

Engelhard International Limited

Annual report for the year ended 31 December 2004

Company Registration No. 3101215



ENGELHARD INTERNATIONAL LIMITED

Directors' report for the year ended 31 December 2004

The directors present their report and the financial statements of Engelhard International Limited for the year ended 31 December 2004.

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 Financial Services Authority to conduct investment business under the Financial Services and Markets Act 2000. In addition, the Company is an Associate Member of the London Platinum and Palladium Market.

Review of business and future developments

The loss for the financial year was \$202,000 (2003: profit \$1,667,000). Equity shareholder's funds decreased to \$51,396,000 (2003: \$51,598,000). The year end financial position was satisfactory.

In December 2004, the Company announced its intention to exit the Islamic trading business during 2005.

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

Dividends

No dividends were paid during the year (2003: \$3,525,000).

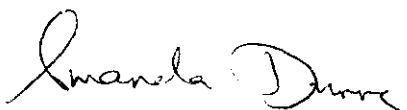
Directors

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

A C Dunne
R M Lowish
E P Martens
G D Fugate

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.

ON BEHALF OF THE BOARD



A C Dunne
Director

Date: 30 March 2005

ENGELHARD INTERNATIONAL LIMITED

Statement of 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 to 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.

ENGELHARD INTERNATIONAL LIMITED

Independent auditors' report to the members of Engelhard International Limited

We have audited the Company's financial statements for the year ended 31 December 2004 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 20. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 1985. We also report to you if, in our opinion, the Directors' 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 directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

Date: 30 March 2005

ENGELHARD INTERNATIONAL LIMITED

Profit and loss account for the year ended 31 December 2004

	Notes	2004 \$000	2003 \$000
Dealing income	1(d), 2	4,165	5,370
Administrative expenses		(5,181)	(3,618)
Other operating expenses		(155)	(5)
Operating (loss)/profit	3	<u>(1,171)</u>	<u>1,747</u>
Interest receivable and similar income	4	1,288	799
Interest payable and similar charges	5	(406)	(175)
(Loss)/profit on ordinary activities before taxation		<u>(289)</u>	<u>2,371</u>
Tax on (loss)/profit on ordinary activities	6	87	(704)
(Loss)/profit for the financial year		<u>(202)</u>	<u>1,667</u>
Retained profits at start of year		9,848	11,706
Available for distribution		<u>9,646</u>	<u>13,373</u>
Dividends paid	13	-	(3,525)
Retained profits at end of year		<u>9,646</u>	<u>9,848</u>

There is no difference between profit on ordinary activities before taxation and profit for the financial year as stated above and their historical cost equivalent with exception to the accounting for stocks and open contracts held for dealing purposes as detailed in Note 1(a).

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

The company has no recognised gains or 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 2004

	Notes	2004 \$000	2003 \$000
FIXED ASSETS			
Tangible assets	7	-	-
Investments	8	482	482
		<u>482</u>	<u>482</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	9	183,395	128,485
Cash at bank and in hand		11,595	67,238
		<u>194,990</u>	<u>195,723</u>
CREDITORS			
Amounts falling due within one year	10	(144,076)	(144,607)
NET CURRENT ASSETS		<u>50,914</u>	<u>51,116</u>
NET ASSETS		<u>51,396</u>	<u>51,598</u>
CAPITAL AND RESERVES			
Called up share capital	11	41,750	41,750
Profit and loss account		9,646	9,848
EQUITY SHAREHOLDER'S FUNDS	12	<u>51,396</u>	<u>51,598</u>

The directors' report and financial statements were approved by the board of directors on 30 March 2005



A C Dunne
Director

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

ENGELHARD INTERNATIONAL LIMITED

Notes to the financial statements - 31 December 2004

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 notes 1(a) and 1(d). A summary of the more important accounting policies, which have been applied consistently throughout the year and preceding years 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 rates of exchange prevailing at the time those transactions are accounted for.

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\$1.9160:£1 (2003: US\$1.7842:£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 2004

1 ACCOUNTING POLICIES (continued)

(e) Taxation

Provision is made for corporation tax at current rates on the profits as adjusted for tax purposes.

(f) Deferred 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.

Deferred tax is recognised in respect of all timing differences where transactions or events that have originated but not reversed at the balance sheet date result in an obligation to pay more tax in the future, or a right to pay less tax in the future.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(g) 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 and fittings, computers and equipment - 2 to 5 years.

(h) Investments

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

(i) 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.

ENGELHARD INTERNATIONAL LIMITED

Notes to the financial statements - 31 December 2004

3 OPERATING PROFIT

Operating profit is stated after charging:

	2004 \$000	2003 \$000
Auditors: Audit remuneration	151	100

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	2004 \$000	2003 \$000
Ultimate parent company and fellow subsidiaries	602	152
Other loans and receivables	686	647
	<u>1,288</u>	<u>799</u>

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2004 \$000	2003 \$000
Ultimate parent company and fellow subsidiaries	41	-
Other loans and payables	365	175
	<u>406</u>	<u>175</u>

ENGELHARD INTERNATIONAL LIMITED

Notes to the financial statements - 31 December 2004

6 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2004 \$000	2003 \$000
(a) Analysis of charge in year		
UK Corporation tax on (loss)/profits of the year	(87)	711
Adjustments in respect of previous periods	-	(7)
Total current tax (note 6(b))	<u>(87)</u>	<u>704</u>
(b) Factors affecting tax charge for the year		
(Loss)/Profit on ordinary activities before tax	(289)	2,371
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	<u>(87)</u>	<u>711</u>
Effect of:		
Adjustments in respect of previous periods	-	(7)
	<u>(87)</u>	<u>704</u>

No provision was required for deferred taxation as at the balance sheet date (2003: Nil).

7 TANGIBLE FIXED ASSETS

	Fixtures, Fittings, Computers and Equipment \$000
Cost: At 1 January and 31 December 2004	30
Depreciation: At 1 January and 31 December 2004	30
Net book value: At 1 January and 31 December 2004	-

ENGELHARD INTERNATIONAL LIMITED

Notes to the financial statements - 31 December 2004

8 INVESTMENTS

The \$482,000 (2003: \$482,000) investment represents 362,903 ordinary shares in LCH.Clearnet Group Limited.

On 15 November 2000 the LME reorganised as a limited company, LME Holdings Limited. The Company, as an existing Associate Broker Clearing Member, was allocated 250,000 10p ordinary shares for nil consideration. All Associate Broker Clearing Members are required to hold a minimum of 250,000 shares in order to trade on the exchange and there are severe restrictions over the transfer or sale of such shares. As a result the directors believe that notwithstanding the fact that these shares may have a market value it is appropriate to record them at a carrying value of nil. Annual membership fees payable to the LME are expensed as incurred.

9 DEBTORS: amounts falling due within one year

	2004 \$000	2003 \$000
Trade debtors	28,858	384
Mark-to-market asset	105,293	126,470
Amounts owed by ultimate parent company and fellow subsidiaries	46,000	28
Other debtors	2,070	1,359
Corporation tax receivable	1,029	-
Prepayments and accrued income	145	244
	<u>183,395</u>	<u>128,485</u>

10 CREDITORS: amounts falling due within one year

	2004 \$000	2003 \$000
Trade creditors	29,594	6,225
Mark-to-market liability	103,685	126,014
Amounts owed to ultimate parent company and fellow subsidiaries	7,600	8,802
Corporation tax payable	-	626
Accruals and deferred income	3,197	2,940
	<u>144,076</u>	<u>144,607</u>

11 CALLED UP SHARE CAPITAL

	2004 \$000	2003 \$000
Authorised, issued and fully paid: 25,000,000 ordinary shares of £1 each	<u>41,750</u>	<u>41,750</u>

ENGELHARD INTERNATIONAL LIMITED

Notes to the financial statements - 31 December 2004

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2004 \$000	2003 \$000
Balance at 1 January 2004	51,598	53,456
Retained loss for the year after dividends	(202)	(1,858)
Balance at 31 December 2004	<u>51,396</u>	<u>51,598</u>

13 DIVIDENDS

	2004 \$000	2003 \$000
Ordinary shares		
Final proposed and paid: £nil (2003: £0.08) per £1 share	-	3,525

14 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.

15 DIRECTORS' EMOLUMENTS

None of the directors were employed by the Company. E P Martens and G D Fugate were employed by the Company's ultimate parent company and did not receive any emoluments for their services as directors of the Company. The emoluments of R M Lowish and A C Dunne attributable to the Company were as follows:

	2004 \$000	2003 \$000
Aggregate emoluments	374	264
Number of directors accruing retirement benefits:		
Defined benefits scheme	1	1
Money purchase scheme	1	1

16 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.

ENGELHARD INTERNATIONAL LIMITED

Notes to the financial statements - 31 December 2004

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 (2003: Nil).

18 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 other lease contracts are entered into by a fellow subsidiary of the ultimate parent company. The Company is recharged a proportion of these costs each month.

19 CONTROLLING COMPANY

The Company is a wholly owned subsidiary of Engelhard Limited, a company registered in England and Wales, which is itself a wholly owned subsidiary of Engelhard European Holdings Limited also registered in England and Wales. Engelhard European Holdings 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 European Holdings Limited to be the company's controlling party.

Copies of Engelhard European Holdings 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.