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ENGELHARD LIMITEDReport of the directors for the year ended 31 December 1985

The directors present their report and group accounts of Engelhard Limited for the year ended 31 December 1985.

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.

Results and dividends

The group retained profit for the year was £6,841,000 as detailed in the accounts attached. 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 10.

Research and development

The group engages in research and development on a substantial scale. Over forty employees work full time in this activity and the group's annual expenditure is in excess of £1 million.

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 employee.

Employee involvement

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



Political and charitable contributions

During the year the group made charitable contributions totalling £4,430. (1984 £3,342). No political contributions were made.

Directors

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

A D Alexander	(resigned 4 October 1985)
Sir John Buckley	(resigned 30 April 1985)
N B Colton	(resigned 17 June 1985)
G J Dobson	
A Fenzi	(resigned 30 April 1985)
H R Fraser	(resigned 30 April 1985)
C H Holley	(resigned 17 June 1985)
R A Payne	(appointed 30 April 1985)
K Turner	(resigned 4 October 1985)

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

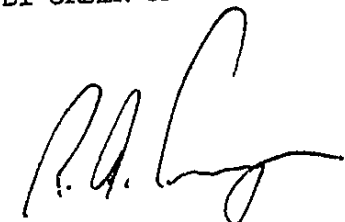
Close company provisions

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

29 May 1986

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 1985 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, 2 June 1986

ENGELHARD LIMITED AND SUBSIDIARY COMPANIESGroup profit and loss account for the year ended 31 December 1985

	<u>Notes</u>	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
Turnover	2	1,323,527	945,414
Cost of Sales		<u>(1,298,693)</u>	<u>(922,844)</u>
Gross profit		24,834	22,570
Distribution costs		(4,884)	(4,518)
Administrative expenses		<u>(4,697)</u>	<u>(5,312)</u>
Operating profit	3	15,253	12,740
(Loss)/income from shares in group companies	8	(62)	48
Interest receivable (third parties)		649	719
Interest payable	4	<u>(4,926)</u>	<u>(3,492)</u>
Profit on ordinary activities before taxation	2	10,914	10,015
Tax (charge)/credit on profit on ordinary activities	6	<u>(4,073)</u>	<u>362</u>
Profit on ordinary activities after taxation		6,841	10,377
Extraordinary charges	7	<u>-</u>	<u>(1,361)</u>
Retained profit for the year	8	<u>£6,841</u>	<u>£9,016</u>
<u>Statement of group retained profits</u>			
Retained profits at 1 January 1985		57,937	48,921
Retained profit for the year	8	<u>6,841</u>	<u>9,016</u>
Retained profits at 31 December 1985		<u>£64,778</u>	<u>£57,937</u>

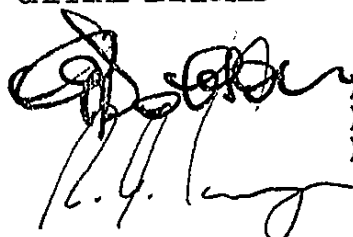
The notes on pages 9 to 24 form part of these accounts.

Auditors' report page 3.

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Group balance sheet - 31 December 1985

	<u>Notes</u>	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
FIXED ASSETS			
Intangible assets	9	-	10
Tangible assets	10	7,404	7,864
Investments	11	-	9
		<u>7,404</u>	<u>7,883</u>
CURRENT ASSETS			
Stocks	12	66,073	87,479
Debtors	13	14,248	25,837
Investments		1	1
Cash at bank and in hand		<u>6,064</u>	<u>4,912</u>
		<u>86,386</u>	<u>118,229</u>
CREDITORS: amounts falling due within one year	14	(20,108)	(57,480)
NET CURRENT ASSETS		<u>66,278</u>	<u>60,749</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		73,682	68,632
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	16	(1,674)	(1,521)
Other provisions	17	(873)	(2,747)
NET ASSETS		<u>£71,135</u>	<u>£64,364</u>
CAPITAL AND RESERVES			
Called up share capital	18	2,400	2,400
Share premium account		639	639
Other reserves	19	3,318	3,388
Profit and loss account		<u>64,778</u>	<u>57,937</u>
CAPITAL EMPLOYED		<u>£71,135</u>	<u>£64,364</u>

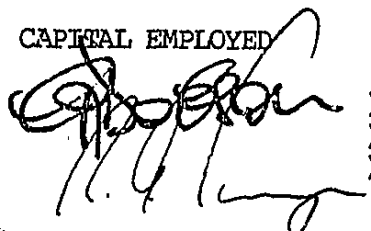

) Directors

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

Auditors' report page 3.

ENGELHARD LIMITEDBalance sheet - 31 December 1985

	<u>Notes</u>	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
FIXED ASSETS			
Intangible assets	9	-	10
Tangible assets	10	5,185	5,666
Investments	11	<u>1,404</u>	<u>1,408</u>
		<u>6,589</u>	<u>7,084</u>
CURRENT ASSETS			
Stocks	12	5,581	8,444
Debtors	13	20,676	26,869
Investments		1	1
Cash at bank and in hand		<u>62</u>	<u>162</u>
		<u>26,320</u>	<u>35,476</u>
CREDITORS: amounts falling due within one year	14	(10,700)	(23,522)
NET CURRENT ASSETS		<u>15,620</u>	<u>11,954</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		22,209	19,038
CREDITORS: amounts falling due after more than one year	15	(1,000)	-
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	16	(935)	(785)
Other provisions	17	<u>(373)</u>	<u>(829)</u>
NET ASSETS		<u>£19,901</u>	<u>£17,424</u>
CAPITAL AND RESERVES			
Called up share capital	18	2,400	2,400
Share premium account		194	194
Profit and loss account		<u>17,307</u>	<u>14,830</u>
CAPITAL EMPLOYED		<u>£19,901</u>	<u>£17,424</u>


) Directors

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

Auditors' report page 3.

ENGELHARD LIMITED AND SUBSIDIARY COMPANIESGroup statement of source and application of funds
for the year ended 31 December 1985

	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	10,914	10,015
Extraordinary charges before tax credit	<u>-</u>	<u>(2,413)</u>
	10,914	7,602
Adjustment for items not involving the movement of funds:		
Release of translation adjustment reserve	(70)	-
Write off of investment	-	20
Depreciation of tangible fixed assets	1,570	1,585
Amortisation of intangible fixed assets	10	2
Losses/(profits) of unconsolidated subsidiary companies	62	(48)
Amount written off investment in unconsolidated subsidiary company	-	57
(Profit)/loss on disposal of tangible fixed assets	(50)	3
Movement in provisions:		
Rationalisation and reorganisation costs	(250)	(650)
Decentralisation and closure costs - Sutton	(476)	524
External refining costs	(1,268)	1,068
Major repairs	(34)	(103)
Other provisions	<u>154</u>	<u>(154)</u>
Total from operations	10,562	9,906
Funds from other sources:		
Movement in translation adjustment reserve	-	70
Proceeds on disposal of tangible fixed assets	<u>361</u>	<u>2,316</u>
Total sources of funds	10,923	12,292
APPLICATION OF FUNDS		
Tax paid	(1,673)	(26)
Purchase of tangible fixed assets	(1,421)	(1,957)
Long term loan repayment	-	(2,400)
Purchase of fixed asset investment	<u>(8)</u>	<u>-</u>
Total applications of funds	(3,102)	(4,383)
INCREASE IN WORKING CAPITAL	<u>£7,821</u>	<u>£7,909</u>

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Group statement of source and application of funds
for the year ended 31 December 1985 continued

	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
INCREASE IN WORKING CAPITAL		
(Decrease)/increase in stocks	(21,406)	4,257
(Decrease)/increase in debtors	(11,544)	1,186
Decrease/(increase) in creditors, excluding taxation and bank overdrafts	<u>35,442</u>	<u>(4,253)</u>
	2,492	1,190
Movement in net liquid funds:		
Increase in cash at bank and in hand	1,152	1,879
Decrease in bank overdrafts	<u>4,177</u>	<u>4,840</u>
INCREASE IN WORKING CAPITAL	<u>£7,821</u>	<u>£7,909</u>

Auditors' report page 3.

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Notes to the accounts - 31 December 1985

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, The Sheffield Smelting Company, Limited and Engelhard Exmetco 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 11.

The Sheffield Smelting Company, Limited has been accounted for in accordance with the merger accounting principles of Statement of Standard Accounting Practice No 23.

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 12.

Open contracts held for dealing purposes 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 12.

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Notes to the accounts - 31 December 1985 continued

e) Depreciation and amortisation

Depreciation and amortisation are provided in equal annual instalments over the estimated useful lives of tangible and intangible 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
Patents	10 years

f) Taxation

Provision is made in the accounts for corporation tax at a rate of 41.25% on the profits as adjusted for tax purposes.

Deferred taxation is provided on the liability method in accordance with Statement of Standard Accounting Practice No 15. Provision is made for all short term timing differences and for other timing differences except where the directors expect with reasonable probability that these will continue to be deferred into the foreseeable future.

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 exchange 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. Resultant 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 1985 continued

2. TURNOVER

Turnover represents:

- a) the invoiced amount of goods sold and services provided during the year, stated net of value added tax and trade discounts; and
- b) the sales value of bullion sales and commissions.

Turnover is analysed as follows:

	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
Geographical area:		
United Kingdom	63,990	85,792
Outside United Kingdom		
- to third parties	45,954	27,590
- to holding company and fellow subsidiaries	<u>65,443</u>	<u>70,133</u>
	175,389	183,515
Engelhard Metals Limited:		
- to third parties	1,003,326	612,493
- to holding company and fellow subsidiaries	<u>144,812</u>	<u>149,406</u>
	<u>£1,323,527</u>	<u>£945,414</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>1985</u>		<u>1984</u>	
	<u>Turnover</u> <u>£000</u>	<u>Profit</u> <u>£000</u>	<u>Turnover</u> <u>£000</u>	<u>Profit</u> <u>£000</u>
Precious metal refining and manufacturing	175,389	10,920	183,515	9,962
Precious metal commodity dealing	<u>1,148,138</u>	<u>(6)</u>	<u>761,899</u>	<u>53</u>
	<u>£1,323,527</u>	<u>£10,914</u>	<u>£945,414</u>	<u>£10,015</u>

ENGELHARD LIMITED AND SUBSIDIARY COMPANIESNotes to the accounts - 31 December 1985 continued

3 OPERATING PROFIT

Operating profit is stated after charging:

	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
Depreciation of tangible fixed assets	1,570	1,585
Amortisation of intangible fixed assets	10	2
Hire of plant and machinery	<u>481</u>	<u>334</u>

4 INTEREST PAYABLE

	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
To holding company	1,772	480
To third parties	<u>3,154</u>	<u>3,012</u>
	<u>£4,926</u>	<u>£3,492</u>

5 AUDITORS' REMUNERATION

	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
Group	<u>£78</u>	<u>£110</u>
Company	<u>£51</u>	<u>£39</u>

6 TAX (CHARGE)/CREDIT ON PROFIT ON ORDINARY ACTIVITIES

The tax (charge)/credit for the year is made up as follows:

	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
UK corporation tax based on the profit for the year at 41.25% (1984: 46.25%)	(4,206)	(940)
Prior year adjustment	<u>286</u>	<u>1,419</u>
	<u>(3,920)</u>	<u>479</u>
Transfer to deferred taxation	<u>(153)</u>	<u>(117)</u>
	<u>£(4,073)</u>	<u>£362</u>

The charge for the current year has been reduced in respect of brought forward losses of £1,318,000.

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Notes to the accounts - 31 December 1985 continued

7 EXTRAORDINARY CHARGES

	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
Decentralisation and closure costs - Sutton	-	2,213
Rationalisation and reorganisation of		
The Sheffield Smelting Company, Limited	-	(203)
Overseas sales office closure costs	-	403
Tax effect thereon	-	(1,052)
	<u>£ -</u>	<u>£1,361</u>

8 RETAINED PROFIT FOR THE YEAR

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

	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
Engelhard Limited	2,611	398
Engelhard Sales Limited	2,004	2,685
Engelhard Exmetco Limited	26	10
The Sheffield Smelting Company, Limited	2,134	5,788
Engelhard Metals Limited	128	87
Unconsolidated foreign subsidiary companies	(62)	48
	<u>£6,841</u>	<u>£9,016</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.

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Notes to the accounts - 31 December 1985 continued

9 INTANGIBLE FIXED ASSETS (PATENTS)

<u>Group and company</u>	£000
Cost:	
At 1 January 1985 and 31 December 1985	<u>20</u>
Amortisation:	
At 1 January 1985	10
Provided during the year	<u>10</u>
At 31 December 1985	<u>20</u>
Net book value:	
At 31 December 1985	<u>£-</u>
At 1 January 1985	<u>£10</u>

10 TANGIBLE FIXED ASSETS

<u>Group</u>	<u>Land and buildings £000</u>	<u>Other tangible assets £000</u>	<u>Total £000</u>
Cost:			
At 1 January 1985	4,045	14,820	18,865
Additions	137	1,284	1,421
Disposals	<u>(303)</u>	<u>(150)</u>	<u>(453)</u>
At 31 December 1985	<u>3,879</u>	<u>15,954</u>	<u>19,833</u>
Depreciation:			
At 1 January 1985	1,247	9,754	11,001
Provided during the year	125	1,445	1,570
Disposals	<u>(37)</u>	<u>(105)</u>	<u>(142)</u>
At 31 December 1985	<u>1,335</u>	<u>11,094</u>	<u>12,429</u>
Net book value:			
At 31 December 1985	<u>£2,544</u>	<u>£4,860</u>	<u>£7,404</u>
At 1 January 1985	<u>£2,798</u>	<u>£5,066</u>	<u>£7,864</u>

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Notes to the accounts - 31 December 1985 continued

	Land and buildings £000	Other tangible assets £000	Total £000
<u>Company</u>			
Cost:			
At 1 January 1985	3,085	12,414	15,499
Additions	137	723	860
Disposals	(136)	(150)	(286)
	<u>3,086</u>	<u>12,987</u>	<u>16,073</u>
At 31 December 1985			
Depreciation:			
At 1 January 1985	1,134	8,699	9,833
Provided during the year	65	1,095	1,160
Disposals	-	(105)	(105)
	<u>1,199</u>	<u>9,689</u>	<u>10,888</u>
At 31 December 1985			
Net book value:			
At 31 December 1985	<u>£1,887</u>	<u>£3,298</u>	<u>£5,185</u>
At 1 January 1985	<u>£1,951</u>	<u>£3,715</u>	<u>£5,666</u>
Other tangible assets include plant and machinery, fixtures, fittings, tools and equipment.			
Included in respect of leasehold interests are:			

	Long leaseholds £000	Short leaseholds £000
<u>Group</u>		
Cost:		
At 1 January 1985 and 31 December 1985	<u>170</u>	<u>30</u>
Depreciation:		
At 1 January 1985	131	30
Provided during the year	<u>2</u>	<u>-</u>
	<u>133</u>	<u>30</u>
At 31 December 1985		
Net book value:		
At 31 December 1985	<u>£37</u>	<u>£-</u>
At 1 January 1985	<u>£39</u>	<u>£-</u>

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Notes to the accounts - 31 December 1985 continued

<u>Company</u>	<u>Long leaseholds £000</u>	<u>Short leaseholds £000</u>
Cost:		
At 1 January 1985 and 31 December 1985	<u>82</u>	<u>30</u>
Depreciation:		
At 1 January 1985 and 31 December 1985	<u>82</u>	<u>30</u>
Net book value:		
At 31 December 1985	<u>£--</u>	<u>£--</u>
At 1 January 1985	<u>£--</u>	<u>£--</u>

11 INVESTMENTS

	<u>1985 £000</u>	<u>1984 £000</u>
<u>Group</u>		
Investment in unconsolidated subsidiary companies:		
Shares at cost less amount written off	252	244
(Decrease)/increase in underlying net assets	<u>(15)</u>	<u>2</u>
Underlying net assets attributable to the holding company	237	246
Due to unconsolidated subsidiaries (non-current)	<u>(237)</u>	<u>(237)</u>
	<u>£--</u>	<u>£9</u>

Company

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

<u>Consolidated</u>	<u>1985 £000</u>	<u>1984 £000</u>
Shares in subsidiary companies		
Engelhard Sales Limited	1	1
Engelhard Exmetco Limited (in liquidation)	-	-
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>
Other - unconsolidated at cost	90	82
Less provision for diminution	(69)	(57)
Amount due to unconsolidated subsidiary company	<u>(18)</u>	<u>(18)</u>
	<u>£1,404</u>	<u>£1,408</u>

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Notes to the accounts - 31 December 1985 continued

Unconsolidated

Engelhard Industries (South Africa) Proprietary Limited (in liquidation)
(incorporated in South Africa)
Engelhard Industrie GmbH (incorporated in Germany)
Engelhard Pension Trustees Limited
Engelhard Trustee Company Limited
Lees & Sanders Limited (in liquidation)
Oy Engelhard Industries Suomi AB (incorporated in Finland)
Reyinco Limited (in liquidation)

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.

12 STOCKS

<u>Group</u>	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
Metal dealing stocks	3,687	10,085
Raw materials and consumables	60,822	76,212
Work in progress	<u>1,564</u>	<u>1,182</u>
	<u>£66,073</u>	<u>£87,479</u>
 <u>Company</u>		
Raw materials and consumables	4,528	7,594
Work in progress	<u>1,053</u>	<u>850</u>
	<u>£5,581</u>	<u>£8,444</u>

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Notes to the accounts - 31 December 1985 continued

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

	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
Group	<u>£13,017</u>	<u>£24,220</u>
Company	<u>£10,496</u>	<u>£23,093</u>

Following the group's accounting policy set out in note 1(d) stocks held for dealing purposes 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 had been valued at the lower of cost and net realisable value they would have been stated at an amount equal to that above.

Following the group's accounting policy set out in note 1(d) open contracts have been valued by reference to market prices ruling at the year end. If profits on open contracts had not been recognised a credit of £134,000 (1984 £834,000) would not have been made to the profit and loss account and debtors would have been correspondingly decreased.

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.

13 DEBTORS

	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
<u>Group</u>		
Amounts falling due within one year:		
Trade debtors	10,270	17,741
Amounts owed by holding company and fellow subsidiaries	1,809	1,662
Other debtors	2,059	5,790
Prepayments and accrued income	<u>110</u>	<u>644</u>
	<u>£14,248</u>	<u>£25,837</u>

ENGELHARD LIMITED AND SUBSIDIARY COMPANIESNotes to the accounts - 31 December 1985 continued

<u>Company</u>	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
Amounts falling due within one year:		
Trade debtors	1,102	1,681
Amounts owed by holding company and fellow subsidiaries	17,304	20,752
Other debtors	1,474	4,377
Prepayments and accrued income	<u>102</u>	<u>59</u>
	<u>19,982</u>	<u>26,869</u>
Amounts falling due after one year:	<u>694</u>	<u>-</u>
Amounts owed by subsidiary company	<u>£20,676</u>	<u>£26,869</u>

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

<u>Group</u>	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
Engelhard Corporation swapped commercial paper	-	9,000
Bills payable under acceptance credits	3,500	17,500
Bank loans and overdrafts	1,683	5,860
Trade creditors	2,760	5,847
Amounts owed to holding company and fellow subsidiaries	1,628	12,887
Taxation and social security contributions	4,453	2,206
Other creditors and accruals	<u>6,084</u>	<u>4,180</u>
	<u>£20,108</u>	<u>£57,480</u>

Company

Engelhard Corporation swapped commercial paper	-	9,000
Bank loans and overdrafts	2,724	7,297
Trade creditors	1,294	1,196
Amounts owed to holding company and fellow subsidiaries	377	724
Taxation and social security contributions	2,338	2,000
Other creditors and accruals	<u>3,967</u>	<u>3,305</u>
	<u>£10,700</u>	<u>£23,522</u>

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

<u>Company</u>	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
Advance from subsidiary company	<u>£1,000</u>	<u>£ -</u>

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Notes to the accounts - 31 December 1985 continued

16 DEFERRED TAXATION

Analysis of provision and potential liability:

<u>Group</u>	<u>1985</u> Provision and full potential liability £000	<u>1984</u> Provision and full potential liability £000
Accelerated capital allowances	1,730	2,081
Other timing differences	(56)	(560)
	<u>£1,674</u>	<u>£1,521</u>
<u>Company</u>	<u>1985</u> Provision and full potential liability £000	<u>1984</u> Provision and full potential liability £000
Accelerated capital allowances	1,038	1,345
Other timing differences	(103)	(560)
	<u>£935</u>	<u>£785</u>

The provision and potential liability for deferred taxation for the company and its subsidiaries have been calculated at a corporation tax rate of 36.25%.

17 OTHER PROVISIONS

	<u>Balance</u> <u>1.1.85</u> £000	<u>Charge to</u> <u>profit and</u> <u>loss account</u> £000	<u>Released/</u> <u>Utilised</u> £000	<u>Balance</u> <u>31.12.85</u> £000
<u>Group</u>				
Rationalisation and reorganisation costs	750	-	(250)	500
Decentralisation and closure costs - Sutton	524	-	(476)	48
Major repairs	134	-	(34)	100
External refining costs	1,268	-	(1,268)	-
Other	<u>71</u>	<u>154</u>	<u>-</u>	<u>225</u>
	<u>£2,747</u>	<u>£154</u>	<u>£(2,028)</u>	<u>£873</u>

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Notes to the accounts -- 31 December 1985 continued

<u>Company</u>	<u>Balance</u> <u>1.1.85</u> <u>£000</u>	<u>Charge to</u> <u>profit and</u> <u>loss account</u> <u>£000</u>	<u>Released/</u> <u>Utilised</u> <u>£000</u>	<u>Balance</u> <u>31.12.85</u> <u>£000</u>
Decentralisation and closure costs - Sutton	524	-	(476)	48
Major repairs	134	-	(34)	100
External refining costs	100	-	(100)	-
Other	<u>71</u>	<u>154</u>	<u>-</u>	<u>225</u>
	<u>£829</u>	<u>£154</u>	<u>£(610)</u>	<u>£373</u>

18 CALLED UP SHARE CAPITAL

	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
Authorised, allotted, issued and fully paid 2,400,000 ordinary shares of £1 each	<u>£2,400</u>	<u>£2,400</u>

19 OTHER RESERVES

	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
The Sheffield Smelting Company, Limited:		
Pre-acquisition reserves	2,620	2,620
Unrealised reserve arising on consolidation	698	698
Accumulated translation reserve	<u>-</u>	<u>70</u>
	<u>£3,318</u>	<u>£3,388</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.

The accumulated translation reserve results from Engelhard Metals Limited using the United States dollar as its functional currency. The movement on the reserve is as follows:

	<u>£000</u>
Balance as at 1 January 1985	(70)
Loss arising during the year	230
Written off to profit and loss account	<u>(160)</u>
Balance as at 31 December 1985	<u>-</u>

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Notes to the accounts - 31 December 1985 continued

20 CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure approved but not provided in the accounts is:

	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
<u>Group</u>		
Contracted for	541	592
Authorised, but not contracted for	<u>440</u>	<u>372</u>
	<u>£981</u>	<u>£964</u>
<u>Company</u>		
Contracted for	496	567
Authorised, but not contracted for	<u>325</u>	<u>233</u>
	<u>£821</u>	<u>£800</u>

21 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 approximately:

	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
Group	<u>£515</u>	<u>£787</u>
Company	<u>£511</u>	<u>£765</u>

22 PENSION SCHEMES

The company and its subsidiaries maintain contributory pension schemes covering substantially all of their employees. The group's policy is to fund current pension costs fully and to fund prior service costs over periods of up to twenty years. A valuation as at 31 December 1983 showed that current rates of funding were sufficient to achieve these aims.

23 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 1985 was £3,620,000 (1984 £22,384,000).

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Notes to the accounts - 31 December 1985 continued

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 1985 the total value of such materials deposited was £10,681,000 (1984 £24,420,000).

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

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

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.

24 DIRECTORS' EMOLUMENTS

	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
Directors' emoluments (including pension contributions)	223	495
Pension payments in respect of former directors	-	209
Compensation for loss of office paid to former directors	<u>27</u>	<u>143</u>
	<u>£250</u>	<u>£847</u>

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

	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
Emoluments of the chairman	<u>£32</u>	<u>£17</u>
Emoluments of the highest paid director	<u>£72</u>	<u>£105</u>

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

	<u>1985</u>	<u>1984</u>
£0 - £5,000	4	6
£20,001 - £25,000	-	1
£25,001 - £30,000	1	-
£40,001 - £45,000	1	-
£45,001 - £50,000	-	1
£55,001 - £60,000	-	1
£60,001 - £65,000	1	2
£85,001 - £90,000	-	1

ENGELHARD LIMITED AND SUBSIDIARY COMPANIES

Notes to the accounts - 31 December 1985 continued

25 GROUP EMPLOYEE INFORMATION

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

	<u>1985</u>	<u>1984</u>
Manufacturing	587	711
Distribution	154	232
Administration	101	254
Research and development	<u>44</u>	<u>54</u>
	<u>886</u>	<u>1,251</u>

- b) Group employment costs including executive directors:

	<u>1985</u> £000	<u>1984</u> £000
Aggregate gross wages and salaries	10,422	11,304
Employers' national insurance contributions	677	1,102
Employers' pension contributions	<u>51</u>	<u>555</u>
	<u>£11,150</u>	<u>£12,961</u>

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

	<u>1985</u>	<u>1984</u>
£30,001 - £35,000	-	2
£35,001 - £40,000	1	-
£40,001 - £45,000	1	-
£50,001 - £55,000	1	-
£55,001 - £60,000	1	-
£65,001 - £70,000	1	-
£95,001 - £100,000	1	-

The above figures include the secondment to the group of a number of employees from a fellow subsidiary company.

26 ULTIMATE HOLDING COMPANY

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

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