Precious Metals

The Precious Metals division is a leading supplier of fabricated precious metals (primarily gold, silver and platinum) to the jewellery industry in the US, UK, France and Spain.

The Precious Metals division operates in two distinct geographic regions; the US, which constitutes 54% of the total net sales value (being revenue excluding the precious metals content) for the division, and Europe (which is focused on the UK, France and Spain). Average precious metal prices in 2008 were higher than for 2007 with gold and silver higher by 27% and 14% respectively. Gold prices at the end of 2008 were 6% higher than at the beginning of the year, whilst silver prices were 23% lower.

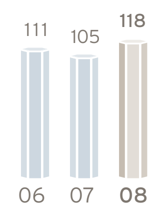
Net sales value of £118 million was 3% higher at constant exchange rates (12% higher at reported exchange rates). This reflected a sharp downturn in the demand for jewellery due to consumer spending cutbacks, being more than offset by additional net sales value from the Leach & Garner business, acquired in September 2007 and strong demand from the US Mint for gold coin blanks. The European businesses also benefited from higher levels of precious metal reclaim activity, stimulated by the high price of gold.

Trading profit for 2008 at £4.5 million was 55% (£5.4 million) below 2007 (at reported exchange rates). The profit shortfall arose wholly in the US due to the reduction in underlying volumes and the relatively low profitability of the Leach & Garner trading activity prior to its transfer to the division's principal US production facility in Attleboro (Massachusetts) which was completed in July 2008. Actions taken to mitigate the profit shortfall in the US included headcount reductions and the acceleration of the integration of the Leach & Garner business. Total headcount in the US was reduced by 13% (around 170 people) during 2008. A new low-cost facility was completed in the Dominican Republic in March 2008 and the manufacture of a number of product lines has been transferred from Attleboro to the new facility on a phased basis during 2008.

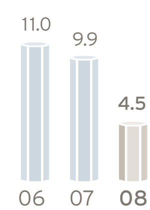
The performance of the European businesses has improved compared to 2007, benefiting from the restructuring initiatives undertaken in 2007 and the high level of reclaim activity. The restructuring initiatives included the downsizing of manufacturing operations in Birmingham (UK), the opening of a new low-cost facility in Thailand in the second half of 2007, and the closure of the Mauritius facility.

The return on net sales value for the division was 3.8% (2007: 9.4%).

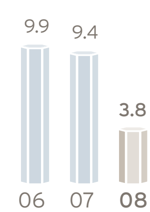
NSV
£m



Trading Profit
£m



Return on NSV
%



Group corporate

The Group's corporate costs, being the costs directly related to managing the Group holding company and which now incorporate the former central operations of Foseco, were £7.6 million, in line with 2007.