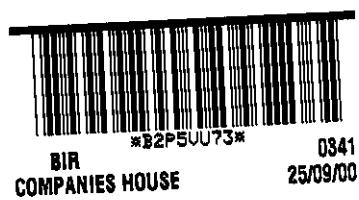


Cookson Precious Metals Limited

**Directors' report and financial
statements**

Registered number 2775187

31 December 1999



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Directors' report

The directors present their report and audited financial statements for the year ended 31 December 1999.

Principal activities and business review

The principal activity of the company is the processing of precious metals. The results for the year are shown in the profit and loss account on page 5.

On 30 December 1998, the company acquired the trade, fixed assets and stock of Bernard Förster GmbH, a supplier of jewellery findings.

In January 1999, company has acquired the trade, fixed assets and stock of Andrew Stephens Limited and the entire issued share capital of Micro Jewels Limited.

Proposed dividend

The directors do not recommend the payment of a dividend (1998: £Nil).

Donations

Donations in the UK for charitable purposes totalled £982 (1998: £1,831). In line with Group policy, no donations were made to UK political parties in the year.

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.

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.

Year 2000

The company conducted a risk-based review of its computer systems and processes to identify those which could be affected, and developed an implementation plan to test and remedy any faults. In accordance with company accounting policies, all remedial costs, which were not significant to the company, were written off as incurred.

No problems have arisen to date but it must be recognised that, with an issue as large and complex as this, it is not possible to give any guarantees that no unforeseen problems will arise in the coming months.

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 1999 was 56.

Directors' report *(continued)*

Directors and directors' interests

The directors who served during the year were:

JW Conley
 RV Powers
 RDP Knight (resigned 1 September 1999)
 SL Howard
 SC Dorsett
 SJ Bate (appointed 1 September 1999)

There is no officially appointed chairman of the company.

The beneficial interests of the directors and their families in ordinary shares of 50p each of Cookson Group plc were as shown below:

	At 31 December 1999		At 1 January 1999 or later date of appointment		Share option movements in year		
	Ordinary shares	Share options	Ordinary shares	Share options	Granted	Exercised	Lapsed
JW Conley	-	875,816	3,284	901,033	-	3,023	22,194
RV Powers	2,998	520,285	2,998	429,544	99,311	3,023	5,547
SL Howard	90,650	2,787,222	62,916	2,329,901	479,515	-	22,194
SC Dorsett	-	69,314	-	55,077	14,237	-	-
SJ Bate	-	29,921	-	29,921	-	-	-

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.

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
 Secretary

59-83 Vittoria Street
 Birmingham
 B1 3NZ

1 September 2000

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 Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Report of the auditors to the members of Cookson Precious Metals Limited

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

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. 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 the company's affairs as at 31 December 1999 and of its profit 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

1 September 2000

Profit and loss account
for the year ended 31 December 1999

	<i>Note</i>	Total 1999 £000	Total 1998 £000
Turnover	2	53,373	52,930
Cost of sales		(41,151)	(41,063)
		<hr/>	<hr/>
Gross profit		12,222	11,867
Distribution costs		(4,770)	(4,494)
Administrative expenses		(3,055)	(2,392)
		<hr/>	<hr/>
Operating profit		4,397	4,981
Interest payable and similar charges	3	(3,191)	(2,830)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	4	1,206	2,151
Tax on profit on ordinary activities	7	(279)	(804)
		<hr/>	<hr/>
Profit on ordinary activities after taxation and retained profit for the financial year		927	1,347
Retained deficit brought forward		(2,805)	(4,152)
		<hr/>	<hr/>
Retained deficit carried forward		(1,878)	(2,805)
		<hr/>	<hr/>

The results above all relate to continuing operations.

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. The reconciliation of the movement in shareholders' funds is set out in note 18.

There is no difference between the results as presented above and the results on an unmodified historical cost basis.

Balance sheet
at 31 December 1999

	<i>Note</i>	1999		1998	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	8		211		123
Tangible assets	9		8,046		7,223
Investments	10		3,200		2,580
			<hr/>		<hr/>
			11,457		9,926
Current assets					
Stocks	11	6,751		5,118	
Debtors	12	12,822		11,098	
Cash at bank and in hand		10,616		15,512	
		<hr/>		<hr/>	
		30,189		31,728	
Creditors: amounts falling due within one year	13	(10,161)		(9,865)	
		<hr/>		<hr/>	
Net current assets			20,028		21,863
			<hr/>		<hr/>
Total assets less current liabilities			31,485		31,789
Creditors: amounts falling due after more than one year	14	(27,363)		(28,554)	
Provisions for liabilities and charges	15	-		(40)	
		<hr/>		<hr/>	
Net assets			4,122		3,195
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	17	6,000		6,000	
Profit and loss account		(1,878)		(2,805)	
		<hr/>		<hr/>	
Equity shareholders' funds	18	4,122		3,195	
		<hr/>		<hr/>	

These financial statements were approved by the board of directors on 1 September 2000 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 financial statements have been prepared using the historical cost convention and in accordance with applicable Accounting Standards.

The company is exempt from the requirement of Financial Reporting Standard No 1 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 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.

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 11.

Leased assets

Operating lease costs are charged to the profit and loss account as they are incurred.

Notes (continued)

1 Accounting policies (continued)

Deferred taxation

Provision is made, on the liability basis, for taxation deferred due to the excess of capital allowances over depreciation and other timing differences, only to the extent that such tax may become payable in the foreseeable future.

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.

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 analysed by geographic market in which customers are located is:

	1999 £000	1998 £000
United Kingdom	46,092	48,881
Continental Europe	5,940	3,476
Rest of the world	1,341	573
	<hr/> 53,373 <hr/>	<hr/> 52,930 <hr/>

Amounts included in turnover and operating expenses in respect of acquisitions have not been analysed separately as they are immaterial in the context of the company's operations.

3 Interest payable and similar charges

	1999 £000	1998 £000
Interest payable to group undertakings	1,080	1,228
Precious metals leasing interest	1,776	1,343
Interest payable on bank loans and overdrafts	335	259
	<hr/> 3,191 <hr/>	<hr/> 2,830 <hr/>

Notes (continued)

4 Profit on ordinary activities before taxation

	1999 £000	1998 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging/(crediting)</i>		
Depreciation of tangible fixed assets	552	515
Amortisation of capital grants	(2)	-
Amortisation of goodwill	11	6
Hire of land and buildings - rentals payable under operating leases	212	104
Hire of other assets - operating leases	238	162
Auditor's remuneration	37	35
Non-audit fees paid to the auditor	15	3
	<hr/>	<hr/>

5 Staff numbers and costs

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

	Number of employees	
	1999	1998
Production	247	189
Administration and selling	175	160
	<hr/>	<hr/>
	422	349
	<hr/>	<hr/>

The aggregate payroll costs during the year amounted to:

	£000	£000
Wages and salaries	7,652	6,166
Social security costs	567	480
Other pension costs	438	431
	<hr/>	<hr/>
	8,657	7,077
	<hr/>	<hr/>

Notes (continued)

6 Directors' emoluments

	1999 £000	1998 £000
Emoluments for services as directors	138	138
Pension contributions	14	18
	<hr/> 152	<hr/> 156

	Number	
Number of directors who are:		
Members of defined benefit pension schemes	2	2

7 Tax on profit on ordinary activities

	1999 £000	1998 £000
UK corporation tax at 30% (1998: 31%)	54	585
Adjustment in respect of previous year:		
Corporation tax	225	219
	<hr/> 279	<hr/> 804

The current year tax charge is low primarily due to timing differences on which deferred tax has not been provided. These were significant due to the disclaimer of capital allowances in respect of the prior year.

8 Intangible fixed assets

	Goodwill £000
Cost	
At start of year	129
Additions (relating to business acquisitions during the year)	99
	<hr/> 228
At end of year	<hr/> 228
Amortisation	
At start of year	6
Charged in year	11
	<hr/> 17
At end of year	<hr/> 17
Net book value	
At 31 December 1999	211
At 31 December 1998	123

Notes (continued)

9 Tangible fixed assets

	Land and buildings	Plant, machinery and motor vehicles	Total
	£000	£000	£000
Cost			
At beginning of year	2,880	6,280	9,160
Additions	38	1,704	1,742
Disposals	(56)	(443)	(499)
At end of year	2,862	7,541	10,403
Depreciation			
At beginning of year	201	1,736	1,937
Charge for year	63	489	552
Disposals	-	(132)	(132)
At end of year	264	2,093	2,357
Net book value			
At 31 December 1999	2,598	5,448	8,046
At 31 December 1998	2,679	4,544	7,223

The net book value of land and buildings comprises:

	1999 £000	1998 £000
Freehold land	116	116
Freehold buildings	743	763
Long leasehold land and buildings	1,739	1,800
	2,598	2,679

10 Fixed asset investments

Shares in group undertakings £000

Cost	
At 1 January 1999	2,580
Acquisition during the year	620
At 31 December 1999	3,200

Notes (continued)

10 Fixed asset investments (continued)

Investments comprise 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, a company engaged in the manufacture of precious metal pendant chain. Both companies are registered in England and Wales. 100% of the share capital of Micro Jewels Limited was acquired during the year. Micro Jewels Limited is incorporated in Mauritius and involved in the assembly and supply of precious metal products.

11 Stocks

	1999 £000	1998 £000
Raw materials and consumables	2,728	1,496
Work in progress	1,634	985
Finished goods and goods for resale	2,389	2,637
	<hr/> 6,751	<hr/> 5,118

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 1999 of £71,000,000 (1998: £49,700,000). The company also held precious metal on behalf of customers for processing, the total value of which at 31 December 1999 was £1,100,000 (1998: £1,800,000).

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 £1,776,000 in 1999 (1998: £1,343,000).

12 Debtors

	1999 £000	1998 £000
Amounts falling due within one year:		
Trade debtors	10,398	8,279
Amounts owed by group undertakings	1,341	1,701
Other debtors	153	33
Prepayments and accrued income	930	1,085
	<hr/> 12,822	<hr/> 11,098

Notes (continued)

13 Creditors: amounts falling due within one year

	1999 £000	1998 £000
Payments received on account	135	153
Trade creditors	6,266	5,389
Amounts owed to group undertakings	382	358
Corporation tax	842	1,079
Other taxation and social security	1,578	1,349
Other creditors	-	250
Accruals and deferred income	958	1,287
	<u>10,161</u>	<u>9,865</u>

Other creditors in 1998 included deferred consideration of £250,000 in relation to the acquisition of the assets, liabilities and business undertakings formally carried on by Exchange Findings Limited. £150,000 of the deferred consideration was held in an Escrow account and included in cash at bank and in hand.

14 Creditors: amounts falling due after more than one year

	1999 £000	1998 £000
Amounts owed to group undertakings	27,140	28,554
Accruals and deferred income - grants	223	-
	<u>27,363</u>	<u>28,554</u>

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

Grants are analysed as follows:

	£000
Additions in the year	250
Credited to trading profit	(2)
	<u>248</u>
At end of year	248
Due within one year	25
Due after more than one year	223
	<u>248</u>

Notes (continued)

15 Provisions for liabilities and charges

	Other provisions £000
At 1 January 1999	40
Expenditure during year	(40)
	<hr/>
At 31 December 1999	-
	<hr/>

16 Deferred tax

No amounts have been provided for deferred tax, as the liability is not expected to crystallise in the near future. The unprovided amounts for deferred tax are:

	1999 £000	1998 £000
Excess of capital allowances over depreciation	35	299
Other timing differences	-	(53)
	<hr/>	<hr/>
	35	246
	<hr/>	<hr/>

17 Called up share capital

	1999 £000	1998 £000
<i>Authorised:</i>		
7,000,000 ordinary shares of £1 each	7,000	7,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>		
6,000,002 ordinary shares of £1 each	6,000	6,000
	<hr/>	<hr/>

18 Reconciliation of movements in shareholders' funds

	1999 £000	1998 £000
Profit for the year	927	1,347
	<hr/>	<hr/>
Movement in shareholders' funds	927	1,347
Shareholders' funds at beginning of year	3,195	1,848
	<hr/>	<hr/>
Shareholders' funds at end of year	4,122	3,195
	<hr/>	<hr/>

Notes (continued)

19 Capital and financial commitments

The company had capital commitments at 31 December 1999 of £41,000 (1998: £47,000).

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

	1999		1998	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire:				
Within one year	-	47	8	27
Within two and five years	1	120	10	125
In more than five years	258	-	97	-
	<hr/>	<hr/>	<hr/>	<hr/>
	259	167	115	152
	<hr/>	<hr/>	<hr/>	<hr/>

20 Contingent liabilities

Under group banking arrangements the company has guaranteed overdrafts of other group companies. At 31 December 1999, group overdrafts amounted to £10.1 million (1998: £15 million).

21 Pension costs

The company contributes to the Cookson group pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. Further details are given in the accounts of Cookson Group plc.

22 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.

23 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.