

NO:3247540

HANSON PEABODY LIMITED
(formerly Paperrefine Limited)

DIRECTORS' REPORT AND ACCOUNTS

IN RESPECT OF THE PERIOD OF 16 MONTHS ENDED

31 DECEMBER 1997



HANSON PEABODY LIMITED (formerly Paperrefine Limited)

DIRECTORS' REPORT

Directors: G Dransfield
S J Hurrell
K J Ludlam

Secretary: P D Tunncliffe

Registered Office: 1 Grosvenor Place, London SW1X 7JH

The directors present their report and the audited accounts of the company for the 16 months ended 31 December 1997.

NAME

The company was incorporated on 9 September 1996 as Paperrefine Limited and changed its name to Hanson Peabody Limited on 24 September 1996.

PRINCIPAL ACTIVITY

The principal activity of the company is that of an investment holding company.

During the period, as part of the Hanson demerger procedures, the company invested £1,048.2 million in Peabody US Holdings Inc and Goldfields America Corporation International. The investment in Peabody was liquidated in the period and £999.2 million recovered as a distribution. The company also acquired 50% of the issued share capital of GFAC International for a consideration of £614,124 (\$1,000,000).

ACCOUNTS

The loss for the period amounts to £48,973,756 and is dealt with as shown in the profit and loss account. The directors do not recommend the payment of a dividend.

SHARE CAPITAL

On incorporation the authorised capital was £1,000 divided into 1,000 shares of £1 each. The 2 subscriber shares were paid up on 24 September 1996. On that date a further 98 shares were issued for a consideration of £1,047,597,722 and in February 1997 1 share was issued for a total consideration of £618,124.

DIRECTORS

The directors shown at the head of this report are currently in office. Changes during the period under review were:-

	<u>Appointed</u>	<u>Resigned</u>
Instant Companies Limited	09.09.96	24.09.96
G Dransfield	24.09.96	-
S J Hurrell	24.09.96	-
K J Ludlam	20.03.97	-

There were no other directors during the period under review.

HANSON PEABODY LIMITED (formerly Paperrefine Limited)

DIRECTORS' REPORT

DIRECTORS' INTERESTS

None of the directors had any declarable interest in the share or loan capital of the company or any associated company during the period under review.

ANNUAL GENERAL MEETING

Pursuant to the Elective Resolution passed on 13 February 1998, the company has dispersed with the need to hold Annual General Meetings. Any member of the company is entitled to require the laying of the accounts before a general meeting on giving due notice to that effect in accordance with section 253 of the Companies Act 1998.

AUDITORS

Ernst & Young were appointed as auditors during the period and, having consented to act, will continue in office as auditors.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

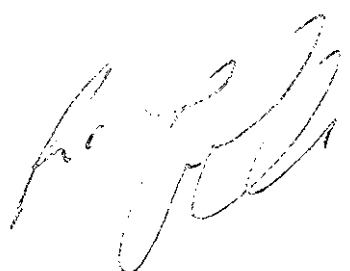
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that the accounts comply with the above requirements.

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 accounts 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

P D Tunnacliffe
Secretary
7 July 1998



REPORT OF THE AUDITORS TO THE MEMBERS OF HANSON PEABODY LIMITED (formerly Paperrefine Limited)

We have audited the accounts on pages 5 to 8 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

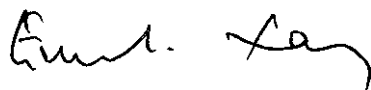
BASIS OF OPINION

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 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 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 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 as at 31 December 1997 and of the loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor

Hull

7 July 1998

HANSON PEABODY LIMITED (formerly Paperrefine Limited)

PROFIT AND LOSS ACCOUNT

FOR THE 16 MONTHS ENDED 31 DECEMBER 1997

	<u>1997</u> <u>£</u>
EXCEPTIONAL ITEMS:	
Loss on liquidation of investment	(48,355,632)
Write down of investment	(618,124)
RETAINED LOSS FOR THE PERIOD	<u>£(48,973,756)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses for the period other than the loss of £48,973,756.

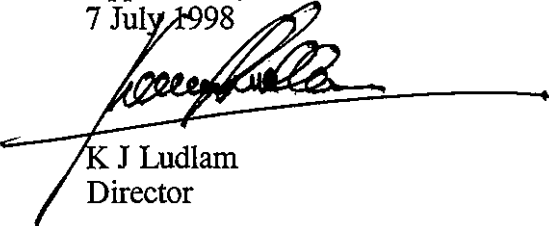
HANSON PEABODY LIMITED (formerly Paperrefine Limited)

BALANCE SHEET - 31 DECEMBER 1997

	<u>Note</u>	<u>1997</u>
CURRENT ASSETS		
Amount due from fellow subsidiary undertaking		<u>999,242,092</u>
CAPITAL AND RESERVES		
Called-up equity share capital	3	101
Share Premium	4	1,048,215,747
Profit and loss account	5	<u>(48,973,756)</u>
Equity shareholders funds'		<u>£999,242,092</u>

Approved by the Board of Directors

7 July 1998



K J Ludlam
Director

HANSON PEABODY LIMITED (formerly Paperrefine Limited)
NOTES ON THE ACCOUNTS - 31 DECEMBER 1997

1 ACCOUNTING POLICIES

- a) **Accounting Convention**
The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.
- b) **Fixed Asset Investments**
Fixed asset investments are stated at cost, unless a provision is required for a diminution in value

2 FIXED ASSET INVESTMENT

	£
Investments in subsidiary undertakings:	
Cost: - Additions in period	1,048,215,896
Disposals	<u>(1,047,597,722)</u>
At 31 December 1997	<u>618,124</u>
Provision for diminution in value	
Provision in period	<u>618,124</u>
Net book value at 31 December 1997	<u>£ -</u>

The principal subsidiary undertaking is GFAC International incorporated in the USA.

The company is a wholly-owned subsidiary of a body incorporated in the European Union and advantage has been taken of Section 228 of the Companies Act 1985 in that consolidated accounts have not been prepared. In the opinion of the directors the value of the company's investments in its subsidiary undertakings is not less than the amount at which they are stated in the balance sheet.

3 SHARE CAPITAL

	<u>December 31, 1997</u>	
	<u>Authorised</u>	<u>Allotted</u>
		<u>called up</u>
		<u>and fully</u>
		<u>paid</u>
	£	£
Ordinary shares of £1 each	<u>1,000</u>	<u>101</u>

On incorporation the authorised capital was £1,000 divided into 1,000 shares of £1 each. On 24 September 1996, 2 ordinary shares of £1 each were issued at par for cash. On that date a further 98 shares were issued for a consideration of £1,047,597,722 and in February 1997 1 share was issued for a consideration of £618,124.

HANSON PEABODY LIMITED (formerly Paperrefine Limited)

NOTE ON THE ACCOUNTS - 31 DECEMBER 1997

4 SHARE PREMIUM

Arising on shares issued in period	<u>£1,048,215,747</u>
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5 PROFIT AND LOSS ACCOUNT

Loss for period	<u>£(48,973,756)</u>
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6 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	<u>£</u>
Retained loss for the period	(48,973,756)
Issue of shares	<u>1,048,215,847</u>
Equity shareholders funds as at 31 December 1997	<u>£999,242,092</u>

7 GROUP ACCOUNTS

The parent undertaking of the group of undertakings for which group accounts are drawn up and of which the company is a member is Hanson PLC, registered in England and Wales. Hanson PLC is also the ultimate parent undertaking. Copies of Hanson PLC's accounts can be obtained from 1 Grosvenor Place, London, SW1X 7JH.

The company has taken advantage of the exemption in FRS 8 from disclosing transactions with related parties that are part of the Hanson PLC group.