

Howdon Limited

Directors' report and financial statements

Year ended 31 December 2001

Registered number 33840



Contents

| | |
|---|---|
| Directors' report | 1 |
| Independent auditors' report to the members of Howdon Limited | 3 |
| Profit and loss account | 4 |
| Balance sheet | 5 |
| Note of historical cost profits and losses | 6 |
| Reconciliation of movements in shareholders' funds | 6 |
| Notes | 7 |

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

Principal activities

The principal activity of the company is the rental of land and buildings.

Business review

The company is a landlord for the tenants on the site and is currently actively seeking additional tenants to occupy the vacated premises.

Dividends

The directors do not recommend the payment of a dividend. (2000: £6.50 per share).

Policy on the payment of creditors

It is the policy of the company that it agrees appropriate terms and conditions for its transactions with suppliers (by means ranging from standard written terms to individually negotiated contracts) and that payment should be made in accordance with those terms and conditions, provided that the supplier has also complied with them.

Directors' interests

The company secretary is Miss RS Fell.

The directors who held office during the year were SL Daniels and RMH Malthouse (appointed 20 November 2001). B R Elliston was also appointed a director of the company on 26 June 2002.

The directors who held office at the end of the financial year did not have a beneficial interest in the company's shares. Disclosable interests in the parent company shares (Cookson Group plc) for the director who was director at the end of the year were as follows:

| | Ordinary shares of 50p each | | Options on ordinary shares (Executive Share Option Scheme and Cookson Group Share Savings Scheme) | | | | |
|---------------|--------------------------------|------------------------|---|------------------------|---------------------------|-----------------------------|--------------------------|
| | 31 December 2001 | 31 December 2000 | 31 December 2001 | 31 December 2000 | Granted during year | Exercised during year | Lapsed during year |
| SL Daniels | 85,633 | 30,120 | 1,814,734 | 1,458,621 | 414,839 | 58,726 | - |
| RHM Malthouse | 40,488 | 38,125 | 669,591 | 482,024 | 198,668 | - | (11,101) |

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)*

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 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.

By order of the board



B R Elliston
Director

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

29/07/2002



KPMG Audit Plc

Festival Way
Stoke-on-Trent
Staffordshire ST1 5TA

Independent auditors' report to the members of Howdon Limited

We have audited the financial statements on pages 4 to 13.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2 this includes responsibility for preparing 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 group 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 affairs of the company as at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
Registered Auditor

30 July

2002

Profit and loss account
for the year ended 31 December 2001

| | <i>Note</i> | 2001 £000 | 2000 £000 |
|--|-------------|----------------------------|-----------------|
| Turnover | 2 | | |
| Continuing operations | | 189 | 58 |
| Discontinued operations | | - | 1,623 |
| | | <hr/> 189 | <hr/> 1,681 |
| Depreciation and other amounts written off tangible fixed assets | | (1,235) | (84) |
| Other operating charges | | (429) | (2,944) |
| Other operating income | | 2 | 16 |
| | | <hr/> | <hr/> |
| Operating loss | 3 | | |
| Continuing operations | | (1,473) | (43) |
| Discontinued operations | | - | (1,288) |
| | | <hr/> | <hr/> |
| Other interest receivable and similar income | 6 | (1,473) 12 | (1,331) 18 |
| | | <hr/> | <hr/> |
| Loss on ordinary activities before taxation | 2-6 | (1,461) | (1,313) |
| Tax on loss on ordinary activities | 7 | 76 | 21 |
| | | <hr/> | <hr/> |
| Loss for the financial year | | (1,385) | (1,292) |
| Dividends on equity shares | 8 | - | (13,000) |
| | | <hr/> | <hr/> |
| Retained loss for the financial year | | (1,385) | (14,292) |
| | | <hr/> <hr/> | <hr/> <hr/> |

A statement of movements on reserves is given in note 14.

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

Balance sheet
at 31 December 2001

| | Note | 2001 | | 2000 | |
|---|------|-------|-------|-------|-------|
| | | £000 | £000 | £000 | £000 |
| Fixed assets | | | | | |
| Tangible assets | 9 | | 1,674 | | 2,180 |
| Current assets | | | | | |
| Debtors | 10 | 50 | | 207 | |
| Cash at bank and in hand | | - | | 237 | |
| | | | | | |
| | | 50 | | 444 | |
| Creditors: amounts falling due within one year | 11 | (852) | | (278) | |
| | | | | | |
| Net current (liabilities)/assets | | (802) | | 166 | |
| Debtors due after more than one year | 10 | 1,963 | | 1,874 | |
| | | | | | |
| | | | 1,161 | | 2,040 |
| | | | | | |
| Total assets less current liabilities | | | 2,835 | | 4,220 |
| | | | | | |
| Net assets | | | 2,835 | | 4,220 |
| | | | | | |
| Capital and reserves | | | | | |
| Called up share capital | 13 | | 2,000 | | 2,000 |
| Revaluation reserve | 14 | | 1,124 | | 1,374 |
| Undistributable reserves | 14 | | 119 | | 119 |
| Profit and loss account | 14 | | (408) | | 727 |
| | | | | | |
| Equity shareholders' funds | | | 2,835 | | 4,220 |

These financial statements were approved by the Board on 29/07/2002:



B R Elliston
Director

Note of historical cost profits and losses
for the year ended 31 December 2001

| | 2001 £000 | 2000 £000 |
|---|----------------|----------------|
| Reported loss on ordinary activities before taxation | (1,461) | (1,313) |
| Difference between a historical cost depreciation charge and the actual depreciation charged for the year calculated on the revalued amount | 23 | 23 |
| Historical cost loss on ordinary activities before taxation | (1,438) | (1,290) |
| Historical cost loss for the year retained after taxation | (1,362) | (1,269) |

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2001

| | 2001 £000 | 2000 £000 |
|---|----------------|-----------------|
| Retained loss for the financial year | (1,385) | (14,292) |
| Opening shareholders' funds | 4,220 | 18,512 |
| Closing shareholders' funds | 2,835 | 4,220 |

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.

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 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.

Related party transactions

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 publicly available.

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 |
| Plant and equipment | - | 3 to 25 years |

No depreciation is provided on freehold land.

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts derived from rental income.

2 Analysis of turnover by geographical market

| | 2001 £000 | 2000 £000 |
|----------------|--------------|--------------|
| United Kingdom | 189 | 1,681 |

3 Analysis of continuing and discontinued operations

| | Total - Continuing 2001 £000 | 2000 Con- tinuing £000 | 2000 Dis- Continued £000 | 2000 Total £000 |
|---|---------------------------------------|---------------------------------|-----------------------------------|-----------------------|
| Turnover | 189 | 58 | 1,623 | 1,681 |
| Depreciation and other amounts written off tangible fixed assets | (1,235) | (19) | (65) | (84) |
| Other operating charges | (429) | (82) | (2,862) | (2,944) |
| Other operating income | 2 | - | 16 | 16 |
| Operating loss | (1,473) | (43) | (1,288) | (1,331) |

Notes (continued)

4 Profit on ordinary activities before taxation

| | 2001 £000 | 2000 £000 |
|---|--------------|--------------|
| <i>Profit on ordinary activities before taxation is stated after charging</i> | | |
| Auditors' remuneration: | | |
| Audit fees | 8 | 16 |
| Depreciation and other amounts written off tangible fixed assets: | | |
| Owned | 1,235 | 84 |
| Recharge of site costs from Johnson Matthey Plc | - | 1,408 |
| | <hr/> <hr/> | <hr/> <hr/> |

5 Remuneration of directors, staff number and costs

The company paid no directors' emoluments during the year (2000: £nil).

The company paid no direct employees during the year (2000: £nil).

6 Other interest receivable and similar income

| | 2001 £000 | 2000 £000 |
|---------------|--------------|--------------|
| Bank interest | 12 | 18 |
| | <hr/> <hr/> | <hr/> <hr/> |

Notes (continued)

7 Taxation

| | 2001 £000 | 2000 £000 |
|--|--------------|--------------|
| UK corporation tax | - | - |
| Adjustment relating to an earlier year | (76) | - |
| Deferred tax | - | (21) |
| | <u>(76)</u> | <u>(21)</u> |

8 Dividends and other appropriations

| | 2001 £000 | 2000 £000 |
|-----------------------|--------------|---------------|
| Interim dividend paid | - | 13,000 |
| | <u>-</u> | <u>13,000</u> |

9 Tangible fixed assets

| | Freehold land and buildings £000 | Plant and equipment £000 | Total £000 |
|---|--|--------------------------------|---------------|
| <i>Cost or valuation</i> | | | |
| At beginning of year | 2,612 | 1,506 | 4,118 |
| Disposals | (510) | (374) | (884) |
| | <u>2,102</u> | <u>1,132</u> | <u>3,234</u> |
| At end of year | 2,102 | 1,132 | 3,234 |
| <i>Depreciation and diminution in value</i> | | | |
| At beginning of year | 585 | 1,353 | 1,938 |
| Charge for year | 46 | 26 | 72 |
| Disposals | (203) | (247) | (450) |
| | <u>428</u> | <u>1,132</u> | <u>1,560</u> |
| At end of year | 428 | 1,132 | 1,560 |
| <i>Net book value</i> | | | |
| At 31 December 2001 | <u>1,674</u> | <u>-</u> | <u>1,674</u> |
| At 31 December 2000 | <u>2,027</u> | <u>153</u> | <u>2,180</u> |

Notes (continued)

9 Tangible fixed assets (continued)

Included within the net book value of freehold land and buildings is an amount relating to freehold land of £665,000 (2000: £665,000) which has not been depreciated during the year.

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

| | 2001 £000 | 2000 £000 |
|---|--------------|--------------|
| Land and buildings | | |
| At 1989 open market value | 2,578 | 2,578 |
| Aggregate depreciation thereon | (708) | (662) |
| Disposed of during the year | (307) | - |
| | <hr/> 1,563 | <hr/> 1,916 |
| | <hr/> | <hr/> |
| Historical cost of revalued assets | 1,977 | 1,977 |
| Aggregate depreciation based on historical cost | (1,265) | (1,242) |
| Disposed of during the year | (57) | - |
| | <hr/> 655 | <hr/> 735 |
| | <hr/> | <hr/> |

All other tangible fixed assets are included at cost.

10 Debtors

| | 2001 £000 | 2000 £000 |
|-------------------------------------|--------------|--------------|
| Due within one year | | |
| Trade debtors | 8 | 9 |
| Prepayments and accrued income | 42 | 198 |
| | <hr/> 50 | <hr/> 207 |
| | <hr/> | <hr/> |
| Due after more than one year | | |
| | 2001 £000 | 2000 £000 |
| Amounts owed by group undertakings | 1,963 | 1,874 |
| | <hr/> | <hr/> |

Notes (continued)

11 Creditors: amounts falling due within one year

| | 2001 £000 | 2000 £000 |
|------------------------------|--------------|--------------|
| Bank loans and overdrafts | 641 | - |
| Trade creditors | 134 | 164 |
| Corporation tax | - | 76 |
| Accruals and deferred income | 77 | 38 |
| | <u>852</u> | <u>278</u> |

12 Provisions for liabilities and charges

The amounts provided for deferred taxation and the amounts not provided are set out below:

| | 2001 Provided £000 | Unprovided £000 | 2000 Provided £000 | Unprovided £000 |
|---|--------------------------|--------------------|--------------------------|--------------------|
| Difference between accumulated depreciation and amortisation and capital allowances | - | 247 | - | 352 |
| | <u>-</u> | <u>247</u> | <u>-</u> | <u>352</u> |

13 Called up share capital

| | 2001 £000 | 2000 £000 |
|---|--------------|--------------|
| <i>Authorised</i> | | |
| 2,000,000 ordinary shares of £1 each | 2,000 | 2,000 |
| | <u>2,000</u> | <u>2,000</u> |
| <i>Allotted, called up and fully paid</i> | | |
| 2,000,000 ordinary shares of £1 each | 2,000 | 2,000 |
| | <u>2,000</u> | <u>2,000</u> |

Notes (continued)

14 Reserves

| | Revaluation reserve £000 | Undistributable Reserves £000 | Profit and loss account £000 |
|----------------------------|--------------------------------|-------------------------------------|------------------------------------|
| At beginning of year | 1,374 | 119 | 727 |
| Disposal of fixed asset | (250) | - | 250 |
| Retained loss for the year | - | - | (1,385) |
| | <hr/> | <hr/> | <hr/> |
| At end of year | 1,124 | 119 | (408) |
| | <hr/> | <hr/> | <hr/> |

15 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"). 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 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.

16 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