

Howdon Ltd

**Director's report and financial
statements**

Registered number 33840

31 December 1999



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Director's report

The director presents his annual report and the audited financial statements for the year ended 31 December 1999.

Principal activities

The principal activities of the company are the smelting and refining of antimony for the ceramics, plastics, glass and other industries.

Business review

The company operated throughout the year under a tolling agreement, with a break-even budget for the last six months of the year.

Dividends

The director does not recommend the payment of a dividend.

Policy on the payment of creditors

It is the policy of the company that each of the businesses in the group should agree 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 and their interests

The company secretary is GM McDonnall.

The director who held office during the year was:

SL Daniels

The director 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 1999	31 December 1998	31 December 1999	31 December 1998	Granted during year	Exercised during year	Lapsed during year
SL Daniels	23,561	11,341	1,252,575	1,092,734	185,058	Nil	25,217

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.

Director's report *(continued)*

Director's responsibilities

Company law requires the director 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 director is 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 director is 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.

Health and safety at work

The company continues to operate its declared health and safety at work policy and complies with legislation under the COSHH regulations. A complete evaluation of health and safety matters has also been undertaken in order to increase employees' awareness and responsibilities in this respect and is continually updated in line with current legislation.

Year 2000

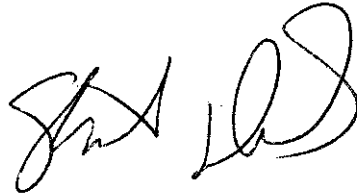
The director assessed the risks to the business systems arising from the Year 2000 problem and implemented a process of modification of all key systems. As at the date of signing these accounts the director understands that the rollover to the Year 2000 has not had any adverse effect on the systems of the company. It is estimated that costs related to Year 2000 modifications have been minimal.

EMU

As the company no longer export goods and imports raw materials the joining of the EMU or otherwise will not have a material effect on the company.

Director's report *(continued)*

By order of the board

A handwritten signature in black ink, appearing to be 'SL Daniels', written over a horizontal line.

SL Daniels
Director

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

3RD MAY 2000



KPMG Audit Plc

Festival Way
Stoke-on-Trent
Staffordshire ST1 5TA

Report of the auditors to the members of Howdon Ltd

We have audited the financial statements on pages 5 to 14.

Respective responsibilities of director and auditors

The director is 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. We also report to you if, in our opinion, the director's 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 director's 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 director 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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'KPMG Audit Plc'.

Chartered Accountants
Registered Auditor

12 June 2000

Profit and loss account
for the year ended 31 December 1999

	<i>Note</i>	1999 £000	1998 £000
Turnover - Continuing operations	2	2,408	2,405
Change in stocks of finished goods and work in progress		(100)	33
Depreciation and other amounts written off tangible and intangible fixed assets		(103)	(127)
Other operating charges		(2,142)	(2,200)
Other operating income		12	14
		<hr/>	<hr/>
Operating profit - Continuing operations		75	125
Other interest receivable and similar income	5	37	78
Interest payable and similar charges	6	(10)	(4)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2-6	102	199
Tax on profit on ordinary activities	7	(101)	(96)
		<hr/>	<hr/>
Retained profit for the financial year		1	103
		<hr/> <hr/>	<hr/> <hr/>

A statement of movements on reserves is given in note 15.

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

Balance sheet
at 31 December 1999

	Note	1999 £000	1998 £000
Fixed assets			
Tangible assets	8	2,259	2,371
Current assets			
Stocks	9	-	100
Debtors	10	15,865	17,665
Cash at bank and in hand		661	431
		<u>16,526</u>	<u>18,196</u>
Creditors: amounts falling due within one year	11	(252)	(2,025)
Net current assets		<u>16,274</u>	<u>16,171</u>
Total assets less current liabilities		<u>18,533</u>	<u>18,542</u>
Creditors: amounts falling due after more than one year	12	-	(8)
Provisions for liabilities and charges	13	(21)	(23)
Net assets		<u>18,512</u>	<u>18,511</u>
Capital and reserves			
Called up share capital	14	2,000	2,000
Revaluation reserve	15	1,374	1,374
Undistributable reserves	15	119	119
Profit and loss account	15	15,019	15,018
Equity shareholders' funds		<u>18,512</u>	<u>18,511</u>

These financial statements were approved by the director on **3RD MAY** 2000:

SL Daniels
Director

Note of historical cost profits and losses
for the year ended 31 December 1999

	1999 £000	1998 £000
Reported profit on ordinary activities before taxation	102	199
Difference between a historical cost depreciation charge and the actual depreciation charged for the year calculated on the revalued amount	23	23
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	125	222
	<hr/>	<hr/>
Historical cost profit for the year retained after taxation	24	126
	<hr/>	<hr/>

Reconciliation of movements in shareholders' funds
for the year ended 31 December 1999

	1999 £000	1998 £000
Profit for the financial year	1	103
Opening shareholders' funds	18,511	18,408
	<hr/>	<hr/>
Closing shareholders' funds	18,512	18,511
	<hr/>	<hr/>

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.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

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)

Stocks

All stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods manufactured by the company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads based on normal activity levels.

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 (excluding value added tax) derived from the provision of goods and services to customers during the year.

2 Analysis of turnover by geographical market

	1999 £000	1998 £000
United Kingdom	2,408	2,405

3 Profit on ordinary activities before taxation

	1999 £000	1998 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Fees paid to the auditor and its associates:		
Audit fees	11	10
Non-audit fees	-	-
Depreciation and other amounts written off tangible fixed assets:		
Owned	103	116
Leased	-	11
Research and development expenditure	120	132
Recharge of site costs from Johnson Matthey Plc	1,863	1,329

Notes (continued)

4 Remuneration of directors, staff number and costs

The company paid no directors' emoluments during the year (1998: £nil).

The company paid no direct employees during the year (1998: £nil).

5 Other interest receivable and similar income

	1999 £000	1998 £000
Net exchange gains	-	21
Bank interest	37	57
	<u>37</u>	<u>78</u>

6 Other interest payable and similar charges

	1999 £000	1998 £000
Other interest charges	10	4
	<u>10</u>	<u>4</u>

7 Taxation

	1999 £000	1998 £000
UK corporation tax at 31% and 33%	32	75
Adjustment relating to an earlier year	71	(2)
Deferred tax	(2)	23
	<u>101</u>	<u>96</u>

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	2,602	1,792	4,394
Additions	10	7	17
Disposals	-	(298)	(298)
	<hr/>	<hr/>	<hr/>
At end of year	2,612	1,501	4,113
	<hr/>	<hr/>	<hr/>
<i>Depreciation and diminution in value</i>			
At beginning of year	518	1,505	2,023
Charge for year	53	50	103
On disposals	-	(272)	(272)
	<hr/>	<hr/>	<hr/>
At end of year	571	1,283	1,854
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 1999	2,041	218	2,259
	<hr/>	<hr/>	<hr/>
At 31 December 1998	2,084	287	2,371
	<hr/>	<hr/>	<hr/>

Included within the net book value of freehold land and buildings is an amount relating to freehold land of £665,000 (1998: £665,000) which has not been depreciated during the year.

Included in the total net book value of plant and equipment is £nil (1998: £21,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £nil (1998: £11,000).

Notes (continued)

8 Tangible fixed assets (continued)

Particulars relating to revalued assets are given below:

	1999 £000	1998 £000
<i>Land and buildings</i>		
At 1989 open market value	2,578	2,578
Aggregate depreciation thereon	(590)	(518)
Net book value	1,988	2,060
Historical cost of revalued assets	1,977	1,977
Aggregate depreciation based on historical cost	(1,193)	(1,144)
Historical cost net book value	784	833

All other tangible fixed assets are included at cost.

9 Stocks

	1999 £000	1998 £000
Work in progress	-	100

10 Debtors

	1999 £000	1998 £000
Trade debtors	205	678
Amounts owed by group undertakings	15,556	16,940
Prepayments and accrued income	104	47
	15,865	17,665

Notes (continued)

11 Creditors: amounts falling due within one year

	1999 £000	1998 £000
Obligations under finance leases and hire purchase contracts	-	10
Trade creditors	127	325
Amounts owed to group undertakings	-	741
Corporation tax	76	628
Other taxes and social security	1	31
Accruals and deferred income	48	290
	<u>252</u>	<u>2,025</u>

12 Creditors: amounts falling due after more than one year

	1999 £000	1998 £000
Obligations under finance leases and hire purchase contracts	-	8

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	1999 £000	1998 £000
Within one year	-	14
In the second to fifth years	-	11
	<u>-</u>	<u>25</u>
Less future finance charges	-	(7)
	<u>-</u>	<u>18</u>

13 Provisions for liabilities and charges

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

	1999 Provided £000	Unprovided £000	1998 Provided £000	Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	21	619	23	663
Other timing differences	-	-	-	(4)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes (continued)

14 Called up share capital

	1999 £000	1998 £000
<i>Authorised</i>		
2,000,000 ordinary shares of £1 each	2,000	2,000
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>		
2,000,000 ordinary shares of £1 each	2,000	2,000
	<u> </u>	<u> </u>

15 Reserves

	Revaluation reserve £000	Undistributable reserves £000	Profit and loss account £000
At beginning of year	1,374	119	15,018
Profit for the year	-	-	1
	<u> </u>	<u> </u>	<u> </u>
At end of year	1,374	119	15,019
	<u> </u>	<u> </u>	<u> </u>

16 Contingent liabilities

The company is party to bank overdraft set-off arrangements with the parent and fellow subsidiary undertakings.

17 Commitments

There were no capital commitments at the end of the financial year (1998: £nil).

18 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