

Howdon Limited

Directors' report and financial statements

Registered number 33840

31 December 2002



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activities and business review

The principal activity of the company was the rental of land and buildings. This business was discontinued during the year when the company sold the land and buildings.

Dividends

The directors do not recommend the payment of a dividend.

Directors' interests

The company secretary is Miss RS Fell.

The directors who held office during the year were SL Daniels, RMH Malthouse and BR Elliston (appointed on 26 June 2002).

None of the directors who held office at the end of the financial year had any beneficial interest in the company's shares. Disclosable interests in the parent company shares (Cookson Group plc) were as follows:

	Ordinary shares	
	31 December 2001	31 December 2002
	50p	1p
SL Daniels	85,633	135,633
RMH Malthouse	40,488	153,524
BR Elliston	49,734	100,610

Options on ordinary shares (Executive Share Option Scheme and Cookson Group Share Savings Scheme)

	At 31 December 2001	Adjusted for 2002 rights issue	Granted during year	Exercised during year	Lapsed during year	At 31 December 2002
SL Daniels	1,814,734	43,322	1,342,561	-	(151,582)	3,049,035
RMH Malthouse	669,591	16,064	634,551	-	(17,371)	1,302,835
BR Elliston	642,289	15,408	601,648	-	(30,262)	1,229,083

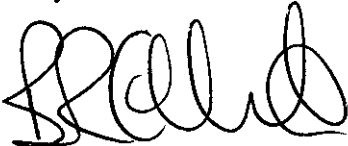
The Cookson Group Share Savings Scheme is open to all employees. Participants save monthly fixed sums and in due course have the option to acquire Cookson Group plc shares at a fixed price up to the value of their savings.

Directors' report *(continued)*

Auditors

The company has passed an elective resolution in accordance with section 379A of the Companies Act and is therefore exempt from the obligation to hold an Annual General Meeting and to reappoint the auditors annually.

By order of the board

A handwritten signature in black ink, appearing to read 'BR Elliston', written over a horizontal line.

BR Elliston
Director

The Adelphi
1-11 John Adam Street
London
WC2N 6HJ

26 June 2003

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 group and of the profit or loss 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 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

Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Report of the independent auditors to the members of Howdon Limited

We have audited the financial statements on pages 5 to 13.

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 auditor's 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 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 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.

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 2002 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

26 June 2003

Profit and loss account
for the year ended 31 December 2002

	<i>Note</i>	2002 £000	2001 £000
Turnover	2	95	189
Depreciation and other amounts written off tangible fixed assets		(18)	(1,235)
Other operating charges		(263)	(429)
Other operating income		-	2
		<hr/>	<hr/>
Operating loss		(186)	(1,473)
Loss on sale of properties on discontinued operations		(602)	-
Interest receivable	5	-	12
Interest payable and similar charges	6	(55)	-
		<hr/>	<hr/>
Loss on ordinary activities before taxation	3-4	(843)	(1,461)
Tax on loss on ordinary activities	7	230	76
		<hr/>	<hr/>
Retained loss for the financial year	12	(613)	(1,385)
		<hr/>	<hr/>

All results in the current and preceding year derive from discontinued operations.

There have been no other gains or losses other than the result for the financial year reported above.

Balance sheet
at 31 December 2002

	Note	2002		2001	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	8		-		1,674
Current assets					
Debtors	9	1,739		2,013	
Cash at bank and in hand		505		-	
		<u>2,244</u>		<u>2,013</u>	
Creditors: amounts falling due within one year	10	(22)		(852)	
Net current assets/(liabilities)					
Due within one year		2,222		(802)	
Debtors due after more than one year	9	-		1,963	
		<u>2,222</u>		<u>1,161</u>	
Net assets		<u>2,222</u>		<u>2,835</u>	
Capital and reserves					
Called up share capital	12	2,000		2,000	
Revaluation reserve	13	-		1,124	
Undistributable reserves	13	119		119	
Profit and loss account	13	103		(408)	
		<u>2,222</u>		<u>2,835</u>	
Equity shareholders' funds		<u>2,222</u>		<u>2,835</u>	

These financial statements were approved by the board of directors on 26 June 2003 and were signed on its behalf by:



BR Elliston
Director

Note of historical cost profits and losses
for the year ended 31 December 2002

	2002 £000	2001 £000
Reported loss on ordinary activities before taxation	(843)	(1,461)
Realisation of property revaluation gains of previous years	902	-
Difference between a historical cost depreciation charge and the actual depreciation charged for the year calculated on the revalued amount	6	23
Historical cost profit/(loss) on ordinary activities before taxation	65	(1,438)
Historical cost profit/(loss) for the year retained after taxation	295	(1,362)

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2002

	2002 £000	2001 £000
Loss for the financial year	(613)	(1,385)
Net reduction in shareholders' funds	(613)	(1,385)
Opening shareholders' funds	2,835	4,220
Closing shareholders' funds	2,222	2,835

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. The company has adopted Financial Reporting Standard 18 'Accounting policies' and Financial Reporting Standard 19 'Deferred tax' in these financial statements. The impact of adopting FRS 19 on the current and prior year is disclosed in note 7.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of land and buildings.

The company is exempt from the requirement of Financial Reporting Standard No 1 (revised 1996) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Cookson Group plc and its cash flows are included within the consolidated cash flow statement of that company.

The company has, in accordance with Financial Reporting Standard No 8, taken advantage of the exemption from reporting the transactions between the company and other group undertakings since 90% or more of the voting rights are controlled by the group and the consolidated financial statements in which the company is included are available from the address given in note 15.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings - 20 to 40 years

No depreciation was provided on freehold land.

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen, but not yet reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard No 19.

Turnover

Turnover represents the amounts derived from rental income, stated net of value added tax.

Notes (continued)

2 Analysis of turnover by geographical market

	2002	2001
	£000	£000
United Kingdom	95	189

3 Loss on ordinary activities before taxation

	2002	2001
	£000	£000
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit fees	8	8
Depreciation and other amounts written off tangible fixed assets:		
Owned	18	1,235

4 Remuneration of directors, staff number and costs

The company paid no directors' emoluments during the year (2001: £nil). The directors were the only employees in both years.

5 Interest receivable and similar income

	2002	2001
	£000	£000
Bank interest	-	12

6 Interest payable and similar charges

	2002	2001
	£000	£000
Bank interest	55	-

Notes (continued)

7 Taxation

	2002 £000	2001 £000
Current tax on income for the period	-	-
Adjustment in respect of prior periods	(230)	(76)
	<hr/>	<hr/>
Total current tax	(230)	(76)
Deferred tax	-	-
	<hr/>	<hr/>
	(230)	(76)
	<hr/>	<hr/>

The current tax credit for the period is lower (2001: lower) than the standard rate of corporation tax in the UK (30%, 2001: 30%). The differences are explained below:

	2002 £000	2001 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(843)	(1,461)
	<hr/>	<hr/>
Current tax at 30% (2001: 30%)	(253)	(438)
	<hr/>	<hr/>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	167	2
Capital allowances for period in excess of depreciation	376	350
Other timing differences	(54)	-
Net addition to tax losses carried forward or surrender to group companies	-	86
Net utilisation of tax losses brought forward or surrender by group companies	(236)	-
Prior year tax credit	(230)	(76)
	<hr/>	<hr/>
Total current tax (see above)	(230)	(76)
	<hr/>	<hr/>

There was no impact on the current or prior year financial statements from the introduction of FRS 19.

Notes (continued)

8 Tangible fixed assets

	Freehold land and buildings £000	Plant and equipment £000	Total £000
<i>Cost or valuation</i>			
At beginning of year	2,102	1,132	3,234
Disposals	(2,102)	(1,132)	(2,102)
	<hr/>	<hr/>	<hr/>
At end of year	-	-	1,132
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of year	428	1,132	1,560
Charge for year	18	-	18
On disposals	(446)	(1,132)	(446)
	<hr/>	<hr/>	<hr/>
At end of year	-	-	1,132
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2002	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2001	1,674	-	1,674
	<hr/>	<hr/>	<hr/>
<i>Depreciation in 2001</i>	46	26	72
	<hr/>	<hr/>	<hr/>

The following information relates to assets and revalued amounts which have been retained under the transitional provisions set out in Financial Reporting Standard 15 'Tangible Fixed Assets'.

	2002 £000	2001 £000
<i>Land and buildings</i>		
At 1989 open market value	-	2,068
Aggregate depreciation thereon	-	(505)
	<hr/>	<hr/>
Net book value	-	1,563
	<hr/>	<hr/>
Historical cost of revalued assets	-	1,882
Aggregate depreciation based on historical cost	-	(1,227)
	<hr/>	<hr/>
Historical cost net book value	-	655
	<hr/>	<hr/>

Other tangible fixed assets are included at cost.

Notes (continued)

9 Debtors

	2002 £000	2001 £000
<i>Due within one year</i>		
Trade debtors	24	8
Amounts owed by group undertakings	1,545	-
Prepayments and accrued income	170	42
	<hr/>	<hr/>
	1,739	50
	<hr/>	<hr/>
<i>Due after more than one year</i>		
Amounts owed by group undertakings	-	1,963
	<hr/>	<hr/>

10 Creditors: amounts falling due within one year

	2002 £000	2001 £000
Bank loans and overdrafts	-	641
Trade creditors	11	134
Accruals and deferred income	11	77
	<hr/>	<hr/>
	22	852
	<hr/>	<hr/>

11 Deferred tax

The elements of deferred taxation are as follows:

	2002 £000	2001 £000
Difference between accumulated depreciation and capital allowances	-	247
UK tax losses offset	-	(247)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

Notes (continued)

12 Called up share capital

	2002 £000	2001 £000
<i>Authorised</i>		
2,000,000 ordinary shares of £1 each	2,000	2,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
2,000,000 ordinary shares of £1 each	2,000	2,000
	<hr/>	<hr/>

13 Reserves

	Revaluation reserve £000	Undistributable reserves £000	Profit and loss account £000
At beginning of year	1,124	119	(408)
Retained loss for the year	-	-	(613)
Transfer	(1,124)	-	1,124
	<hr/>	<hr/>	<hr/>
At end of year	-	119	103
	<hr/>	<hr/>	<hr/>

14 Commitments and contingencies

Amongst others, Howdon Limited, as a guarantor, is party to a £450m multi currency credit agreement, between Cookson Group plc as Borrower and a number of banks ("Lenders"). During the year the facility was reduced to £291m. As part of this agreement Howdon Limited jointly and severally guaranteed and agreed to pay from time to time on demand any and every sums of money which Cookson Group plc is at any time liable to pay to the Lenders. As at 31 December 2002, £28.1m (2001: £292.5m) was drawn by Cookson Group plc under the credit agreement facility secured on the various assets of Howdon Limited.

In addition, Howdon Limited also agreed jointly and severally as a primary obligation to indemnify the Lenders from time to time on demand from and against any loss incurred by the Lenders as a result on any of the obligations of the Cookson Group plc.

15 Ultimate parent company and parent undertaking of larger group of which the company is a member

The only group in which the results of the company are consolidated is that of the ultimate holding company, Cookson Group plc. The consolidated financial statements of this group are available to the public and may be obtained from:

Cookson Group plc
The Adelphi
1-11 John Adam Street
London, WC2N 6HJ