

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

1.1 BASIS OF ACCOUNTING

The Company-only financial statements are prepared in accordance with the Companies Act 1985 and under the historical cost convention and in accordance with UK GAAP.

The Company's results are included in the consolidated financial statements of Cookson Group plc, a company registered in the United Kingdom. The Company is exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Cookson Group plc group.

A separate Company-only profit and loss account has not been presented, as permitted by Section 230(4) of the Companies Act 1985.

1.2 BASIS FOR PREPARATION OF FINANCIAL STATEMENTS ON A GOING CONCERN BASIS

Information on the business environment in which the Group operates, including the factors that are likely to impact the future prospects of the Group, are included in the Chief Executive's Review on pages 10 and 11 and the Operating Review on pages 12 to 21. The principal risks and uncertainties that the Group faces throughout its global operations are included in the Corporate Governance Report on pages 32 to 39. The financial position of the Group, its cash flows, liquidity position and debt facilities are described in the Financial Review on pages 22 to 27. In addition, notes 4 and 37 to the consolidated financial statements set out the Group's objectives, policies and processes for managing its capital; financial risks; financial instruments and hedging activities; and its exposures to credit, market (both currency and interest rate-related) and liquidity risk. Further details of the Group's cash balances and borrowings are included in notes 20 and 36 to the consolidated financial statements.

The Group has two committed debt facilities, approximately £680m of syndicated bank facilities and approximately £250m of US Private Placement loan notes. These facilities, which together total approximately £930m, have no significant debt maturities in 2009, with the principal maturities due in 2011 and 2012, and contain a number of financial covenants with which the Group is required to comply. In March 2009, the Group completed a rights issue which raised proceeds (net of expenses) of £241m which were used to repay gross borrowings. This rights issue significantly strengthens the Group's financial position.

The Directors have prepared cash flow forecasts for the Group for a period in excess of twelve months from the date of approval of these consolidated financial statements. These forecasts reflect an assessment of current end-market conditions, their impact on the Group's future trading performance and the actions taken by management in response to the difficult market conditions. The forecasts completed on this basis show that the Group will be able to operate within the current committed debt facilities and show continued compliance with the financial covenants. In addition, management has considered various mitigating actions that could be taken in the event that end-market conditions are worse than their current assessment. Such measures include further reductions in costs, further reductions in capital expenditure and further reductions in those items of working capital within management's control.

On the basis of the exercise as described above and the available committed debt facilities, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the financial statements of the Group and the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following principal accounting policies have been applied consistently when dealing with all items which are material in relation to the Company-only financial statements.

2.1 CURRENT AND DEFERRED TAXATION

Both current and deferred tax are calculated using tax rates and laws that have been enacted, or substantively enacted, by the balance sheet date.

Current tax payable is based on the taxable result for the year. Deferred taxation is recognised, without discounting, in respect of all timing differences that have originated, but not reversed, at the balance sheet date, with the exception that deferred taxation assets are only recognised if it is considered more likely than not that there will be suitable future profits from which the reversal of the underlying timing differences can be deducted. Provision is made for the tax that would arise on remittance of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

2.2 SHARE-BASED PAYMENTS

The Company operates equity-settled share-based payment arrangements for employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date takes account of the effect of market-based conditions, such as the Total Shareholder Return target upon which vesting for some of the awards is conditional, and is expensed on a straight-line basis over the vesting period with a corresponding increase in equity. The cumulative expense recognised is adjusted for the best estimate of the shares that will eventually vest and for the effect of other non market-based vesting conditions, such as growth in headline earnings per share, which are not included in the fair value determined at the date of grant. For grants with market-based conditions attaching to them, fair value is measured using a form of stochastic option pricing model. For all other grants, fair value is measured using the Black-Scholes model.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 PENSION COSTS

The Company participates in a UK-wide Group pension plan providing benefits based on final pensionable salary. The assets of the plan are held separately from those of the Company in an independently administered fund. The Company is unable to identify its share of the underlying assets and liabilities of the plan on a consistent and reasonable basis and therefore, as required by FRS 17, *Retirement Benefits*, accounts for the plan as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the plan for the year.

The Company also participates in a UK-wide Group defined contribution pension plan. The assets of the plan are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the plan for the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2.4 POST-RETIREMENT PLANS OTHER THAN PENSION PLANS

The Company operates a post-retirement healthcare benefits plan. The costs of providing the benefits under this plan are not funded and the amount recognised in the balance sheet is based upon independent actuarial valuations, using the projected unit method.

2.5 FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated into sterling at rates prevailing at the balance sheet date. Exchange differences arising from the translation of loans to overseas subsidiaries and joint ventures, foreign currency borrowings, trading and other items are taken to profit or loss.

2.6 BORROWING COSTS

Interest-bearing loans and borrowings are recorded at the proceeds received, net of direct issue costs. Finance charges and direct issue costs are accounted for on an accruals basis in the profit and loss account using the effective interest rate method.

2.7 INVESTMENT IN SUBSIDIARIES

Shares in subsidiaries are stated at cost, together with long-term loans that are stated at amortised cost, less any impairment in value.

2.8 FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments in the form of forward foreign currency contracts and interest rate swaps to manage the effects of its exposure to fluctuations in foreign exchange and interest rates on its borrowings. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are measured at fair value. The method of recognising the gain or loss on remeasurement to fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The fair value of forward foreign currency contracts is their quoted market price at the balance sheet date. The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the creditworthiness of the swap counterparties.

2.9 PROVISIONS

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

3. EMPLOYEE BENEFITS EXPENSE

The total employee benefits expense for the year comprises:

	2008 £m	2007 £m
Wages and salaries	5.8	5.9
Social security costs	0.4	1.2
Share-based payments (note 18)	1.7	1.7
Pension costs - defined benefit (note 17)	23.4	4.6
- defined contribution (note 17)	0.1	0.1
Other post-retirement benefits - interest cost (note 17)	0.1	0.2
- curtailment gain (note 17)	-	(1.0)
Total employee benefits expense	31.5	12.7

Details of the Directors' remuneration are disclosed in the Directors' Remuneration Report on pages 45 to 51. Of the total pension costs of £23.5m (2007: £4.7m), £22.4m (2007: £3.0m) related to the Company's additional funding top up payments made in the year.

The average number of employees during the year was 37 (2007: 35).

4. AUDIT AND NON-AUDIT FEES

Amounts payable to KPMG Audit Plc in relation to audit and non-audit fees are disclosed within note 8 to the consolidated financial statements.

5. DIVIDENDS

The dividend per ordinary share amounts shown in the table below have been restated by dividing those previously reported by an adjustment factor to reflect the bonus element in the shares issued under the terms of the rights issue which completed on 4 March 2009. The adjustment factor used was 6.6391.

	2008 £m	2007 £m
Final dividend for the year ended 31 December 2007 of 1.32p (2006: 1.05p) per ordinary share	18.6	13.5
Interim dividend for the year ended 31 December 2008 of 0.88p (2007: 0.64p) per ordinary share	12.4	8.2
Total dividends paid in the year	31.0	21.7
Proposed final dividend for the year ended 31 December 2008 of nil (2007: 1.32p) per ordinary share	-	18.6

The Board has recently reviewed the Company's near-term dividend policy in response to the ongoing global financial crisis and challenging trading conditions. As a consequence, no final dividend for the year ended 31 December 2008 will be recommended to shareholders at the Company's Annual General Meeting (2007 restated: 1.32p per ordinary share).

6. TANGIBLE ASSETS

The net book value of the Company's tangible fixed assets as at 31 December 2008 amounted to £0.6m (2007: £0.8m) in respect of leasehold improvements, for which depreciation charged to the profit and loss account during the year amounted to £0.2m (2007: £0.2m) and capital expenditure amounted to £nil (2007: £0.4m).

7. INVESTMENT IN SUBSIDIARIES

	Cost £m	Loans £m	Provisions £m	Net book value £m
As at 1 January 2008	969.3	913.5	(62.1)	1,820.7
Exchange adjustments	-	128.2	-	128.2
Additions	531.2	273.7	-	804.9
Disposals, repayments and other movements	(14.2)	(32.1)	4.2	(42.1)
As at 31 December 2008	1,486.3	1,283.3	(57.9)	2,711.7

The principal subsidiaries and joint ventures of Cookson Group plc and the countries in which they are incorporated are as follows:

*Cookson America, Inc., USA	*Foseco GmbH, Germany
*Cookson Australia Pty Ltd, Australia	*Foseco International Ltd, England and Wales
*Cookson Ceramics Ltd, England and Wales	*Foseco (Jersey) Ltd, Jersey
Cookson (Europe) SA, Switzerland	Foseco Ltd, England and Wales
*Cookson Investments, Inc., USA	*Fry's Metals Inc., USA
*Cookson Investments Ltd, England and Wales	*Stern/Leach Company, USA
Cookson Overseas Ltd, England and Wales	*Stern Metals, Inc., USA
*Cookson Precious Metals Ltd, England and Wales	*Vesuvius Crucible Company, USA
*Cookson Singapore Pte Ltd, Singapore	*Vesuvius USA Corporation, USA
*Electroplating Engineers of Japan Ltd, Japan (50%)	*Wilkes-Lucas Ltd, England and Wales

Where marked with an asterisk (*), the ordinary capital of the above companies was owned by a Cookson Group plc subsidiary as at 31 December 2008. All of the above companies are wholly-owned, unless otherwise stated. A full list of Group companies will be included in the Company's Annual Return to the Registrar of Companies.

All of the above companies have the same year-end as Cookson Group plc with the exception of Electroplating Engineers of Japan Ltd which has a year-end of 31 March.

8. DEBTORS

	2008 £m	2007 £m
Amounts falling due within one year:		
Corporate taxes recoverable	3.0	3.0
Other debtors	0.3	11.2
Prepayments and accrued income	0.2	0.2
Amounts owed by subsidiary undertakings	-	2.5
Total amounts falling due within one year	3.5	16.9

9. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are measured at fair value and comprise forward foreign exchange contracts, where changes in fair value are recognised in the profit and loss account, and interest rate swaps, where changes in fair value are initially recognised in reserves. The fair values of the Company's derivative financial instruments as at 31 December 2008 comprised an asset of £6.2m (2007: £0.2m) and a liability of £61.5m (2007: £1.5m), of which £37.2m (2007: £1.5m) is shown within current liabilities and £24.3m (2007: £nil) is shown within non-current liabilities.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

10. INTEREST-BEARING LOANS AND BORROWINGS

10.1 BORROWING FACILITIES

As at 31 December 2008, the Company had committed borrowing facilities of £1,044.1m (2007: £383.0m), of which £228.2m (2007: £187.0m) were undrawn and due to expire in more than two years but not more than five years from the balance sheet date.

The Company's borrowing requirements are met by US Private Placement Loan Notes ("USPP") and a multi-currency committed syndicated bank facility of £793.7m (2007: £200.0m). The USPP facility was fully drawn as at 31 December 2008 and amounted to £250.4m (US\$365.0m), of which \$40.0m is repayable in November 2009, \$135.0m in May 2010 and \$190.0m in May 2012. The syndicated bank facility comprises £443.7m of term loans and a £350.0m revolving credit facility which terminates in 2012. This facility was used, in combination with the net proceeds of £150.6m from the share placing on 11 October 2007, to finance the acquisition of Foseco in April 2008. This included the refinancing of the existing committed bank facilities of Cookson and Foseco. The facility was originally repayable in three tranches: £75.0m and €37.5m in October 2010; £75.0m and €37.5m in October 2011; and £500.0m and €75.0m in October 2012.

On 6 March 2009, the Company came to an agreement with the banks providing the syndicated facility whereby the Company agreed to prepay, in March 2009, the £75.0m and €37.5m tranches originally due to be repaid in October 2010. In exchange for this the banking syndicate has rescheduled by one year the tightening of the net debt to EBITDA covenant attached to the facility. As a result, the covenant test will now be 3.5 times (previously 3.0 times) at 30 June 2009 and 31 December 2009, reverting to 3.0 times as at 30 June 2010 and thereafter. Following this change to the facility, the required future repayments are £75.0m and €37.5m in 2011, with the balance of £500.0m and €75.0m being repayable in 2012.

10.2 ANALYSIS OF LOANS AND BORROWINGS

	2008 £m	2007 £m
Amounts falling due within one year:		
Loans	27.4	-
Bank overdrafts	227.7	202.8
Capitalised borrowing costs	(2.2)	(0.1)
Total amounts falling due within one year	252.9	202.7
Amounts falling due after more than one year:		
Loans	788.5	196.0
Capitalised borrowing costs	(5.0)	(0.2)
Total amounts falling due after more than one year	783.5	195.8
Total interest-bearing loans and borrowings	1,036.4	398.5
Analysis of interest-bearing loans and borrowings:		
Loans and overdrafts repayable within five years:		
Unsecured - senior loan notes	250.4	183.0
- other	793.2	215.8
Capitalised borrowing costs	(7.2)	(0.3)
Total interest-bearing loans and borrowings	1,036.4	398.5
Loans and borrowings are repayable as follows:		
On demand or within one year	255.1	202.8
In the second year	203.5	20.1
In the third year	110.9	80.7
In the fourth year	474.1	-
In the fifth year	-	95.2
Capitalised borrowing costs	(7.2)	(0.3)
Total interest-bearing loans and borrowings	1,036.4	398.5
Less: amount repayable within one year	(252.9)	(202.7)
Amount repayable in more than one year	783.5	195.8

11. OTHER CREDITORS

	2008 £m	2007 £m
Amounts falling due within one year:		
Amounts owed to subsidiary undertakings	471.0	188.7
Other taxes and social security	0.4	1.2
Accruals and other creditors	15.1	13.7
Total amounts falling due within one year	486.5	203.6

12. PROVISIONS FOR LIABILITIES

	2008 £m	2007 £m
As at 1 January	5.0	6.0
Credit to profit and loss account	(0.6)	(1.0)
As at 31 December	4.4	5.0

The balance of £4.4m as at 31 December 2008 (31 December 2007: £5.0m) represents a deferred tax liability in respect of deferred income relating to interest rate swaps closed-out in prior years. The total deferred tax asset not recognised as at 31 December 2008 was £87.8m (31 December 2007: £60.5m), consisting of £45.4m (2007: £22.4m) relating to operating losses, £4.9m (2007: £0.6m) relating to other temporary differences, £24.4m (2007: £24.4m) relating to capital losses and £13.1m (2007: £13.1m) relating to ACT tax credits.

13. SHARE CAPITAL - ORDINARY SHARES OF 10 PENCE

13.1 NUMBER OF SHARES

	2008 m	2007 m
Authorised - as at 1 January and 31 December	1,935.0	1,935.0
Issued and fully paid		
As at 1 January	212.6	193.4
Shares issued in the year	-	19.2
As at 31 December	212.6	212.6

13.2 VALUE OF SHARES

	2008 £m	2007 £m
Authorised - as at 1 January and 31 December	193.5	193.5
Issued and fully paid		
As at 1 January	21.3	19.3
Shares issued in the year	-	2.0
As at 31 December	21.3	21.3

In October 2007, the Company issued 18,583,519 new 10p ordinary shares through a share placing at a price of 825p per ordinary share, to part finance the Company's acquisition of Foseco plc. The issue raised £150.6m net of issue costs.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, are entitled to one vote per share at meetings of the Company and rank equally with regard to entitlement to the Company's residual assets.

On 5 March 2009, the Company issued 2,551,293,144 new 10p ordinary shares under the terms of a fully underwritten rights issue (note 20).

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

14. SHARE PREMIUM ACCOUNT

	£m
As at 1 January 2007	6.3
Arising on exercise of share options	1.7
As at 1 January 2008	8.0
Arising on exercise of share options	0.1
As at 31 December 2008	8.1

15. RESERVES

	Treasury shares £m	Share option reserve £m	Hedging reserve £m	Other retained earnings £m	Total retained earnings £m	Other reserves £m	Total reserves £m
As at 1 January 2008	(5.3)	2.7	–	372.6	370.0	996.8	1,366.8
Net loss transferred from the profit and loss account	–	–	–	(102.5)	(102.5)	–	(102.5)
Actuarial gain on employee benefits plans	–	–	–	0.1	0.1	–	0.1
Recognition of share-based payments	–	1.7	–	–	1.7	–	1.7
Release of share option reserve on exercised options	–	(1.1)	–	1.1	–	–	–
Disposal of treasury shares	6.6	–	–	(6.3)	0.3	–	0.3
Purchase of treasury shares	(3.9)	–	–	–	(3.9)	–	(3.9)
Change in fair value of cash flow hedges	–	–	(10.1)	–	(10.1)	–	(10.1)
Transfers	–	–	–	0.1	0.1	(0.1)	–
Dividends	–	–	–	(31.0)	(31.0)	–	(31.0)
As at 31 December 2008	(2.6)	3.3	(10.1)	234.1	224.7	996.7	1,221.4

Treasury shares

As at 1 January 2008, 0.6m ordinary shares of 10p each of the Company were held by Cookson Investments (Jersey) Limited, as Trustee of the Cookson Group Employee Share Ownership Plan (“ESOP”), with a nominal value of £0.1m, which were purchased at a gross cost of £5.3m. During the year 0.7m shares were purchased by the ESOP at a cost of £3.9m to meet future share option obligations. In addition, 0.9m shares were utilised by the ESOP to meet share option obligations and accordingly £6.6m has been transferred from the treasury shares reserve to retained earnings, net of £0.3m consideration received.

As at 31 December 2008, the number of ordinary shares of 10p each of the Company so held in trust was 0.4m, having a nominal value of £nil, which were purchased at a gross cost of £2.6m. The purchase of these shares was financed by the Company out of borrowings included in the Company Balance Sheet as at 31 December 2008. The market value of these shares as at 31 December 2008 was £0.5m (2007: £4.4m). The Trustee of the ESOP has waived its rights to receive dividends on the shares held. The shares are held, as treasury shares, to meet share option obligations as and when they arise at the discretion of the Company.

As at 31 December 2008, awards granted over ordinary shares and capable of being satisfied through new allotments of shares or through shares held by the Company’s ESOP were as follows:

	Years of award/ grant	Option/ allocation prices (£)	Latest years of exercise/ vesting	Number of options/ allocations outstanding
Long-Term Incentive Plan	2006-2008	5.46-6.64	2009-2011	2,472,621
Executive Share Option Schemes	1999-2003	2.50-22.90	2009-2013	1,509,898
Deferred Share Bonus Plan	2007-2008	6.23-6.64	2010-2011	23,016
UK and International Sharesave schemes	2003-2004	2.70-3.50	2009-2010	92,976

The share prices reported in the table above have not been adjusted for the effects of the rights issue which completed on 4 March 2009 (note 20).

15. RESERVES (CONTINUED)

Other reserves

The cancellation in 2006 of the Company's deferred shares and share premium account created, following the registration of the order of the High Court with the Registrar of Companies, a non-distributable reserve of the Company of £1,003.4m reported within other reserves. This reserve becomes distributable at such time when all external creditors of the Company as at 15 February 2006 have either been fully settled, or have agreed that this reserve may be deemed distributable, or to the extent that additional share capital or share premium arises after 2006 as a result of an issue of new shares.

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £m	Share premium £m	Retained earnings £m	Other reserves £m	Total shareholders' equity £m
As at 1 January 2008	21.3	8.0	370.0	996.8	1,396.1
Net loss transferred from the profit and loss account (note 15)	-	-	(102.5)	-	(102.5)
Actuarial gain on employee benefits plans (note 17)	-	-	0.1	-	0.1
Recognition of share-based payments (note 15)	-	-	1.7	-	1.7
Arising from issue of shares during the year (notes 13 and 14)	-	0.1	-	-	0.1
Disposal of treasury shares	-	-	0.3	-	0.3
Purchase of treasury shares	-	-	(3.9)	-	(3.9)
Change in fair value of cash flow hedges	-	-	(10.1)	-	(10.1)
Transfers (note 15)	-	-	0.1	(0.1)	-
Dividends (note 5)	-	-	(31.0)	-	(31.0)
As at 31 December 2008	21.3	8.1	224.7	996.7	1,250.8

17. EMPLOYEE BENEFITS

17.1 PENSION PLANS

The Company participates in a UK-wide Group defined benefit pension scheme. The Company is unable to identify its share of the underlying assets and liabilities of the scheme and therefore accounts for its membership of the scheme as it would for a defined contribution scheme. Costs charged in the year in respect of its contributions payable to the scheme were £23.4m (2007: £4.6m). The pension scheme is a closed scheme and therefore under the projected unit method the current service cost would be expected to increase as the members of the scheme reach retirement.

The last full actuarial valuation of the UK defined benefit scheme, which was performed by an independent qualified actuary, was carried out as at 31 December 2006. At that date, the market value of the plan assets was £278.3m, representing 78% of accrued plan benefits at the time (using the projected unit method of valuation) of £356.6m. Calculated on a 'buy-out' basis (using an estimation of the cost of buying out the UK Plan benefits with an insurance company), the liabilities at that date were £475.7m, representing a funding level of 59%. The 2006 full valuation has been updated, as appropriate, in order to estimate the liabilities of the scheme as at 31 December 2008, at which date the market value of the plan assets was £406.3m (2007: £318.1m), representing 120% (2007: 92%) of estimated accrued plan benefits of £337.6m (2007: £344.1m).

The Company also participates in a UK-wide defined contribution pension scheme. The pension cost charge represents contributions payable by the Company to the scheme and amounted to £0.1m (2007: £0.1m). There were no outstanding contributions payable to the scheme as at 31 December 2008 (31 December 2007: £nil).

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

17. EMPLOYEE BENEFITS (CONTINUED)

17.2 POST-EMPLOYMENT PLANS OTHER THAN PENSION PLANS

The Company operates a post-retirement healthcare benefits plan. The costs of providing the benefits under this plan are not funded. The level of the accrued plan benefits provision is based on independent actuarial valuations, using the projected unit method. The last full actuarial valuation of the plan, which was performed by an independent qualified actuary, was carried out at 31 December 2008, at which date the accrued plan benefits were £1.2m (2007: £1.3m; 2006: £3.8m; 2005: £4.9m; 2004: £4.2m). During 2007 changes were made to the post-retirement healthcare plan which resulted in a reduction of the costs borne by the Company in order to meet its liabilities under the plan. As a result of these changes a curtailment credit arose of £1.0m, reducing the plan benefits accrual.

(a) Principal assumptions used to calculate post-employment plan obligations:

	2008 %	2007 %
Discount rate	6.25	5.82
Healthcare cost trend - long-term	2.80	3.20
- next year	2.80	3.20

(b) The movement on the present value of post-employment benefit plan liabilities is as follows:

	2008 £m	2007 £m
Present value as at 1 January	1.3	3.8
Interest cost	0.1	0.2
Curtailment gain	-	(1.0)
Actuarial gain recognised in equity	(0.1)	(1.6)
Net benefits paid out	(0.1)	(0.1)
Present value as at 31 December	1.2	1.3

(c) The history of experience adjustments is as follows:

	2008	2007	2006	2005	2004
Experience (loss)/gain arising on the plan liabilities (£m)	-	(0.1)	1.2	-	0.3
As % of present value of plan liabilities	-	(8%)	32%	-	7%
Actuarial gain/(loss) recognised in equity (£m)	0.1	1.6	1.1	(0.7)	0.3
As % of present value of plan liabilities	8%	123%	29%	(13%)	7%

18. SHARE-BASED PAYMENTS

18.1 SHARE-BASED PAYMENT SCHEMES

The Company operates a number of different share-based payment schemes, the main features of each scheme being detailed in note 39 to the consolidated financial statements. The exercise prices shown in the following tables are the weighted average exercise prices. The number of options/awards and the associated exercise/share prices in the tables below have not been restated to reflect the bonus element of the shares issued under the terms of the rights issue which completed on 4 March 2009.

18. SHARE-BASED PAYMENTS (CONTINUED)

18.2 DETAILS OF OUTSTANDING OPTIONS/AWARDS

	Outstanding awards					Awards exercisable as at 31 December 2008 No.	Earliest year in which awards exercisable	Latest year in which awards expire	Range of exercise prices pence
	As at 1 January 2008 No.	Granted No.	Exercised No.	Forfeited/lapsed No.	As at 31 December 2008 No.				
LTIP	1,287,965	484,197	(406,079)	(3,154)	1,362,929	-	2009	2011	
Exercise price	nil	nil	nil	nil	nil	-			n/a
MTIP	29,116	-	(29,116)	-	-	-	n/a	n/a	
Exercise price	nil	-	nil	-	-	-			n/a
ESOS	11,516	-	(5,855)	-	5,661	5,661	2009	2013	
Exercise price	325p	-	295p	-	356p	356p			250-360p
DBP	13,472	13,495	(1,961)	(1,990)	23,016	-	2010	2011	
Exercise price	nil	nil	nil	nil	nil	-			n/a
SAYE	-	-	-	-	-	-	n/a	n/a	
Exercise price	-	-	-	-	-	-			n/a

	Outstanding awards					Awards exercisable as at 31 December 2007 No.	Earliest year in which awards exercisable	Latest year in which awards expire	Range of exercise prices pence
	As at 1 January 2007 No.	Granted No.	Exercised No.	Forfeited/lapsed No.	As at 31 December 2007 No.				
LTIP	1,078,196	438,087	-	(228,318)	1,287,965	-	2008	2010	
Exercise price	nil	nil	-	nil	nil	-			n/a
MTIP	29,116	-	-	-	29,116	-	2008	2008	
Exercise price	nil	-	-	-	nil	-			n/a
ESOS	12,908	-	(1,392)	-	11,516	11,516	2008	2013	
Exercise price	329p	-	360p	-	325p	325p			250-360p
DBP	-	13,869	-	(397)	13,472	-	2010	2010	
Exercise price	-	nil	-	nil	nil	-			n/a
SAYE	3,159	-	(3,159)	-	-	-	n/a	n/a	
Exercise price	297p	-	297p	-	-	-			n/a

Options were exercised on a regular basis throughout 2008. The weighted average share price during 2008 was 513p (2007: 702p).

18.3 AWARDS GRANTED DURING THE YEAR

	2008			2007		
	DBP	EPS element	TSR element	DBP	EPS element	TSR element
Fair value of options granted (per share)	664p	664p	358p	635p	635p	324p
Share price on date of grant (per share)	664p	664p	664p	635p	635p	635p
Expected volatility	n/a	n/a	32.5%	n/a	n/a	31.9%
Risk-free interest rate	n/a	n/a	3.9%	n/a	n/a	5.4%
Exercise price (per share)	nil	nil	nil	nil	nil	nil
Expected term (years)	3.00	3.00	3.00	3.00	3.00	3.00
Expected dividend yield	n/a	n/a	n/a	n/a	n/a	n/a

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

18. SHARE-BASED PAYMENTS (CONTINUED)

18.4 PROFIT AND LOSS ACCOUNT RECOGNITION

	2008 £m	2007 £m
The total expense recognised in respect of share-based payments is as follows:		
Long-Term Incentive Plan	1.7	1.6
Mid-Term Incentive Plan	–	0.1
Total expense recognised in respect of share-based payments	1.7	1.7

19. CONTINGENT LIABILITIES

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee. Guarantees provided by the Company as at 31 December 2008 in respect of the liabilities of its subsidiary companies amounted to £66.9m (31 December 2007: £39.7m) and guarantees under property leases of discontinued operations amounted to £4.3m (31 December 2007: £3.2m).

In addition, on behalf of its subsidiaries the Company has given guarantees to precious metals consignors amounting to £396.8m (2007: £344.1m), representing all of the value of precious metals held by its subsidiaries on consignment terms as at 31 December 2008. Further details of these consignment arrangements are given in note 28 to the consolidated financial statements.

Cookson has extensive international operations and several of its subsidiaries are parties to legal proceedings, certain of which are insured claims arising in the ordinary course of the operations of the company involved. While the outcome of litigation can never be predicted with certainty, having regard to legal advice received and the insurance arrangements of the Company and its subsidiaries, the Directors believe that none of these matters will, either individually or in the aggregate, have a materially adverse effect on the Company's financial condition or results of operations.

20. EVENTS AFTER THE BALANCE SHEET DATE

Under the terms of a fully underwritten rights issue, ordinary shareholders of the Company on the register at the close of business on 13 February 2009 were offered 2,551,293,144 new ordinary shares of 10p each on the basis of twelve new ordinary shares for every existing ordinary share held. These shares were fully subscribed on 4 March 2009, resulting in total proceeds on issue of £241m, net of expenses of £14m.