

THE HOLYWELL-HALKYN MINING AND TUNNEL COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS

1998

COURTAULDS GROUP

COMPANY REGISTERED NO. 50892



THE HOLYWELL-HALKYN MINING AND TUNNEL COMPANY LIMITED

REPORT OF THE DIRECTORS

The Directors submit their Report and the audited financial statements for the year ended 31 March 1998, see note below

PRINCIPAL ACTIVITY AND FINANCIAL RESULTS

The Company has not traded during the year. The Company has been dormant (within the meaning of S 252 Companies Act 1985) during the year. However, a dividend of £63,114 was paid for the year ended 31 March 1998 on 21 November 1997. (1997:Nil). Accordingly, the Company no longer remains dormant within the definition of the above Act and the Directors submit their Report and the audited Accounts for the year ended 31 March 1998

DIRECTORS

The Directors of the Company who served throughout the year under review were:-

A S Hopkins
D F Landless
D A Stevens
D L Warburton

DIRECTORS' INTERESTS

The register kept by the Company in accordance with Section 325 of the Companies Act 1985 shows that the Directors and their immediate families had the following beneficial interests in the share capital of the ultimate parent company, Courtaulds plc:

Courtaulds plc Ordinary Shares of 25p

	1 April 1997	31 March 1998
A S Hopkins	-	-
D F Landless	-	-
D A Stevens	5,000	5,000
D L Warburton	2,186	2,186

Courtaulds plc Executive Share Option Scheme

	1 April 1997	Exercised/ Lapsed	31 March 1998
A S Hopkins	30,000	-	30,000
D F Landless	20,000	-	20,000
D A Stevens	30,000	-	30,000
D L Warburton	30,000	10,000	20,000

THE HOLYWELL-HALKYN MINING AND TUNNEL COMPANY LIMITED

REPORT OF THE DIRECTORS (Continued)

Courtaulds plc Savings-Related Share Option Scheme

	1 April 1997	Granted	Exercised/ Lapsed	31 March 1998
A S Hopkins	4,178	5,356	4,178	5,356
D F Landless	3,748	907	-	4,655
D A Stevens	4,474	5,074	4,474	5,074
D L Warburton	3,681	6,484	3,681	6,484

Courtaulds plc Long Term Incentive Scheme

	1995	1996	1997	Total at 31.3.98
A S Hopkins	4,100	4,700	5,600	14,400
D F Landless	3,800	4,400	9,700	17,900
D A Stevens	-	4,600	4,900	9,500
D L Warburton	-	-	-	-

Notes:

- The interests under the share option schemes show the number of ordinary shares of Courtaulds plc over which Directors had options under the Courtaulds Executive Share Option Scheme II and the Courtaulds 1990 Savings-Related Share Option Scheme and options granted or exercised during the year.
- Courtaulds Executive Share Option Scheme - The table shows the numbers of shares over which options were outstanding. Options were granted between June 1990 and June 1994 at prices per share between 339p and 555p and are exercisable, in general, not earlier than ten years after the date of grant. Since 1994 no further options can be granted under this scheme.
- Courtaulds 1990 Savings-Related Share Option Scheme - The table shows the numbers of shares over which options were outstanding, and over which options were granted or exercised during the year. Options were granted between June 1992 and June 1997 at prices per share between 266p and 444p and are exercisable on completion of three or five years' saving under a related SAYE contract.
- Courtaulds Long Term Incentive Scheme ("the LTIS") - The table shows the maximum numbers of Courtaulds ordinary shares which the relevant Directors may receive pursuant to the LTIS in respect of three-year measurement periods commencing on 1 April of the years shown. Participants in the LTIS are awarded conditional rights to receive specified maximum numbers of shares by reference to their salaries and to the average share price during the preceding financial year. The number of share ultimately received (if any) depends on performance during the 3-year measurement period, as measured by comparing the total shareholder return from Courtaulds shares with the return from shares in each of the companies which were in the FT-SE 100 index at the beginning of the measurement period. Once the number of shares each participant may receive has been determined, he is granted a zero-value option exercisable not less than 2 years, and not more than 4 years, after the end of the measurement period. The shares to satisfy these options will be provided by the Courtaulds Employee Benefit Trust, which purchases shares in the market for this purpose, and in which each participant can therefore be deemed to have an interest. The 1995 awards have now lapsed.

Following the acquisition of Courtaulds plc by Akzo Nobel UK Holdings plc on 7 July 1998, the Directors no longer have any interests in Courtaulds shares either directly or through the employee share schemes referred to above. The financial benefits from the Long Term Incentive Scheme will be distributed to the Directors on 31 March 1999 or on leaving the Company, whichever is earlier.

THE HOLYWELL-HALKYN MINING AND TUNNEL COMPANY LIMITED

REPORT OF THE DIRECTORS (Continued)

SECRETARY AND REGISTERED OFFICE

D A Stevens, 50 George Street, London, W1A 2BB

AUDITORS

Following the payment of a dividend paid in respect to the year ended 31 March 1998, the Company ceases to be dormant within S 252 Companies Act 1985. Accordingly, a resolution to appoint Price Waterhouse as auditors to the Company will be proposed at the Company's annual general meeting. The Directors have been granted power to fix the remuneration of the auditors.

MILLENNIUM AND EUROPEAN MONETARY UNION

The company was included in reviews conducted by the Courtaulds group as a whole of the issues which might be raised by both the year 2000 (in relation to computer systems and date-aware microchip based equipment) and by the advent of European Monetary Union in eleven European countries in January 1999. These reviews are described in more detail on page 28 of Courtaulds plc's Annual Report 1997/8. On the basis of these reviews the Board believes that adequate steps are being taken to accommodate both issues and that it is unlikely that there will be any significant adverse effect on the Company.

DIRECTORS' RESPONSIBILITIES FOR PREPARING THE FINANCIAL STATEMENTS

The Companies Act 1985 requires the Directors to prepare for each financial year financial statements which give a true and fair view of the state of affairs of the Company at the end of that year, and of the profit for the year to that date. In preparing the financial statements the Directors are also required:

- to select suitable accounting policies and apply them consistently, supported as appropriate by reasonable and prudent judgements and estimates;
- to state whether applicable accounting standards have been followed, subject to any material departures;
- to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors confirm that they have complied with these requirements in preparing the financial statements on pages 6 to 9.

THE HOLYWELL-HALKYN MINING AND TUNNEL COMPANY LIMITED

REPORT OF THE DIRECTORS (Continued)

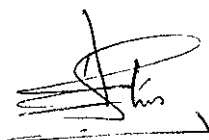
The Directors' responsibilities also include:

- keeping appropriate accounting records which disclose with reasonable accuracy the financial position of the Company at any time;
- 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.

SIGNIFICANT CHANGES SINCE THE YEAR END

On 7 July 1998, the ultimate parent company, Courtaulds plc, was acquired by Akzo Nobel UK Holdings plc, a subsidiary of Akzo Nobel N.V., a company incorporated in The Netherlands.

By Order of the Board



D A Stevens
Secretary
50 George Street
London W1A 2BB

30 September 1998

Report of the auditors to the Members of THE HOLYWELL-HALKYN MINING AND TUNNEL COMPANY LIMITED

We have audited the financial statements on pages 6 to 9 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on pages 3 and 4, 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 affairs of the Company as at 31 March 1998 and of the result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Price Waterhouse
Chartered Accountants
and Registered Auditors

Southwark Towers
32 London Bridge Street
London SE1 9SY

30 September 1998

THE HOLYWELL-HALKYN MINING AND TUNNEL COMPANY LIMITED

PROFIT AND LOSS ACCOUNT


YEAR ENDED 31 MARCH 1998	Note	1998 £	1997 £
Dividend to immediate parent undertaking		(63,114)	-
TRANSFERRED FROM RESERVES	4	(63,114)	-

BALANCE SHEET

AS AT 31 MARCH 1998	Note	1998 £	1997 £
<u>CURRENT ASSETS</u>			
Debtors (amounts falling due after more than one year) Amount owed by group undertaking		83,234	146,348
NET ASSETS		83,234	146,348
<u>CALLED-UP SHARE CAPITAL</u>			
Ordinary Shares of £1 each	5	63,188	63,188
<u>RESERVES</u>			
Non-distributable:	4		
Capital Redemption		20,000	20,000
Forfeited Share Account		46	46
General Capital		-	1,006
Tunnel Repairs		-	56,300
Profit and Loss Account		-	5,808
SHAREHOLDERS' FUNDS		83,234	146,348

The annexed notes form part of these financial statements.

Director



Approved by the Directors on 30 September 1998

THE HOLYWELL-HALKYN MINING AND TUNNEL COMPANY LIMITED

NOTE OF HISTORICAL COST PROFITS AND LOSSES

There is no difference arising on the activities of the Company on an unmodified historical cost basis.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses other than the profit or loss for the period.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Group Dividend	(63,114)	-
	<hr/>	<hr/>
Net reduction in shareholders' funds	(63,114)	-
Opening shareholders' funds	146,348	146,348
Closing shareholders' funds	83,234	146,348

THE HOLYWELL-HALKYN MINING AND TUNNEL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES

(a) Accounting convention

The financial statements have been drawn up under the historical cost accounting convention, and have been prepared in accordance with applicable accounting standards.

(b) Period of account

The period of account referred to in the Company Profit and Loss Account as "the year" is the year ended 31 March 1998.

(c) Cashflow Statement

The ultimate parent undertaking has included in its accounts a consolidated cashflow statement prepared in accordance with Financial Reporting Standard 1 (Revised), therefore the Company, which is a wholly owned subsidiary undertaking of Courtaulds Investments (Holdings) Limited, is not required to prepare a cashflow statement.

2. REMUNERATION OF AUDITORS

The remuneration of the Company's auditors is borne by the ultimate parent undertaking.

3. REMUNERATION OF DIRECTORS

The Directors received no remuneration for their services to the Company during the year. The Directors were all employed by the ultimate parent undertaking from which they received remuneration for services to the Courtaulds group as a whole.

4. STATEMENT OF RETAINED PROFIT AND RESERVES

	£
Balance at 1 April 1997	83,160
Transfer from Profit and Loss Account	(63,114)
Balance at 31 March 1998	20,046

5. CALLED UP SHARE CAPITAL

	1998 £000	1997 £000
Allotted, issued and fully paid:		
100,000 Ordinary Shares of £1 each	63,188	63,188
Authorised:		
100,000 Ordinary Shares of £1 each	100,000	100,000
20,000 2.8% Non-cumulative redeemable preference shares of £1 each	20,000	20,000

6. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary, the Company has taken advantage of the exemption afforded by FRS 8 not to disclose related party transactions with other members of the Courtaulds group. No Director during the year has been materially interested in any contract with the Company which is significant in relation to the Company's activities

THE HOLYWELL-HALKYN MINING AND TUNNEL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The Holywell-Halkyn Mining and Tunnel Company Limited is a 93.79% owned subsidiary undertaking of Courtaulds Investments (Holdings) Limited, which is a wholly owned subsidiary undertaking of Courtaulds Services Limited, a subsidiary undertaking of the Company's ultimate parent company, at 31 March 1998 Courtaulds plc, which is incorporated in Great Britain and registered in England. Copies of the Courtaulds Group Report and Accounts may be obtained from the Secretary's Office, Courtaulds plc, 50 George Street, London W1A 2BB.

As of 7 July 1998, Courtaulds plc became a subsidiary of Akzo Nobel UK Holdings plc, a subsidiary of Akzo Nobel N.V., which is incorporated in The Netherlands.