



ARTHUR ANDERSEN

ENGELHARD INTERNATIONAL LIMITED

Annual report for the year ended

31 December 2000

Company Registration No. 3101215



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COMPANIES HOUSE 09/04/01

ENGELHARD INTERNATIONAL LIMITED

Directors' report for the year ended 31 December 2000

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

Principal activity

The company's principal activity is metal commodity dealing. The company is an Associate Broker Clearing Member of the London Metal Exchange and is regulated by the Securities and Futures Authority to conduct investment business under the Financial Services Act 1986.

Review of business and future developments

The loss for the year was \$1,739,000 (1999: profit \$6,290,000). Equity shareholders' funds decreased to \$50,832,000 (1999: increased to \$52,571,000). 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:

G J Dobson
R M Lowish
L Fliegel
E P Martens

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.

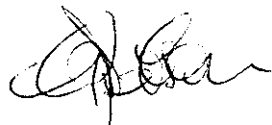
Directors' responsibilities

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



G J Dobson
Director

Date: 28 March 2001



Auditors' report

To the Shareholders of Engelhard International Limited

We have audited the accounts on pages 3 to 9 which have been prepared under the historical cost convention, except for departures from the requirements of the Companies Act 1985 outlined in note 1(a), and the accounting policies set out on pages 5 and 6.

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 loss 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: 28 March 2001

ENGELHARD INTERNATIONAL LIMITED

Profit and loss account for the year ended 31 December 2000

| | Notes | 2000 \$000 | 1999 \$000 |
|--|---------|---------------|---------------|
| Dealing income | 1(d), 2 | 381 | 12,764 |
| Administrative expenses | | (3,901) | (3,276) |
| Operating (loss)/profit | 3 | (3,520) | 9,488 |
| Other interest receivable and similar income | 4 | 2,039 | 1,026 |
| Interest payable and similar charges | 5 | (1,001) | (1,354) |
| (Loss)/profit on ordinary activities before taxation | | (2,482) | 9,160 |
| Tax on (loss)/profit on ordinary activities | 6 | 743 | (2,870) |
| Retained (loss)/profit for the financial year | | (1,739) | 6,290 |
| Retained profits as at 31 December 1999 | | 10,821 | 4,531 |
| Retained profits as at 31 December 2000 | | 9,082 | 10,821 |

There is no difference between (loss)/profit on ordinary activities before taxation and (loss)/profit for the financial year as stated above and their historical cost equivalent except as explained in note 1(a).

The operating (loss)/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.

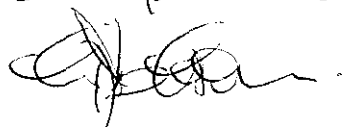
ENGELHARD INTERNATIONAL LIMITED

Balance Sheet – 31 December 2000

| | Notes | 2000 \$000 | 1999 \$000 |
|--|-------|---------------|----------------|
| FIXED ASSETS | | | |
| Tangible assets | 7 | 1 | 7 |
| Investments | 8 | 482 | 482 |
| | | <u>483</u> | <u>489</u> |
| CURRENT ASSETS | | | |
| Stocks | 1(a) | 15,504 | 4,701 |
| Debtors: amounts falling due within one year | 9 | 64,629 | 106,735 |
| Cash at bank and in hand | | 1,861 | 428 |
| | | <u>81,994</u> | <u>111,864</u> |
| CREDITORS | | | |
| Amounts falling due within one year | 10 | (31,645) | (59,782) |
| NET CURRENT ASSETS | | <u>50,349</u> | <u>52,082</u> |
| NET ASSETS | | <u>50,832</u> | <u>52,571</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 11 | 41,750 | 41,750 |
| Profit and loss account | | 9,082 | 10,821 |
| EQUITY SHAREHOLDERS' FUNDS | 12 | <u>50,832</u> | <u>52,571</u> |

The directors' report and financial statements were approved by the board of directors on

26 March 2001



G J Dobson
Director

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

ENGELHARD INTERNATIONAL 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, except for the departure from the requirements of the Companies Act 1985 in order to give a true and fair view which is explained in note 1(a). A summary of the more important accounting policies, which have been applied consistently, is set out below.

(a) Stocks and open contracts held for dealing purposes

Metal stocks and open contracts held for dealing purposes are valued at market prices in accordance with established industry practice. Revaluation gains and losses resulting from the application of this policy are taken to the profit and loss account, which represents a departure, as far as gains are concerned, from the Companies Act 1985.

The directors consider that this departure is necessary in order that the financial statements should give a true and fair view of the results of the company's dealing activities, in accordance with section 226(5) of the Companies Act 1985. The directors consider that it is not practicable, and moreover would be misleading, to quantify the effects of non-compliance with the Act.

Revaluation gains and losses on open contracts, which include futures and options, representing both long and short positions, are included in the balance sheet under debtors and creditors respectively.

(b) Translation of foreign currencies

The currency of the majority of trading transactions is the United States Dollar (US\$) and these financial statements are therefore denominated in that currency.

Where contracts are entered into for the forward purchase or sale of other currencies, the related transactions are translated into US\$ at the contract rates. Where such currency contracts are not entered into, transactions other than US\$ are translated into US\$ at the average exchange rate for the year.

Non-monetary assets and liabilities denominated in currencies other than US\$ have been translated at their historical rate of exchange.

Other non-US\$ denominated assets and liabilities not covered by foreign currency contracts are translated into US\$ at the closing rates of exchange at the balance sheet date. All differences arising are taken to the profit and loss account. The exchange rate used at the year end was US\$1.493:£1 (1999: US\$1.615:£1).

(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) Dealing income

The directors believe that turnover and cost of sales do not have meaningful equivalents for the business of the company and, in keeping with similar businesses, these items have not been separately disclosed in the profit and loss account. The directors consider that dealing income, which comprises profits and losses from dealing in metal commodities, is a more relevant measure of activity.

ENGELHARD INTERNATIONAL LIMITED

Notes to the financial statements – 31 December 2000

1 ACCOUNTING POLICIES (continued)

(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:

Fixtures & fittings, computers and equipment – 2 to 5 years.

(g) Investments

Long term investments are stated at their purchase cost less provision for any impairment in value.

(h) Amounts due from/to counterparties

Amounts due from/to the same counterparty in respect of unsettled dealing transactions are stated on a gross basis in the balance sheet.

2 SEGMENTAL ANALYSIS

The company has only one class of business, that of dealing in metal commodities. The directors are of the opinion that it would be seriously prejudicial to the interests of the company to give separate disclosure of dealing income by destination.

3 OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging:

| | 2000 \$000 | 1999 \$000 |
|------------------------------|---------------|---------------|
| Auditors: Audit remuneration | 101 | 94 |
| Other fees | - | 97 |
| Depreciation | 6 | 8 |
| | <hr/> | <hr/> |

4 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2000 \$000 | 1999 \$000 |
|---|---------------|---------------|
| Ultimate parent company and fellow subsidiaries | 1,503 | 862 |
| Other loans and receivables | 536 | 164 |
| | <hr/> | <hr/> |
| | 2,039 | 1,026 |
| | <hr/> | <hr/> |

ENGELHARD INTERNATIONAL LIMITED

Notes to the financial statements – 31 December 2000

5 INTEREST PAYABLE AND SIMILAR CHARGES

| | 2000 \$000 | 1999 \$000 |
|---|---------------|---------------|
| Ultimate parent company and fellow subsidiaries | 147 | 686 |
| Other loans and payables | 854 | 668 |
| | <u>1,001</u> | <u>1,354</u> |

6 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

In the current year there is a repayment due for UK corporation tax of \$743,000 (1999: charge payable of \$2,870,000). Provision has been made for corporation tax at a rate of 30% (1999: 30.25%). No provision was required for deferred taxation as at the balance sheet date (1999: Nil).

7 TANGIBLE FIXED ASSETS

| | Fixtures, Fittings, Computers and Equipment \$000 |
|---|--|
| Cost: At 1 January and 31 December 2000 | <u>30</u> |
| Depreciation: At 1 January 2000 | 23 |
| Charge for the year | 6 |
| At 31 December 2000 | <u>29</u> |
| Net book value: At 31 December 2000 | <u>1</u> |
| At 31 December 1999 | <u>7</u> |

8 INVESTMENTS

The investment represents one 'A' share in The London Clearing House Limited.

9 DEBTORS: amounts falling due within one year

| | 2000 \$000 | 1999 \$000 |
|--|---------------|----------------|
| Trade debtors | 10,574 | 46,242 |
| Amounts owed by ultimate parent company and fellow subsidiaries | 52,992 | 59,721 |
| Other debtors | 281 | 467 |
| Prepayments and accrued income | 177 | 305 |
| Corporation tax recoverable | 605 | - |
| | <u>64,629</u> | <u>106,735</u> |

ENGELHARD INTERNATIONAL LIMITED

Notes to the financial statements – 31 December 2000

10 CREDITORS: amounts falling due within one year

| | 2000 \$000 | 1999 \$000 |
|--|---------------|---------------|
| Trade creditors | 27,412 | 53,627 |
| Amounts owed to ultimate parent company and fellow subsidiaries | 3,118 | 842 |
| Corporation tax payable | - | 4,048 |
| Other creditors and accruals | 1,115 | 1,265 |
| | <u>31,645</u> | <u>59,782</u> |

11 CALLED UP SHARE CAPITAL

| | 2000 \$000 | 1999 \$000 |
|---|---------------|---------------|
| Authorised, issued and fully paid: 25,000,000 ordinary shares of £1 each | 41,750 | 41,750 |

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2000 \$000 | 1999 \$000 |
|-------------------------------------|---------------|---------------|
| Balance at 1 January 2000 | 52,571 | 46,281 |
| Retained (loss)/profit for the year | (1,739) | 6,290 |
| Balance at 31 December 2000 | <u>50,832</u> | <u>52,571</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.

14 DIRECTORS' EMOLUMENTS

Two of the directors were employed by the company's ultimate parent company, and did not receive any emoluments for their services as directors of the company. One of the UK directors was also a director of the company's controlling company, and his emoluments are disclosed in the Annual Report of that company. The emoluments of the remaining director attributable to the company are as follows:

| | 2000 \$000 | 1999 \$000 |
|---|---------------|---------------|
| Aggregate emoluments | 347 | 123 |
| Accrued pension (defined benefits scheme) | 11 | 11 |

ENGELHARD INTERNATIONAL LIMITED

Notes to the financial statements – 31 December 2000

15 EMPLOYEE INFORMATION

The company does not have any employees. Staff are employed by a subsidiary of the ultimate parent company which recharges costs attributable to work undertaken for the company.

16 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).

17 COMMITMENTS

The company has financial commitments and contingencies which arise from forward foreign exchange, commodity options and future contracts entered into in the normal course of business.

All lease contracts are entered into by a subsidiary of the ultimate holding company. The company is recharged a proportion of these costs each month.

18 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.

19 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.