other operating income	-	2,334
	<hr/>	<hr/>
Operating profit	-	2,334
	<hr/>	<hr/>
Profit on ordinary activities before taxation	-	2,334
	<hr/>	<hr/>
Taxation on profit on ordinary activities	-	(770)
	<hr/>	<hr/>
Profit after taxation and retained profit for the year	-	1,564
	<hr/> <hr/>	<hr/> <hr/>

There were no other recognised gains or losses for the year.

COOKSON FINANCIAL LIMITED**BALANCE SHEET***At 31 December 1996*

	<i>Notes</i>	1996 £	1995 £
FIXED ASSETS			
Investments	4	30,315,031	30,315,031
CURRENT ASSETS			
Amounts owed by ultimate parent undertaking		217,469	218,239
CURRENT LIABILITIES			
Corporation tax		-	(770)
NET CURRENT ASSETS		217,469	217,469
TOTAL ASSETS LESS CURRENT LIABILITIES			
		30,532,500	30,532,500
NON EQUITY CAPITAL			
Called up share capital	5	30,300,000	30,300,000
EQUITY CAPITAL AND RESERVES			
Called up share capital	5	232,500	232,500
Profit and loss account		-	-
		30,532,500	30,532,500

**DIRECTOR**

6 OCTOBER 1997

COOKSON FINANCIAL 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) Fixed Asset Investments

Fixed asset investments are stated at cost, less any provisions for diminution in value where these are expected to be permanent.

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

2. DIRECTORS' AND AUDITORS' REMUNERATION

The directors received no remuneration in respect of their services to the Company during the year. Auditors' remuneration is borne by the holding company.

3. STAFF NUMBERS AND COSTS

Other than the directors, the Company had no employees during the year.

4. FIXED ASSET INVESTMENT

Cost	<u>1996</u>	<u>1995</u>
	£	£
At 1 January and at 31 December	30,315,031	30,315,031
	<u> </u>	<u> </u>

The Company's fixed asset investment represents the cost of the investment in its wholly-owned subsidiary, Vesuvius Group Limited, a company registered in England and Wales whose principal activity is that of holding company for certain overseas operating companies of the Vesuvius group.

COOKSON FINANCIAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS Cont'd

5. CALLED UP SHARE CAPITAL

	<u>1996</u>	<u>1995</u>
	£	£
<u>Authorised</u>		
Equity		
250,000 Ordinary shares of £1	250,000	250,000
	=====	=====
Non-Equity		
32,000,000 8.5% Non-Convertible Irredeemable Cumulative Preference Shares of £1 each	32,000,000	32,000,000
	=====	=====
<u>Allotted called up and fully paid</u>		
Equity		
Ordinary shares of £1 each	232,500	232,500
	=====	=====
Non-Equity		
30,300,000 8.5% Non-Convertible Irredeemable Cumulative Preference Shares of £1 each	30,300,000	30,300,000
	=====	=====

6. DIVIDEND ON PREFERENCE SHARES

No dividend was paid or proposed during the year in respect of the 8.5% Non-convertible Irredeemable Cumulative Preference Shares. The dividend in respect of the periods from the date of issue to 31 December 1996 will be paid in a future period. The accumulated arrears in respect of such dividends was £23.1m at 31 December 1996.

7. ULTIMATE HOLDING COMPANY

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

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 130 Wood Street, London EC2V 6EQ.

No other group accounts include the results of the Company.