

**Cookson Precious Metals Limited**

**Directors' report and financial  
statements**

**Registered number 2775187**

**31 December 2000**



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## Directors' report

The directors present their report and audited financial statements for the year ended 31 December 2000.

### 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 1 October 2000, the company acquired the trade, fixed assets and stock of certain parts of Engelhard-CLAL UK Limited, a supplier and processor of precision metals.

### Proposed dividend

The directors do not recommend the payment of a dividend (1999: £Nil).

### Donations

Donations in the UK for charitable purposes totalled £1,009 (1999: £982). 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 2000 was 48.

### Directors and directors' interests

The directors who served during the year were:

JW Conley (resigned 1 March 2000)  
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 31 December 2000		At 1 January 2000		Share option movements in year		
	Ordinary shares	Share options	Ordinary shares	Share options	Granted	Exercised	Lapsed
RV Powers	3,070	631,382	2,998	520,285	136,066	24,969	-
SL Howard	148,836	3,298,174	90,650	2,787,222	544,244	33,292	-
SC Dorsett	-	87,294	-	69,314	17,980	-	-
SJ Bate	-	39,308	-	29,921	9,387	-	-

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

31 December 2001

## **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 2000 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

31 December 2001

**Profit and loss account**  
*for the year ended 31 December 2000*

	<i>Note</i>	<b>Continuing operations</b>	<b>Acquisitions</b>	<b>Total</b>	<b>Total</b>
		<b>2000</b>	<b>2000</b>	<b>2000</b>	<b>1999</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>52,291</b>	<b>3,078</b>	<b>55,369</b>	<b>53,373</b>
<b>Cost of sales</b>		<b>(40,934)</b>	<b>(2,696)</b>	<b>(43,630)</b>	<b>(41,151)</b>
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Gross profit</b>		<b>11,357</b>	<b>382</b>	<b>11,739</b>	<b>12,222</b>
Distribution costs		(5,115)	(104)	(5,219)	(4,770)
Administrative expenses		(2,786)	(218)	(3,004)	(3,055)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Operating profit</b>		<b>3,456</b>	<b>60</b>	<b>3,516</b>	<b>4,397</b>
		<hr/>	<hr/>	<hr/>	<hr/>
Interest payable and similar charges	<b>3</b>			(3,923)	(3,191)
				<hr/>	<hr/>
<b>(Loss)/profit on ordinary activities before taxation</b>	<b>4</b>			<b>(407)</b>	<b>1,206</b>
Tax on (loss)/profit on ordinary activities	<b>7</b>			(3)	(279)
				<hr/>	<hr/>
<b>(Loss)/profit on ordinary activities after taxation and retained (loss)/profit for the financial year</b>				<b>(410)</b>	<b>927</b>
Retained deficit brought forward				(1,878)	(2,805)
				<hr/>	<hr/>
<b>Retained deficit carried forward</b>				<b>(2,288)</b>	<b>(1,878)</b>
				<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 2000*

	Note	2000 £000	1999 £000
<b>Fixed assets</b>			
Intangible assets :			
Goodwill	8	1,540	211
Tangible assets	10	8,272	8,046
Investments	11	3,200	3,200
		<u>13,012</u>	<u>11,457</u>
<b>Current assets</b>			
Stocks	12	7,017	6,751
Debtors	13	16,985	12,822
Cash at bank and in hand		7,046	10,616
		<u>31,048</u>	<u>30,189</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(14,618)</u>	<u>(10,161)</u>
<b>Net current assets</b>		<u>16,430</u>	<u>20,028</u>
<b>Total assets less current liabilities</b>		<u>29,442</u>	<u>31,485</u>
<b>Creditors: amounts falling due after more than one year</b>	15	<u>(25,730)</u>	<u>(27,363)</u>
<b>Net assets</b>		<u>3,712</u>	<u>4,122</u>
<b>Capital and reserves</b>			
Called up share capital	17	6,000	6,000
Profit and loss account		(2,288)	(1,878)
<b>Equity shareholders' funds</b>	18	<u>3,712</u>	<u>4,122</u>

These financial statements were approved by the board of directors on 31 December 2001 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:

	2000 £000	1999 £000
United Kingdom	48,959	46,092
Continental Europe	5,629	5,940
Rest of the world	781	1,341
	<hr/> 55,369	<hr/> 53,373

### 3 Net interest payable and similar charges

	2000 £000	1999 £000
Interest payable to group undertakings	1,938	1,080
Precious metals leasing interest	2,254	1,776
Net bank interest (receivable)/payable	(269)	335
	<hr/> 3,923	<hr/> 3,191

## Notes (continued)

### 4 (Loss)/profit on ordinary activities before taxation

2000	1999
£000	£000

*(Loss)/profit on ordinary activities before taxation is stated*

*after charging/(crediting)*

Depreciation of tangible fixed assets	689	552
Amortisation of capital grants	(11)	(2)
Amortisation of goodwill	28	11
Hire of land and buildings - rentals payable under operating leases	277	212
Hire of other assets - operating leases	169	238
Auditor's remuneration	39	37
Non-audit fees paid to the auditor	23	15
	<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	
2000	1999

Production	257	247
Administration and selling	183	175
	<hr/>	<hr/>
	440	422
	<hr/>	<hr/>

The aggregate payroll costs during the year amounted to:

£000	£000
------	------

Wages and salaries	7,513	7,652
Social security costs	577	567
Other pension costs	674	438
	<hr/>	<hr/>
	8,764	8,657
	<hr/>	<hr/>

### 6 Directors' emoluments

2000	1999
£000	£000

Emoluments for services as directors	157	138
Pension contributions	13	14
	<hr/>	<hr/>
	170	152
	<hr/>	<hr/>

Two directors are members of the defined benefit pension schemes (1999: two)

**Notes (continued)**

**7 Tax on (loss)/profit on ordinary activities**

	<b>2000</b>	<b>1999</b>
	<b>£000</b>	<b>£000</b>
UK corporation tax at 30% (1999: 30%)	-	54
Adjustment in respect of previous year:		
Corporation tax	<b>3</b>	<b>225</b>
	<hr/>	<hr/>
	<b>3</b>	<b>279</b>
	<hr/>	<hr/>

**8 Intangible fixed assets**

	<b>Goodwill</b>
	<b>£000</b>
<i>Cost</i>	
At start of year	228
Acquisitions	1,357
	<hr/>
At end of year	1,585
	<hr/>
<i>Amortisation</i>	
At start of year	17
Charged in year	28
	<hr/>
At end of year	45
	<hr/>
<i>Net book value</i>	
At 31 December 2000	<b>1,540</b>
	<hr/>
At 31 December 1999	211
	<hr/>

## Notes (continued)

### 9 Acquisitions

On 1 October 2000, the company acquired certain of the trade and assets of Engelhard-CLAL UK Limited.

	<b>Book value of assets acquired £000</b>
Fixed assets	109
Stock	1,430
Liabilities	(499)
	<hr/>
Net assets acquired	1,040
Acquisition costs	(197)
Goodwill	1,357
	<hr/>
Cash consideration	2,200
	<hr/>

The consideration and fair values of net assets acquired can be determined only on a provisional basis. This is because the fair value process has yet to be finalised.

Any subsequent material adjustments to the consideration or fair values of net assets acquired, and the consequent effect on goodwill, will be disclosed in the financial statements for the year ending 31 December 2001.

The statutory accounts of Engelhard-CLAL UK Limited for the year ended 31 December 1999, showed a profit after tax of £741,000. Since that date, the trade of Engelhard-CLAL UK Limited was integrated into the business of the vendor. Accordingly it is not practicable to disclose the trading result of this business from 1 January 2000 to 30 September 2000.

## Notes (continued)

### 10 Tangible fixed assets

	Land and buildings	Plant, machinery and motor vehicles	Total
	£000	£000	£000
<b>Cost</b>			
At beginning of year	2,862	7,541	10,403
Acquisitions (note 8)	-	109	109
Additions	60	748	808
Disposals	-	(9)	(9)
	<hr/>	<hr/>	<hr/>
At end of year	2,922	8,389	11,311
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At beginning of year	264	2,093	2,357
Charge for year	61	628	689
Disposals	-	(7)	(7)
	<hr/>	<hr/>	<hr/>
At end of year	325	2,714	3,039
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 2000	2,597	5,675	8,272
	<hr/>	<hr/>	<hr/>
At 31 December 1999	2,598	5,448	8,046
	<hr/>	<hr/>	<hr/>

The net book value of land and buildings comprises:

	2000 £000	1999 £000
Freehold land	116	116
Freehold buildings	743	743
Long leasehold land and buildings	1,738	1,739
	<hr/>	<hr/>
	2,597	2,598
	<hr/>	<hr/>

## Notes (continued)

### 11 Fixed asset investments

Shares in group  
undertakings  
£000

#### Cost

At 1 January 2000 and 31 December 2000

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

	2000 £000	1999 £000
Raw materials and consumables	1,516	2,728
Work in progress	1,794	1,634
Finished goods and goods for resale	3,707	2,389
	<u>7,017</u>	<u>6,751</u>

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 2000 of £76 million (1999: £71 million). The company also held precious metal on behalf of customers for processing, the total value of which at 31 December 2000 was £621,000 (1999: £1 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 £2,254,000 in 2000 (1999: £1,776,000).

### 13 Debtors

	2000 £000	1999 £000
Amounts falling due within one year:		
Trade debtors	14,435	10,398
Amounts owed by group undertakings	1,369	1,341
Other debtors	557	153
Prepayments and accrued income	624	930
	<u>16,985</u>	<u>12,822</u>

## Notes (continued)

### 14 Creditors: amounts falling due within one year

	2000 £000	1999 £000
Payments received on account	65	135
Trade creditors	7,654	6,266
Amounts owed to group undertakings	3,297	382
Corporation tax	839	842
Other taxation and social security	1,448	1,578
Accruals and deferred income	1,315	958
	<hr/> 14,618 <hr/>	<hr/> 10,161 <hr/>

### 15 Creditors: amounts falling due after more than one year

	2000 £000	1999 £000
Amounts owed to group undertakings	25,505	27,140
Accruals and deferred income - grants	225	223
	<hr/> 25,730 <hr/>	<hr/> 27,363 <hr/>

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

### 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:

	2000 £000	1999 £000
Excess of capital allowances over depreciation	400	35
Other timing differences	(227)	-
	<hr/> 173 <hr/>	<hr/> 35 <hr/>

### 17 Called up share capital

	2000 £000	1999 £000
<b>Authorised:</b>		
7,000,000 ordinary shares of £1 each	7,000	7,000
<b>Allocated, called up and fully paid:</b>		
6,000,002 ordinary shares of £1 each	6,000	6,000



## Notes (continued)

### 18 Reconciliation of movements in shareholders' funds

	2000 £000	1999 £000
(Loss)/profit for the financial year	(410)	927
Movement in shareholders' funds	(410)	927
Shareholders' funds at beginning of year	4,122	3,195
Shareholders' funds at end of year	3,712	4,122

### 19 Capital and financial commitments

The company had no capital commitments at 31 December 2000 (1999: £41,000).

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

	2000		1999	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
<b>Operating leases which expire:</b>				
Within one year	34	51	-	47
Within two and five years	33	89	1	120
In more than five years	249	-	258	-

### 20 Contingent liabilities

Under group banking arrangements the company has guaranteed overdrafts of other group companies. At 31 December 2000, group overdrafts amounted to £28.5 million (1999: £10.1 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.