

COOKSON FINANCIAL LIMITED

(Registration No: 758145)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1997



COOKSON FINANCIAL LIMITED

DIRECTORS' REPORT

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

Principal Activity

The Company remained dormant throughout the year. The principal activity of the Company is that of holding company for Vesuvius Group Limited, the holding company for certain overseas operating companies of the Vesuvius group.

Review of Developments

The Directors do not recommend the payment of a dividend (1996 - £nil).

Directors

The Directors who served during the year were as follows:

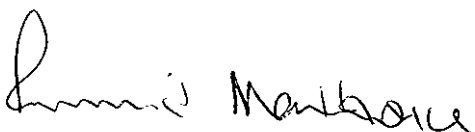
BR Elliston
RMH Malthouse
SL Howard

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

SL Howard is also a director of Cookson Group plc, the ultimate holding company. As at 31 December 1997, BR Elliston held interests in 5,264 ordinary shares (1 January 1997: 1,931) and options to purchase 184,550 ordinary shares (1 January 1997: 165,821) in Cookson Group plc. RMH Malthouse held interests in 6,980 ordinary shares (1 January 1997: 6,980) and options to purchase 205,638 ordinary shares (1 January 1997: 147,856) in Cookson Group plc. SL Howard held interests in 31,582 ordinary shares (1 January 1997: 31,084) and options to purchase 1,765,677 ordinary shares (1 January 1997: 1,496,529) in Cookson Group plc.

During the year BR Elliston was granted 48,063 options and exercised 29,334. RMH Malthouse was granted 57,782 options and exercised none. SL Howard was granted 295,782 options and exercised none.

By order of the Board



Secretary

28 October 1998

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

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

We have audited the financial statements on pages 5 to 8.

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 have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
LONDON

22/10/1998

COOKSON FINANCIAL LIMITED

BALANCE SHEET

As at 31 December 1997

	Notes	<u>1997</u> £	<u>1996</u> £
FIXED ASSETS			
Investments	3	30,315,031	30,315,031
CURRENT ASSETS			
Debtors	4	217,469	217,469
TOTAL NET ASSETS		<u>30,532,500</u>	<u>30,532,500</u>
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		-	-
		<u>30,532,500</u>	<u>30,532,500</u>

These financial statements were approved by the Board of Directors on 28 October 1998 and were signed on its behalf by:


DIRECTOR

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, and on a going concern basis as Cookson Group plc, the ultimate holding company, has undertaken to make available such funds as are required to enable the Company to continue its activities while it remains a subsidiary.

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 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') are stated at cost, less any provisions for diminution in value that are expected to be permanent.

d) Related party transactions

As the company is a wholly owned subsidiary of the 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.

2. DIRECTORS' AND AUDITORS' REMUNERATION

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

COOKSON FINANCIAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

3. FIXED ASSET INVESTMENT

	<u>1997</u> £	<u>1996</u> £
Due within one year:		
Amount owed by parent	30,315,031 =====	30,315,031 =====

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

4. DEBTORS

	<u>1997</u> £	<u>1996</u> £
Due within one year:		
Amount owed by parent	217,469 =====	217,469 =====

5. CALLED UP SHARE CAPITAL

	<u>1997</u> £	<u>1996</u> £
<u>Authorised</u>		
Non-equity:		
8.5% non-convertible irredeemable cumulative preference shares of £1 each	32,000,000 =====	32,000,000 =====
Equity:		
Ordinary shares of £1 each	250,000 =====	250,000 =====
 <u>Issued, called up and fully paid</u>		
Non-equity:		
8.5% non-convertible irredeemable cumulative preference shares of £1 each	30,300,000 =====	30,300,000 =====
Equity:		
Ordinary shares of £1 each	232,500 =====	232,500 =====

COOKSON FINANCIAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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 periods from the date of issue to 31 December 1997 will be paid in a future period. The accumulated arrears in respect of such dividends was £25.7 million at 31 December 1997. This amount must be settled in full before any dividend is payable on the equity share capital of the company.

7. 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.