Cookson Precious Metals Limited

Directors' report and financial statements

Registered number 2775187

31 December 2001

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Contents

Directors' report

The directors present their report and audited financial statements for the year ended 31 December 2001.

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.

Post balance sheet events

On 1 January 2002, the company purchased the trade and assets of The Premier Chain Co Limited an intermediate subsidiary undertaking.

Proposed dividend

The directors do not recommend the payment of a dividend *(2000: £Nil)*.

Donations

Donations in the UK for charitable purposes totalled £Nil *(2000: £1,009)*. 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.

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 2001 was 53 *(2000: 48)*.

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.

Directors' report *(continued)*

Directors and directors' interests *(continued)*

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

	At 1 January 2001		At 31 December 2001		Share option movements in year		
	Ordinary shares	Share options	Ordinary shares	Share options	Granted	Exercised	Lapsed
RV Powers	3,070	631,382	7,373	842,416	230,285	-	37,251
SL Howard	148,836	3,298,174	188,995	4,320,072	1,101,723	-	79,825
SC Dorsett	-	87,294	-	130,297	59,431	-	16,428
SJ Bate	-	39,308	-	57,520	18,212	-	-

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

SJ Bate
Secretary

59-83 Vittoria Street
Birmingham
B1 3NZ

7 August 2002

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.

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 group 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 2001 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

7 August 2002

Profit and loss account
for the year ended 31 December 2001

	Note	Total 2001 £000	Total 2000 £000
Turnover	2	**60,044**	55,369
Cost of sales		**(48,702)**	(43,630)
Gross profit		**11,342**	11,739
Distribution costs		**(5,123)**	(5,219)
Administrative expenses		**(2,875)**	(3,004)
Operating profit		**3,344**	3,516
Interest payable and similar charges	3	**(3,348)**	(3,923)
Loss on ordinary activities before taxation	4	**(4)**	(407)
Tax on loss on ordinary activities	7	**-**	(3)
Loss on ordinary activities after taxation and retained loss for the financial year		**(4)**	(410)
Retained deficit brought forward		**(2,288)**	(1,878)
Retained deficit carried forward		**(2,292)**	(2,288)

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 2001

	Note	**2001** £000	**2001** £000	2000 £000	2000 £000
Fixed assets					
Intangible assets :	*8*		**1,734**		1,540
Tangible assets	*10*		**7,926**		8,272
Investments	*11*		**3,200**		3,200
			12,860		13,012
Current assets					
Stocks	*12*	**4,168**		7,017	
Debtors	*13*	**15,531**		16,985	
Cash at bank and in hand		**12,073**		7,046	
		31,772		31,048	
Creditors: amounts falling due within one year	*14*	**(6,325)**		(14,618)	
Net current assets			**25,447**		16,430
Total assets less current liabilities			**38,307**		29,442
Creditors: amounts falling due after more than one year	*15*		**(34,599)**		(25,730)
Net assets			**3,708**		3,712
Capital and reserves					
Called up share capital	*17*		**6,000**		6,000
Profit and loss account			**(2,292)**		(2,288)
Equity shareholders' funds	*18*		**3,708**		3,712

These financial statements were approved by the board of directors on 7 August 2002 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 FRS 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 12.

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:

	2001	2000
	£000	£000
United Kingdom	**51,417**	48,959
Continental Europe	**7,956**	5,629
Rest of the world	**671**	781
	60,044	55,369

3 Net interest payable and similar charges

	2001	2000
	£000	£000
Interest payable to group undertakings	**1,658**	1,938
Precious metals leasing interest	**1,706**	2,254
Net bank interest receivable	**(16)**	(269)
	3,348	3,923

Notes *(continued)*

4 Loss on ordinary activities before taxation

	2001 £000	2000 £000
Loss on ordinary activities before taxation is stated		
after charging/(crediting)		
Depreciation of tangible fixed assets	**724**	689
Amortisation of capital grants	**(12)**	(11)
Amortisation of goodwill	**93**	28
Hire of land and buildings - rentals payable under operating leases	**332**	277
Hire of other assets - operating leases	**187**	169
Auditor's remuneration	**36**	39
Non-audit fees paid to the auditor	**15**	23

5 Staff numbers and costs

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

	Number of employees 2001	2000
Production	**237**	257
Administration and selling	**182**	183
	419	440

The aggregate payroll costs during the year amounted to:

	£000	£000
Wages and salaries	**7,970**	7,513
Social security costs	**536**	577
Other pension costs	**479**	674
	8,985	8,764

6 Directors' emoluments

	2001 £000	2000 £000
Emoluments for services as directors	**166**	157
Pension contributions	**15**	13
	181	170

2 directors are members of the defined benefit pension schemes *(2000: two)*

Notes *(continued)*

7 Tax on (loss)/profit on ordinary activities

	2001	2000
	£000	£000
Adjustment in respect of previous year:		
Corporation tax	-	3
	-	3

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

8 Intangible fixed assets

	Goodwill
	£000
Cost	
At start of year	1,585
Hindsight adjustments (note 9)	287
At end of year	1,872
Amortisation	
At start of year	45
Charged in year	93
At end of year	138
Net book value	
At 31 December 2001	**1,734**
At 31 December 2000	1,540

Notes *(continued)*

9 Acquisitions

On 1 October 2000, the company acquired certain of the trade and assets of Engelhard-CLAL UK Limited. Following this acquisition and a thorough post-acquisition review of the business, the following adjustments have been made to reflect the fair value of the assets and liabilities of the Engelhard-CLAL UK business. The fair values reported in the previous year's financial statements have been adjusted as follows:

	Provisional fair value £000	Hindsight adjustments £000	Final fair value £000
Fixed assets	109	1	110
Stock	1,430	(187)	1,243
Liabilities	(499)	(64)	(563)
	1,040	(250)	790
Consideration and acquisition expenditure	2,397	37	2,434
Goodwill arising	1,357	287	1,644

10 Tangible fixed assets

	Land and buildings £000	Plant, machinery and motor vehicles £000	Total £000
Cost			
At beginning of year	2,922	8,389	11,311
Fair value adjustment (see note 9)	-	1	1
Additions	9	433	442
Disposals	-	(75)	(75)
At end of year	2,931	8,748	11,679
Depreciation			
At beginning of year	325	2,714	3,039
Charge for year	64	660	724
Disposals	-	(10)	(10)
At end of year	389	3,364	3,753
Net book value			
At 31 December 2001	**2,542**	**5,384**	**7,926**
At 31 December 2000	2,597	5,675	8,272

Notes *(continued)*

10 Tangible fixed assets *(continued)*

The net book value of land and buildings comprises:

	2001	2000
	£000	£000
Freehold land	**116**	116
Freehold buildings	**729**	743
Long leasehold land and buildings	**1,697**	1,738
	2,542	2,597

11 Fixed asset investments

	Shares in group undertakings
	£000
Cost	
At 1 January 2001 and 31 December 2001	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, a company engaged in the manufacture of precious metal pendant chain. 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 involved in the assembly and supply of precious metal products.

12 Stocks

	2001	2000
	£000	£000
Raw materials and consumables	**213**	1,516
Work in progress	**1,209**	1,794
Finished goods and goods for resale	**2,746**	3,707
	4,168	7,017

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 2001 of £37.6 million *(2000: £66.2 million).* The company also held precious metal on behalf of customers for processing, the total value of which at 31 December 2001 was £1,658,000 *(2000: £2,169,000).*

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 £1,706,000 in 2001 *(2000: £2,254,000).*

Notes *(continued)*

13 Debtors

	2001 £000	2000 £000
Amounts falling due within one year:		
Trade debtors	**13,152**	14,435
Amounts owed by group undertakings	**1,782**	1,369
Other debtors	**286**	557
Prepayments and accrued income	**311**	624
	15,531	16,985

14 Creditors: amounts falling due within one year

	2001 £000	2000 £000
Payments received on account	**33**	65
Trade creditors	**1,191**	7,654
Amounts owed to group undertakings	**1,234**	3,297
Corporation tax	**840**	839
Other taxation and social security	**1,150**	1,448
Accruals and deferred income	**1,877**	1,315
	6,325	14,618

15 Creditors: amounts falling due after more than one year

	2001 £000	2000 £000
Amounts owed to group undertakings	**34,386**	25,505
Accruals and deferred income - grants	**213**	225
	34,599	25,730

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

Notes *(continued)*

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:

	2001 £000	2000 £000
Excess of capital allowances over depreciation	**688**	400
Other timing differences	**-**	(227)
	688	173

17 Called up share capital

	2001 £000	2000 £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

18 Reconciliation of movements in shareholders' funds

	2001 £000	2000 £000
Loss for the financial year	**(4)**	(410)
Movement in shareholders' funds	**(4)**	(410)
Shareholders' funds at beginning of year	**3,712**	4,122
Shareholders' funds at end of year	**3,708**	3,712

Notes *(continued)*

19 Capital and financial commitments

The company had no capital commitments at 31 December 2001 *(2000: £Nil)*.

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

	2001		2000	
	Land and Buildings	**Other**	Land and Buildings	Other
	£000	**£000**	£000	£000
Operating leases which expire:				
Within one year	**-**	**21**	34	51
Within two and five years	**59**	**63**	33	89
In more than five years	**211**	**45**	249	-

20 Contingent liabilities

The company has no commitments or contingent liabilities. At 31 December 2000, the company had guaranteed overdrafts of other group companies, under group banking arrangements, which amounted to £28.5 million.

21 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.

Cost charged in the year in respect of its contributions to the UK Scheme were £528,088 *(2000: £489,829)*. At the end of the year, £Nil *(2000: £531)* was accrued in respect of such contributions.

Particulars of the latest actuarial valuation of the UK Scheme, which was carried out by independent qualified actuaries, are 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'.

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.