

**ENGELHARD SALES LIMITED**

**Annual report for the year ended**

**31 December 2000**

Company Registration No. 933890



# ENGELHARD SALES LIMITED

## Directors' report for the year ended 31 December 2000

The directors present their report and the financial statements of Engelhard Sales Limited for the year ended 31 December 2000.

### Principal activity

The company's principal activity is the refining of precious and other metal products.

### Review of business and future developments

The retained profit for the year was £2,310,000 (1999:£1,176,000). Equity shareholders' funds increased to £11,226,000 (1999:£8,916,000). The year end financial position was satisfactory.

There have been no material developments in the business and no major changes in activities are planned.

### Dividends

No dividends were paid during the year or are proposed (1999: nil).

### Directors

The following persons have been directors of the company during the year:

L Fliegel  
G J Dobson (resigned 30 March 2001)  
J Setchfield (appointed 30 March 2001)

None of the directors had, at any time during the year, a beneficial interest in the shares of the company, its controlling company or its fellow subsidiary companies.

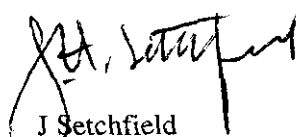
### Directors' responsibilities

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 of the company 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; and
- 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 which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BY ORDER OF THE BOARD

  
J Setchfield  
Director

Date: 18<sup>th</sup> June 2001

# ENGELHARD SALES LIMITED

## Auditors' report

### To the Shareholders of Engelhard Sales Limited

We have audited the financial statements on pages 3 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

### Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the accounts 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 our profession's ethical guidance.


### 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the company, 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 accounts 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 accounts.

### Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 2000 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen  
Chartered Accountants and Registered Auditors  
1 Surrey Street  
London WC2R 2PS

Date: 18 June 2001

# ENGELHARD SALES LIMITED

## Profit and loss account for the year ended 31 December 2000

	Notes	2000 £000	1999 £000
Turnover	2	11,112	6,853
Cost of sales		(7,096)	(4,658)
Gross profit		<u>4,016</u>	<u>2,195</u>
Distribution costs		(655)	(524)
Administrative expenses		(145)	(110)
Operating profit	3	<u>3,216</u>	<u>1,561</u>
Other income		79	66
Other interest receivable and similar income	4	8	46
Profit on ordinary activities before taxation		<u>3,303</u>	<u>1,673</u>
Tax on profit on ordinary activities	5	(993)	(497)
Retained profit for the financial year		<u>2,310</u>	<u>1,176</u>
Retained profits as at 31 December 1999		8,915	7,739
Retained profits as at 31 December 2000		<u><u>11,225</u></u>	<u><u>8,915</u></u>

The operating profit of the company is derived from continuing operations.

The company has no recognised gains and losses for the current and previous financial years other than those stated in the profit and loss account.


The accompanying notes are an integral part of these financial statements.

# ENGELHARD SALES LIMITED

## Balance Sheet - 31 December 2000

	Notes	2000 £000	1999 £000
<b>FIXED ASSETS</b>			
Tangible assets	6	756	734
<b>CURRENT ASSETS</b>			
Stocks	7	-	32
Debtors: amounts falling due within one year	8	10,644	18,495
Cash at bank and in hand		3,122	706
		<u>13,766</u>	<u>19,233</u>
<b>CREDITORS</b>			
Amounts falling due within one year	9	(3,250)	(11,009)
<b>NET CURRENT ASSETS</b>		<u>10,516</u>	<u>8,224</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>11,272</u>	<u>8,958</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	10	(46)	(42)
<b>NET ASSETS</b>		<u>11,226</u>	<u>8,916</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	1	1
Profit and loss account		11,225	8,915
<b>EQUITY SHAREHOLDERS' FUNDS</b>	12	<u>11,226</u>	<u>8,916</u>

The directors' report and financial statements were approved by the board of directors on 18<sup>th</sup> June 2001

  
J. Setchfield  
Director

The accompanying notes are an integral part of these financial statements.

# ENGELHARD SALES LIMITED

## Notes to the financial statements - 31 December 2000

### 1 ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

#### (a) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes the costs of conversion incurred in bringing stocks to their present state and location.

#### (b) Translation of foreign currencies

Where contracts are entered into for the forward purchase or sale of other currencies, the related transactions are translated into sterling at the contract rates. Where such currency contracts are not entered into, transactions in foreign currencies are translated into sterling at the rates of exchange prevailing at the time those transactions are accounted for.

Non-monetary assets and liabilities denominated in currencies other than sterling have been translated into sterling at their historical rates of exchange.

Other non-sterling denominated assets and liabilities not covered by foreign currency contracts are translated into sterling at the closing rates of exchange at the balance sheet date. All differences arising are taken to the profit and loss account.

#### (c) Related party disclosure

Under the provisions of FRS 8 Related Party Transactions, the company is exempt from disclosing related party transactions with other group companies as 100% of the voting rights of the company are controlled within the group and the ultimate parent company publishes consolidated financial statements that are publicly available.

#### (d) Lease commitments

Amounts due to and from the company under operating lease agreements, including those in respect of precious metals, are credited/charged to the profit and loss account on an accruals basis.

#### (e) Taxation

Provision is made for corporation tax at current rates on the profits as adjusted for tax purposes. Deferred tax is provided using the liability method for all short term timing differences where the directors expect with reasonable probability that the asset or liability will crystallise.

#### (f) Tangible fixed assets

Tangible fixed assets are stated at cost, including any incidental costs of acquisition, net of depreciation and any provision for impairment.

Depreciation is provided on a straight line basis over the expected useful lives of tangible fixed assets, as follows:

Freehold buildings	25 years
Other tangible assets	3 to 7 years

# ENGELHARD SALES LIMITED

## Notes to the financial statements - 31 December 2000

### 2 SEGMENTAL ANALYSIS

The company has only one class of business, that of refining precious and other metal products.

Turnover by destination is analysed as follows:

	2000 £000	1999 £000
Geographical area:		
United Kingdom	7,440	4,819
Other Europe	2,483	1,600
United States of America	722	80
Asia	233	128
Africa	234	226
	<u>11,112</u>	<u>6,853</u>

### 3 OPERATING PROFIT

Operating profit is stated after charging:

	2000 £000	1999 £000
Auditors: Audit Remuneration	8	7
Other Fees	6	6
Operating leases: Plant and machinery	21	29
Other	110	110
Depreciation	148	74
	<u></u>	<u></u>

### 4 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2000 £000	1999 £000
Other loans and receivables	8	46
	<u></u>	<u></u>

### 5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £000	1999 £000
UK corporation tax at 30% (1999: 30.25%)		
Current	985	455
Deferred (see note 10)	4	42
Under provision in respect of prior year	4	-
	<u>993</u>	<u>497</u>

# ENGELHARD SALES LIMITED

## Notes to the financial statements - 31 December 2000

### 6 TANGIBLE FIXED ASSETS

		Land and buildings £000	Other tangible assets £000	Total £000
Cost:	At 1 January 2000	46	823	869
	Additions	-	170	170
	At 31 December 2000	<u>46</u>	<u>993</u>	<u>1,039</u>
Depreciation:	At 1 January 2000	4	131	135
	Provided during the year	2	146	148
	At 31 December 2000	<u>6</u>	<u>277</u>	<u>283</u>
Net Book Value: At 31 December 2000		<u>40</u>	<u>716</u>	<u>756</u>
At 31 December 1999		<u>42</u>	<u>692</u>	<u>734</u>

Other tangible assets include plant and machinery, fixtures, fittings, computers and equipment.

### 7 STOCKS

	2000 £000	1999 £000
Work in progress	-	32

### 8 DEBTORS: amounts falling due within one year

	2000 £000	1999 £000
Trade debtors	409	870
Amounts owed by ultimate parent company and fellow subsidiaries	8,485	17,036
Other debtors	1,732	566
Prepayments and accrued income	18	23
	<u>10,644</u>	<u>18,495</u>



# ENGELHARD SALES LIMITED

## Notes to the financial statements - 31 December 2000

### 9 CREDITORS: amounts falling due within one year

	2000 £000	1999 £000
Trade creditors	-	490
Amounts owed to ultimate parent company and fellow subsidiaries	1,679	9,511
Corporation tax payable	1,134	612
Other creditors and accruals	437	396
	<u>3,250</u>	<u>11,009</u>

### 10 DEFERRED TAXATION

Provision has been made for the full potential liability at a corporation tax rate of 30%.  
Movements on the provision for deferred tax are:

	2000 £000	1999 £000
Balance at 1 January 2000	42	-
Amount provided during the year (see note 5):	4	42
Balance at 31 December 2000	<u>46</u>	<u>42</u>

Deferred taxation provided relates to accelerated capital allowances.

### 11 CALLED UP SHARE CAPITAL

	2000 £000	1999 £000
Authorised, issued and fully paid: 1,000 ordinary shares of £1 each	<u>1</u>	<u>1</u>

### 12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £000	1999 £000
Balance at 1 January 2000	8,916	7,740
Profit for the year	2,310	1,176
Balance at 31 December 2000	<u>11,226</u>	<u>8,916</u>

### 13 CASH FLOW STATEMENT

Under the provisions of FRS 1 Cash Flow Statements, the company is exempt from reporting a cash flow statement as 100% of the voting rights of the company are controlled within the group and the ultimate parent company publishes consolidated financial statements that include the company and are publicly available.

## ENGELHARD SALES LIMITED

### Notes to the financial statements - 31 December 2000

#### 14 DIRECTORS' EMOLUMENTS

One of the directors was also a director of the company's controlling company and his emoluments are disclosed in the Annual Report of that company. The other director was employed by the company's ultimate parent company and did not receive any emoluments for his services as a director of the company.

#### 15 EMPLOYEE INFORMATION

	2000	1999
a) Average number of employees during the year:		
Manufacturing	30	27
Distribution	8	8
Administration	2	2
	<hr/> 40	<hr/> 37
	<hr/>	<hr/>
	£000	£000
b) Employment costs		
Aggregate gross wages and salaries	1,043	933
Employer's NI contributions	102	83
Employer's pension contributions	89	9
	<hr/> 1,234	<hr/> 1,025
	<hr/>	<hr/>

#### 16 PENSION OBLIGATIONS

The company is a participating employer in the Engelhard Pension Scheme and the Engelhard Executive Benefit Scheme which operate two funded defined benefit pension schemes and a defined contribution pension scheme. The assets of both schemes are held separately from those of the participating employers in trustee administered funds.

Contributions to the schemes are charged directly to the profit and loss account of the company. Surpluses or deficits in the schemes attributable to the Engelhard group are not allocated to the participating subsidiaries but are accounted for in the accounts of the controlling company. The most recent actuarial valuation of the schemes was at 31 December 1998, using the projected unit credit method.

Details of the schemes may be found in the accounts of Engelhard Limited.

#### 17 CONTINGENT LIABILITIES

As a result of group registration for UK VAT purposes the company is contingently liable for the VAT liabilities of certain other group and associate undertakings. As at the balance sheet date the group is in a net reclaimable position with respect to VAT and therefore the maximum potential contingent liability of the company is NIL (1999: Nil).

An unlimited multilateral guarantee has been given in favour of the group's bank by the company, and by Engelhard Metals Limited and Engelhard Limited, in respect of all amounts owed to the bank by each of the companies.

# ENGELHARD SALES LIMITED

## Notes to the financial statements - 31 December 2000

### 18 COMMITMENTS

At 31 December the company had annual commitments under non-cancellable operating leases expiring as follows:

	2000 £000	1999 £000
Land and buildings		
After five years	110	110
Other assets		
Within one year	4	-
Within two to five years	17	29
	<u>21</u>	<u>29</u>

### 19 CONTROLLING COMPANY

The company is a wholly owned subsidiary of Engelhard Limited, a company registered in England and Wales. Engelhard Limited heads the smallest group of undertakings for which group financial statements are drawn up and of which the company is a member. The directors of the company consider Engelhard Limited to be the company's controlling party.

Copies of Engelhard Limited's consolidated financial statements may be obtained from The Secretary, Engelhard Limited, 63 St. Mary Axe, London EC3A 8NH.

### 20 ULTIMATE PARENT COMPANY

The company's ultimate parent company is Engelhard Corporation, which is incorporated in the State of Delaware, USA. Engelhard Corporation heads the largest group of undertakings for which group financial statements are drawn up and of which the company is a member. The directors of the company consider Engelhard Corporation to be the company's ultimate controlling party.

Copies of Engelhard Corporation's consolidated financial statements may be obtained from The Secretary, Engelhard Limited, 63 St. Mary Axe, London EC3A 8NH.