

**The Holywell-Halkyn Mining and Tunnel
Company, Limited**

(Registered Number 50892)

Report and Financial Statements

Period Ended 31 December 1998



The Holywell-Halkyn Mining and Tunnel Company, Limited

Report of the Directors

The Directors submit their Report and the audited financial statements of the Company for the period ended 31 December 1998.

Change of accounting referer

Following the acquisition of Courtaulds plc (now Akzo Nobel UK Ltd) by Akzo Nobel NV the accounting reference date was changed to 31 December by shortening the period which commenced on 1 April 1998 to nine months ended on 31 December 1998.

Activities

The Company has not traded during the period. The Directors propose that a Special Resolution be passed by the Company's Annual General Meeting to confirm the Company's status as a Dormant Company for the purposes of S250 of the Companies Act 1985.

Results and dividend

The Company did not trade during the period, has not incurred any liabilities and consequently has made neither profit nor loss. The Directors do not recommend payment of a dividend (year to 31 March 1998: £63,114).

Directors

The Directors of the Company who served throughout the period were:-

A S Hopkins
D F Landless
D A Stevens
D L Warburton

Changes since the period end

Mr F Landless resigned as a Director of the Company on 5 March 1999 and Mrs J.A.M. Shannon was appointed a Director in his place with effect from 24 March 1999.

Directors' interests

The register kept by the Company in accordance with Section 325 of the Companies Act 1985 shows that at 31 December 1998 the Directors and their families had no beneficial interests in the share capital of Akzo Nobel UK Ltd (formerly Courtaulds plc) either directly or through the Employee Share Schemes referred to below, nor of Akzo Nobel NV, their former interests having terminated in the course of the acquisition of Courtaulds plc (now Akzo Nobel UK Ltd) by Akzo Nobel NV.

The financial benefits from the Long Term Incentive Scheme were distributed to the Directors on 31 March 1999.

The Holywell-Halkyn Mining and Tunnel Company, Limited

Report of the Directors (Continued)

Directors' interests (Continued)

	Ordinary shares of 25p	
	1 April 1998	31 December 1998
AS Hopkins	-	-
DF Landless	-	-
DA Stevens	5,000	-
DL Warburton	2,186	-

	Executive Share Option Scheme	
	1 April 1998	31 December 1998
AS Hopkins	30,000	-
DF Landless	20,000	-
DA Stevens	30,000	-
DL Warburton	20,000	-

	Savings – Related Share Option Scheme	
	1 April 1998	31 December 1998
AS Hopkins	5,356	-
DF Landless	4,655	-
DA Stevens	5,074	-
DL Warburton	6,484	-

				Long-Term Incentive Scheme	
	1995	1996	1997	1 April 1998	31 December 1998
AS Hopkins	4,100	4,700	5,600	14,400	-
DF Landless	3,800	4,400	9,700	17,900	-
DA Stevens	-	4,600	4,900	9,500	-
DL Warburton	-	-	-	-	-

Secretary and registered office

VA Pomeroy, PO Box 20980, Oriel House, 16 Connaught Place, London W2 2ZB

The Holywell-Halkyn Mining and Tunnel Company, Limited

Report of the Directors (Continued)

Auditors

Following the merger of Price Waterhouse and Coopers & Lybrand, Price Waterhouse resigned as auditors of the Company with effect from 5 November 1998, whereupon the directors passed a resolution appointing PricewaterhouseCoopers as auditors of the Company to hold office until the conclusion of the next Annual General Meeting.

Millennium

The Company is acutely aware of the issues that may arise as a result of the millennium with both computer systems and date-aware microchip based equipment. Systems have either been upgraded or are scheduled to be upgraded before December 1999 to be Year 2000 compliant.

A Year 2000 Steering Group was formed, under the guidance of a member of Akzo Nobel UK Ltd's Main Board, to ensure that procedures and policies were in place to identify the risks associated with the millennium changeover. A detailed "best practice" compliance document was circulated and the progress towards millennium compliance is subject to quarterly review. In addition, external consultants and internal audit carry out regular reviews. There is ongoing collaboration with suppliers and customers.

European monetary union (EMU)

The advent of EMU in January 1999 has had an impact on the Company. An EMU "centre of expertise" was established in early 1997, under the direction on the Company Secretary of Akzo Nobel UK Ltd (formerly Courtaulds plc), with a brief to ensure that the relevant issues were properly addressed and to provide a co-ordinating function for all the affected businesses.

The emphasis at group level has been on ensuring that the principal IT systems were in a state to deal with the euro when it was introduced at the beginning of 1999, so that customers in the first wave countries were able to choose at what point in the transitional period they wished to switch from trading in the old national currency to trading in euros, where this was commercially appropriate. Key management and reporting systems are also being converted.

The Holywell-Halkyn Mining and Tunnel Company, Limited

Report of the Directors (Continued)

Directors' responsibilities for preparing the financial statements

The Companies Act 1985 requires the Directors to prepare for each financial period, financial statements which give a true and fair view of the state of affairs of the Company at the end of that year, and of the profit or loss for the period to that date. In preparing the financial statements, the Directors are also required:

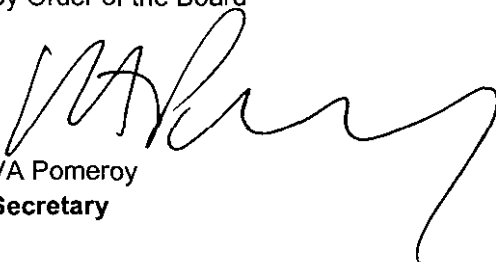
- to select suitable accounting policies and apply them consistently, supported as appropriate by reasonable and prudent judgements and estimates;
- to state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors consider that they have complied fully with the above requirements in preparing the financial statements on pages 6 to 9.

The Directors also have responsibility for:

- keeping appropriate accounting records which disclose with reasonable accuracy the financial position of the Company at anytime;
- taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

By Order of the Board



VA Pomeroy
Secretary

PO Box 20980
Oriol House
16 Connaught Place
London
W2 2ZB

29 SEPTEMBER 1999

Report of the Auditors to the Members of the Holywell-Halkyn Mining and Tunnel Company, Limited

We have audited the financial statements on pages 6 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 4 the financial statements. Our responsibilities, as independent auditors, are established 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 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.

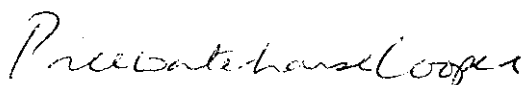
Basis of opinion

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 as at 31 December 1998 and have been properly prepared in accordance with the Companies Act 1985



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

29 September 1999

1 Embankment Place
London
WC2N 6NN

The Holywell-Halkyn Mining and Tunnel Company, Limited

Profit and Loss Account Period Ended 31 December 1998

	Note	Period ended 31 December 1998 £	Year ended 31 March 1998 £
Dividend to immediate parent undertaking		-	(63,114)
Transferred from reserves	4	-	(63,114)

Balance Sheet – 31 December 1998

	Note	31 December 1998 £	31 March 1998 £
Current assets			
Debtors (amounts falling due after more than one year)			
Amounts owed by Group undertaking		83,234	83,234
Net assets		83,234	83,234
Called up share capital			
Ordinary shares of £1 each	5	63,188	63,188
Reserves			
Non-distributable:	4		
Capital redemption		20,000	20,000
Forfeited share account		46	46
Shareholders' funds		83,234	83,234

Approved by the Board on 29 SEPTEMBER 1999


Director

The annexed notes form part of these financial statements.

The Holywell-Halkyn Mining and Tunnel Company, Limited

Note of Historical Cost Profits and Losses

There is no difference arising on the activities of the Company on an unmodified historical cost basis.

Statement of Total Recognised Gains and Losses

There are no recognised gains and losses for the period.

Reconciliation of Movements in Shareholders' Funds

	Period ended 31 December 1998 £	Year ended 31 March 1998 £
Group Dividend	-	(63,114)
Net reduction to shareholders' funds	-	(63,114)
Opening shareholders' funds	83,234	146,348
Closing shareholders' funds	83,234	83,234

The Holywell-Halkyn Mining and Tunnel Company, Limited

Notes to the Financial Statements

1 Accounting policies

(a) Accounting convention

These financial statements have been prepared under the historical cost convention, and have been prepared in accordance with applicable accounting standards.

(b) Period of account

The period of account referred to in the Company Profit and Loss Account as "the period" is the nine months ended 31 December 1998.

(c) Cashflow statement

The ultimate parent undertaking at 31 December 1998 has included in its accounts a consolidated cashflow statement prepared in accordance with Financial Reporting Standard 1 (Revised), therefore the Company, which is a wholly owned subsidiary undertaking of Akzo Nobel Investments (Holdings) Limited, is not required to prepare a cashflow statement.

2 Remuneration of auditors

There is no charge to the remuneration of auditors in the accounts of the Company. All such costs were borne by the ultimate parent undertaking.

3 Remuneration of directors

The Directors receive no remuneration for their services to the Company during the period. The Directors were all employed by subsidiary undertakings of the ultimate parent undertaking from which they received remuneration for services to the Akzo Nobel group as a whole.

4 Statement of retained profit and reserves

	£
Balances at 1 April 1998	20,046
Transfer from Profit and Loss Account	-
<u>Balance at 31 December 1998</u>	<u>20,046</u>

The Holywell-Halkyn Mining and Tunnel Company, Limited

Notes to the Financial Statements

5 Called up share capital

	31 December 1998 £	31 March 1998 £
Allotted, issued and fully paid:		
63,188 Ordinary Shares of £1 each	63,188	63,188
Authorised:		
100,000 Ordinary Shares of £1 each	100,000	100,000
20,000 2.8% non-cumulative redeemable preference shares of £1 each	20,000	20,000

6 Related party transactions

As a wholly owned subsidiary, the Company has taken advantage of the exemption afforded by FRS 8 not to disclose related party transactions with other members of the Akzo Nobel group. No Director during the period has been materially interested in any contract with the Company which is significant in relation to the Company's activities.

7 Immediate and ultimate parent undertaking

The Company is a wholly owned subsidiary of Akzo Nobel Investments (Holdings) Limited, a wholly owned subsidiary undertaking of Akzo Nobel Services Limited, a wholly owned subsidiary undertaking of Akzo Nobel UK Ltd a company incorporated in Great Britain and registered in England and Wales.

As of 7 July 1998 Akzo Nobel UK Ltd (formerly Courtaulds plc) became a wholly owned subsidiary of Akzo Nobel UK Holdings plc, a subsidiary of Akzo Nobel NV, a company incorporated in the Netherlands. Copies of the Akzo Nobel NV Report and Accounts may be obtained from 76 Velperweg, PO Box 9300, 6800 SB Arnhem, The Netherlands.