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ENGELHARD LIMITED

DIRECTORS' REPORT AND
ACCOUNTS
for the year ended
31 DECEMBER 1986



Coopers
& Lybrand

ENGELHARD LIMITED

Report of the directors for the year ended 31 December 1986

The directors present their report and group accounts of Engelhard Limited for the year ended 31 December 1986.

Principal activities

The group's principal activities are the refining of precious metals, the manufacture and marketing of precious and other metal products and precious metal commodity dealing.

Review of business and future developments

The group retained profit for the year was £6,863,000 which increased group capital employed to £77,998,000.

On 18 June 1986 the company sold its Systems Engineering business as part of a worldwide management buy-out. The directors do not consider that the disposal has had or will have a significant effect on the group's result as the business did not represent a main stream activity. The sale gave rise to an extraordinary profit net of taxation of £172,000 disclosed in Note 9 to the accounts.

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

Dividends

No dividends were paid during the year or are proposed.

Market value of land and buildings

In the absence of a recent valuation, the directors are unable to indicate by how much the market value of property differs from the value at which it is included in the balance sheet. They do, however, point out that much of the property was purchased when market values were substantially lower than at present.

Tangible fixed assets

Details of tangible fixed asset movements are set out in note 11.

Disabled Employees

Applications for employment by disabled persons are always fully considered. In the event of employees becoming disabled every effort is made to ensure that their employment with the group continues and the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be the same as any other employees.

Employee involvement

The aim of the group's employee involvement policies is to secure good relations between management and all employees and to promote better understanding of the issues influencing the group's business.

Political and charitable contributions

During the year the group made charitable contributions totalling £2,414. (1985 £4,430.) No political contributions were made.

Directors

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

G J Dobson
R A Payne

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

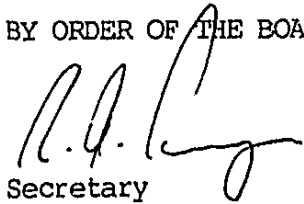
Close company provisions

As far as the directors are aware, the close company provisions of the Income and Corporation Taxes Act 1970, as amended, do not apply to the company.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

BY ORDER OF THE BOARD



Secretary
17 June 1987

Report of the auditors to the members of

ENGELHARD LIMITED

We have audited the accounts on pages 4 to 24 in accordance with approved auditing standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group at 31 December 1986 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.

Coopers & Lybrand

Chartered Accountants
LONDON
18 June 1987

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Group profit and loss account for the year ended 31 December 1986

	<u>Notes</u>	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
Turnover	2	2,654,456	1,323,527
Cost of sales		<u>(2,630,777)</u>	<u>(1,298,693)</u>
Gross Profit		23,679	24,834
Distribution costs		(5,846)	(4,884)
Administrative expenses		<u>(6,764)</u>	<u>(4,697)</u>
Operating profit	3	11,069	15,253
Income/(loss) from shares in group companies		23	(62)
Interest receivable	6	660	649
Interest payable	7	<u>(1,607)</u>	<u>(4,926)</u>
Profit on ordinary activities before taxation	2	10,145	10,914
Tax charge on profit on ordinary activities	8	<u>(3,954)</u>	<u>(4,073)</u>
Profit on ordinary activities after taxation		6,191	6,841
Extraordinary income	9	<u>672</u>	<u>-</u>
Retained profit for the year	10	<u>£6,863</u>	<u>£6,841</u>

Statement of group retained profits

Retained profits at 1 January 1986		64,778	57,937
Retained profit for the year	10	<u>6,863</u>	<u>6,841</u>
Retained profits at 31 December 1986		<u>£71,641</u>	<u>£64,778</u>

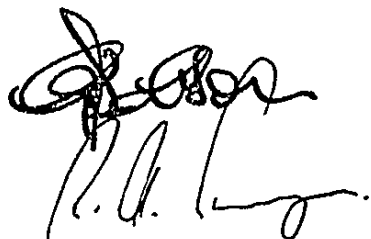
The notes on pages 9 to 24 form part of these accounts.

Auditors' report page 3.

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Group balance sheet - 31 December 1986

	<u>Notes</u>	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
FIXED ASSETS			
Tangible assets	11	<u>6,333</u>	<u>7,404</u>
CURRENT ASSETS			
Stocks	13	97,130	66,073
Debtors	14	19,255	14,248
Investments		1	1
Cash at bank and in hand		<u>2,586</u>	<u>6,064</u>
		118,972	86,386
CREDITORS: amounts falling due within one year	15	<u>(45,588)</u>	<u>(20,108)</u>
NET CURRENT ASSETS		<u>73,384</u>	<u>66,278</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		79,717	73,682
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	17	(1,394)	(1,674)
Other provisions	18	<u>(325)</u>	<u>(873)</u>
NET ASSETS		<u>77,998</u>	<u>£71,135</u>
CAPITAL AND RESERVES			
Called up share capital	19	2,400	2,400
Share premium account		639	639
Other reserves	20	3,318	3,318
Profit and loss account		<u>71,641</u>	<u>64,778</u>
CAPITAL EMPLOYED		<u>£77,998</u>	<u>£71,135</u>



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) Directors
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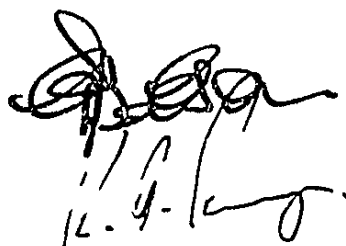
17 June 1987

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ENGELHARD LIMITEDBalance sheet - 31 December 1986

	<u>Notes</u>	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
FIXED ASSETS			
Tangible assets	11	4,364	5,185
Investments in subsidiaries	12	<u>1,401</u>	<u>1,404</u>
		<u>5,765</u>	<u>6,589</u>
CURRENT ASSETS			
Stocks	13	4,342	5,581
Debtors	14	27,785	20,676
Investments		1	1
Cash at bank and in hand		<u>8,727</u>	<u>62</u>
		40,855	26,320
CREDITORS : amounts falling due within one year	15	<u>(21,974)</u>	<u>(10,700)</u>
NET CURRENT ASSETS		<u>18,881</u>	<u>15,620</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		24,646	22,209
CREDITORS : amounts falling due after more than one year			
	16	(1,000)	(1,000)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	17	(664)	(935)
Other provisions	18	<u>(325)</u>	<u>(373)</u>
NET ASSETS		<u>£22,657</u>	<u>£19,901</u>
CAPITAL AND RESERVES			
Called up share capital	19	2,400	2,400
Share premium account		194	194
Profit and loss account		<u>20,063</u>	<u>17,307</u>
CAPITAL EMPLOYED		<u>£22,657</u>	<u>£19,901</u>



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) Directors
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17 June 1987

The notes on pages 9 to 24 form part of these accounts.

Auditors' report page 3.

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Group statement of source and application of funds
for the year ended 31 December 1986

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	10,145	10,914
Extraordinary income before tax charge	700	-
	<u>10,845</u>	<u>10,914</u>
Adjustment for items not involving the flow of funds :		
Release of translation adjustment reserve	-	(70)
Depreciation of tangible fixed assets	1,806	1,570
Amortisation of intangible fixed assets	-	10
(Profits)/losses of unconsolidated subsidiary companies	(23)	62
Loss/(profit) on disposal of tangible fixed assets	36	(50)
Movement in provisions :		
Rationalisation and reorganisation costs	(500)	(250)
Decentralisation and closure costs - Sutton	(48)	(476)
External refining costs	-	(1,268)
Major repairs	100	(34)
Other provisions	(100)	154
Total from operations	<u>12,116</u>	<u>10,562</u>
Funds from other sources :		
Tax repayment	943	-
Proceeds on disposal of tangible fixed assets	<u>61</u>	<u>361</u>
Total source of funds	<u>13,120</u>	<u>10,923</u>
APPLICATION OF FUNDS		
Tax paid	(1,611)	(1,673)
Purchase of tangible fixed assets	(832)	(1,421)
Purchase of fixed asset investment	<u>-</u>	<u>(8)</u>
Total application of funds	<u>(2,443)</u>	<u>(3,102)</u>
INCREASE IN WORKING CAPITAL	<u>£10,677</u>	<u>£7,821</u>

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Group statement of source and application of funds
for the year ended 31 December 1986 continued

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
INCREASE IN WORKING CAPITAL		
Increase/(decrease) in stocks	31,057	(21,406)
Increase/(decrease) in debtors	4,985	(11,544)
Increase/(decrease) in creditors, excluding taxation and bank overdrafts	(16,000)	<u>35,442</u>
	20,042	2,492
Movement in net liquid funds :		
(Decrease)/increase in cash at bank and in hand	(3,479)	1,152
(Increase)/decrease in bank overdrafts	<u>(5,886)</u>	<u>4,177</u>
INCREASE IN WORKING CAPITAL	<u>£10,677</u>	<u>£7,821</u>

Auditors' report page 3.

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Notes to the accounts - 31 December 1986

1 ACCOUNTING POLICIES

a) Accounting convention

The accounts have been prepared in accordance with the historical cost convention except as explained in note 1 (d).

b) Basis of consolidation

The group balance sheet, profit and loss account and statements of group retained profits and source and application of funds include the accounts of the company and its principal subsidiaries, Engelhard Sales Limited, Engelhard Metals Limited and The Sheffield Smelting Company, Limited. The remaining subsidiaries are not material to the group and their accounts have not been consolidated since their inclusion would involve expense out of proportion to the benefit of the members. The group accounts reflect, on an equity basis, the underlying net assets of these subsidiaries which are listed in note 12.

c) Stocks other than those held for dealing purposes

Stocks (mainly precious metals) are stated at the lower of cost (calculated principally on a first in, first out basis) and net realisable value. Cost includes the costs of conversion incurred in bringing stocks to their present state and location.

d) Stocks and open contracts held for dealing purposes

Stocks held for dealing purposes are included in the balance sheet at market value. In the opinion of the directors, this policy, while not in accordance with Statement of Standard Accounting Practice No.9 nor Schedule 4 to the Companies Act 1985, properly reflects the trading position of stocks of metals that are instantly marketable at prices quoted on recognised exchanges or markets. The effect of the departure is set out in note 13.

Open contracts held at the balance sheet date are valued by reference to market prices and exchange rates ruling at that date. The net profit or loss arising from this valuation is included in cost of sales for the year and reported in the balance sheet under debtors or creditors as appropriate. The effect of recognising profits on open contracts is set out in note 13.

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Notes to the accounts - 31 December 1986 continued

e) Depreciation and amortisation

Depreciation and amortisation are provided in equal annual instalments over the estimated useful lives of tangible and intangible fixed assets, as follows :

Freehold buildings	25 years
Leasehold buildings	period of lease
Plant and machinery	3 to 7 years
Fixtures, fittings, tools and equipment	3 to 7 years
Motor vehicles	4 years

f) Taxation

Provision is made in the accounts for corporation tax at a rate of 36.25% on the profits as adjusted for tax purposes.

Deferred tax is provided on the liability method in accordance with Statement of Standard Accounting Practice No.15 (revised). Provision is made for all short term timing differences and for other timing differences where the directors expect with reasonable probability that the liability will crystallise.

g) Translation of foreign currencies

Where contracts are entered into for forward purchase or sale of foreign currencies the related transactions are translated into sterling at the rates of exchange receivable or payable.

Where foreign 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, or at the average rate for the year. Assets and liabilities in foreign currencies at the balance sheet date are translated into sterling at the closing rates of exchange at that date.

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Notes to the accounts - 31 December 1986 continued

2 ANALYSIS OF TURNOVER AND PROFIT ON ORDINARY ACTIVITIES

Turnover represents the value of precious metals and other goods sold, and services provided, during the year, net of value added tax and trade discounts.

Turnover is analysed as follows :

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
Geographical area :		
United Kingdom		
- to third parties	63,396	63,990
Outside United Kingdom		
- to third parties	46,731	45,956
- to ultimate holding company & fellow subsidiaries	<u>11,164</u>	<u>65,443</u>
	<u>121,291</u>	<u>175,389</u>
Engelhard Metals Limited :		
- to third parties	2,210,239	1,003,326
- to ultimate holding company & fellow subsidiaries	<u>322,926</u>	<u>144,812</u>
	<u>£2,654,456</u>	<u>£1,323,527</u>

In the opinion of the directors, as commodities are traded on a world market, it is not meaningful to provide a geographical analysis of the turnover of Engelhard Metals Limited.

The turnover and profit on ordinary activities before taxation attributable to the different classes of business are as follows :

	<u>1986</u>	<u>1986</u>	<u>1985</u>	<u>1985</u>
	<u>Turnover</u>	<u>Profit</u>	<u>Turnover</u>	<u>Profit</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Precious metal refining and manufacturing	121,291	9,073	175,389	10,920
Precious metal commodity dealing	<u>2,533,165</u>	<u>1,072</u>	<u>1,148,138</u>	<u>(6)</u>
	<u>£2,654,456</u>	<u>£10,145</u>	<u>£1,323,527</u>	<u>£10,914</u>

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Notes to the accounts - 31 December 1986 continued

3 OPERATING PROFIT

Operating profit is stated after charging :

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
Auditors' remuneration		
- (Company £52,000; 1985 £51,000)	80	78
Depreciation of tangible fixed assets	1,806	1,570
Hire of plant and machinery	206	481

4 DIRECTORS' EMOLUMENTS

The directors are remunerated as employees of a fellow subsidiary of the ultimate holding company, and are seconded to the company. The part of their emoluments which relate to services rendered as directors of the company is as follows:

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
Directors' emoluments (including pension contributions)	50	223
Compensation for loss of office paid to former directors	-	<u>27</u>
	<u>£50</u>	<u>£250</u>

Directors' emoluments disclosed in accordance with Schedule 5 of the Companies Act 1985 and excluding pension contributions are as follows:

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
Emoluments of the Chairman	<u>£-</u>	<u>£32</u>
Emoluments of the highest paid director	<u>£30</u>	<u>£72</u>

Number of other directors whose emoluments (excluding pension contributions) were within the ranges:

	<u>1986</u>	<u>1985</u>
£0 - £5,000	-	4
£25,001 - £30,000	1	1
£40,001 - £45,000	-	1
£50,001 - £65,000	-	1

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Notes to the accounts - 31 December 1986 continued

5 EMPLOYEE INFORMATION

- a) The average number of persons employed by the group excluding directors is analysed below:

	<u>1986</u>	<u>1985</u>
Manufacturing	521	587
Distribution	139	154
Administration	61	101
Research and development	<u>24</u>	<u>44</u>
	<u>745</u>	<u>886</u>

- b) Group employment costs excluding directors:

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
Aggregate gross wages and salaries	9,595	10,422
Employers' national insurance contributions	670	677
Employers' pension contributions	<u>430</u>	<u>51</u>
	<u>£10,695</u>	<u>£11,150</u>

- c) The number of employees of the holding company (excluding directors) whose emoluments were within the ranges:

	<u>1986</u>	<u>1985</u>
£30,001 - £35,000	1	-
£35,001 - £40,000	-	1
£40,001 - £45,000	2	1
£50,001 - £55,000	-	1
£55,001 - £60,000	-	1
£60,001 - £65,000	1	-
£65,001 - £70,000	1	1
£95,001 - £100,000	-	1
£145,001 - £150,000	1	-
£150,001 - £155,000	1	-

The above figures exclude the secondment to the holding company of a number of employees from a fellow subsidiary company. The emoluments of higher paid employees include accommodation and other costs, together with income tax thereon, borne by the holding company in respect of expatriates.

6 INTEREST RECEIVABLE

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
Ultimate holding company and fellow subsidiaries	420	-
Third parties	<u>240</u>	<u>649</u>
	<u>£660</u>	<u>£649</u>

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Notes to the accounts - 31 December 1986 continued

7 INTEREST PAYABLE

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
Ultimate holding company and fellow subsidiaries	928	1,772
Third parties	<u>679</u>	<u>3,154</u>
	<u>£1,607</u>	<u>£4,926</u>

8 TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

The tax charge for the year is made up as follows :

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
UK corporation tax based on the profit for the year at 36.25% (1985: 41.25%)	4,169	4,206
Prior year adjustment	<u>65</u>	<u>(286)</u>
	4,234	3,920
Transfer (from)/to deferred taxation	<u>(280)</u>	<u>153</u>
	<u>£3,954</u>	<u>£4,073</u>

The charge for 1986 has been reduced in respect of tax losses brought forward of £ nil (1985 £1,318,000).

9 EXTRAORDINARY INCOME

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
Profit on disposal of Systems Engineering business	200	-
Release of provision for rationalisation and reorganisation costs made in previous years no longer required	<u>500</u>	<u>-</u>
	700	-
Related tax charge	<u>(28)</u>	<u>-</u>
	<u>£672</u>	<u>£ -</u>

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Notes to the accounts - 31 December 1986 continued

10 RETAINED PROFIT FOR THE YEAR

The retained profit for the year attributable to the shareholders of Engelhard Limited has been contributed by the following companies :

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
Engelhard Limited		
Engelhard Sales Limited	2,756	2,611
Engelhard Exmetco Limited	2,723	2,004
The Sheffield Smelting Company, Limited	(106)	26
Engelhard Metals Limited	821	2,134
Unconsolidated foreign subsidiary companies	646	128
	<u>23</u>	<u>(62)</u>
	<u>£6,863</u>	<u>£6,841</u>

Engelhard Limited has taken advantage of Section 228 subsection 7 of the Companies Act 1985 which allows it not to publish a separate profit and loss account.

11 TANGIBLE FIXED ASSETS

<u>Group</u>	<u>Land</u> <u>buildings</u> <u>£000</u>	<u>Other</u> <u>tangible</u> <u>assets</u> <u>£000</u>	<u>Total</u> <u>£000</u>
Cost :			
At 1 January 1986	3,879	15,954	19,833
Additions	158	674	832
Disposals	<u>(8)</u>	<u>(580)</u>	<u>(588)</u>
At 31 December 1986	<u>£4,029</u>	<u>£16,048</u>	<u>£20,077</u>
Depreciation :			
At 1 January 1986	1,335	11,094	12,429
Provided during the year	278	1,528	1,806
Disposals	<u>(6)</u>	<u>(485)</u>	<u>(491)</u>
At 31 December 1986	<u>£1,607</u>	<u>£12,137</u>	<u>£13,744</u>
Net book value :			
At 1 January 1986	<u>£2,544</u>	<u>£4,860</u>	<u>£7,404</u>
At 31 December 1986	<u>£2,422</u>	<u>£3,911</u>	<u>£6,333</u>

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Notes to the accounts - 31 December 1986 continued

<u>Company</u>	<u>Land and buildings £000</u>	<u>Other tangible assets £000</u>	<u>Total £000</u>
Cost :			
At 1 January 1986			
Additions	3,086	12,987	16,073
Disposals	157	366	523
	<u>(7)</u>	<u>(577)</u>	<u>(584)</u>
At 31 December 1986	<u>£3,236</u>	<u>£12,776</u>	<u>£16,012</u>
Depreciation :			
At 1 January 1986			
Provided during the year	1,199	9,689	10,888
Disposals	250	989	1,239
	<u>(4)</u>	<u>(475)</u>	<u>(479)</u>
At 31 December 1986	<u>£1,445</u>	<u>£10,203</u>	<u>£11,648</u>
Net book value :			
At 1 January 1986	<u>£1,887</u>	<u>£3,298</u>	<u>£5,185</u>
At 31 December 1986	<u>£1,791</u>	<u>£2,573</u>	<u>£4,364</u>

Other tangible assets include plant and machinery, fixtures, fittings, tools, equipment and motor vehicles.

Included in respect of leasehold interests are :

<u>Group</u>	<u>Long Leaseholds £000</u>	<u>Short Leaseholds £000</u>
Cost :		
At 1 January and 31 December 1986	<u>£170</u>	<u>£30</u>
Depreciation :		
At 1 January 1986	133	30
Provided during the year	<u>2</u>	<u>-</u>
At 31 December 1986	<u>£135</u>	<u>£30</u>
Net book value :		
At 1 January 1986	<u>£37</u>	<u>£-</u>
At 31 December 1986	<u>£35</u>	<u>£-</u>

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Notes to the accounts - 31 December 1986 continued

<u>Company</u>	<u>Long Leaseholds £000</u>	<u>Short Leaseholds £000</u>
Cost :		
At 1 January and 31 December 1986	82	30
Depreciation :		
At 1 January and 31 December 1986	<u>82</u>	<u>30</u>
Net book value :		
At 1 January and 31 December 1986	<u>£-</u>	<u>£-</u>

12 INVESTMENTS IN SUBSIDIARIES

Investments are in the following wholly owned subsidiary companies (incorporated in England unless otherwise stated) :

	<u>1986 £000</u>	<u>1985 £000</u>
Shares in unconsolidated subsidiary companies	15	90
Less provision for diminution	(15)	(69)
Amount due to unconsolidated subsidiary company	<u>-</u>	<u>(18)</u>
	-	3
<u>Company</u>		
Shares in consolidated subsidiary companies		
Engelhard Sales Limited	1	1
The Sheffield Smelting Company, Limited	400	400
Engelhard Metals Limited	<u>1,000</u>	<u>1,000</u>
	<u>1,401</u>	<u>1,401</u>
	<u>£1,401</u>	<u>£1,404</u>

The principal activities of the consolidated subsidiaries are the refining of precious metals, the manufacture and marketing of precious and other metal products and precious metal commodity dealing.

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Notes to the accounts - 31 December 1986 continued

Unconsolidated

Engelhard Industries (South Africa) Pty Ltd	(in liquidation) (incorporated in South Africa)
Engelhard Industrie GmbH	(incorporated in Germany)
Engelhard Pension Trustees Limited	
Oy Engelhard Industries Suomi AB	(incorporated in Finland)

During the year the following former subsidiaries were voluntarily wound up:

Previously consolidated company -
Engelhard Exmetco Limited
Previously unconsolidated companies -
Engelhard Trustee Company Limited
Reyinco Limited
Lees & Sanders Limited

13 STOCKS AND OPEN CONTRACTS

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
<u>Group</u>		
Metal dealing stocks	20,176	3,687
Raw materials and consumables	76,316	60,822
Work in progress	<u>638</u>	<u>1,564</u>
	<u>£97,130</u>	<u>£66,073</u>
 <u>Company</u>		
Raw materials and consumables	4,037	4,528
Work in progress	<u>305</u>	<u>1,053</u>
	<u>£4,342</u>	<u>£5,581</u>

Following the company's accounting policy set out in note 1 (d) metal dealing stocks have been valued at market value, which is not in accordance with the requirements of Statement of Standard Accounting Practice No.9. If these stocks, which are hedged in the market, had been valued at the lower of cost and net realisable value the above figure would have been reduced by £993,000 (1985: nil).

Open contracts have been valued by reference to market prices ruling at the balance sheet date. If the revaluation of open contracts had not been recognised, cost of sales would have been £190,000 lower (1985 £134,000 higher) and creditors (1985 debtors) correspondingly reduced.

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Notes to the accounts - 31 December 1986 continued

At year end the replacement cost of the stocks exceeded the book value by :

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
<u>Group</u>	<u>£12,922</u>	<u>£13,017</u>
<u>Company</u>	<u>£12,748</u>	<u>£10,496</u>

In the normal course of the group's refining and manufacturing business, certain customers and suppliers deposit significant quantities of precious metals with the group under a variety of arrangements. Equivalent quantities of precious metals are returnable as product or in other forms.

14 DEBTORS

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
<u>Group</u>		
<u>Amounts falling due within one year:</u>		
Trade debtors	14,718	10,270
Amounts owed by holding company and fellow subsidiaries	2,463	1,809
Other debtors	1,578	2,059
Prepayments and accrued income	<u>496</u>	<u>110</u>
	<u>£19,255</u>	<u>£14,248</u>

Company
Amounts falling due within one year :

Trade debtors	563	1,102
Amounts owed by holding company and fellow subsidiaries	25,287	17,304
Other debtors	955	1,474
Prepayments and accrued income	<u>268</u>	<u>102</u>
	27,073	19,982

Amounts falling due after one year :

Amounts owed by subsidiary companies	<u>712</u>	<u>694</u>
	<u>£27,785</u>	<u>£20,676</u>

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Notes to the accounts - 31 December 1986 continued

15 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
<u>Group</u>		
Bills payable under acceptance credits	-	3,500
Bank loans and overdrafts	11,069	1,683
Trade creditors	3,426	2,760
Amounts owed to holding company and fellow subsidiaries	18,502	1,628
Taxation and social security contributions	8,047	4,453
Other creditors and accruals	<u>4,544</u>	<u>6,084</u>
	<u>£45,588</u>	<u>£20,108</u>
<u>Company</u>		
Bank loans and overdrafts	12,124	2,724
Trade creditors	890	1,294
Amounts owed to holding company and fellow subsidiaries	116	377
Taxation and social security contributions	5,070	2,338
Other creditors and accruals	<u>3,774</u>	<u>3,967</u>
	<u>£21,974</u>	<u>£10,700</u>

16 CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
<u>Company</u>		
Amounts owed to subsidiary company	<u>£1,000</u>	<u>£1,000</u>

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Notes to the accounts - 31 December 1986 continued

17 DEFERRED TAXATION

Provision has been made for the full potential liability at a corporation tax rate of 35%

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
<u>Group</u>		
Accelerated capital allowances	1,232	1,730
Other timing differences	<u>162</u>	<u>(56)</u>
	<u>£1,394</u>	<u>£1,674</u>
<u>Company</u>		
Accelerated capital allowances	722	1,038
Other timing differences	<u>(58)</u>	<u>(103)</u>
	<u>£664</u>	<u>£935</u>

18 OTHER PROVISIONS

	<u>Balance</u> <u>1 Jan</u> <u>1986</u> <u>£000</u>	<u>Charge to</u> <u>profit and</u> <u>loss</u> <u>account</u> <u>£000</u>	<u>Released/</u> <u>Utilised</u> <u>£000</u>	<u>Balance</u> <u>31 Dec</u> <u>1986</u> <u>£000</u>
<u>Group</u>				
Decentralisation and closure costs - Sutton	48	-	(48)	-
Major repairs	100	100	-	200
Rationalisation and reorganisation costs	500	-	(500)	-
Other	<u>225</u>	<u>-</u>	<u>(100)</u>	<u>125</u>
	<u>£873</u>	<u>£100</u>	<u>£(648)</u>	<u>£325</u>
<u>Company</u>				
Decentralisation and closure costs - Sutton	48	-	(48)	-
Major repairs	100	100	-	200
Other	<u>225</u>	<u>-</u>	<u>(100)</u>	<u>125</u>
	<u>£373</u>	<u>£100</u>	<u>£(148)</u>	<u>£325</u>

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Notes to the accounts - 31 December 1986 continued

19 CALLED UP SHARE CAPITAL

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
Authorised, issued and fully paid 2,400,000 ordinary shares of £1 each	<u>£2,400</u>	<u>£2,400</u>

20 OTHER RESERVES

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
The Sheffield Smelting Company, Limited:		
Pre-acquisition reserves	2,620	2,620
Unrealised reserve arising on consolidation	<u>698</u>	<u>698</u>
	<u>£3,318</u>	<u>£3,318</u>

The pre-acquisition reserves of The Sheffield Smelting Company, Limited relate to the retained profits at 10 May 1972 when the company was acquired by a fellow subsidiary of the ultimate holding company. Pursuant to Section 131 of the Companies Act 1985, the profits of The Sheffield Smelting Company, Limited for the period whilst owned by a fellow subsidiary of the ultimate holding company have not been transferred to other reserves.

21 CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure approved but not provided for in the accounts is:

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
<u>Group</u>		
Contracted for	247	541
Authorised, but not contracted for	<u>293</u>	<u>440</u>
	<u>£540</u>	<u>£981</u>
<u>Company</u>		
Contracted for	246	496
Authorised, but not contracted for	<u>285</u>	<u>325</u>
	<u>£531</u>	<u>£821</u>

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Notes to the accounts - 31 December 1986 continued

22 OTHER FINANCIAL COMMITMENTS (LEASES)

The company and its subsidiaries have entered into various leases for office and factory premises, equipment and motor vehicles, which extend for periods up to the year 2164. The current annual rentals under these agreements amount to:

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
Group	<u>£434</u>	<u>£515</u>
Company	<u>£430</u>	<u>£511</u>

23 PENSION SCHEMES

The company maintains contributory schemes providing pension and related benefits for substantially all employees. Pensions are based on a combination of salary at date of retirement (or of leaving if earlier) and pensionable service. An actuarial valuation as at 31 December 1986 showed that past service liabilities were adequately funded. Employer contributions are based on the recommendations of the actuaries.

24 CONTINGENT LIABILITIES

The company has guaranteed the borrowings and commitments of its subsidiary companies, Engelhard Sales Limited, Engelhard Metals Limited and The Sheffield Smelting Company, Limited under various facilities. The total amount outstanding at 31 December 1986 was £27,091,000 (1985 £3,620,000).

The company has also guaranteed the liabilities of its subsidiary companies, Engelhard Sales Limited, Engelhard Metals Limited and The Sheffield Smelting Company, Limited for the return to the owners of certain precious metals deposited with the companies in the ordinary course of business. At 31 December 1986 the total value of such metals deposited was £40,561,000 (1985 £10,681,000).

The company has given guarantees in respect of certain of its products. At 31 December 1986 the total value of such guarantees was £129,000 (1985 £584,000).

As a result of group registration for VAT purposes the company is contingently liable for the VAT liabilities of other companies in the Engelhard group.

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Notes to the accounts - 31 December 1986 continued

A subsidiary company, Engelhard Metals Limited, has been assessed to VAT of £4,850,914 on transactions on which the company has been advised VAT is not chargeable. An appeal has been lodged by the company. The company has also been advised that if VAT became payable it would be rechargeable to third parties from whom the directors believe it would be recoverable.

A subsidiary company, Engelhard Sales Limited, is contingently liable in respect of litigation claims to the extent of £1,330,000.

25 ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Engelhard Corporation, which is incorporated in the State of Delaware, USA.