

Microfine Minerals Limited

**Directors' report and financial
statements**

Registered number 1151578

31 December 2001



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Directors

Directors

CC Briggs
RJ Bush
G Dorricott
CV Phillips
RM Wheatley
RC Day - appointed 1 January 2001
SRW Larbey - appointed 1 January 2001
RA Kenworthy - resigned 30 September 2001

Secretary

G Dorricott

Registered office

Raynesway
Derby
DE21 7BE

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

Principal activities

The principal activities of the company are the manufacturing and marketing of a range of specialist fillers, principally minerals.

Business review

The directors are satisfied with the results for the year.

Results and dividends

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

Research and development

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

Directors and directors' interests

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

RA Kenworthy - resigned 30 September 2001
CC Briggs
RJ Bush
G Dorricott
CV Phillips
RM Wheatley
RC Day - appointed 1 January 2001
SRW Larbey - appointed 1 January 2001

Political and charitable contributions

The company made no political nor charitable contributions during the year.

By order of the board


G Dorricott
Secretary

Raynesway
Derby
DE21 7BE

21 March 2002

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.



St Nicholas House
Park Row
Nottingham
NG1 6FQ

Independent auditors' report to the members of Microfine Minerals Limited

We have audited the financial statements on pages 5 to 16.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by 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 1985. 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 with the company is not disclosed.

Basis of audit 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 as at 31 December 2001 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

21 March 2002

Profit and loss account
for the year ended 31 December 2001

	Note	2001 £	2000 £
Turnover	2	14,753,550	14,207,283
Cost of sales		(8,951,168)	(9,201,275)
Gross profit		5,802,382	5,006,008
Distribution costs		(1,258,650)	(1,090,509)
Administrative expenses		(1,844,030)	(1,602,710)
Operating profit		2,699,702	2,312,789
Interest receivable and similar income	5	55,050	31,790
Amounts written off investments	10	(106,574)	(177,644)
Interest payable and similar charges		(47,541)	(22,709)
Profit on ordinary activities before taxation	6	2,600,637	2,144,226
Tax on profit on ordinary activities	7	(912,997)	(320,644)
Profit on ordinary activities after taxation		1,687,640	1,823,582
Ordinary dividend paid	8	(1,823,582)	(1,614,987)
(Deficit)/retained profit for the financial year		(135,942)	208,595
Retained profit brought forward		3,091,842	2,883,247
Retained profit carried forward		2,955,900	3,091,842

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.

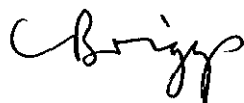
There is no material difference between the results as reported and the results on a historical cost basis.

Balance sheet
at 31 December 2001

	Note	2001		2000	
		£	£	£	£
Fixed assets					
Tangible assets	9		2,717,606		2,857,465
Investments	10		745,449		852,023
			<hr/>		<hr/>
			3,463,055		3,709,488
Current assets					
Stocks	11	2,704,650		2,669,584	
Debtors	12	3,535,764		3,269,728	
Cash at bank and in hand		67,865		17,314	
		<hr/>		<hr/>	
			6,308,279		5,956,626
Creditors: amounts falling due within one year	13	(2,997,300)		(2,750,747)	
		<hr/>		<hr/>	
Net current assets			3,310,979		3,205,879
			<hr/>		<hr/>
Total assets less current liabilities			6,774,034		6,915,367
Creditors: amounts falling due after more than one year	14		(3,168,172)		(3,168,172)
Provisions for liabilities and charges	15		(135,896)		(141,287)
			<hr/>		<hr/>
Net assets			3,469,966		3,605,908
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	16		10,505		10,505
Revaluation reserve			43,497		43,497
Capital reserve			460,064		460,064
Profit and loss account			2,955,900		3,091,842
			<hr/>		<hr/>
Shareholders' funds					
Equity		3,459,966		3,595,908	
Non-equity preference shares		10,000		10,000	
		<hr/>		<hr/>	
	17		3,469,966		3,605,908
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 21 March 2002 and were signed on its behalf by:

CC Briggs
Director



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 financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost accounting rules, modified to include the revaluation of certain land and buildings.

The company has not produced consolidated financial statements as it is exempt from the requirement on the grounds that it is a wholly owned subsidiary undertaking. Details of the parent undertaking producing consolidated financial statements is given in note 21.

Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	- 50 years
Plant and equipment	- 4 - 10 years
Motor vehicles	- 4 - 7 years
Investments	- investments in subsidiary undertakings are stated at historic cost less provisions made

No depreciation is provided on freehold land.

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 recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Operating lease rentals are charged directly to the profit and loss account on a straight line basis over the life of the lease.

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.

Pensions

The group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company.

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

Turnover

Turnover represents the amounts derived from the provision of goods (excluding value added tax, but including transportation costs) to customers during the year.

2 Analysis of turnover

The turnover and operating profit are wholly attributable to the company's main activity.

The turnover arises in the following geographical areas:

	2001 £	2000 £
United Kingdom	5,653,872	6,470,054
Rest of Europe	4,108,487	3,898,428
Other	4,991,191	3,838,801
	<hr/> 14,753,550	<hr/> 14,207,283

3 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2001	2000
Management and administration	15	12
Production	58	58
Development and quality assurance	7	7
Selling and distribution	12	10
	<hr/> 92	<hr/> 87

Notes (continued)

3 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2001 £	2000 £
Wages and salaries	2,238,704	2,092,752
Social security costs	204,465	180,588
Other pension costs	241,781	214,579
	<hr/> 2,684,950 <hr/>	<hr/> 2,487,919 <hr/>

4 Directors' emoluments

	2001 £	2000 £
Directors' emoluments	582,388	527,628
Pension contributions	93,377	80,262
	<hr/> 675,765 <hr/>	<hr/> 607,890 <hr/>

The emoluments of the highest paid director were £155,145 (2000: £174,109) including pensions contributions of £16,434 (2000: £15,767). He is a member of a defined benefit scheme under which his accrued pension at the year end was £33,552 (2000: £30,100), and his accrued lump sum at the year end was £nil (2000: £nil).

Retirement benefits are accruing to the following number of directors under:

	Number of directors 2001	2000
Money purchase schemes	4	4
Defined benefit schemes	7	6
	<hr/>	<hr/>

5 Interest receivable and similar income

	2001 £	2000 £
Bank interest	6,600	12,021
Other interest	33,240	114
Group interest	15,210	19,655
	<hr/> 55,050 <hr/>	<hr/> 31,790 <hr/>

Notes (continued)

6 Profit on ordinary activities before taxation

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

	2001 £	2000 £
Auditors' remuneration:		
- audit work	16,500	16,500
- non audit work	14,146	14,883
Amounts written off investments	106,574	177,644
Depreciation	396,417	401,492
Profit on sale of fixed assets	(9,365)	(15,977)
Hire of plant and machinery - rentals payable under operating leases	54,035	27,165
	<hr/>	<hr/>

7 Taxation

	2001 £	2000 £
UK corporation tax at 30% (2000: 30%)	823,713	690,000
Deferred taxation	(5,391)	20,854
	<hr/>	<hr/>
	818,322	710,854
Overseas taxation - relieved and unrelieved	-	89
Under/(over) provision in prior year	94,675	(390,299)
	<hr/>	<hr/>
	912,997	320,644
	<hr/>	<hr/>

Tax losses were acquired from another group company in the previous year and that gave rise to the prior year over provision.

8 Dividends

	2001 £	2000 £
Equity dividend paid	1,823,582	1,614,987
	<hr/>	<hr/>

Notes (continued)

9 Tangible fixed assets

	Freehold land and buildings £	Plant and equipment £	Vehicles £	Total £
Cost or valuation				
At beginning of year	1,859,019	4,878,428	321,250	7,058,697
Additions	15,803	176,644	84,712	277,159
Disposals	-	(48,627)	(93,918)	(142,545)
At end of year	1,874,822	5,006,445	312,044	7,193,311
Depreciation				
At beginning of year	559,837	3,450,544	190,851	4,201,232
Charge for year	42,064	300,395	53,958	396,417
On disposals	-	(46,779)	(75,165)	(121,944)
At end of year	601,901	3,704,160	169,644	4,475,705
Net book value				
At 31 December 2001	1,272,921	1,302,285	142,400	2,717,606
At 31 December 2000	1,299,182	1,427,884	130,399	2,857,465

The gross book value of land and buildings includes £25,000 (2000: £25,000) of non depreciable land.

Particulars relating to revalued land and buildings are given below:

	2001 £	2000 £
At 1978 open market value	101,000	101,000
Aggregate depreciation thereon	(50,419)	(48,399)
Net book value	50,581	52,601
	2001 £	2000 £
Historical cost of revalued assets	24,000	24,000
Aggregate depreciation based on historic cost	(11,981)	(11,501)
Historical cost net book value	12,019	12,499

Under the transitional provisions of Financial Reporting Standard No 15 the directors intend freezing these valuations.

Notes (continued)

10 Investments

	£
Cost	
At beginning and end of year	1,939,526
Provisions	
At beginning of year	1,087,503
Provided in year	106,574
At end of year	1,194,077
Net book value	
At 31 December 2001	745,449
At 31 December 2000	852,023

The company owns 99% of the share capital of Microfine Hellas AME, a company incorporated in Greece. The investment's principal activity is the quarrying of minerals.

11 Stocks

	2001 £	2000 £
Raw materials and consumables	2,033,100	1,789,555
Finished goods and goods for resale	671,550	880,029
	<u>2,704,650</u>	<u>2,669,584</u>

12 Debtors

	2001 £	2000 £
Trade debtors	1,990,827	2,268,982
Amounts owed by parent and fellow subsidiary undertakings	1,343,111	823,971
Prepayments and accrued income	201,826	176,775
	<u>3,535,764</u>	<u>3,269,728</u>

Notes (continued)

13 Creditors: amounts falling due within one year

	2001 £	2000 £
Trade creditors	1,119,067	1,493,644
Amounts owed to parent and fellow subsidiary undertakings	786,725	64,343
Corporation tax	72,051	268,025
Other taxes and social security	70,340	62,634
Accruals and deferred income	929,172	862,101
Pension accrual	19,945	-
	<u>2,997,300</u>	<u>2,750,747</u>

14 Creditors: amounts falling due after more than one year

	2001 £	2000 £
Amounts owed to parent undertaking	<u>3,168,172</u>	<u>3,168,172</u>

The loan is interest free and is repayable after more than five years.

15 Provisions for liabilities and charges

Deferred taxation

	£
At beginning of year	141,287
Transfer from profit and loss account	(5,391)
	<u>135,896</u>

The amounts provided and the maximum potential liability at 31 December 2001 are set out below:

	2001 Provided £	2001 Unprovided £	2000 Provided £	2000 Unprovided £
Accelerated capital allowances	145,721	-	150,122	-
Other timing differences	(9,825)	-	(8,835)	-
	<u>135,896</u>	<u>-</u>	<u>141,287</u>	<u>-</u>

Notes (continued)

16 Called up share capital

	2001 £	2000 £
<i>Authorised</i>		
200,000 ordinary shares of 5 pence each	10,000	10,000
10,000 5% preference shares of £1 each	10,000	10,000
	<hr/> 20,000 <hr/>	<hr/> 20,000 <hr/>
<i>Allotted, called up and fully paid</i>		
10,100 ordinary shares of 5 pence each	505	505
10,000 5% preference shares of £1 each	10,000	10,000
	<hr/> 10,505 <hr/>	<hr/> 10,505 <hr/>

The company has 10,000 5% non-redeemable preference shares of £1 each. The holder of these shares has waived all dividend rights. Preference shareholders have no voting rights and have no rights in the event of the company winding up.

Given the above rights, the preference shares are classified as non-equity and ordinary shares as equity shares.

17 Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Profit for the financial year	1,687,640	1,823,582
Dividends	(1,823,582)	(1,614,987)
	<hr/> (135,942) <hr/>	<hr/> 208,595 <hr/>
Net (reduction in)/addition to shareholders' funds		
Opening shareholders' funds	3,605,908	3,397,313
	<hr/>	<hr/>
Closing shareholders' funds	3,469,966	3,605,908
	<hr/>	<hr/>

18 Contingent liabilities

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

	2001 £	2000 £
Bank and trade guarantees	128,511	122,366
	<hr/>	<hr/>

Notes (continued)

19 Commitments

Capital commitments at the end of the year for which no provision has been made are as follows:

	2001 £	2000 £
Contracted for	541,744	73,503
Authorised but not contracted for	227,360	-

Annual commitments under non-cancellable operating leases are as follows:

	2001		2000
	Land and buildings £	Other £	Land and buildings £
<i>Operating leases which expire:</i>			Other £
Within one year	-	-	1,384
In two to five years	13,972	75,529	23,665
Over 5 years	-	-	-

20 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 2000. Full details of the last actuarial valuation of the pension scheme are disclosed in the financial statements of Fergusson Wild & Co Limited.

The pension charge for the year was £223,744 (2000: £197,248). Outstanding contributions amounting to £19,945 (2000: £nil) payable to the fund are included in creditors.

FRS 17 Retirement benefits

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 5 April 2000 and updated to 31 December 2001 by a qualified independent actuary to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme as at 31 December 2001. Scheme assets are stated at their market value at 31 December 2001.

The financial assumptions used to calculate the liabilities under FRS 17 are:

Valuation method	Projected unit
Discount rate	5.75%
Inflation rate	2.75%
Salary increase	3.75%
Pension increases at 5% per annum or RPI if less	2.25%
Revaluation rate on non GMP benefits for deferred pensions	2.75%

Notes (continued)

20 Pension scheme (continued)

Assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 31 December 2001	Value at 31 December 2001 £
Equities	7.0%	2,606,000
Bonds	5.5%	475,000
Other (split if material)		211,000
		<hr/>
Total market value of assets		3,292,000
Present value of scheme liabilities		(3,971,000)
		<hr/>
Surplus in the scheme		(679,000)
Related deferred tax asset		204,000
		<hr/>
Net pension asset		(475,000)
		<hr/>
		2001 £
Net assets		3,469,966
Pension liability		(475,000)
		<hr/>
Net assets including pension liability		2,994,966
		<hr/>

21 Parent undertakings

The company's ultimate parent undertaking is E-ON AG, a company incorporated in Germany.

The largest group in which the results of the company are consolidated is that headed by E-ON AG. These consolidated financial statements may be obtained from E-ON AG, Bennisenplatz 1, 40474 Düsseldorf, Germany.

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