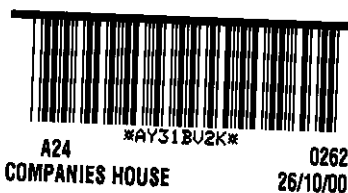


ENGELHARD LIMITED

Annual report for the year ended

31 December 1999

Company Registration No. 249071



ENGELHARD LIMITED

Report of the directors for the year ended 31 December 1999

The directors present their report and the group financial statements of Engelhard Limited for the year ended 31 December 1999.

Principal activities

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

Review of business and future developments

The group's retained profit for the year was £13,979,000 (1998: £7,669,000). Equity shareholders' funds increased to £61,575,000 (1998: £49,245,000). The year end financial position was satisfactory.

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

Dividends

No dividends were paid during the year or are proposed (1998: Nil).

Directors

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

G J Dobson

A T McWilliams (resigned 7 December 1999)

L Fliegel (appointed 7 December 1999)

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

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group as at the end of the financial year and of the profit or loss of the group for that year.

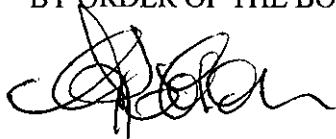
The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1999. The directors also confirm that applicable accounting standards have been followed and that the statements have been prepared on the going concern basis.

The directors are responsible for maintaining proper accounting records, for safeguarding the assets of the company and of the group and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

Year 2000

The group did not experience any disruptions to its operations at or after the millennium date and the costs incurred in connection with Year 2000 are deemed not to be material to the group.

BY ORDER OF THE BOARD



G J Dobson (Director)



Date:

ENGELHARD LIMITED

Report of the auditors to the members

We have audited the financial statements on pages 3 to 20.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 1, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 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 and the group at 31 December 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

Date: 23 October 2000

ENGELHARD LIMITED

Group profit and loss account for the year ended 31 December 1999

	Notes	1999 £000	1998 £000
Turnover	2,3	12,850	7,804
Cost of sales		(8,615)	(4,961)
Dealing income		17,701	13,446
Gross profit		<u>21,936</u>	<u>16,289</u>
Distribution costs		(1,063)	(704)
Administrative expenses		(8,947)	(7,500)
Operating profit	4	<u>11,926</u>	<u>8,085</u>
Share of operating profit of associates		10,556	3,346
Other operating income		931	1,263
Profit on sale of tangible fixed assets		275	-
Profit on ordinary activities before interest and taxation		<u>23,688</u>	<u>12,694</u>
Other interest receivable and similar income	7	2,912	5,481
Interest payable and similar charges	8	(6,497)	(8,170)
Profit on ordinary activities before taxation	2	<u>20,103</u>	<u>10,005</u>
Tax on profit on ordinary activities	9	(3,812)	(1,346)
Profit on ordinary activities after taxation		<u>16,291</u>	<u>8,659</u>
Minority interests	22	(2,312)	(990)
Profit for the financial year	20	<u><u>13,979</u></u>	<u><u>7,669</u></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 except as explained in note 1(e).

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

The notes on pages 7 to 20 form part of these financial statements.

ENGELHARD LIMITED

Group statement of total recognised gains and losses for the year ended 31 December 1999

	Notes	1999 £000	1998 £000
Profit for the financial year		13,979	7,669
Exchange adjustments offset in reserves	21	(1,649)	1,713
		<hr/>	<hr/>
Total gains recognised for the year		12,330	9,382
		<hr/>	<hr/>

The notes on pages 7 to 20 form part of these financial statements.

ENGELHARD LIMITED

Balance Sheet - 31 December 1999

	Notes	Group		Company	
		1999 £000	1998 £000	1999 £000	1998 £000
FIXED ASSETS					
Tangible assets	11	1,578	1,828	30	30
Investments	12	39,133	33,375	57,359	57,359
		<u>40,711</u>	<u>35,203</u>	<u>57,389</u>	<u>57,389</u>
CURRENT ASSETS					
Stocks and open contracts	13	81,572	86,215	-	-
Debtors: amounts falling due after one year	14	9,080	10,139	8,794	9,939
Debtors: amounts falling due within one year	14	91,081	60,181	11,320	10,873
Cash at bank and in hand		2,255	5,852	6	1,480
		<u>183,988</u>	<u>162,387</u>	<u>20,120</u>	<u>22,292</u>
CREDITORS:					
Amounts falling due within one year	15	(145,276)	(125,191)	(30,355)	(31,788)
NET CURRENT ASSETS					
		<u>38,712</u>	<u>37,196</u>	<u>(10,235)</u>	<u>(9,496)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		79,423	72,399	47,154	47,893
CREDITORS:					
Amounts falling due after more than one year	16	(6,192)	(12,633)	(8,692)	(8,524)
PROVISIONS FOR LIABILITIES AND CHARGES					
Pensions and similar obligations	17,23	(2,457)	(2,345)	(2,457)	(2,345)
Deferred taxation	18	(42)	(982)	-	-
		<u>(2,499)</u>	<u>(3,327)</u>	<u>(2,457)</u>	<u>(2,345)</u>
NET ASSETS					
	2	<u>70,732</u>	<u>56,439</u>	<u>36,005</u>	<u>37,024</u>

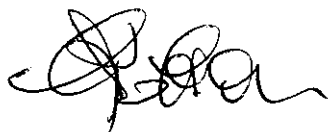
ENGELHARD LIMITED

Balance Sheet - 31 December 1999

(continued)

	Notes	Group		Company	
		1999 £000	1998 £000	1999 £000	1998 £000
CAPITAL AND RESERVES					
Called up share capital	19	2,400	2,400	2,400	2,400
Share premium account		194	194	194	194
Profit and loss account	20	58,981	46,651	33,411	34,430
SHAREHOLDERS' FUNDS	21	61,575	49,245	36,005	37,024
MINORITY INTERESTS	22	9,157	7,194	-	-
		<u>70,732</u>	<u>56,439</u>	<u>36,005</u>	<u>37,024</u>

The directors' report and financial statements were approved by the board of directors on *28 Feb 2000*



G. J. Dobson
Director

The notes on pages 7 to 20 form part of these financial statements.

ENGELHARD LIMITED

Notes to the financial statements - 31 December 1999

1 ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom, except for the departure from the requirements of the Companies Act 1985 in order to give a true and fair view which is explained in note 1(e). A summary of the more important accounting policies, which have been applied consistently, is set out below.

(a) Basis of consolidation

The group balance sheet, profit and loss account and statement of group retained profits include the financial statements of the company and its principal subsidiaries, Engelhard International Limited, Engelhard Metals Limited, Engelhard SA, Engelhard Sales Limited, Engelhard Technologies Limited and The Sheffield Smelting Company, Limited.

The financial statements of the remaining subsidiaries have not been consolidated since their inclusion is not material for the purposes of giving a true and fair view. The group financial statements reflect the cost of the investment in the subsidiaries only.

(b) Associated undertakings

Associated undertakings, as defined in FRS9, are consolidated by the equity accounting method. The group's share of profits less losses of associated undertakings is included in the group profit and loss accounts, and the group's share of their net assets is included in the group balance sheet. These amounts are taken from the latest audited financial statements of the undertakings concerned, which have the same accounting reference date. Because the accounting policies of associated undertakings do not necessarily conform in all material respects to those of the group, adjustments are made on consolidation where the amounts involved are material to the group.

(c) Goodwill

Prior to the implementation of FRS10, the group's policy was to write-off directly to reserves both positive and negative goodwill on acquisition in accordance with SSAP22. The group has adopted the transitional arrangements of FRS10. The company has elected to leave previously written-off goodwill eliminated against reserves until any subsequent disposal of the business to which it related.

(d) Stocks other than those held for dealing purposes

Stocks other than those held for dealing purposes are stated at the lower of cost and net realisable value. Cost includes the costs of conversion incurred in bringing stocks to their present state and location.

(e) 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 group'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.

ENGELHARD LIMITED

Notes to the financial statements - 31 December 1999

1 ACCOUNTING POLICIES (continued)

(e) Stocks and open contracts held for dealing purposes (continued)

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

(f) Translation of foreign currencies

The financial statements of Engelhard Limited, Engelhard Sales Limited, Engelhard Technologies Limited and The Sheffield Smelting Company, Limited are denominated in GB£. The financial statements of Engelhard Metals Limited and Engelhard International Limited are denominated in US\$. The financial statements of Engelhard SA are denominated in FrF.

Where contracts are entered into for the forward purchase or sale of foreign currencies, the related transactions are translated into the reporting currencies at the contract rates. Where foreign currency contracts are not entered into, transactions in foreign currencies are translated into the reporting currencies at the rates of exchange prevailing at the time those transactions are accounted for.

Non-monetary assets and liabilities denominated in currencies other than the reporting currency have been translated at their historical rates of exchange.

Other assets and liabilities not covered by foreign currency contracts are translated into the reporting currencies at the closing rates of exchange at the balance sheet date. All differences arising are taken to the profit and loss account.

For the purposes of consolidation, the net assets of those subsidiary undertakings which are denominated in currencies other than GB£ are translated into GB£ at the rates of exchange ruling at the year end. Differences on exchange arising from the re-translation of the opening net assets and results of such subsidiary undertakings are taken to reserves and are reported in the statement of total recognised gains and losses.

The exchange rates used at the year end were US\$1.615:£1 & FrF10.507:£1 (1998 US\$1.66:£1 & FrF9.29:£1).

(g) Related party disclosure

The group has taken advantage of the exemption in Financial Reporting Standard No. 8, "Related Party Transactions", not to disclose transactions with entities which are part of the Engelhard Corporation group. The ultimate parent company's financial statements are publicly available.

(h) Dealing income

The directors believe that turnover and cost of sales do not have meaningful equivalents for the dealing business of Engelhard Metals Limited and Engelhard International Limited and, in keeping with similar businesses, these items are therefore not separately analysed 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.

(i) Lease commitments

Amounts due to and from the company under operating lease agreements, including those in respect of precious metals, are credited/charged to the profit and loss account on an accruals basis.

ENGELHARD LIMITED

Notes to the financial statements - 31 December 1999

1 ACCOUNTING POLICIES (continued)

(j) Pension costs and other post retirement benefits

Pension costs and other post retirement benefits are accounted for on the basis of charging the expected cost of providing these benefits over the period during which the company benefits from the employees' services. The effect of variations from regular cost is spread over the expected average remaining lives of members of the scheme. The costs are assessed in accordance with the advice of a qualified actuary.

(k) Taxation

Provision is made for corporation tax at current rates on the profits as adjusted for tax purposes. Deferred tax is provided using the liability method for all short term timing differences where the directors expect with reasonable probability that the asset or liability will crystallise.

(l) Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

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

Freehold buildings	25 years
Leasehold buildings	Period of the lease
Plant & machinery, fixtures & fittings, computers and equipment	3 to 7 years
Motor vehicles	4 years

(m) Investments

Investments in group undertakings and other long term investments are stated at their purchase cost less provision for any impairment in value.

(n) Amounts due from/to counterparties

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

2 SEGMENTAL ANALYSIS BY CLASS OF BUSINESS

The analysis by class of business of the group's turnover, profit before taxation and net assets is set out as below:

Turnover	1999 £000	1998 £000
Class of business:		
Chemical services	12,800	7,750
Metallurgical products	50	54
	<u>12,850</u>	<u>7,804</u>

ENGELHARD LIMITED

Notes to the financial statements - 31 December 1999

2 SEGMENTAL ANALYSIS BY CLASS OF BUSINESS (continued)

Profit before taxation	1999	1998
	£000	£000
Class of business:		
Chemical services	2,906	1,833
Commodity trading	9,232	4,331
Metallurgical products	7,965	3,841
	<u>20,103</u>	<u>10,005</u>
Net assets	1999	1998
	£000	£000
Class of business:		
Chemical services	4,604	4,883
Commodity trading	31,814	27,010
Metallurgical products	34,314	24,533
	<u>70,732</u>	<u>56,426</u>
Net operating assets		
Dormant company	-	13
	<u>70,732</u>	<u>56,439</u>

3 ANALYSIS BY GEOGRAPHICAL AREA

Turnover represents the value of precious metals and other goods sold, and services provided during the year, net of value added tax. Turnover of £50,000 (1998: £54,000) originated in France, all other turnover originated from the United Kingdom.

Turnover by destination is analysed as follows:	1999	1998
	£000	£000
Geographical area:		
United Kingdom		
- to third parties	6,347	5,607
Other Europe		
- to third parties	3,518	1,438
- to ultimate holding company and fellow subsidiaries	50	25
United States of America		
- to third parties	227	89
- to ultimate holding company and fellow subsidiaries	149	479
Asia		
- to third parties	1,824	124
- to ultimate holding company and fellow subsidiaries	509	-
Africa		
- to third parties	226	42
	<u>12,850</u>	<u>7,804</u>

The directors consider that an analysis by class of business and geographical market of the group's share of the profit and net assets of associated undertakings would be prejudicial to the business of the associated undertakings. A brief description of the business of each material associated undertaking is given in note 12 to the accounts.

ENGELHARD LIMITED

Notes to the financial statements - 31 December 1999

4 OPERATING PROFIT

	1999 £000	1998 £000
Operating profit is stated after charging:		
Auditors: Audit remuneration (a)	137	145
Other fees	213	195
Depreciation	517	464
Other operating leases (see note 25)	159	48
Management recharge (see note 6)	2,412	2,982
	<u> </u>	<u> </u>

(a) Audit fees for the company were £18,000 (1998: £36,000).

5 DIRECTORS' EMOLUMENTS

Two of the directors were employed by the company's ultimate parent company, and did not receive any emoluments for their services as directors of the company. The emoluments of the remaining director were as follows:

	1999 £000	1998 £000
Aggregate emoluments	144	141
Compensation for loss of office	-	133
	<u> </u>	<u> </u>
Number of directors accruing retirement benefits:		
Defined benefits scheme	1	1
	<u> </u>	<u> </u>

6 EMPLOYEE INFORMATION

Certain employees are employed by a fellow subsidiary of the ultimate parent company. Their costs are recharged to the group and form part of the management recharges in note 4.

Details of staff employed directly by the group are given below:

(a) The average number of employees, excluding directors of the group, during the year is analysed below:

	1999 Number	1998 Number
Manufacturing	45	39
Distribution	20	21
Administration	8	9
	<u> </u>	<u> </u>
	73	69
	<u> </u>	<u> </u>

(b) Group employment costs excluding directors:

	1999 £000	1998 £000
Aggregate gross wages and salaries	2,061	1,799
Employer's NI contributions	177	153
Employer's pension contributions	36	62
	<u> </u>	<u> </u>
	2,274	2,014
	<u> </u>	<u> </u>

ENGELHARD LIMITED**Notes to the financial statements - 31 December 1999****7 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME**

	1999	1998
	£000	£000
Ultimate holding company and fellow subsidiaries	701	2,650
Third parties	896	751
Share of associated undertakings	1,315	2,080
	<u>2,912</u>	<u>5,481</u>

8 INTEREST PAYABLE AND SIMILAR CHARGES

	1999	1998
	£000	£000
Ultimate holding company and fellow subsidiaries	2,600	1,266
Third parties	2,166	5,197
Share of associated undertakings	1,731	1,707
	<u>6,497</u>	<u>8,170</u>

All interest payable and similar charges arise on loans repayable within 5 years other than by instalments.

9 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999	1998
	£000	£000
UK corporation tax at 30.25% (1998: 31%)	4,634	1,568
Deferred tax	(1,290)	308
Under/(over) provision in respect of prior year tax:		
Current	(821)	22
Deferred	324	(486)
Tax attributable to associated undertakings	965	(283)
Overseas taxation	-	217
Tax charge for the year	<u>3,812</u>	<u>1,346</u>

The tax charge for the year has been reduced by the utilisation of brought forward losses in the associated undertakings.

10 RETAINED PROFIT FOR THE YEAR

Engelhard Limited has taken advantage of Section 230 of the Companies Act 1985 which allows it not to publish a separate profit and loss account. The loss for the year in the books of the company was £1,019,000 (1998: profit £10,540,000) inclusive of dividend income of £nil (1998: £10,000,000).

ENGELHARD LIMITED

Notes to the financial statements - 31 December 1999

11 TANGIBLE FIXED ASSETS

		Land and buildings £000	Other tangible assets £000	Total £000
Group				
Cost:	At 1 January 1999	617	3,108	3,725
	Translation adjustment	(37)	48	11
	Additions	-	449	449
	Disposals	(275)	(232)	(507)
	At 31 December 1999	305	3,373	3,678
Depreciation:				
	At 1 January 1999	172	1,725	1,897
	Translation adjustment	(14)	29	15
	Provided during the year	23	494	517
	Disposals	(107)	(222)	(329)
		74	2,026	2,100
Net Book Value: At 31 December 1999		231	1,347	1,578
At 31 December 1998		445	1,383	1,828
Company				
Cost:	At 1 January 1999	-	108	108
	Additions	-	22	22
	Disposals	-	(12)	(12)
	At 31 December 1999	-	118	118
Depreciation:				
	At 1 January 1999	-	78	78
	Provided during the year	-	21	21
	Disposals	-	(11)	(11)
		-	88	88
Net Book Value: At 31 December 1999		-	30	30
At 31 December 1998		-	30	30

Other tangible assets include plant and machinery, fixtures, fittings, computers and equipment.

ENGELHARD LIMITED

Notes to the financial statements - 31 December 1999

12 FIXED ASSET INVESTMENTS

	Associated undertakings £000	Other fixed asset investments £000	Total £000
(a) Group			
Cost or share of net assets:			
At 1 January 1999	33,078	297	33,375
Additions	-	36	36
Disposals	(212)	-	(212)
Group share of profits after taxation	9,175	-	9,175
Foreign exchange translation	(3,241)	-	(3,241)
At 31 December 1999	<u>38,800</u>	<u>333</u>	<u>39,133</u>

On acquiring Engelhard SA in 1995, Engelhard Limited indirectly acquired an associated company, Engelhard-CLAL SAS, which is incorporated in France. Engelhard SA holds 88% 'B' ordinary 60F shares but no 'A' shares, giving a 44% holding in the total share capital of Engelhard-CLAL SAS. Engelhard-CLAL SAS holds interests in several further companies, all of whom are engaged in the metallurgical business.

The following information is given in respect of the group share of the Engelhard-CLAL SAS group:

	1999 £000	1998 £000
Turnover	345,815	310,775
Profit before taxation	10,140	3,719
Tangible fixed assets	11,002	13,503
Intangible fixed assets	227	272
Current assets	65,961	60,942
Creditors falling due within one year	24,348	13,936
(b) Company	<u>1999 £000</u>	<u>1998 £000</u>
Shares in consolidated subsidiary companies (at cost)	<u>57,359</u>	<u>57,359</u>

ENGELHARD LIMITED

Notes to the financial statements - 31 December 1999

(c) Interest in group undertakings:

Name of undertaking held	Description of shares held	Activities	Country of incorporation /registration	%
Engelhard SA	Ordinary 10F	Holding company	France	74
Engelhard Sales Limited	Ordinary £1	Refining of precious metals	England & Wales	100
Engelhard Metals Limited	Ordinary £1	Metal trading	England & Wales	100
The Sheffield Smelting Company, Limited	Ordinary 1p Preference £1	Not trading	England & Wales	100
Engelhard Technologies Limited	Ordinary £1	Marketing of precious metals	England & Wales	100
Engelhard International Limited	Ordinary £1	Metal trading	England & Wales	100
Engelhard Pension Trustees Limited	Ordinary £1	Trustee	England & Wales	100 [1]
Engelhard Trustee Company Limited	Ordinary £1	Trustee	England & Wales	100 [1]

[1] As explained in accounting policy 1(a) these subsidiaries have not been consolidated since their inclusion is not material to giving a true and fair view.

[2] During the year Engelhard Pyrocontrole SA and SCI Les Sept Chemins, two indirect subsidiaries held by Engelhard SA, were liquidated.

13 STOCKS AND OPEN CONTRACTS

	Group		Company	
	1999 £000	1998 £000	1999 £000	1998 £000
Metal dealing stocks and open contracts (see note 1e)	79,513	85,549	-	-
Raw materials and consumables	1,772	306	-	-
Work in progress	109	93	-	-
Finished goods	178	267	-	-
	<u>81,572</u>	<u>86,215</u>	<u>-</u>	<u>-</u>

ENGELHARD LIMITED

Notes to the financial statements - 31 December 1999

14 DEBTORS

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
Amounts falling due after one year:				
Loan to fellow subsidiary (repayable within 5 years)	8,794	9,939	8,794	9,939
Other debtors	286	200	-	-
	<u>9,080</u>	<u>10,139</u>	<u>8,794</u>	<u>9,939</u>
Amounts falling due within one year:				
Trade debtors	42,102	46,333	-	-
Amounts owed by ultimate parent company and fellow subsidiaries	41,230	4,474	11,250	2,047
Amounts owed by subsidiaries	-	-	24	8,803
Other debtors	3,072	4,356	46	23
Prepayments and accrued income	324	365	-	-
Taxation	4,353	4,653	-	-
	<u>91,081</u>	<u>60,181</u>	<u>11,320</u>	<u>10,873</u>

15 CREDITORS: Amounts falling due within one year

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
Bank loans and overdrafts	451	13	451	13
Trade creditors	116,919	57,121	-	-
Amounts owed to ultimate parent company and fellow subsidiaries	5,376	25,642	818	1,750
Amounts owed to subsidiaries	-	-	26,576	22,344
Metal dealing stocks and open contracts	10,092	24,833	-	-
Corporation tax	5,678	6,470	2,196	3,228
Other taxes and social security payable	136	3,955	98	3,942
Other creditors and accruals	6,624	7,157	216	511
	<u>145,276</u>	<u>125,191</u>	<u>30,355</u>	<u>31,788</u>

16 CREDITORS: Amounts falling due after more than one year

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
Amounts owed to ultimate parent company and fellow subsidiaries	6,192	12,633	6,192	6,024
Amounts owed to subsidiaries	-	-	2,500	2,500
	<u>6,192</u>	<u>12,633</u>	<u>8,692</u>	<u>8,524</u>

Amounts owed to ultimate parent company and fellow subsidiaries are interest bearing and mature in December 2002.

ENGELHARD LIMITED**Notes to the financial statements - 31 December 1999****17 PENSIONS AND SIMILAR OBLIGATIONS**

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
Balance at 1 January	2,345	2,165	2,345	2,165
Movements in year:				
- pension charge (defined benefit)	89	147	89	147
- pension payments (defined benefit)	(19)	(12)	(19)	(12)
- other post retirement benefits charge	42	45	42	45
Balance at 31 December (see note 23)	<u>2,457</u>	<u>2,345</u>	<u>2,457</u>	<u>2,345</u>

18 DEFERRED TAXATION

Provision has been made for the full potential liability at a rate of 30% (1998: 30%).

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
Balance at 1 January	982	1,167	-	-
Translation adjustment	26	(7)	-	-
Transfer to/(from) profit and loss account:				
Current year (see note 9)	(1,290)	308	-	-
Prior year (see note 9)	324	(486)	-	-
Balance at 31 December	<u>42</u>	<u>982</u>	<u>-</u>	<u>-</u>

The deferred tax liability relates principally to timing differences in the taxation of the unrealised dealing profits of a subsidiary company.

19 CALLED UP SHARE CAPITAL

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
Authorised, issued and fully paid:				
2,000,000 'A' ordinary shares of £1 each and				
400,000 'B' ordinary shares of £1 each	<u>2,400</u>	<u>2,400</u>	<u>2,400</u>	<u>2,400</u>

ENGELHARD LIMITED**Notes to the financial statements - 31 December 1999****20 PROFIT AND LOSS ACCOUNT**

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
Retained profits at 1 January	46,651	37,269	34,430	23,890
Profit/(loss) for the year	13,979	7,669	(1,019)	10,540
Exchange adjustments offset in reserves	(1,649)	1,713	-	-
Retained profits at 31 December	<u>58,981</u>	<u>46,651</u>	<u>33,411</u>	<u>34,430</u>

Goodwill relating to acquisitions made prior to 1998, which has been eliminated against reserves, amounts to £1,587,000 (1998: £1,587,000).

Negative goodwill relating to acquisitions made prior to 1998, which has been added to reserves, amounts to £1,914,000 (1998: £1,914,000).

21 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
Balance at 1 January	49,245	39,863	37,024	26,484
Profit/(loss) for the year	13,979	7,669	(1,019)	10,540
Exchange adjustments offset in reserves	(1,649)	1,713	-	-
Balance at 31 December	<u>61,575</u>	<u>49,245</u>	<u>36,005</u>	<u>37,024</u>

22 MINORITY INTEREST

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
Balance at 1 January	7,194	7,007	-	-
Foreign exchange (loss) on translation	(349)	(803)	-	-
Minority share of subsidiary's profit for the year	2,312	990	-	-
Balance at 31 December	<u>9,157</u>	<u>7,194</u>	<u>-</u>	<u>-</u>

ENGELHARD LIMITED

Notes to the financial statements - 31 December 1999

23 PENSIONS AND OTHER POST RETIREMENT OBLIGATIONS

The group operates two funded defined benefit pension schemes in the United Kingdom. The assets of both schemes are held separately from those of the participating employers in trustee administered funds.

The schemes include staff whose employment costs are borne by another fellow subsidiary of the ultimate holding company. Their costs are recharged to the group and form part of the management recharge in note 4.

The pension cost for the year for these schemes was £89,000 (1998: £147,000) for the group and £89,000 (1998: £147,000) for the company. An amount of £972,000 (1998: £902,000) for the group and £972,000 (1998: £902,000) for the company is included in provisions, which represents the excess of the accumulated pension cost over the payment of contributions to pension funds. The provision relating to the group's participation to the above schemes is made in the accounts of the company (note 17). During 1999 the group benefited from a pension holiday with respect to the defined benefit scheme but made contributions of £19,000 to reflect the employer's contracting-out rebates.

The pension cost is assessed in accordance with the advice from an independent qualified actuary.

The most recent actuarial valuation of the scheme was at 31 December 1998, using the projected unit credit method. The principal assumptions used in the valuation were that, over the long term, the future investment yield would be 9% per annum for equities and 7% per annum for index-linked gilts, the increase in pensionable pay would average 6% per annum and that pensions in payment would increase at 4% per annum on the excess over Guaranteed Minimum Pensions. These assumptions have been based on an inflation rate of 4%.

At 31 December 1998 the market value of the combined assets of the schemes was £47,540,000 and the actuarial value of the assets was sufficient to cover 103% of the accrued liabilities on an ongoing basis. On a current funding level basis (discontinuance position) the combined schemes had a deficit of £1,395,000.

On the recommendation of the actuaries, and with the agreement of the trustees, the participating employers have agreed to make the following contributions:

- Employer contributions of 5.2% of scheme salary in relation to members of the Engelhard Executive Benefit Scheme and 11.9% in relation to the Engelhard-CLAL UK Ltd members of the Engelhard Pension Scheme from 1 January 2000
- An additional payment of £480,000 in the year commencing January 2000 and of £265,000 per annum in the years 2001 to 2004 inclusive.

The group also operates a defined contribution pension scheme. The assets of the scheme are also held separately from those of the participating employers in a trustee administered fund. The pension cost for the group in respect of this scheme was £67,000 (1998: £58,000).

The group is obliged to pay medical insurance premiums for a limited number of pensioners and active employees upon retirement. Benefits are provided to eligible pensioners, their spouses and eligible dependants. An actuarial estimate of the accrued liability in respect of the post retirement medical expenses has been carried out as at 31 December 1999, using the projected unit method. The valuation rate of interest used for the calculation was 9% per annum and allowance was made for medical inflation of 10% per annum for 2 years, reducing over a further period of five years to 7% per annum and level at 7% per annum thereafter.

As at 31 December 1999 the provision in respect of post retirement medical expenses benefits was estimated to be £1,485,000 (1998: £1,443,000) for the group and £1,485,000 (1998: £1,443,000) for the company. During the year the cost of the liability was £42,000 (1998: £45,000) for the group and £42,000 (1998: £45,000) for the company.

ENGELHARD LIMITED

Notes to the financial statements - 31 December 1999

24 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 companies. 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 (1998: Nil).

An unlimited multilateral guarantee has been given in favour of the group's bank by the company and two of its subsidiary companies, Engelhard Sales Limited and Engelhard Metals Limited, in respect of all amounts owed to the bank by each of the companies.

The company has given guarantees to banks and third parties for the proper performance of contracts entered into by its subsidiaries, Engelhard Metals Limited and Engelhard International Limited, in the ordinary course of business.

The group's regulated subsidiary, Engelhard International Limited, has been granted by Commerzbank, London branch, a Securities and Futures Authority approved bank bond facility of an aggregate amount of US\$20,000,000. In addition, Engelhard International Limited has taken out bank guarantees totalling US\$30,000,000 in relation to its dealing activities with the London Metals Exchange and the London Clearing House.

25 COMMITMENTS

	1999 £000	1998 £000
Group and company capital expenditure commitments		
Contracted for	-	54

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

At 31 December the company had annual commitments under non-cancellable operating leases expiring as follows:

	1999 £000	1998 £000
Land and buildings		
After five years	110	-
Other assets		
Within two to five years	49	48

26 CASH FLOW STATEMENT

A cash flow statement is not included in these financial statements because the company is ultimately controlled by Engelhard Corporation, whose consolidated financial statements include the cash flows of Engelhard Limited and are publicly available. One hundred per cent of the voting rights of Engelhard Limited are held within the group.

27 ULTIMATE PARENT COMPANY AND CONTROLLING COMPANY

The company's ultimate parent company is Engelhard Corporation, which is incorporated in the State of Delaware, USA. This company heads the only higher group of undertakings for which group financial statements are drawn up and of which the company is a member. The directors of Engelhard Limited consider Engelhard Corporation to be the company's ultimate controlling party. Copies of the Engelhard Corporation consolidated financial statements may be obtained from The Secretary, Engelhard Limited, 63 St. Mary Axe, London EC3A 8NH.

ENGELHARD LIMITED**Profit and loss account for the year ended 31 December 1999**

	Notes	1999 £000	1998 £000
Turnover		-	-
Cost of sales		-	-
Gross profit		<u>-</u>	<u>-</u>
Distribution costs		-	-
Administrative expenses		(2,566)	(1,142)
Other operating income		740	1,159
Operating profit/(loss)		<u>(1,826)</u>	<u>17</u>
Profit on sale of fixed assets		1	-
Other interest receivable and similar income		599	717
Interest payable and similar charges		(773)	(464)
Profit/(loss) on ordinary activities before taxation		<u>(1,999)</u>	<u>270</u>
Tax on profit/(loss) on ordinary activities		980	270
Profit/(loss) for the financial year		<u>(1,019)</u>	<u>540</u>
Dividends received		-	10,000
Retained profit/(loss) for the financial year	21	<u>(1,019)</u>	<u>10,540</u>

The company has no recognised gains and losses other than those included in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between profit on ordinary activity before taxation and retained profit for the year as stated above and their historical cost equivalent.

The operating profit/(loss) of the company is derived from continuing operations.

The notes on pages 7 to 20 form part of these financial statements.