

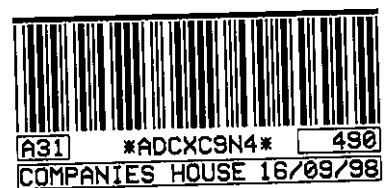
Howdon Ltd

(formerly Anzon Limited)

Directors' report and financial statements

31 December 1997

Registered number 33840



Howdon Ltd

(formerly Anzon Limited)

Directors' report and financial statements

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Howdon Ltd

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

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

On 1 August 1997 the company sold its trade and certain of its assets and liabilities to Cookson Group plc for consideration equal to the book value of those assets and liabilities. On the same date the company contracted with Cookson Group plc to carry on its former trade on an agency basis for Cookson Group plc.

On 31 October 1997 the trade and certain of the assets and liabilities were sold by Cookson Group plc to Great Lakes Europe Limited, the remaining assets and liabilities being transferred back to the company for consideration equal to the book value of those assets and liabilities. On the same date the company entered into a tolling arrangement with Great Lakes Europe Limited to continue its principal activity but on behalf of Great Lakes Europe Limited.

At the year end date the company's sole trade was that arising under the tolling arrangement with Great Lakes Europe Limited.

On 14 November 1997 the company changed its name to Howdon Ltd.

The results of the company for the year ended 31 December 1997 are set out in the profit and loss account and accompanying notes.

Dividends

The directors do 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.

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Directors' report *(continued)*

Directors and their interests

The company secretary is GM McDonnall.

The directors who held office during the year were as follows:

P Bailey (resigned 5 November 1997)

F Callaghan (deceased 1 March 1997)

SL Daniels

DL Carcieri (resigned 31 December 1997)

None of these directors had any beneficial interest in the company's shares. Disclosable interests in the parent company shares (Cookson Group plc) for the directors who were directors 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 1997	31 December 1996	31 December 1997	31 December 1996	Granted during year	Exercised during year
SL Daniels	<u>3,284</u>	<u>1,200</u>	<u>886,510</u>	<u>791,909</u>	<u>124,456</u>	<u>29,855</u>

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.

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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.

Research and development

The company utilises the group central research laboratories whilst actively promoting product and process development work at the production centres.

Howdon Ltd

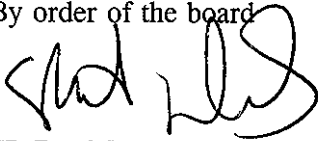
(formerly Anzon Limited)

Directors' report *(continued)*

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.

By order of the board



SL Daniels
Director

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

28 August 1998



KPMG Audit Plc

Festival Way
Stoke-on-Trent
Staffordshire ST1 5TA

Report of the auditor to the members of Howdon Ltd

We have audited the financial statements on pages 6 to 19.

Respective responsibilities of directors and auditor

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

WHS Audit Re

Chartered Accountants
Registered Auditor

11 September 1998

Howdon Ltd

(formerly Anzon Limited)

Profit and loss account

for the year ended 31 December 1997

	Note	1997 £000	1996 £000
Turnover			
Continuing operations - acquisition		430	-
Discontinued operations		9,888	21,406
		<hr/>	<hr/>
	2	10,318	21,406
Change in stocks of finished goods and work in progress		3	(710)
Raw materials and consumables		(5,688)	(14,909)
Other external charges		(1,473)	(1,733)
Staff costs	6	(222)	(585)
Depreciation and other amounts written off tangible and intangible fixed assets		(317)	(372)
Other operating charges		(1,576)	(2,539)
		<hr/>	<hr/>
Operating (loss)/profit			
Continuing operations - acquisition		(11)	-
Discontinued operations		1,056	558
		<hr/>	<hr/>
	3	1,045	558
Other interest receivable and similar income	7	553	464
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2-7	1,598	1,022
Tax on profit on ordinary activities	8	(550)	(348)
		<hr/>	<hr/>
Retained profit for the financial year		1,048	674
		<hr/>	<hr/>

A statement of movements on reserves is given in note 16.

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

Howdon Ltd

(formerly Anzon Limited)

Balance sheet

at 31 December 1997

	Note	1997 £000	1996 £000
Fixed assets			
Tangible assets	9	2,502	4,749
Current assets			
Stocks	10	67	1,819
Debtors	11	17,284	10,546
Cash at bank and in hand		422	1,544
		<u>17,773</u>	<u>13,909</u>
Creditors: amounts falling due within one year	12	<u>(1,845)</u>	<u>(1,270)</u>
Net current assets		<u>15,928</u>	<u>12,639</u>
Total assets less current liabilities		<u>18,430</u>	<u>17,388</u>
Creditors: amounts falling due after more than one year	13	<u>(22)</u>	<u>(28)</u>
Net assets		<u>18,408</u>	<u>17,360</u>
Capital and reserves			
Called up share capital	15	2,000	2,000
Revaluation reserve	16	1,374	1,374
Undistributable reserves	16	119	119
Profit and loss account	16	14,915	13,867
Equity shareholders' funds		<u>18,408</u>	<u>17,360</u>

These financial statements were approved by the board of directors on
were signed on its behalf by:

1998 and

SL Daniels
Director

Howdon Ltd

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Note of historical cost profits and losses for the year ended 31 December 1997

	1997 £000	1996 £000
Reported profit on ordinary activities before taxation	1,598	1,022
Difference between a historical cost depreciation charge and the actual depreciation charged for the year calculated on the revalued amount	23	40
Historical cost profit on ordinary activities before taxation	1,621	1,062
Historical cost profit for the year retained after taxation	1,071	714

Reconciliation of movements in shareholders' funds for the year ended 31 December 1997

	1997 £000	1996 £000
Profit for the financial year	1,048	674
Opening shareholders' funds	17,360	16,686
Closing shareholders' funds	18,408	17,360

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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.

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Notes *(continued)*

1 Accounting policies *(continued)*

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.

Pension costs

Eligible employees of the company are members of the defined benefit pension and life assurance plans operated by the parent company, Cookson Group plc. The costs of the benefits payable under the pension arrangements are met partly by employees' contributions and the balance by contributions paid to the parent company. Contributions to pension funds are charged against profits as payments are made. These contributions are based on actuarial valuations and are calculated so as to spread the cost of providing the pensions over the period of the employees' service.

The assets of the pension schemes are held in trustee administered funds.

Post-retirement benefit schemes

Certain employees are eligible for post-employment benefits. The future liability for such benefits is unfunded. Costs are charged against profits and are based on actuarial valuations and calculated so as to spread the costs of providing these benefits over the period of the employees' service.

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

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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

	1997 £000	1996 £000
United Kingdom	3,353	6,146
Europe	3,678	8,131
The Americas	818	1,521
Other	2,469	5,608
	<hr/>	<hr/>
	10,318	21,406
	<hr/>	<hr/>

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Notes (continued)

3 Analysis of continuing and discontinued operations

		1997		1996
	Continuing - acquisition	Discontinued	Total	Discontinued and total
	£000	£000	£000	£000
Turnover	430	9,888	10,318	21,406
Change in stocks of finished goods and work in progress	-	3	3	(710)
Raw materials and consumables	-	(5,688)	(5,688)	(14,909)
Other external charges	-	(1,473)	(1,473)	(1,733)
Staff costs	-	(222)	(222)	(585)
Depreciation	-	(317)	(317)	(372)
Other operating charges	(441)	(1,135)	(1,576)	(2,539)
Operating (loss)/profit	(11)	1,056	1,045	558

4 Profit on ordinary activities before taxation

	1997	1996
	£000	£000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Fees paid to the auditor and its associates:		
Audit fees	17	17
Non-audit fees	3	3
Depreciation and other amounts written off tangible fixed assets:		
Owned	306	361
Leased	11	11
Research and development expenditure	174	149
Recharge of site costs from Cookson Matthey Ceramics and Materials Limited	1,073	2,166

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Notes (continued)

5 Remuneration of directors

	1997 £000	1996 £000
Directors' emoluments	<u>126</u>	<u>212</u>

	Number of directors	
	1997	1996
Retirement benefits are accruing to the following number of directors under defined benefit schemes	<u>1</u>	<u>4</u>

6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1997	1996
Supervisory/administrative	<u>6</u>	<u>8</u>

The aggregate payroll costs of these persons were as follows:

	1997 £000	1996 £000
Wages and salaries	170	449
Social security costs	12	19
Other pension costs	40	117
	<u>222</u>	<u>585</u>

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Notes *(continued)*

7 Other interest receivable and similar income

	1997 £000	1996 £000
Receivable from group undertakings	473	459
Other	80	5
	<u>553</u>	<u>464</u>

8 Taxation

	1997 £000	1996 £000
UK corporation tax at 31% and 33%	550	350
Adjustment relating to an earlier year	-	(2)
	<u>550</u>	<u>348</u>

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Notes (continued)

9 Tangible fixed assets

	Freehold land and buildings	Plant and equipment	Total
	£000	£000	£000
<i>Cost or valuation</i>			
At beginning of year	2,587	7,697	10,284
Additions	15	270	285
Disposals	-	(5,820)	(5,820)
	<hr/>	<hr/>	<hr/>
At end of year	2,602	2,147	4,749
	<hr/>	<hr/>	<hr/>
<i>Depreciation and diminution in value</i>			
At beginning of year	374	5,161	5,535
Charge for year	72	245	317
On disposals	-	(3,605)	(3,605)
	<hr/>	<hr/>	<hr/>
At end of year	446	1,801	2,247
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 1997	2,156	346	2,502
	<hr/>	<hr/>	<hr/>
At 31 December 1996	2,213	2,536	4,749
	<hr/>	<hr/>	<hr/>

Included within the net book value of freehold land and buildings is an amount relating to freehold land of £665,000 (1996: £665,000) which has not been depreciated during the year.

Included in the total net book value of plant and equipment is £32,000 (1996: £43,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £11,000 (1996: £11,000).

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Notes (continued)

9 Tangible fixed assets (continued)

Particulars relating to revalued assets are given below:

	1997 £000	1996 £000
Land and buildings		
At 1989 open market value	2,578	2,578
Aggregate depreciation thereon	(446)	(374)
	<hr/>	<hr/>
Net book value	2,132	2,204
	<hr/>	<hr/>
Historical cost of revalued assets	1,977	1,977
Aggregate depreciation based on historical cost	(1,095)	(1,046)
	<hr/>	<hr/>
Historical cost net book value	882	931
	<hr/>	<hr/>

All other tangible fixed assets are included at cost.

10 Stocks

	1997 £000	1996 £000
Raw materials and consumables	-	247
Work in progress	67	216
Finished goods	-	1,356
	<hr/>	<hr/>
	67	1,819
	<hr/>	<hr/>

11 Debtors

	1997 £000	1996 £000
Trade debtors	340	2,498
Amounts owed by group undertakings	16,755	7,442
Other debtors	121	321
Prepayments and accrued income	68	285
	<hr/>	<hr/>
	17,284	10,546
	<hr/>	<hr/>

Howdon Ltd

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Notes (continued)

12 Creditors: amounts falling due within one year

	1997 £000	1996 £000
Obligations under finance leases and hire purchase contracts	10	14
Trade creditors	242	485
Amounts owed to group undertakings	-	220
Corporation tax	1,140	350
Other taxes and social security	3	5
Accruals and deferred income	450	196
	<u>1,845</u>	<u>1,270</u>

13 Creditors: amounts falling due after more than one year

	1997 £000	1996 £000
Obligations under finance leases and hire purchase contracts	<u>22</u>	<u>28</u>

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

	1997 £000	1996 £000
Within one year	14	14
In the second to fifth years	<u>28</u>	<u>41</u>
	42	55
Less future finance charges	<u>(10)</u>	<u>(13)</u>
	<u>32</u>	<u>42</u>

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Notes (continued)

14 Provisions for liabilities and charges

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

	1997		1996	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	-	1,201	-	1,284

15 Called up share capital

	1997 £000	1996 £000
<i>Authorised</i>		
2,000,000 ordinary shares of £1 each	2,000	2,000
<i>Allotted, called up and fully paid</i>		
2,000,000 ordinary shares of £1 each	2,000	2,000

16 Reserves

	Revaluation reserve £000	Undistributable reserves £000	Profit and loss account £000
At beginning of year	1,374	119	13,867
Profit for the year	-	-	1,048
At end of year	1,374	119	14,915

17 Contingent liabilities

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

Howdon Ltd

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Notes (continued)

18 Commitments

Capital commitments at the end of the financial year for which no provision has been made.

	1997 £000	1996 £000
Contracted	<u>45</u>	<u>146</u>

19 Pension scheme

As explained in the accounting policies in note 1, eligible employees of the company are members of the defined benefit pension and life assurance plans operated by the parent company, Cookson Group plc.

Pension costs relating to the UK scheme are assessed in accordance with the advice of a qualified actuary, using the projected unit method. Valuations of the UK scheme are carried out every two years.

Particulars of the actuarial valuation of this scheme are disclosed in the financial statements of Cookson Group plc.

Total costs incurred during the year amounted to £40,000 (1996: £117,000).

20 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