

Microfine Minerals Limited

Directors' report and financial statements

31 December 1994

Registered number 1151578



Microfine Minerals Limited

Directors' report and financial statements

31 December 1994

Registered number 1151578

Microfine Minerals Limited

Directors

RA Kenworthy (Managing)
CC Briggs
RJ Bush
G Dorricott
CV Phillips
HH Schramm (Chairman)

Secretary

G Dorricott

Registered office

Mica Works
Raynesway
DERBY
DE21 7BE

Microfine Minerals Limited

Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors' report	1 - 2
Statement of directors' responsibilities	3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes	7 - 15

Microfine Minerals Limited

Directors' report

Accounts

The directors present their report and accounts for the year ended 31 December 1994.

Principal activities

The principal activities of the company are the grinding and merchanting of minerals.

Results and dividends

Results and dividends for the year are set out in the profit and loss account on page 5.

Tangible fixed assets

Details of changes in tangible fixed assets are given in note 8 to the accounts.

Research and development

Research and development is undertaken in order to develop new products and improve existing products.

Directors

The directors who served during the year, none of whom had any interest in the share capital of the company, were as follows:

CC Briggs
RJ Bush
G Dorricott
RA Kenworthy
CV Phillips
HH Schramm (appointed 1 January 1994)


Microfine Minerals Limited

Directors' report

Auditors

Our auditors KPMG Peat Marwick have informed us that they will practise under the name of KPMG with effect from 6 February 1995. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



G Dorricott
Secretary

Mica Works
Raynesway
Derby
DE21 7BE

2 February 1995

Microfine Minerals Limited

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 then 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.

Peat House
Stuart Street
Derby
DE1 2EQ

Report of the auditors to the members of Microfine Minerals Limited

We have audited the financial statements on pages 5 to 15 in accordance with Auditing Standards.

Respective responsibilities of directors 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 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 the company's affairs at 31 December 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Chartered Accountants
Registered Auditors

3 February 1995

Microfine Minerals Limited

Profit and Loss Account for the year ended 31 December 1994

	Notes	1994 £	1993 £
Turnover	2	12,505,180	11,148,885
Cost of sales		(8,568,905)	(7,814,020)
Gross profit		3,936,275	3,334,865
Distribution costs		(1,115,431)	(932,036)
Administrative expenses		(1,402,052)	(1,322,416)
Operating profit		1,418,792	1,080,413
Income from fixed asset investments		33,027	30,300
Net interest receivable/payable	5	8,263	(21,276)
Amounts written off investments		(105,960)	(83,850)
Profit on ordinary activities before taxation	6	1,354,122	1,005,587
Tax on profit on ordinary activities	7	(491,417)	(379,190)
Profit on ordinary activities after taxation		862,705	626,397
Ordinary dividend paid		(626,397)	(218,595)
Profit retained for the financial year		236,308	407,802
Retained profit brought forward		1,720,470	1,312,668
Retained profit carried forward		1,956,778	1,720,470

The company has no recognised gains or losses other than those reflected in the profit and loss account.

All results have been derived from continuing activities.

Microfine Minerals Limited

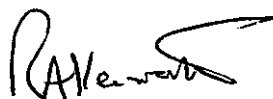
Balance Sheet

at 31 December 1994

	Notes	1994		1993	
		£	£	£	£
Fixed assets					
Tangible assets	8		2,653,959		2,711,522
Investment	9		485,316		591,276
			<u>3,139,275</u>		<u>3,302,798</u>
Current assets					
Stocks	10	1,971,074		2,213,786	
Debtors	11	2,917,352		2,247,750	
Cash at bank and in hand		130,777		128,966	
		<u>5,019,203</u>		<u>4,590,502</u>	
Creditors: Amounts falling due within one year	12	(2,386,151)		(2,323,679)	
Net current assets			<u>2,633,052</u>		<u>2,266,823</u>
Total assets less current liabilities			<u>5,772,327</u>		<u>5,569,621</u>
Creditors: Amounts falling due after more than one year	13		(3,168,172)		(3,168,172)
Provision for liabilities and charges	14		(133,311)		(166,913)
Net assets			<u>2,470,844</u>		<u>2,234,536</u>
Capital and reserves					
Called up share capital	17		10,505		10,505
Revaluation reserve			43,497		43,497
Capital reserve			460,064		460,064
Profit and loss account			1,956,778		1,720,470
Shareholders' funds			<u>2,460,844</u>		<u>2,224,536</u>
Equity			2,460,844		2,224,536
Non-equity preference shares			10,000		10,000
			<u>2,470,844</u>		<u>2,234,536</u>

These financial statements were approved by the board of directors on 2 February 1995 and were signed on its behalf by:

RA Kenworthy
Director



Microfine Minerals Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies are used consistently in dealing with items which are considered material in relation to the company's accounts.

Basis of Accounting

The accounts are prepared under the historical cost convention, as modified by the revaluation of land and buildings and in accordance with applicable accounting standards.

Fixed assets and depreciation

Freehold land is not depreciated. Depreciation of other tangible fixed assets is provided on a straight line basis at rates, estimated to write off the assets over their expected useful lives, which are:

Freehold buildings	-	50 years
Plant and equipment	-	4-10 years
Motor vehicles	-	4-8 years

The fixed asset investment is depreciated on a depletion basis related to the quantity of material extracted from the investment's main asset resource.

Stocks

Stocks are stated at the lower of cost and net realisable value. Raw materials cost is stated at the average purchase price, while finished goods cost represents the cost of raw materials and direct labour with an addition for production overheads. Net realisable value is the estimated selling price after allowing for the cost of realisation.

Deferred taxation

Deferred taxation is provided where it is considered probable that a liability will become payable in the foreseeable future. Provision is made at the anticipated rate of corporation tax at the time of payment.

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rates of exchange current at the date of the transaction. Foreign bank balances are translated into sterling at the exchange rate ruling at the balance sheet date. Exchange gains and losses are reflected in the profit and loss account.

Leases

Operating lease rentals are charged directly to the profit and loss account over the lease term.

Microfine Minerals Limited

Notes (continued)

1 Accounting policies (continued)

Research and development

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred.

Pension costs

Contributions are charged to the profit and loss account in the year in which they are payable.

2 Turnover

Turnover represents the amounts invoiced, excluding value added tax, but including transportation costs.

The analysis by geographical market is as follows:

	1994 £	1993 £
United Kingdom	7,117,153	6,398,761
Rest of Europe	3,453,493	3,521,747
Other	1,934,534	1,228,377
	<hr/>	<hr/>
	12,505,180	11,148,885
	<hr/>	<hr/>

3 Staff numbers and costs

The average number of persons (including Directors) employed by the company during the year was:

	1994 Number	1993 Number
Category: Hourly paid	48	48
Salaried	40	40
	<hr/>	<hr/>
	88	88
	<hr/>	<hr/>

Their total remuneration comprised:

	1994 £	1993 £
Wages and salaries	1,696,730	1,602,407
Social security costs	149,508	141,580
Other pension costs	111,733	105,946
	<hr/>	<hr/>
	1,957,971	1,849,933
	<hr/>	<hr/>

Microfine Minerals Limited

Notes (continued)

4 Directors' emoluments

Emoluments of the Directors (including pension contributions) were as follows:

	1994 £	1993 £
Emoluments in respect of services as Director of the company (including benefits in kind)	271,551	243,224
Pension contributions	31,473	30,454
	<u>303,024</u>	<u>273,678</u>

The emoluments, excluding pension fund contributions, of the Chairman were £nil (1993: £Nil) and of the highest paid Director were £68,058 (1993: £60,293).

The emoluments, excluding pension fund contributions, of the Directors fell within the following bands:

	1994 Number	1993 Number
£0 - £5,000	1	1
£5,001 - £10,000	-	1
£10,001 - £15,000	1	1
£15,001 - £20,000	-	1
£20,001 - £25,000	2	1
£25,001 - £30,000	1	-
£30,001 - £35,000	-	1
£35,001 - £40,000	1	-

5 Net interest receivable/payable

	1994 £	1993 £
Bank interest	2,771	606
Group interest payable	-	(21,882)
Group interest receivable	5,492	-
	<u>8,263</u>	<u>(21,276)</u>

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	1994 £	1993 £
Depreciation	429,390	392,612
Profit on sale of fixed assets	(28,770)	(8,803)
Directors' emoluments (note 4)	303,024	273,678
Hire of plant and machinery	41,509	45,479
Other operating leases	19,802	19,802
Auditors' remuneration	15,500	15,250
Remuneration of auditors for non-audit work	5,920	6,580

Microfine Minerals Limited

Notes (continued)

7 Tax on profit on ordinary activities

	1994 £	1993 £
Corporation tax at 33 % (1993 - 33%)	(515,000)	(367,000)
Deferred taxation	33,602	520
	<hr/>	<hr/>
	(481,398)	(366,480)
Overseas taxation - relieved and unrelieved	(11,560)	(10,600)
Overprovision/(underprovision) for corporation tax in prior years	1,541	(2,110)
	<hr/>	<hr/>
	(491,417)	(379,190)

8 Tangible fixed assets

	Freehold land and buildings £	Long leasehold land and buildings £	Plant and equipment £	Vehicles £	Total £
<i>Cost or valuation</i>					
At beginning of year	855,675	675,825	2,926,727	394,934	4,853,161
Additions	57,669	2,806	270,526	66,459	397,460
Disposals	-	-	(147,354)	(58,367)	(205,721)
Transferred	678,631	(678,631)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	1,591,975	-	3,049,899	403,026	5,044,900
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At beginning of year	121,181	153,890	1,697,913	168,655	2,141,639
Charge for the year	37,740	-	307,780	83,870	429,390
Disposals	-	-	(135,539)	(44,549)	(180,088)
Transferred	153,890	(153,890)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	312,811	-	1,870,154	207,976	2,390,941
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net Book Value</i>					
At 31 December 1994	1,279,164	-	1,179,745	195,050	2,653,959
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1993	734,494	521,935	1,228,814	226,279	2,711,522
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Microfine Minerals Limited

Notes (continued)

8 Tangible fixed assets (continued)

The gross book value of land and buildings includes £25,000 (1993: £25,000) of non depreciable land.

Particulars relating to those land and buildings which have been revalued are given below:

	1994 £	1993 £
At 1978 open market value	101,000	101,000
Aggregate depreciation thereon	36,238	33,903
	<hr/>	<hr/>
Net book value	64,762	67,097
	<hr/>	<hr/>
Historical cost of revalued assets	24,000	24,000
Aggregate depreciation based on historic cost	8,611	8,060
	<hr/>	<hr/>
Historical cost net book value	15,389	15,940
	<hr/>	<hr/>

Capital commitments for which no provision has been made in these accounts, are as follows:

	1994 £	1993 £
Contracted for	154,540	146,608
Authorised but not contracted	329,244	15,610
	<hr/>	<hr/>

Microfine Minerals Limited

Notes (continued)

9 Investment

The investment represents the cost of acquisition of 50% of the ordinary share capital of Microfine - P Pavlides SA (formerly G Georgiades - P Pavlides SA), a company incorporated in Greece.

	1994 £	1993 £
At beginning of year	591,276	675,126
Amounts written off investment	(105,960)	(83,850)
At end of year	485,316	591,276

10 Stocks

	1994 £	1993 £
Raw materials and consumables	1,420,958	1,639,703
Finished goods and goods for resale	550,116	574,083
	1,971,074	2,213,786

11 Debtors

	1994 £	1993 £
Trade debtors	2,396,190	2,001,603
Amounts owed by group undertakings	360,870	15,401
Other debtors	-	21,595
Prepayments and accrued income	160,292	189,451
Dividend receivable	-	19,700
	2,917,352	2,247,750

12 Creditors: Amounts falling due within one year

	1994 £	1993 £
Trade creditors	653,174	865,656
Amounts owed to group undertakings	404,433	430,954
Corporation tax	336,042	175,210
Other taxes and social security	73,772	59,112
Accruals and deferred income	898,905	780,676
Pension accruals	19,825	12,071
	2,386,151	2,323,679

Microfine Minerals Limited

Notes (continued)

13 Creditors: Amounts falling due after more than one year

	1994 £	1993 £
Interest free loan from parent company (repayable after more than 5 years)	3,168,172	3,168,172
	<u>3,168,172</u>	<u>3,168,172</u>

14 Provision for liabilities and charges

	1994 £	1993 £
Deferred taxation:		
At beginning of year	166,913	167,433
Transfer from profit and loss account	(33,602)	(520)
	<u>133,311</u>	<u>166,913</u>

The amount provided and the maximum potential liability at 31 December 1994 is made up as follows:

	Amount Provided		Full Potential Liability	
	1994 £	1993 £	1994 £	1993 £
Accelerated capital allowances	154,364	175,545	154,364	175,545
Other timing differences	(21,053)	(8,632)	(21,053)	(8,632)
Capital gain on disposal of properties at net book value	-	-	8,000	8,000
	<u>133,311</u>	<u>166,913</u>	<u>141,311</u>	<u>174,913</u>

Microfine Minerals Limited

Notes (continued)

15 Contingent liabilities and other financial commitments

The company has the following unsecured contingencies which are not provided for in these accounts:

	1994 £	1993 £
Bills of exchange and acceptances	-	51,259
Bank and Trade Guarantees	143,075	209,516
	<u> </u>	<u> </u>

16 Operating lease commitments

Commitments under operating leases at 31 December 1994 are:

	1994		1993	
	Land and buildings £	Other £	Land and buildings £	Other £
On agreements due to expire within one year	-	1,371	-	3,849
On agreements due to expire in two to five years	19,802	15,302	19,802	16,210
On agreements over 5 years	-	2,356	-	2,356
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

17 Called up share capital

Allotted, called up and fully paid:

	1994 £	1993 £
10,100 ordinary shares of 5 pence each	505	505
10,000 5% preference shares of £1 each	10,000	10,000
	<u> </u>	<u> </u>
	10,505	10,505
	<u> </u>	<u> </u>

Authorised:

200,000 Ordinary shares of 5 pence each	10,000	10,000
10,000 5% preference shares of £1 each	10,000	10,000
	<u> </u>	<u> </u>
	20,000	20,000
	<u> </u>	<u> </u>

Microfine Minerals Limited

Notes (continued)

18 Reconciliation of movements in shareholders funds

	1994 £	1993 £
Opening shareholders funds	2,234,536	1,826,734
Profit for the financial year	862,705	626,397
Dividends	(626,397)	(218,595)
	<hr/>	<hr/>
Closing shareholders funds	2,470,844	2,234,536
	<hr/>	<hr/>

19 Pension scheme

Fergusson Wild & Co. Limited, of which Microfine Minerals Limited is a subsidiary undertaking, operates a contributory defined benefit pension scheme covering the majority of permanent employees. The scheme fund is administered by trustees and is independent of Fergusson Wild & Co. Limited's finances. The scheme is fully funded and contributions are paid to the scheme in accordance with the recommendation of independent actuaries whose latest actuarial valuation was carried out on 6 April 1991. Full details of the last actuarial valuation of the pension scheme are disclosed in the accounts of Fergusson Wild & Co. Limited. A more recent actuarial valuation of the company's pension scheme as at 6 April 1994 will be finalised in the near future.

The pension charge for the year was £111,733 (1993: £105,946).

20 Cash flow statement

Under FRS1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

21 Parent undertakings

The company is a subsidiary undertaking of VEBA AG incorporated in Germany.

The largest group in which the results of the company are consolidated is that headed by VEBA AG. These consolidated accounts may be obtained from VEBA AG Bennigsenplatz 1, 40474 Düsseldorf, Germany.

The smallest group in which the results of the company are consolidated is that headed by Stinnes AG incorporated in Germany. These consolidated accounts may be obtained from Stinnes AG, Humboldttring 15, 45472 Mülheim an der Ruhr, Germany.