

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

HEPWORTH REFRACTORIES (HOLDINGS) LIMITED

31st December 1996

Company No: 54713



HEPWORTH REFRACTORIES (HOLDINGS) LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER 1996

The directors have pleasure in presenting their report and the audited financial statements for the year ended 31st December 1996.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company acts as a holding company and does not trade. Dividends receivable from subsidiary undertakings were £2,192,851 (1995 £6,212,289).

DIVIDEND

The directors propose a final dividend of £2,056,000 (1995 £5,500,000).

DIRECTORS

The following is a list of all persons who were directors of the company at any time between 1st January 1996 and the date of this report.

J. D. Carter - Chairman
R. E. Lambourne
P. G. Whiteley (Resigned 17 May 1996)
J. Casey
M. C. de la Roche (Appointed 1 January 1996)
D. Shelton (Resigned 31 January 1996)
R. M. Sykes (Appointed 1 February 1996)
J. F. Casewell (Appointed 1 March 1996)
I. G. Hutchinson

INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

After reviewing the carrying value of investments in subsidiary undertakings the directors consider it appropriate to write down the investments from £215,772,630 to £120,000,000.

The interest of the directors in office at 31st December 1996, in the issued share and loan capital of group companies were as follows:

Shares in Hepworth PLC under option

Hepworth Executive Share Option Scheme

	At 1st January 1996	Granted	Exercised	At 31st December 1996
J. Casey	20,552	-	-	20,552
I. G. Hutchinson	27,532	-	-	27,532
J. F. Casewell	15,574	-	-	15,574

Hepworth Savings Related Share Option Scheme

J. Casey	3,160	-	-	3,160
R. M. Sykes	728	-	-	728
J. F. Casewell	2,631	-	-	2,631

The interests of Mr. J. D. Carter and Mr. R. E. Lambourne, who are also directors of the ultimate holding company Hepworth PLC, are disclosed in the financial statements of that company.

HEPWORTH REFRACTORIES (HOLDINGS) LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER 1996 (Cont'd)

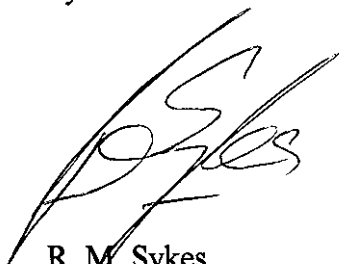
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for 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



R. M. Sykes
Secretary

25th March 1997

Registered Office
Swanwick Court
Alfreton
Derbyshire
DE55 7AR

REPORT OF THE AUDITORS, KPMG Audit Plc

TO THE MEMBERS OF HEPWORTH REFRACTORIES (HOLDINGS) LIMITED

We have audited the financial statements on pages 5 to 11.

Respective responsibilities of director and auditors

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

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 mis-statement, 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 the company's affairs as at 31st December 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants,
Registered Auditor

Sheffield.

HEPWORTH REFRACTORIES (HOLDINGS) LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1996**

	Notes	Year ended 31st December 1996 £	Year ended 31st December 1995 £
PROVISION FOR PERMANENT DIMINUTION IN CARRYING VALUE OF INVESTMENTS IN SUBSIDIARY UNDERTAKINGS		(95,772,630)	-
PROFIT ON DISPOSAL OF FIXED ASSETS		-	120,000
DIVIDENDS FROM SUBSIDIARIES		<u>2,192,851</u>	<u>6,212,289</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(93,579,779)	6,332,289
DIVIDEND		<u>(2,056,000)</u>	<u>(5,500,000)</u>
(LOSS)/ PROFIT RETAINED IN THE YEAR		(95,635,779)	832,289
PROFIT AND LOSS ACCOUNT AT 1ST JANUARY 1996		<u>142,892,945</u>	<u>142,060,656</u>
PROFIT AND LOSS ACCOUNT AT 31ST DECEMBER 1996		<u>47,257,166</u>	<u>142,892,945</u>

In the current and preceding year the company made no material acquisitions, had no material discontinued operations and has no recognised gains or losses other than the retained (loss)/profit for the year.

**The notes on pages 7 to 11 form part
of these financial statements.**

HEPWORTH REFRACTORIES (HOLDINGS) LIMITED**BALANCE SHEET - 31ST DECEMBER 1996**

		1996		1995	
		£	£	£	£
FIXED ASSETS					
Interest in subsidiary undertakings	3		120,000,000		215,772,630
CURRENT ASSETS					
Debtors	5	2,192,851		5,500,000	
Cash at bank and in hand		<u>1,107</u>	2,193,958	<u>1,107</u>	5,501,107
CREDITORS (falling due within one year)	6		59,930,186		63,374,186
NET CURRENT LIABILITIES			<u>(57,736,228)</u>		<u>(57,873,079)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>62,263,772</u>		<u>157,899,551</u>
CAPITAL AND RESERVES					
Called up share capital	7		12,000,000		12,000,000
Reserves			3,006,606		3,006,606
Profit and Loss account			<u>47,257,166</u>		<u>142,892,945</u>
Total equity shareholders' funds			<u>62,263,772</u>		<u>157,899,551</u>

Approved by the board on 25th March 1997 and signed on its behalf by:-



R. E. Lambourne - Director

**The notes on pages 7 to 11 form part
of these financial statements.**

HEPWORTH REFRACTORIES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31ST DECEMBER 1996

1. ACCOUNTING POLICIES

Basis of presentation

The financial statements have been prepared in accordance with applicable Accounting Standards under the historical cost convention. Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of Hepworth PLC and its cashflows are included in the consolidated cashflow statement of that company.

Investment in Subsidiary Undertakings

Shares in subsidiary undertakings are stated at cost less provisions for permanent diminution in value.

2. PROFIT AND LOSS ACCOUNT

The audit fee and other administrative expenses have been borne by another group company.

Emoluments paid to the directors by subsidiary undertakings were as follows:

	Year ended 31st December 1996 £	Year ended 31st December 1995 £
The remuneration of the directors of the company was as follows:		
Directors' Emoluments	675,529	514,753
Compensation for loss of office	<u>41,325</u>	<u>203,200</u>
	<u>716,854</u>	<u>717,953</u>

HEPWORTH REFRACTORIES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31ST DECEMBER 1996 (Cont'd)

2. PROFIT AND LOSS ACCOUNT (Cont'd)

Directors' emoluments, fell
within the following scale

	1996 No.	1995 No.
0 - 5,000	1	1
5,001 - 10,000	1	-
40,001 - 45,000	1	-
55,001 - 60,000	2	1
70,001 - 75,000	-	1
75,001 - 80,000	-	1
85,001 - 90,000	1	1
90,001 - 95,000	-	1
95,001 - 100,000	1	-
115,001 - 120,000	-	1
210,001 - 215,000	1	-
Included above are emoluments of Chairman	Nil	Nil
Highest paid director	214,878	115,741

3. INVESTMENT IN SUBSIDIARIES

	£
Shares	
Cost at beginning and end of year	<u>215,772,630</u>
Provisions	
At the beginning of year	-
Provided in year	<u>95,772,630</u>
At end of year	<u>95,772,630</u>
Net Book Value	
At 31 December 1996	<u>120,000,000</u>
At 31 December 1995	<u>215,772,630</u>

HEPWORTH REFRACTORIES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31ST DECEMBER 1996 (Cont'd)

3. INVESTMENT IN SUBSIDIARIES (Cont'd)

Principal trading subsidiary undertakings are shown below. The principal activity of all group companies is the manufacture and sale of refractory products.

<u>Company</u>	<u>Country of incorporation or registration</u>
Hepworth Refractories Limited	England & Wales
Coolee Limited*	England & Wales
The Meltham Silica Fire Brick Co. Limited*	England & Wales
Hepworth Refractories Deutschland GmbH*	Germany
Thomas Marshall (Loxley) Limited	England & Wales
Marshall Leasing (Loxley) Limited	England & Wales
Thomas Marshall Overseas Investments Limited*	England & Wales
Moler Products Limited*	England & Wales
Hepworth Refractories (Belgium) SA*	Belgium
Hepworth Refractories Italiana Srl*	Italy
Hepworth Refractories (Canada) Limited*	Canada
Les Produits Silicieux SA	France
Constructions Thermiques Europeennes	France
Hepworth Refractories (International) Limited*	England & Wales
Hepworth Refractories Inc.	USA

All subsidiary undertakings are wholly owned with ordinary shares only in issue (except Thomas Marshall (Loxley) Limited which also has preference shares), and operate in their country of incorporation or registration.

In accordance with S228 Companies Act 1985, consolidated financial statements are not presented as the company is a wholly owned subsidiary undertaking of Hepworth PLC, a company registered in England & Wales. These financial statements present information about the company as an individual undertaking and not about its group.

The companies which are not direct subsidiary undertakings of Hepworth Refractories (Holdings) Limited are denoted*.

In the opinion of the directors, the aggregate value of investment in the company's subsidiary undertakings is not less than the aggregate of the amount at which those assets are stated in the balance sheet.

HEPWORTH REFRACTORIES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31ST DECEMBER 1996 (Cont'd)

4. TANGIBLE FIXED ASSETS

	£
Cost at 1st January 1996	-
Transfer in	66,000
Disposal	<u>(66,000)</u>
Cost at 31st December 1996	<u><u>-</u></u>

5. DEBTORS

	1996 £	1995 £
Dividends Receivable	<u>2,192,851</u>	<u>5,500,000</u>

6. CREDITORS

	1996 £	1995 £
Dividend	2,056,000	5,609,563
Loans from subsidiary undertakings	36,338,756	36,229,193
Loans from group undertakings	<u>21,535,430</u>	<u>21,535,430</u>
	<u>59,930,186</u>	<u>63,374,186</u>

7. SHARE CAPITAL

	1996 £	1995 £
Ordinary shares of £1 each Authorised	<u>12,000,000</u>	<u>12,000,000</u>
Allotted, called up and fully paid	<u>12,000,000</u>	<u>12,000,000</u>

8. RECONCILIATION OF SHAREHOLDERS' FUND

	1996 £	1995 £
(Loss)/Profit for the financial year	(93,579,779)	6,332,289
Dividends	<u>(2,056,000)</u>	<u>(5,500,000)</u>
Net (reduction)/addition to shareholders' funds	(95,635,779)	832,289
Opening Shareholders' Funds	<u>157,899,551</u>	<u>157,067,262</u>
Closing Shareholders' Funds	<u>62,263,772</u>	<u>157,899,551</u>

HEPWORTH REFRACTORIES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31ST DECEMBER 1996 (Cont'd)

9. ULTIMATE HOLDING COMPANY

The ultimate holding company is Hepworth PLC, a company registered in England and Wales. Both the largest and the smallest group of undertakings for which group accounts are drawn up and of which the company is a member is that headed by Hepworth PLC. The consolidated financial statements of Hepworth PLC are available to the public from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

10. CONTINGENT LIABILITIES

The Company is engaged in a number of disputes arising in the normal course of business which involve, or may involve, legal proceedings.

In the opinion of the directors, because of the uncertainty surrounding the outcome of these disputes, it is not possible to estimate the potential liability that may arise.

11. RELATED PARTY TRANSACTIONS

As the company is a wholly owned subsidiary of Hepworth PLC, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group.