**Cookson Precious Metals Limited**

# Directors' report and financial statements

Registered number 2775187

For the year ended 31 December 2011



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# Directors' report

The directors present their report and audited financial statements for the year ended 31 December 2011

**Principal activities**

The Company's principal activities are the manufacture and supply of fabricated precious metal products to the jewellery industry in the UK and Continental Europe There have not been any significant changes in the Company's principal activities in the year under review The Directors are not, at the date of this report, aware of any likely major changes in the Company's activities in the next year

**Business review and principal activities**

The Company is a wholly-owned subsidiary of Cookson Group plc ("Cookson") and operates as part of Cookson's Precious Metals division

As shown in the Company's profit and loss account on page 7, the Company's gross profit increased by £590,000 or 4 6% compared to 2010 This was due to increased income from precious metal refining, and this also contributed to a 1 7% increase in the gross profit margin from 22 3% to 24 0% in 2011 Operating profit decreased by £715,000 or 20 7% Contributing factors are the inclusion of exceptional costs pertaining to internal restructuring, and increased sales and distribution costs in respect of specific product reviews and development

While reflecting the profit for the year, the balance sheet on page 8 of the financial statements shows that the Company's financial position at the year-end, is otherwise consistent with the prior year

There have been no significant events since the balance sheet date which should be considered for a proper understanding of these financial statements

Cookson manages its operations on a divisional basis For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business The performance of the Precious Metals division of Cookson, which includes the Company, is discussed in Cookson's Annual Report which does not form part of this Report

**Research and development**

The Cookson division of which the Company is a part of invests in research and development activities appropriate to the nature and size of its operations with the aim of supporting the future development of the Company, as a part of the division, in the medium to long-term future This research and development activity has resulted in a number of updates to existing products

**Principal risks and uncertainties**

Competitive pressure in Europe, India and the Far East is a continuing risk for the Company, which could result in it losing sales to its key competitors To manage this risk, the Company strives to provide added-value products and services to its customers, prompt response times in the supply of products and services and in the handling of customer queries, and through the maintenance of strong relationships with customers

The Company sells products into international markets and it is therefore exposed to currency movements on such sales Where appropriate, the Company manages this risk with forward foreign exchange contracts in line with Cookson's treasury policies

The Company's businesses may be affected by fluctuations in the price and supply of key raw materials, although purchasing policies and practices seek to mitigate, where practicable, such risks

# Directors' report *(continued)*

**Principal risks and uncertainties** *(continued)*

The Company is a member of Cookson's multi-employer UK defined benefit pension plan, which is currently in deficit The funding level of this pension plan is subject to adverse change resulting from movements in the actuarial assumptions underlying the calculation of plan liabilities, including decreasing discount rates and increasing longevity of plan members, as well as declines in the market value of plan investments The UK pension plan is closed to new members and deficit-reduction contributions in addition to the normal cash contributions due are being made under the terms of a repayment schedule agreed with the plan Trustee With the aim of reducing volatility in the UK plan deficit, and with Company endorsement, the UK plan Trustee has entered into swap arrangements to mitigate the impact of changes in interest rates and inflation on the UK plan's liabilities Significant adverse changes in the actuarial assumptions underlying the UK plan valuation and the Company's share of any deficit-reduction contributions made into the plan could materially impact the Company's trading results

The Company is financed by a combination of share capital and a fixed rate loan from its parent and has no long term third party debt

The Group risks to which Cookson is exposed are discussed in Cookson's Annual Report which does not form part of this Report

**Environment**

Cookson recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities The Company operates in accordance with Cookson policies, as noted in Cookson's Annual Report, which does not form part of this Report Initiatives aimed at minimising the Company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption

**Employees**

Details of the number of employees and related costs can be found in note 6 to the financial statements

Applications for employment by disabled persons are considered fully, bearing in mind the aptitudes of the applicant concerned In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees

The Company participates in Cookson's policies and practices to keep employees informed on matters relevant to them as employees through appropriate means, such as employee meetings and newsletters

**Dividends**

The directors do not propose the payment of a dividend *(2010 £Nil)*

**Directors and directors' interests**

The directors who served during the year were

| | |
|---|---|
| RV Powers | (resigned 16 January 2012) |
| SC Layton | |
| SJ Bate | |
| B Elliston | |
| R Malthouse | |
| R Fell | |
| R Oldroyd | |
| P Evans | (appointed 1 April 2011) |

There is no officially appointed chairman of the Company

**Donations**

Donations in the UK for charitable purposes totalled £Nil *(2010 £2,777)*

# Directors' report *(continued)*

**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 2011 was 50 *(2010 59)*

**Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

**Auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

By order of the board

**P Evans**
*Director*

59-83 Vittoria Street
Birmingham
B1 3NZ

13 July 2012

# Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 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
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

# Independent auditor's report to the members of Cookson Precious Metals Limited

We have audited the financial statements of Cookson Precious Metals Limited for the year ended 31 December 2011 set out on pages 7 to 17 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor**

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

## Independent auditor's report to the members of Cookson Precious Metals Limited
*(continued)*

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

**X Timmermans (Senior Statutory Auditor)**
**for and on behalf of KPMG Audit Plc, Statutory Auditor**
*Chartered Accountants*

17 July 2012

# Profit and loss account
*for the year ended 31 December 2011*

| | *Note* | **2011** **£000** | 2010 £000 |
|---|---|---|---|
| **Turnover** | *2* | **55,443** | 56,940 |
| Cost of sales | | **(42,151)** | (44,238) |
| **Gross profit** | | **13,292** | 12,702 |
| Distribution costs | | **(5,245)** | (5,028) |
| Administrative expenses (including exceptional items of £170,000 *(2010 £Nil)*) | *3* | **(5,302)** | (4,214) |
| **Operating profit** | | **2,745** | 3,460 |
| Interest payable and similar charges | *4* | **(1,244)** | (1,357) |
| Profit from disposal of investment | *10* | **558** | - |
| **Profit on ordinary activities before taxation** | *5* | **2,059** | 2,103 |
| Tax on profit on ordinary activities | *8* | **-** | - |
| **Profit on ordinary activities after taxation being profit for the financial year** | *17* | **2,059** | 2,103 |

The movement on reserves is set out in note 17

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 2011***

| | *Note* | **2011** **£000** | **£000** | 2010 £000 | £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | *9* | | **3,119** | | 3,457 |
| Investments | *10* | | **-** | | 2,581 |
| | | | **3,119** | | 6,038 |
| **Current assets** | | | | | |
| Stocks | *11* | **1,502** | | 2,187 | |
| Debtors | *12* | **8,603** | | 9,242 | |
| Cash at bank and in hand | | **10,081** | | 7,874 | |
| | | **20,186** | | 19,303 | |
| **Creditors** amounts falling due within one year | *13* | **(6,662)** | | (10,792) | |
| **Net current assets** | | | **13,524** | | 8,511 |
| **Total assets less current liabilities** | | | **16,643** | | 14,549 |
| **Creditors** amounts falling due after more than one year | *14* | | **(3,871)** | | (3,871) |
| **Provision for liabilities and charges** | *15* | | **(52)** | | (17) |
| **Net assets** | | | **12,720** | | 10,661 |
| **Capital and reserves** | | | | | |
| Called up share capital | *16* | | **30,000** | | 30,000 |
| Profit and loss account | *17* | | **(17,280)** | | (19,339) |
| **Shareholders' funds** | | | **12,720** | | 10,661 |

These financial statements were approved by the board of directors on 13 July 2012 and were signed on its behalf by

**SC Layton**
*Director*

Company number 2775187

# 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 in accordance with applicable accounting standards and the historical cost accounting rules

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 section 400 of the Companies Act 2006, from the requirement to prepare group accounts These financial statements present information about the Company as an individual undertaking and not about its group

*Going concern*

After making enquiries into the future trading forecasts and cash requirements the directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Company has adequate resources to meet its obligations and continue in operational existence for the foreseeable future For these reasons, the directors continue to adopt the going concern basis in preparing the directors report and accounts

*Turnover*

Turnover represents the net amount receivable, excluding value added tax, for goods and services supplied to external customers Revenue is recognised when the principal risks and rewards of ownership transfer to the customer which is normally at the point of despatch

*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

# Notes *(continued)*

## 1 Accounting policies *(continued)*

***Impairment of fixed assets***

The carrying amounts of the Group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable If any such indication exists, the asset's recoverable amount is estimated

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset

***Investments***

Investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off

***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 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

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 contribution pension scheme

The Company also participated 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

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

# Notes *(continued)*

## 2 Turnover

Turnover and pre-tax profit, 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

| | 2011 £000 | 2010 £000 |
|---|---|---|
| United Kingdom | **49,341** | 50,479 |
| Continental Europe | **4,905** | 4,781 |
| Rest of the world | **1,197** | 1,680 |
| | **55,443** | 56,940 |

## 3 Administrative expenses

*Exceptional items included in administrative expenses*

During the year, following a review of the operating activities of the Company, a decision was made to restructure activity in a number of business areas As a result of this decision, costs associated with the restructuring of these activities amounting to £170,000 have been charged as exceptional items in the year

## 4 Interest payable and similar charges

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Bank loans and overdrafts | **39** | 39 |
| Interest payable to group undertakings | **114** | 104 |
| Precious metals leasing interest | **1,091** | 1,214 |
| Net interest payable | **1,244** | 1,357 |

## 5 Profit on ordinary activities before taxation

| | 2011 £000 | 2010 £000 |
|---|---|---|
| ***Profit on ordinary activities before taxation is stated*** | | |
| *after charging* | | |
| Depreciation of tangible fixed assets | **448** | 449 |
| Operating lease rentals - land and building | **110** | 110 |
| Operating lease rentals - other | **95** | 97 |
| Auditor's remuneration in respect of audit of these financial statements | **46** | 46 |

Amounts receivable by the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Cookson Group plc

# Notes *(continued)*

## 6 Staff numbers and costs

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

| | Number of employees | |
|---|---|---|
| | **2011** | 2010 |
| Production | **53** | 53 |
| Administration and selling | **138** | 140 |
| | **191** | 193 |

The aggregate payroll costs during the year amounted to

| | **£000** | £000 |
|---|---|---|
| Wages and salaries | **5,715** | 5,826 |
| Social security costs | **496** | 461 |
| Other pension costs | **632** | 549 |
| | **6,843** | 6,836 |

## 7 Directors' emoluments

| | **2011** | 2010 |
|---|---|---|
| | **£000** | £000 |
| Emoluments for services as directors | **546** | 444 |
| Pension contributions | **72** | 52 |
| | **618** | 496 |

Three directors are members of the defined benefit pension scheme *(2010 five)*

Four directors are members of the defined contribution scheme *(2010 four)*

Emoluments for services as directors in respect of the highest paid director amounted to £231,000 *(2010 £200,000)* and contributions to defined contribution pension schemes amounted to £35,000 *(2010 £20,000)*

## Notes *(continued)*

### 8 Taxation on profit on ordinary activities

The current tax charge for the year is £546,000 lower *(2010 £588,000 lower)* than the standard rate of corporation tax in the UK of 26 5% *(2010 28%)* The differences are explained below

| | 2011 £000 | 2010 £000 |
|---|---|---|
| *Current tax charge* | | |
| UK corporation tax at 26 5% *(2010 28%)* | - | - |
| Adjustments in respect of previous periods | - | - |
| Tax on profits from ordinary activities | - | - |

***Factors affecting the tax charge for the current period***

| | 2011 £000 | 2010 £000 |
|---|---|---|
| *Current tax reconciliation* | | |
| Profit on ordinary activities before tax | **2,059** | 2,103 |
| Current tax charge at 26 5% *(2010 28%)* | **546** | 588 |
| *Effects of* | | |
| Income not liable to tax | **(148)** | - |
| Expenses not deductible for tax purposes | **19** | 16 |
| Depreciation for the period in excess of capital allowances | **94** | 61 |
| Other timing differences | **(3)** | (23) |
| Utilisation of tax losses brought forward | **(508)** | (642) |
| Total current tax (see above) | - | - |

The unrecognised deferred tax asset is approximately £2 8 million *(2010 £3 6 million)* in respect of operating losses, £Nil *(2010 £Nil)* in respect of other timing differences and a liability of £0 4 million *(2010 liability £0 5 million)* for accelerated capital allowances If circumstances change in the future resulting in the recoverability of the deferred tax asset becoming more certain the asset will be recognised This will only be the case if there is persuasive and reliable evidence suggesting that suitable taxable profits will be generated in the future

The 2011 Budget on 23 March 2011 announced that the UK corporation tax rate will reduce to 23% over a period of 4 years from 2011 The first reduction in the UK corporation tax rate from 28% to 27% (effective from 1 April 2011) was substantively enacted on 20 July 2010, and further reductions to 26% (effective from 1 April 2011) and 25% (effective from 1 April 2012) were substantively enacted on 29 March 2011 and 5 July 2011 respectively

The 2012 Budget on 21 March 2012 announced a further reduction in the corporation tax rate to 24% (effective from 1 April 2012) This was substantively enacted on 26 March 2012 Further 2% rate reductions in future periods will reduce the UK corporation tax rate to 22% over the next 2 years This will reduce the company's future current tax charge accordingly

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future current tax charge

# Notes *(continued)*

## 9 Tangible fixed assets

| | Land and buildings | Plant, machinery and motor vehicles | Total |
|---|---|---|---|
| | £000 | £000 | £000 |
| *Cost* | | | |
| At beginning of year | 2,903 | 2,899 | 5,802 |
| Additions | - | 295 | 295 |
| Disposals | - | (1,126) | (1,126) |
| At end of year | 2,903 | 2,068 | 4,971 |
| ***Depreciation*** | | | |
| At beginning of year | 1,057 | 1,288 | 2,345 |
| Charge for year | 66 | 382 | 448 |
| Disposals | - | (941) | (941) |
| At end of year | 1,123 | 729 | 1,852 |
| ***Net book value*** | | | |
| **At 31 December 2011** | **1,780** | **1,339** | **3,119** |
| At 31 December 2010 | 1,846 | 1,611 | 3,457 |

The net book value of land and buildings comprises

| | 2011 | 2010 |
|---|---|---|
| | **£000** | £000 |
| Freehold land | **116** | 116 |
| Freehold buildings | **689** | 461 |
| Long leasehold land and buildings | **975** | 1,269 |
| | **1,780** | 1,846 |

## 10 Fixed asset investments

| | Shares in group undertakings |
|---|---|
| | £000 |
| *Cost* | |
| At beginning of year | 2,581 |
| Disposed in the year | (2 581) |
| **At end of year** | - |

Investments included a 100% holding in the ordinary share capital of Premier Metals Limited which owned 100% of the ordinary share capital of The Premier Chain Co Limited Both companies were registered in England and Wales Both subsidiary companies were dissolved on 13 July 2011 This dissolution resulted in a distribution of £3,169,000, which after offset against the carrying value of the investment of £2,581,000, resulted in a net surplus taken to the profit and loss account in the year of £588,000

# Notes *(continued)*

## 11 Stocks

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Raw materials and consumables | **16** | 20 |
| Work in progress | **102** | 72 |
| Finished goods and goods for resale | **1,384** | 2,095 |
| | **1,502** | 2,187 |

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 2011 of £27 8 million *(2010 £20 4 million)* The Company also held precious metal on behalf of customers for processing, the total value of which at 31 December 2011 was £7 2 million *(2010 £6 8 million)*

The Company has entered into various precious metal consignment arrangements with precious metal consigning entities ("the Consignor") The metal which the Company fabricates for its customers may be purchased by the Company from a Consignor and sold concurrently to the customer, or may be consigned and sold directly for a Consignor to the Company's customers, with the Company charging customers only for the fabrication process As the Consignors retain title and associated risks and rewards of ownership under these arrangements, the value of the physical metal so held is not recognised in the Company balance sheet Consequently, the obligations in respect of the consigned metal are not recognised as a liability in the Company balance sheet The utilisation of consigned precious metals is established practice in the precious metals industry

## 12 Debtors. amounts falling due within one year

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Trade debtors | **4,431** | 5,382 |
| Amounts owed by group undertakings | **3,911** | 3,485 |
| Prepayments and accrued income | **261** | 375 |
| | **8,603** | 9,242 |

## 13 Creditors: amounts falling due within one year

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Bank overdraft | **1,579** | 1,251 |
| Trade creditors | **1,498** | 2,309 |
| Amounts owed to group undertakings | **549** | 4,440 |
| Other taxation and social security | **379** | 379 |
| Accruals and deferred income | **2,657** | 2,413 |
| | **6,662** | 10,792 |

# Notes *(continued)*

## 14 Creditors. amounts falling due after more than one year

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Amounts owed to group undertakings | **3,871** | 3,871 |

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

## 15 Provisions for liabilities and charges

| | £000 |
|---|---|
| At beginning of year | 17 |
| Provided during the year | 45 |
| Utilised during the year | (10) |
| **At end of year** | **52** |

The provisions relate to the expected costs of the group restructuring commenced in the prior year and are expected to be utilised within the next 12 months

## 16 Called up share capital

| | 2011 £000 | 2010 £000 |
|---|---|---|
| *Allotted, called up and fully paid* | | |
| 30,000,002 *(2011 30,000,002)* ordinary shares of £1 each | **30,000** | 30,000 |

## 17 Profit and loss account

| | £000 |
|---|---|
| At beginning of year | (19 339) |
| Retained profit for the year | 2,059 |
| **At end of year** | **(17,280)** |

## 18 Reconciliation of movements in shareholders' funds

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Profit for the financial year | **2,059** | 2,103 |
| Increase in shareholders' funds | **2,059** | 2,103 |
| Shareholders' funds at beginning of year | **10,661** | 8,558 |
| **Shareholders' funds at end of year** | **12,720** | 10,661 |

# Notes *(continued)*

## 19 Capital and financial commitments

The Company has £116,000 of capital commitments at 31 December 2011 *(2010 £22,000)*

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

| | 2011 Land and buildings £000 | Other £000 | 2010 Land and buildings £000 | Other £000 |
|---|---|---|---|---|
| Operating leases which expire | | | | |
| Within one year | 105 | 9 | - | 13 |
| Within two and five years | - | 76 | 105 | 53 |
| In more than five years | 6 | - | 6 | - |
| | 111 | 85 | 111 | 66 |

## 20 Pension costs

The Company operates a defined contribution pension scheme The pension cost charge represents contributions payable by the Company to the fund and amounted to £632,000*(2010 £242,000)* Contributions amounting to £Nil *(2010 £Nil)* were payable to the fund at the period end and are included in creditors

The Company also participated 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 contributions scheme The UK Scheme was closed to new members and future benefits accruals, following the completion of the required period of consultation with its employees Costs charged in the year in respect of its contributions to the UK Scheme were £Nil *(2010 £307,000)*

Particulars of the latest actuarial valuation and deficit 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, which are available at the address given in note 21 In 2012, the group is expected to make aggregate contributions into its defined benefit pension and other post retirement benefit plans of around £20 million

## 21 Ultimate holding Company

The Company's immediate and ultimate holding Company is Cookson Group plc, which is incorporated in Great Britain

The smallest and largest group in which this Company's accounts are consolidated is Cookson Group plc Copies of the group financial statements of Cookson Group plc are available from 165 Fleet Street, London, EC4A 2AE

## 22 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