Registered Number 1510877

Metalor Technologies UK Limited

Report and Financial Statements

31 December 2006

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Registered No 1510877

Directors
S D Morrison
P Stewart
A K H Hiltmann

Secretary
P Stewart

Auditors
Ernst & Young LLP
No 1 Colmore Square
Birmingham
B4 6HQ

Registered office
74 Warstone Lane
Birmingham
B18 6NG

Directors' report

The directors present their report and financial statements for the year ended 31 December 2006

Results and dividends

The profit after tax for the year amounted to £660,000 The directors do not recommend the payment of any dividends

Principal activities and review of the business

The company trades as an importer and factor of semi-fabricated precious metals The company has an overseas branch in Denmark

2006 was another challenging year for all divisions as the company continues to operate in a shrinking manufacturing base However the business continues to benefit from the strategic decisions made in previous years, resulting in a substantial increase in growth and operating profits

The company has traded for many years with three main divisions, Advanced Coatings, Watches and Jewellery, and Electro Technics In 2006 an additional division, Refining, started producing and selling in the UK The total company sales show an increase of 73% in value compared to 2005 Analysis of the increase shows Advanced Coatings having a particularly successful year, and together with Refining, the two divisions achieved most of the sales increase In addition to this Watches and Jewellery and Electro Technics also reported positive sales growth over 2005

The company's key financial figures are detailed below

	2006	2005	Change
	£'000	£'000	%
Turnover	119,354	68,935	+73%
Operating profit	1,666	1,238	+35%
Profit after taxation	660	606	+9%
Shareholder's funds	2,889	2,253	+28%

Future Developments

It is anticipated the business will continue to trade at the same sales level, however upward pressures on costs, particularly for shipping and distribution, are causing concern

Foreign currency risk

The company buys and sells goods and services denominated in currencies other than sterling As a result, the value of the business' non-sterling denominated revenues, purchases, financial assets and liabilities and cash flows can be affected by movements in exchange rates

Credit risk

In the normal course of business, the company sells items on deferred terms to other parties Any risk associated with these third parties failing to honour their obligations arising from these transactions is minimised through rigorous credit control procedures with deferred terms only being granted to customers who demonstrate an appropriate payment history and satisfy other financial requirements Individual exposures are continuously monitored on a customer by customer basis to ensure that exposure to bad debts is minimised As a result of this, goods may sometimes only be supplied on a cash-with-order basis or supply declined entirely

Directors' report

Directors
The current directors are listed on Page 1

The directors who served the company during the year were as follows

D W J Gilmour	(resigned 2 September 2007)
M A M Bless	(resigned 5 September 2007)
A K H Hiltmann	
S D Morrison	(appointed 5 September 2007)
P Stewart	(appointed 5 September 2007)

There are no directors' interests requiring disclosure under the Companies Act 1985

Provision of information to auditors
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing this reporting, of which the auditor is unaware Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant information and to establish that the auditor is aware of that information

Auditors
A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

By order of the board

P Stewart
Secretary
6th June 2008

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to 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 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 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 proper accounting records that 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditors' report

to the members of Metalor Technologies UK Limited

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 18 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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 whether in our opinion the information given in the directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions is not disclosed

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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

Independent auditors' report
to the members of Metalor Technologies UK Limited (continued)

Opinion
In our opinion
- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP
Ernst & Young LLP
Registered auditor
Birmingham
Date 6.6.08

Profit and loss account
for the year ended 31 December 2006

	Notes	2006 £000	2005 £000
Turnover	2	119,354	68,935
Change in stocks of finished goods and manufactured element of consigned goods		(759)	(381)
Raw materials and consumables		(112,973)	(63,190)
Other external charges		(1,753)	(1,927)
Staff costs	5	(2,040)	(2,021)
Depreciation	3	(163)	(178)
Operating profit	3	1,666	1,238
Interest payable and similar charges	6	(882)	(588)
Profit on ordinary activities before taxation		784	650
Tax on profit on ordinary activities	7	(124)	(44)
Profit on ordinary activities after taxation and retained profit for the financial year	16	660	606

The result for the year arises from continuing activities

Statement of total recognised gains and losses
For the year ended 31 December 2006

	2006	*2005*
	£000	*£000*
Profit for the financial year	660	606
Currency translation differences on foreign currency net investments	(24)	-
Total gains and losses recognised since the last annual report	636	606

Balance sheet
At 31 December 2006

	Notes	2006 £000	2005 £000
Fixed assets			
Tangible assets	8	601	652
Current assets			
Stocks	9	757	1,516
Debtors	10	9,843	6,296
Cash in hand		1,555	1,454
		12,155	9,266
Creditors amounts falling due within one year	11	(9,867)	(7,606)
Net current assets		2,288	1,660
Total assets less current liabilities		2,889	2,312
Creditors amounts falling due after more than one year	12	-	(59)
		2,889	2,253
Capital and reserves			
Called up share capital	15	150	150
Profit and loss account	16	2,739	2,103
Equity shareholders' funds	16	2,889	2,253

P Stewart
Director

6th June 2008

Notes to the financial statements
At 31 December 2006

1. Accounting policies

Basis of preparation
The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

Cash flow statement
The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements

Related parties transactions
The company is a wholly owned subsidiary of Metalor Technologies International SA, the consolidated accounts of which are publicly available Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the group

Fixed assets
All fixed assets are initially recorded at cost

Depreciation
Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows

Freehold buildings	- 50 years
Leasehold improvements	- over the lease term
Plant & equipment	- 1-10 years
Fixtures & fittings	- 3-20 years
Motor vehicles	- 3-4 years

Stocks
Stocks are valued at the lower of cost and net realisable value Provision is made for obsolete, slow-moving or defective items where appropriate

The principal benefits, and the risks inherent in these benefits, of holding the fine metal content of the consigned goods, are borne by the parent undertaking Consequently only the manufactured element of consigned goods is recognised as an asset in the balance sheet of the company A leasing charge on the fine metal content of such consignment stocks is paid to the parent undertaking

Manufactured element of consigned goods is valued on the basis of direct costs plus attributable overheads based on normal level of activity Provision is made for any foreseeable losses where appropriate No element of profit is included in the valuation of manufactured element of consigned goods

Notes to the financial statements
At 31 December 2006

1. Accounting policies (continued)

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies
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 retranslated at the rate of exchange ruling at the balance sheet date All differences are taken to the profit and loss account

The financial result of the overseas branch is translated at average rate The financial statements of the overseas branch are translated at the rate ruling at the balance sheet date The exchange difference arising on the re-translation of the opening net assets of this branch and the results for the year translated to closing rate is taken directly to reserves

Operating lease agreements
Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term

Pension costs
The company contributes to a defined contribution pension scheme, the assets of the scheme are held separately from those of the company in an independently administered fund

The company also operates a defined benefit pension scheme, the UBS (UK) Pension & Life Assurance Scheme (a multi-employer scheme) as the Metalor group of companies were previously part of the Swiss Banking Corporation group This scheme is now closed to new members The pension cost is assessed in accordance with the advice of a qualified actuary using the projected unit method The company has accounted for the scheme as if it were a defined contribution scheme as they are unable to identify its share of the underlying assets and liabilities Full information is available in the accounts of UBS Bank AG

Contributions for both schemes are charged in the profit and loss account as they become payable in accordance with the rules of the schemes

Notes to the financial statements
At 31 December 2006

2. Turnover
Turnover comprises the invoiced value of sales exclusive of VAT, on the continuing activities of the company In the opinion of the directors, the disclosure of the geographical analysis of turnover would be prejudicial to the interests of the company

3. Operating profit

This is stated after charging/(crediting)

		2006 *£000*	*2005* *£000*
Auditors' remuneration	- audit services	33	32
	- taxation services	8	7
Depreciation of owned fixed assets		163	178
Profit on disposal of fixed assets		(28)	(24)
Operating lease rentals	- land & buildings	167	196
	- other	1	4

4. Directors' emoluments

	2006 *£000*	*2005* *£000*
Emoluments	88	85
Value of company pension contributions to defined benefits schemes	14	14

There was 1 (2005 1) director to which the company made pension contributions to the defined benefits scheme

Notes to the financial statements

At 31 December 2006

5. Staff costs

	2006 £000	2005 £000
Wages and salaries	1,766	1,720
Social security costs	125	131
Other pension costs (note 13)	149	170
	2,040	2,021

The monthly average number of employees during the year was as follows

	2006 No	2005 No
Staff	52	56

6. Interest payable and similar charges

	2006 £000	2005 £000
Group interest payable	330	267
Leasing charges on consignment stock	552	321
	882	588

7. Taxation on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2006 £000	2005 £000
Current tax		
UK corporation tax	30	-
Overseas tax	53	44
Total current tax (note 7(b))	83	44
Deferred tax		
Origination and reversal of timing differences	41	-
Tax on profit on ordinary activities	124	44

Notes to the financial statements
At 31 December 2006

7. Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 30% (2005 - 30%) The differences are reconciled below

	2006 *£000*	*2005* *£000*
Profit on ordinary activities before taxation	784	650
Profit on ordinary activities multiplied by the standard rate of tax	235	195
Expenses not deductible for tax purposes	8	15
Capital allowances in advance of depreciation	(16)	(17)
Higher taxes on overseas earnings	53	44
Utilisation of tax losses brought forward	(186)	(193)
Trade losses carried back	(11)	-
Total current tax (note 7(a))	83	44

The UK corporation tax rate decreased from 30% to 28% from 1 April 2008 This rate change will affect the amount of future cash payments to be made by the company

(c) Deferred tax

	2006 *£000*	*2005* *£000*
Capital allowances in advance of depreciation	17	38
Other timing differences	-	20
Deferred tax asset (note 10)	17	58

	£000	*£000*
At 1 January	58	58
Profit and loss account movement arising during the year	(41)	-
At 31 December	17	58

The company has not recognised the deferred tax asset arising on previous tax losses of £nil (2005 £147,000) due to the uncertainty of the timing and value of future taxable profits

Notes to the financial statements

At 31 December 2006

8. Tangible fixed assets

	Land and buildings Freehold property £000	Leasehold property £000	*Plant and machinery* £000	*Fixtures & fittings and motor vehicles* £000	*Total* £000
Cost					
At 1 January 2006	341	208	1,155	1,045	2,749
Additions	–	–	44	69	113
Disposals	–	-	-	(110)	(110)
At 31 December 2006	341	208	1,199	1,004	2,752
Depreciation					
At 1 January 2006	135	189	918	855	2,097
Provided during the year	24	-	70	69	163
Disposals	–	-		(109)	(109)
At 31 December 2006	159	189	988	815	2,151
Net book value					
At 31 December 2006	182	19	211	189	601
At 1 January 2006	206	19	237	190	652

9. Stocks

	2006 £000	*2005* £000
Precious metal stocks	139	185
Manufactured element of consigned goods	618	1,331
	757	1,516

The replacement cost of stocks approximates to the value at which they are stated in the financial statements The company operates in the precious metals market whereby the fine metal content is dealt with on a consignment basis As at 31 December 2006 the consignment position was as follows

	2006 £000	*2005* £000
Stock from parent company	22,371	23,910
Stock from third parties	2,976	987
Stock at third parties	(1,116)	(848)
	24,231	24,049

Notes to the financial statements
At 31 December 2006

10. Debtors

	2006 *£000*	*2005* *£000*
Trade debtors	8,871	6,048
Amounts due from group undertakings	863	41
Other debtors	92	149
Deferred taxation (note 7)	17	58
	9,843	6,296

11. Creditors: amounts falling due within one year

	2006 *£000*	*2005* *£000*
Trade creditors	534	776
Amounts owed to group undertakings	8,613	6,410
Corporation tax	30	-
Other taxation and social security	235	37
Accruals and deferred income	455	383
	9,867	7,606

Included within amounts due to group undertakings is an amount due to the immediate parent undertaking of £5,853,000 that is unsecured and repayable as follows

- £500,000 due on 15 January 2007, bearing interest at 6 32%
- £5,353,000 due on 15 January 2007, bearing interest at 6 32%

Included within amounts due to group undertakings in 2005 is an amount due to the immediate parent undertaking of £5,678,000 that is unsecured and repayable as follows

- £325,000 due on 9 January 2006, bearing interest at 5 86%
- £5,353,000 due on 31 March 2006, bearing interest at 5 86%

12. Creditors: amounts falling due after more than one year

	2006 *£000*	*2005* *£000*
Trade creditors	-	59

Notes to the financial statements
At 31 December 2006

13. Pensions

The company operates a defined contribution pension scheme, the assets of the scheme are held separately from those of the company in an independently administered fund

The company contributes to a defined benefit pension scheme, the UBS (UK) Pension & Life Assurance Scheme (a multi-employer scheme) as the Metalor group of companies were previously part of the Swiss Banking Corporation group This scheme is now closed to new members The pension cost is assessed in accordance with the advice of a qualified actuary using the projected unit method The company has accounted for the scheme as if it were a defined contribution scheme as they are unable to identify its share of the underlying assets and liabilities Full information is available in the accounts of UBS Bank AG

14. Related party transactions

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8

15. Share capital

		Authorised
	2006	*2005*
	£000	*£000*
Ordinary shares of £1 each	250	250

				Allotted, called up and fully paid
		2006		*2005*
	No	*£000*	*No*	*£000*
Ordinary shares of £1 each	150,000	150	150,000	150

Notes to the financial statements
At 31 December 2006

16. Reconciliation of shareholders' funds and movement on reserves

	Share capital *£000*	*Profit and loss account* *£000*	*Total share-holders' funds* *£000*
At 1 January 2005	150	1,497	1,647
Profit for the year	–	606	606
At 31 December 2005	150	2,103	2,253
Profit for the year	–	660	660
Currency translation differences on foreign currency net investments	–	(24)	(24)
At 31 December 2006	150	2,739	2,889

17. Commitments under operating leases
At 31 December 2006 the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings *2006* *£000*	*2005* *£000*	*Other* *2006* *£000*	*2005* *£000*
Operating leases which expire				
Within one year	118	15	-	4
In two to five years	59	162	-	-
In over five years	-	-	-	-
	177	177	-	4

18. Ultimate parent company
The company's immediate parent undertaking is Metalor Technologies International SA, a company incorporated in Switzerland The results of the company are consolidated in Metalor Technologies International SA This is the only group into which the results of the company are consolidated The consolidated financial statements are available to the public and may be obtained from Avenue du Vignoble 2, 2009 Neuchatel, Switzerland