Cookson Precious Metals Limited

Directors' report and financial statements

Registered number 2775187

31 December 2003

Contents

Directors' report

The directors present their report and audited financial statements for the year ended 31 December 2003.

Principal activities

The principal activity of the company is the processing of precious metals.

Business review

The results for the year are shown in the profit and loss account on page 5.

Results and dividends

The results for the year are set out on page 5.

The directors do not propose the payment of a dividend *(2002: £Nil).* Retained losses transferred to reserves are £1.8 million *(2002: £2.3 million).*

Directors and directors' interests

The directors who served during the year were:

RV Powers
SL Howard
SC Dorsett
SJ Bate

There is no officially appointed chairman of the company.

The beneficial interests of the directors and their families in ordinary shares of 1p *(2002: 1p)* each of Cookson Group plc were as shown below:

	At 1 January 2003		At 31 December 2003		Share option movements in year		
	Ordinary shares	Share options	Ordinary shares	Share options	Granted	Exercised	Lapsed
RV Powers	27,093	1,565,168	40,066	1,595,438	58,070	-	27,800
SL Howard	713,976	7,624,984	713,976	7,814,881	445,429	255,532	-
SC Dorsett	-	239,506	-	259,244	50,000	-	30,262
SJ Bate	-	116,890	-	141,890	25,000	-	-

No director had any beneficial interest in the loan capital of Cookson Group plc, or the share or loan capital of any subsidiary undertaking of Cookson Group plc.

Donations

Donations in the UK for charitable purposes totalled £2,048 *(2002: £1,550).*

Employee involvement

The board recognises that effective communication with, and the involvement of, employees is essential in order to maintain good employee relations, to achieve improved performance and productivity, and to enhance the quality of working life. Various methods of communications are used including company newspapers, news bulletins and the use of briefing groups, videos and visual presentations.

Directors' report *(continued)*

Employment of disabled persons

The company continues to give full and fair consideration to applications for employment from disabled persons. If an employee becomes disabled the company endeavours to continue his or her employment, if this is practical and in appropriate cases training is given. Depending on their skills and abilities the disabled have the same career prospects and opportunities for promotion as other employees.

Creditor payment policy

The company does not adopt any specific code or standard, however, it is the company's policy to pay its suppliers in accordance with the terms and conditions agreed prior to the commencement of trading provided that the supplier has met its contractual obligations.

The number of days' purchases outstanding at 31 December 2003 was 72 *(2002: 59)*.

Auditors

A resolution will be proposed at the forthcoming annual general meeting to re-appoint KPMG Audit Plc for the forthcoming year.

By order of the board

SJ Bate

SJ Bate
Secretary

59-83 Vittoria Street
Birmingham
B1 3NZ

14 July 2004

Statement of directors' responsibilities

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 year. 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 keeping 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.

KPMG

KPMG Audit Plc
2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of Cookson Precious Metals Limited

We have audited the financial statements on pages 5 to 15.

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

The directors are responsible for preparing the directors' report and as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, and by our profession's ethical guidance.

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 transactions with the company is not disclosed.

Basis of audit 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 affairs of the company as at 31 December 2003 and of its loss 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 Auditor

14 July 2004

Profit and loss account
for the year ended 31 December 2003

	Note	**2003**	2002
		£'000	£'000
Turnover	2	**54,631**	56,693
Cost of sales		**(44,057)**	(45,734)
Gross profit		**10,574**	10,959
Distribution costs		**(4,779)**	(4,482)
Administrative expenses:			
Non exceptional		**(5,134)**	(4,444)
Exceptional	3	**-**	(2,000)
Operating profit		**661**	33
Interest receivable and similar income	4	**401**	373
Interest payable and similar charges	5	**(2,888)**	(3,007)
Loss on ordinary activities before taxation	6	**(1,826)**	(2,601)
Tax on loss on ordinary activities	9	**-**	349
Loss on ordinary activities after taxation and retained loss for the financial year		**(1,826)**	(2,252)

The movement on reserves is set out in note 18.

All operations were derived from continuing activities and there were no discontinued operations during the current or preceding year.

There were no recognised gains or losses in either the current year or the preceding year other than those disclosed in the profit and loss account.

Balance sheet
at 31 December 2003

	Note	**2003**		2002	
		£'000	**£'000**	£'000	£'000
Fixed assets					
Intangible assets	*10*		**1,547**		1,641
Tangible assets	*11*		**7,455**		7,849
Investments	*12*		**3,200**		3,200
			12,202		12,690
Current assets					
Stocks	*13*	**5,626**		4,518	
Debtors	*14*	**10,728**		13,769	
Cash at bank and in hand		**11,781**		15,807	
		28,135		34,094	
Creditors: amounts falling due within one year	*15*	**(6,131)**		(10,741)	
Net current assets			**22,004**		23,353
Total assets less current liabilities			**34,206**		36,043
Creditors: amounts falling due after more than one year	*16*		**(34,576)**		(34,587)
Net (liabilities)/assets			**(370)**		1,456
Capital and reserves					
Called up share capital	*17*		**6,000**		6,000
Profit and loss account	*18*		**(6,370)**		(4,544)
Equity shareholders' funds			**(370)**		1,456

These financial statements were approved by the board of directors on 14 July 2004 and were signed on its behalf by:

SC Dorsett
Director

Notes
(forming part of the financial statements)

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 preparation

The company is currently dependent on the continued support of its shareholders to meet its day to day working capital requirements. The directors believe that sufficient funding will be available for the company to continue over the forthcoming year. Consequently, the financial statements have been prepared on the going concern basis using the historical cost convention and in accordance with applicable Accounting Standards.

The company is exempt from the requirement of FRS1 to prepare a cash flow statement as 100% of the voting rights of the company's shares are controlled by Cookson Group plc. The consolidated financial statements of Cookson Group plc, which include cash flows of the company, are publicly available.

Group accounts

The company is exempt, by virtue of S228(1) of the Companies Act 1985, from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Turnover

Turnover represents the net amount receivable, excluding value added tax, for goods and services supplied to external customers.

Intangible assets-goodwill

Purchased goodwill is capitalised and amortised over 20 years, representing the period over which it is estimated that the company will derive economic benefit from the goodwill acquired.

Tangible fixed assets

Depreciation is provided on a straight line basis to write off the cost, less estimated residual value, of tangible fixed assets at the following annual rates:

Freehold and long leasehold buildings	-	2%
Plant and machinery	-	7%
Fixtures and fittings	-	10%
Computer hardware	-	20%

Freehold land is not depreciated.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost comprises expenditure directly incurred in purchasing or manufacturing stocks together with, where appropriate, attributable overheads based on normal activity levels.

Stocks held under consignment arrangements are reviewed regularly in order to assess whether the substance of the arrangements are such that those stocks constitute assets which should be reflected in the balance sheet. Further details of consignment stocks held at the year end are given in note 13.

Leased assets

Operating lease costs are charged to the profit and loss account on a straight line basis over the period of the lease.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Notes *(continued)*

1 Accounting policies

***Taxation** (continued)*

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Pensions

The company operates a defined benefit pension scheme. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Grants

Capital based grants are included in accruals and deferred income in the balance sheet and credited to trading profit over the estimated useful economic lives of the assets to which they relate.

2 Turnover

Turnover and pre-tax loss, all of which originates in the United Kingdom, is attributable to one activity, processing precious metals.

Turnover analysed by geographic market in which customers are located is:

	2003	2002
	£'000	£'000
United Kingdom	**46,592**	47,994
Continental Europe	**7,128**	7,822
Rest of the world	**911**	877
	54,631	56,693

3 Administrative expenses

Exceptional items included in administrative expenses:

	2003	2002
	£'000	£'000
Bad debts	-	2,000

4 Interest receivable and similar income

	2003	2002
	£'000	£'000
Bank interest receivable	**401**	373

Notes *(continued)*

5 Interest payable and similar charges

	2003 £'000	2002 £'000
Interest payable to group undertakings	**1,614**	1,717
Precious metals leasing interest	**1,222**	1,290
Other	**52**	-
	2,888	3,007

6 Loss on ordinary activities before taxation

	2003 £'000	2002 £'000
Loss on ordinary activities before taxation is stated		
after charging/(crediting)		
Depreciation of tangible fixed assets	**854**	750
Amortisation of capital grants	**(10)**	(10)
Amortisation of goodwill	**94**	93
Operating lease rentals - land and building	**275**	241
Operating lease rentals - other	**159**	177
Auditor's remuneration	**38**	36
Non-audit fees paid to the auditor	**4**	4

7 Staff numbers and costs

The average number of persons employed by the company during the year was as follows:

	Number of employees 2003	2002
Production	**219**	224
Administration and selling	**159**	176
	378	400

The aggregate payroll costs during the year amounted to:

	£'000	£'000
Wages and salaries	**7,304**	7,649
Social security costs	**537**	532
Other pension costs	**702**	724
	8,543	8,905

Notes *(continued)*

8 Directors' emoluments

	2003 £'000	2002 £'000
Emoluments for services as directors	**187**	182
Pension contributions	**24**	21
	211	203

Two directors are members of the defined benefit pension scheme *(2002: two)*.

9 Tax on loss on ordinary activities

	2003 £'000	2002 £'000
Adjustment in respect of previous year	**-**	(349)

It is assumed that the trading losses will be surrendered to other group companies for £nil consideration.

The current tax credit for the year is lower *(2002: lower)* than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2003 £'000	2002 £'000
Current tax reconciliation		
Loss on ordinary activities before tax	**(1,826)**	(2,601)
Current tax credit at 30% *(2002: 30%)*	**(548)**	(780)
Effects of:		
Expenses not deductible for tax purposes	**41**	11
Capital allowances for period in excess of depreciation	**(11)**	(27)
Other timing differences	**(20)**	-
Net addition to tax losses carried forward or surrender to group companies	**538**	796
Prior year tax credit	**-**	(349)
Total current tax	**-**	(349)

No tax charge arises on the results for the year due to the availability of corporation tax losses.

No provision has been made for the following deferred tax as sufficient losses exist throughout the Cookson Precious Metals group to prevent payment of tax in the foreseeable future.

Amounts not provided for deferred taxation, calculated at 30% are set out below:

	2003 £'000	2002 £'000
Excess of capital allowances over depreciation	**1,094**	1,217
Tax losses	**(1,039)**	(1,089)
	55	128

Notes *(continued)*

10 Intangible fixed assets

	Goodwill £'000
Cost	
At start and end of year	1,872
Amortisation	
At start of year	231
Charged in year	94
At end of year	325
Net book value	
At 31 December 2003	**1,547**
At 31 December 2002	1,641

11 Tangible fixed assets

	Land and buildings £'000	Plant, machinery and motor vehicles £'000	Total £'000
Cost			
At beginning of year	2,937	9,338	12,275
Additions	-	471	471
Disposals	-	(16)	(16)
At end of year	2,937	9,793	12,730
Depreciation			
At beginning of year	487	3,939	4,426
Charge for year	98	756	854
Disposals	-	(5)	(5)
At end of year	585	4,690	5,275
Net book value			
At 31 December 2003	**2,352**	**5,103**	**7,455**
At 31 December 2002	2,450	5,399	7,849

Notes *(continued)*

11 Tangible fixed assets *(continued)*

The net book value of land and buildings comprises:

	2003	2002
	£'000	£'000
Freehold land	**116**	116
Freehold buildings	**633**	681
Long leasehold land and buildings	**1,603**	1,653
	2,352	2,450

12 Fixed asset investments

	Shares in group undertakings £'000
Cost	
At 1 January 2003 and 31 December 2003	3,200

Investments include a 100% holding in the ordinary share capital of Premier Metals Limited which owns 100% of the ordinary share capital of The Premier Chain Co Limited, both dormant companies. Both companies are registered in England and Wales. The company also holds 100% of the share capital of Micro Jewels Limited which is incorporated in Mauritius and is involved in the assembly and supply of precious metal products.

13 Stocks

	2003	2002
	£'000	£'000
Raw materials and consumables	**10**	10
Work in progress	**3,238**	1,474
Finished goods and goods for resale	**2,378**	3,034
	5,626	4,518

In addition to the stocks recorded in the balance sheet, the company held precious metals on consignment terms with a total value at 31 December 2003 of £36.5 million *(2002: £42.7 million)*. The company also held precious metal on behalf of customers for processing, the total value of which at 31 December 2003 was £2.4 million *(2002: £2.0 million)*.

The company utilises significant amounts of precious metals, primarily gold. These metals are held on consignment under arrangements the terms of which provide, inter alia, that the consignor retains title to the metal and both parties have a right of return over the metal without penalty. In the majority of cases, the metal the company fabricates for its customers is consigned or sold directly from the consignor to the company's customers, the company charging customers for the fabrication process. Alternatively, the company purchases metal from the consignor and sells it concurrently to the customer, thereby eliminating the company's exposure to market fluctuations in metal prices. In view of the nature of these arrangements, the metal stocks so held are not recorded in the company balance sheet. Consignment fees are charged by the consignor and totalled £1,222,000 in 2003 *(2002: £1,290,000)*.

Notes *(continued)*

14 Debtors: amounts falling due within one year

	2003	2002
	£'000	£'000
Trade debtors	**7,730**	11,176
Amounts owed by group undertakings	**1,790**	1,849
Other debtors	**179**	154
Prepayments and accrued income	**1,029**	590
	10,728	13,769

15 Creditors: amounts falling due within one year

	2003	2002
	£'000	£'000
Payments received on account	**20**	46
Trade creditors	**1,761**	1,169
Amounts owed to group undertakings	**1,951**	5,412
Other taxation and social security	**1,713**	1,067
Accruals and deferred income	**686**	3,047
	6,131	10,741

16 Creditors: amounts falling due after more than one year

	2003	2002
	£'000	£'000
Amounts owed to group undertakings	**34,386**	34,386
Accruals and deferred income - grants	**190**	201
	34,576	34,587

The amounts owed to group undertakings were unsecured, incurred interest at a variable rate and had no fixed repayment terms.

17 Called up share capital

	2003	2002
	£'000	£'000
Authorised:		
7,000,000 ordinary shares of £1 each	**7,000**	7,000
Allotted, called up and fully paid:		
6,000,002 ordinary shares of £1 each	**6,000**	6,000

Notes *(continued)*

18 Profit and loss account

	£'000
At beginning of year	(4,544)
Retained loss for the year	(1,826)
At end of year	**(6,370)**

19 Reconciliation of movements in shareholders' funds

	2003 £'000	2002 £'000
Loss for the financial year	**(1,826)**	(2,252)
Movement in shareholders' funds	**(1,826)**	(2,252)
Shareholders' funds at beginning of year	**1,456**	3,708
Shareholders' funds at end of year	**(370)**	1,456

20 Capital and financial commitments

The company had no capital commitments at 31 December 2003 *(2002: £Nil).*

Amounts payable during the year following the balance sheet date in respect of non-cancellable operating leases are as follows:

	2003		2002	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	**-**	**33**	5	18
Within two and five years	**248**	**93**	36	138
In more than five years	**5**	**-**	217	-

21 Contingent liabilities

Amongst others Cookson Precious Metals Limited, as a Guarantor, is party to an Amendment and Restatement Agreement relating to a £450m multicurrency credit agreement, between Cookson Group plc as Borrower and a number of banks ('Lenders'). During 2003 the facility was reduced to £188m and comprised of a £108m multicurrency revolving loan facility and a £80m forward start sterling term loan facility, the latter being available to refinance the Borrower's existing Convertible Bond. As part of this agreement Cookson Precious Metals Limited jointly and severally guarantees and agrees to pay from time to time on demand any and every sums of money which Cookson Group plc is at any time liable to pay to the Lenders. As at 31 December 2003 £nil *(2002: £28.1m)* was drawn by Cookson Group plc under the credit agreement facility secured on the various assets of Cookson Precious Metals Limited.

Notes *(continued)*

22 *Pension costs*

The company participates in the UK defined benefit pension scheme operated by its ultimate parent company ('UK Scheme'). As the Company is unable to identify its share of the underlying assets and liabilities of the UK Scheme, it therefore accounts for its membership of the UK Scheme as it would for a defined contribution scheme.

Costs charged in the year in respect of its contributions to the UK Scheme were £702,000 *(2002: £724,000)*. At the end of the year, £Nil *(2002: £Nil)* was accrued in respect of such contributions.

The last independent actuarial valuation, as at 31 December 2001, showed a deficit across the group scheme of £20.9m. The next actuarial valuation will be at 31 December 2004. Further information of the UK Scheme is included in the accounts of the ultimate parent company, Cookson Group plc. Those accounts also provide the relevant disclosures about the UK Scheme required by Financial reporting Standard 17, 'Retirement Benefits'.

23 Ultimate holding company

The company's ultimate holding company is Cookson Group plc, which is incorporated in Great Britain.

Copies of the group financial statements of Cookson Group plc are available from The Adelphi, 1-11 John Adam Street, London, WC2N 6HJ.

24 Related party transactions

By virtue of the company being a wholly owned subsidiary included in the consolidated financial statements of a larger EU group, the company is exempt under Financial Reporting Standard 8 from disclosing transactions or balances with entities which are part of the group that qualify as related parties.