Metalor Technologies (UK) Limited

Report and Financial Statements

31 December 2003

Registered No: 1510877

Directors
W A R Ferrier
R Held
D W J Gilmour
M A M Bless

Secretary
W A R Ferrier
D W J Gilmour

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 2003.

Results and dividends

The loss for the year, after taxation, amounted to £999,356. 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.

Directors

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

W A R Ferrier	
R Held	(Appointed 20 August 2003)
N Guggenheim	(Resigned 20 August 2003)
U Habermacher	(Resigned 20 August 2003)
P Emery	(Resigned 20 August 2003)
R H Voillat	(Appointed 20 August 2003, resigned 26 March 2004)

Subsequent to the year end the following appointments have been made:

D W J Gilmour	(Appointed 8 June 2004)
M A M Bless	(Appointed 16 June 2004)

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

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

W A R Ferrier
Secretary
9/9/04

Statement of directors' responsibilities in respect of the financial statements

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 of the company 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; 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 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 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.

Ernst & Young

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 2003 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 18. These financial statements have been prepared on the basis of 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 company 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 United Kingdom 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 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Birmingham

27 September 2004

Profit and loss account
for the year ended 31 December 2003

	Notes	2003 £	2002 £
Turnover	2	53,322,182	49,751,616
Change in stocks of finished goods and manufactured element of consigned goods		179,150	(1,564)
Amortisation of negative goodwill on Engelhard acquistion		–	191,688
Raw materials and consumables		48,847,550	44,830,401
Other external charges		3,213,160	1,970,840
Staff costs	5	2,273,236	2,037,147
Depreciation	3	177,367	163,303
Provision for onerous lease	3	(282,379)	425,600
Exchange differences		51,188	(2,387)
		54,100,972	49,234,780
Operating (loss)/profit	3	(778,790)	516,836
Interest payable	6	201,112	166,048
(Loss)/profit on ordinary activities before taxation		(979,902)	350,788
Tax on (loss)/profit on ordinary activities	7	19,454	110,253
(Loss)/profit retained for the financial year		(999,356)	240,535

Statement of total recognised gains and losses
for the year ended 31 December 2003

	2003	*2002*
	£	*£*
(Loss)/profit for the financial year	(999,356)	240,535
Currency translation differences on foreign currency net investments	22,545	34,145
Total gains and losses recognised since the last annual report	(976,811)	274,680

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Balance sheet
at 31 December 2003

	Notes	2003 £	2002 £
Fixed assets			
Tangible assets	8	566,530	636,643
Current assets			
Stocks	9	2,141,256	1,962,106
Debtors	10	8,208,314	8,010,537
Cash in hand		782,988	710,990
		11,132,558	10,683,633
Creditors: amounts falling due within one year	11	4,270,775	4,529,257
Net current assets		6,861,783	6,154,376
Total assets less current liabilities		7,428,313	6,791,019
Creditors: amounts falling due after more than one year	12	5,250,000	3,250,000
Provisions for liabilities and charges			
Provisions for liabilities and charges	14	39,705	425,600
		2,138,608	3,115,419
Capital and reserves			
Called up share capital	16	150,000	150,000
Profit and loss account	17	1,988,608	2,965,419
Equity shareholders' funds	17	2,138,608	3,115,419

R Held
Director
9/9/04

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Notes to the financial statements
at 31 December 2003

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.

Goodwill
Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classed as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Negative goodwill is capitalised, classed as a negative asset on the balance sheet and amortised over a period in line with the recognition of the underlying assets to which it relates.

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 holdings the fine metal content of the consigned goods, are borne by the parent ubdertaking. 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.

Notes to the financial statements
at 31 December 2003

1. Accounting policies (continued)

Work in progress
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.

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.

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 statements of overseas branches 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 these branches 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 operates a defined benefit scheme, which is closed to new members and a defined contribution pension scheme. Contributions for both schemes are charged in the profit and loss account as they become payable in accordance with the rules of the schemes.

2. Turnover
Turnover comprises the invoiced value of sales exclusive of VAT, on the continuing activity 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.

Notes to the financial statements
at 31 December 2003

3. Operating (loss)/profit

This is stated after charging/(crediting):

		2003	*2002*
		£	*£*
Auditors' remuneration	- audit services	27,800	27,000
	- non-audit services	3,700	3,700
		31,500	30,700
Directors' emoluments		110,462	112,610
Depreciation of owned fixed assets		188,155	192,436
Profit on disposal of fixed assets		(10,788)	(29,133)
Leasing charges on consigned stock		353,770	278,555
Net loss/(profit) on foreign currency translation		51,188	(2,387)
Release of provision for onerous lease costs (note 14)		(282,379)	425,600

4. Directors' emoluments

	2003	*2002*
	£	*£*
Emoluments	110,462	112,610
Value of company pension contributions to money purchase schemes	21,150	21,247

	2003	*2002*
	No.	*No.*
Members of defined benefit pension schemes	1	1

5. Staff costs

	2003	*2002*
	£	*£*
Wages and salaries	1,842,163	1,687,446
Social security costs	154,037	138,262
Other pension costs (note 13)	277,036	211,439
	2,273,236	2,037,147

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

	2003	*2002*
	No.	*No.*
Staff	63	57

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Notes to the financial statements
at 31 December 2003

6. Interest payable

	2003 £	2002 £
Bank interest payable	36,583	36,005
Group interest payable	164,529	130,043
	201,112	166,048

7. Tax

(a) Tax on (loss)/profit on ordinary activities
The tax charge is made up as follows:

	2003 £	2002 £
Current tax:		
UK corporation tax	(29,648)	114,943
Tax (over)/under provided in previous years	(8,035)	14,125
	(37,683)	129,068
Double taxation relief	–	(61,891)
	(37,683)	67,177
Overseas tax	60,220	70,143
Tax over provided in previous years	(25,208)	(26,314)
	35,012	43,829
Total current tax (note 7(b))	(2,671)	111,006
Deferred tax:		
Origination and reversal of timing differences	22,125	(753)
Tax on (loss)/profit on ordinary activities	19,454	110,253

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Notes to the financial statements
at 31 December 2003

7. Tax (continued)
(b) Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2002 - 30%). The differences are reconciled below:

	2003	*2002*
	£	*£*
(Loss)/profit on ordinary activities before taxation	(979,902)	350,788
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001:30%)	(293,971)	105,236
Expenses not deductible for tax purposes	10,524	24,497
Capital allowances in excess of depreciation	819	(10,732)
Other timing differences	(3,300)	(4,058)
Adjustments in respect of prior periods	(33,243)	(12,189)
Higher taxes on overseas earnings	60,220	8,252
Unrelieved tax losses carried forward	239,285	–
Double taxation relief	16,995	–
Total current tax (note 7(a))	(2,671)	111,006

(c) Deferred tax

	2003	*2002*
	£	*£*
Capital allowances in advance of depreciation	69,594	77,619
Other timing differences	-	14,100
Provision for deferred taxation	69,594	91,719

	£
At 1 January 2003	91,719
Profit and loss account movement arising during the year	(22,125)
At 31 December 2003	69,594

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Notes to the financial statements
at 31 December 2003

8. Tangible fixed assets

	Land and Buildings				
	Freehold Property	*Leasehold Property*	*Plant & Machinery*	*Fixtures & Fittings and motor vehicles*	*Total*
	£	*£*	*£*	*£*	*£*
Cost:					
At 1 January 2003	340,646	210,910	942,493	940,795	2,434,844
Additions	–	–	8,815	108,729	117,544
Exchange differences	–	–	1,813	2,026	3,839
Disposals	–	–	–	(57,331)	(57,331)
At 31 December 2003	340,646	210,910	953,121	994,219	2,498,896
Depreciation:					
At 1 January 2003	82,252	178,657	822,649	714,641	1,798,199
Provided during the year	20,697	6,451	4,971	156,037	188,156
Exchange differences	–	–	1,597	1,745	3,342
Disposals	–	–	–	(57,331)	(57,331)
At 31 December 2003	102,949	185,108	829,217	815,092	1,932,366
Net book value:					
At 31 December 2003	237,697	25,802	123,904	179,127	566,530
At 1 January 2003	258,394	32,253	119,844	226,154	636,645

9. Stocks

	2003	*2002*
	£	*£*
Precious metal stocks	709,783	319,523
Manufactured element of consigned goods	1,431,473	1,642,583
	2,141,256	1,962,106

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 2003 the consignment position was as follows:

	2003	*2002*
	£	*£*
From parent company	13,432,403	13,487,648
From third parties	2,153,214	2,015,764
To third parties	(1,769,566)	(1,848,534)
	13,816,051	13,654,878

Notes to the financial statements
at 31 December 2003

10. Debtors

	2003 £	2002 £
Trade debtors	7,410,599	7,517,011
Amounts owed by group undertakings	36,441	154,245
Corporation tax repayable	16,341	–
Prepayments and accrued income	675,339	247,562
Deferred taxation (note 7)	69,594	91,719
	8,208,314	8,010,537

11. Creditors: amounts falling due within one year

	2003 £	2002 £
Bank overdrafts	–	1,552,027
Trade creditors	417,772	303,122
Amounts owed to group undertakings	2,363,003	1,432,894
Corporation tax	–	103,172
Other taxation and social security	583,746	457,495
Accruals and deferred income	906,254	680,547
	4,270,775	4,529,257

The bank overdraft is secured by bond guarantees and indemnity facility.

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

	2003 £	2002 £
Amounts owed to group undertakings	5,250,000	3,250,000

Amounts due to the immediate parent undertaking are unsecured, repayable on 30 November 2003 and bears interest at the rate of LIBOR GBP 3M + 1%.

13. Pensions

a) Defined contribution scheme

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.

b) Defined benefit scheme

The company 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.

Notes to the financial statements
at 31 December 2003

14. Provisions for liabilities and charges

	Provision for onerous lease
	£
At 1 January 2003	425,600
Utilised in the year	(103,516)
Released to the Profit and Loss Account on assignment of lease	(282,379)
At 31 December 2003	39,705

15. Related party transactions

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

16. Share capital

		Authorised
	2003	*2002*
	£	£
Ordinary shares of £1 each	250,000	250,000

	Allotted, called up and fully paid			
		2003		*2002*
	No.	£	*No.*	£
Ordinary shares of £1 each	150,000	150,000	150,000	150,000

17. Reconciliation of shareholders' funds and movement on reserves

	Share capital	*Profit and loss account*	*Total share-holders' funds*
	£	£	£
At 1 January 2002	150,000	2,690,739	2,840,739
Profit for the year	–	240,535	240,535
Exchange differences	–	34,145	34,145
At 31 December 2002	150,000	2,965,419	3,115,419
Loss for the year	–	(999,356)	(999,356)
Exchange differences	–	22,545	22,545
At 31 December 2003	150,000	1,988,608	2,138,608

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. The consolidated financial statements are available to the public and may be obtained from Avenue du Vignoble 2, 2009 Neuchatel, Switzerland.