

Microfine Minerals Limited

Directors' report and financial statements

31 December 1995

Registered number 1151578



Microfine Minerals Limited

Directors

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

Secretary

G Dorricott

Registered office

Mica Works
Raynesway
DERBY
DE21 7BE

Microfine Minerals Limited

Directors' report and financial statements

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Microfine Minerals Limited

Directors' report

Accounts

The directors present their report and accounts for the year ended 31 December 1995.

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.

The directors do not believe that there is a significant difference between the market value of the company's properties and their net book value.

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:

HH Schramm
RA Kenworthy
CC Briggs
RJ Bush
G Dorricott
CV Phillips

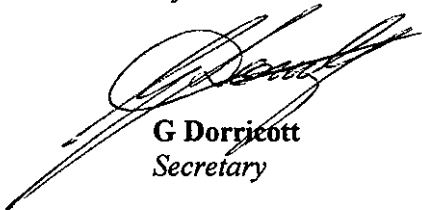
Microfine Minerals Limited

Directors' report

Auditors

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
DE1 7BE

1 February 1996

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.



5 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 16 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 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG

*Chartered Accountants
Registered Auditors*



2 February 1996

Microfine Minerals Limited

Profit and Loss Account

for the year ended 31 December 1995

	<i>Notes</i>	1995 £	1994 £
Turnover	2	12,500,068	12,505,180
Cost of sales		(8,248,815)	(8,568,905)
Gross profit		4,251,253	3,936,275
Distribution costs		(1,106,809)	(1,115,431)
Administrative expenses		(1,635,121)	(1,402,052)
Operating profit		1,509,323	1,418,792
Income from fixed asset investments		46,149	33,027
Net interest receivable	5	24,256	8,263
Amounts written off investments	9	(96,450)	(105,960)
Profit on ordinary activities before taxation	6	1,483,278	1,354,122
Tax on profit on ordinary activities	7	(551,491)	(491,417)
Profit on ordinary activities after taxation		931,787	862,705
Ordinary dividend paid		(862,705)	(626,397)
Profit retained for the financial year		69,082	236,308
Retained profit brought forward		1,956,778	1,720,470
Retained profit carried forward		2,025,860	1,956,778

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 1995

	Notes	1995	1994
		£	£
Fixed assets			
Tangible assets	8	3,080,541	2,653,959
Investment	9	388,866	485,316
		<u>3,469,407</u>	<u>3,139,275</u>
Current assets			
Stocks	10	2,532,286	1,971,074
Debtors	11	2,338,023	2,917,352
Cash at bank and in hand		72,084	130,777
		<u>4,942,393</u>	<u>5,019,203</u>
Creditors: Amounts falling due within one year	12	(2,565,052)	(2,386,151)
Net current assets		<u>2,377,341</u>	<u>2,633,052</u>
Total assets less current liabilities		<u>5,846,748</u>	<u>5,772,327</u>
Creditors: Amounts falling due after more than one year	13	(3,168,172)	(3,168,172)
Provision for liabilities and charges	14	(138,650)	(133,311)
Net assets		<u>2,539,926</u>	<u>2,470,844</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		2,025,860	1,956,778
Shareholders' funds			
Equity		2,529,926	2,460,844
Non-equity preference shares		10,000	10,000
		<u>2,539,926</u>	<u>2,470,844</u>

These financial statements were approved by the board of directors on 1 February 1996 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 become payable.

2 Turnover

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

The analysis by geographical market is as follows:

	1995 £	1994 £
United Kingdom	7,267,751	7,117,153
Rest of Europe	3,442,106	3,453,493
Other	1,790,211	1,934,534
	<u>12,500,068</u>	<u>12,505,180</u>

3 Staff numbers and costs

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

	1995 Number	1994 Number
Category: Hourly paid	49	48
Salaried	42	40
	<u>91</u>	<u>88</u>

Their total remuneration comprised:

	1995 £	1994 £
Wages and salaries	1,895,963	1,696,730
Social security costs	162,380	149,508
Other pension costs	124,045	111,733
	<u>2,182,388</u>	<u>1,957,971</u>

Microfine Minerals Limited

Notes (continued)

4 Directors' emoluments

Emoluments of the Directors were as follows:

	1995 £	1994 £
Emoluments in respect of services as Director of the company (including benefits in kind)	301,446	271,551
Pension contributions	34,164	31,473
	<u>335,610</u>	<u>303,024</u>

The emoluments, excluding pension fund contributions, of the Chairman were £Nil (1994: £Nil) and of the highest paid Director were £78,141 (1994: £68,058).

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

	1995 Number	1994 Number
£0 - £5,000	1	1
£40,001 - £45,000	-	1
£45,001 - £50,000	1	-
£50,001 - £55,000	-	2
£55,001 - £60,000	2	1
£60,001 - £65,000	1	-
£65,001 - £70,000	-	1
£75,001 - £80,000	1	-
	<u> </u>	<u> </u>

5 Net interest receivable

	1995 £	1994 £
Bank interest	7,295	2,771
Other interest	34	-
Group interest payable	(1,467)	-
Group interest receivable	18,394	5,492
	<u>24,256</u>	<u>8,263</u>

Microfine Minerals Limited

Notes (continued)

6 Profit on ordinary activities before taxation

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

	1995 £	1994 £
Depreciation	391,463	429,390
Loss/(profit) on sale of fixed assets	7,318	(28,770)
Directors' emoluments (note 4)	335,610	303,024
Hire of plant and machinery	40,813	41,509
Other operating leases	22,408	19,802
Auditors' remuneration	14,500	15,500
Remuneration of auditors for non-audit work	5,045	5,920

7 Tax on profit on ordinary activities

	1995 £	1994 £
Corporation tax at 33% (1994 - 33%)	(530,000)	(515,000)
Deferred taxation	(5,339)	33,602
	<u>(535,339)</u>	<u>(481,398)</u>
Overseas taxation - relieved and unrelieved	(16,152)	(11,560)
Overprovision for corporation tax in prior years	-	1,541
	<u>(551,491)</u>	<u>(491,417)</u>

Microfine Minerals Limited

Notes (continued)

8 Tangible fixed assets

	Freehold land and buildings £	Plant and equipment £	Vehicles £	Total £
Cost or valuation				
At beginning of year	1,591,975	3,049,899	403,026	5,044,900
Additions	277,612	538,893	41,425	857,930
Disposals	-	(48,102)	(112,368)	(160,470)
At end of year	1,869,587	3,540,690	332,083	5,742,360
Depreciation				
At beginning of year	312,811	1,870,154	207,976	2,390,941
Charge for the year	39,305	272,592	79,566	391,463
Disposals	-	(37,536)	(83,049)	(120,585)
At end of year	352,116	2,105,210	204,493	2,661,819
Net Book Value				
At 31 December 1995	1,517,471	1,435,480	127,590	3,080,541
At 31 December 1994	1,279,164	1,179,745	195,050	2,653,959

The gross book value of land and buildings includes £25,000 (1994: £25,000) of non depreciable land.

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

	1995 £	1994 £
At 1978 open market value	101,000	101,000
Aggregate depreciation thereon	(38,299)	(36,238)
Net book value	62,701	64,762

Microfine Minerals Limited

Notes (continued)

8 Tangible fixed assets(continued)

	1995 £	1994 £
Historical cost of revalued assets	24,000	24,000
Aggregate depreciation based on historic cost	(9,101)	(8,611)
Historical cost net book value	<u>14,899</u>	<u>15,389</u>

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

	1995 £	1994 £
Contracted for	91,200	154,540
Authorised but not contracted	<u>27,456</u>	<u>329,244</u>

9 Investment

The investment represents the cost of acquisition of 50% of the ordinary share capital of Microfine - P Pavlides SA, a company incorporated in Greece, less amounts written off on a depletion basis.

	1995 £	1994 £
At beginning of year	485,316	591,276
Amounts written off investment	(96,450)	(105,960)
At end of year	<u>388,866</u>	<u>485,316</u>

10 Stocks

	1995 £	1994 £
Raw materials and consumables	1,715,284	1,420,958
Finished goods and goods for resale	817,002	550,116
	<u>2,532,286</u>	<u>1,971,074</u>

Microfine Minerals Limited

Notes (continued)

11 Debtors

	1995 £	1994 £
Trade debtors	2,272,847	2,396,190
Amounts owed by group undertakings	10,794	360,870
Prepayments and accrued income	54,382	160,292
	<u>2,338,023</u>	<u>2,917,352</u>

12 Creditors: Amounts falling due within one year

	1995 £	1994 £
Trade creditors	901,697	653,174
Amounts owed to group undertakings	352,964	404,433
Corporation tax	359,747	336,042
Other taxes and social security	53,364	73,772
Accruals and deferred income	863,525	898,905
Pension accruals	33,755	19,825
	<u>2,565,052</u>	<u>2,386,151</u>

13 Creditors: Amounts falling due after more than one year

	1995 £	1994 £
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

	1995 £	1994 £
Deferred taxation:		
At beginning of year	133,311	166,913
Transfer to/(from) profit and loss account	5,339	(33,602)
At end of year	<u>138,650</u>	<u>133,311</u>

Microfine Minerals Limited

Notes (continued)

14 Provision for liabilities and charges (continued)

The amount provided and the maximum potential liability at 31 December 1995 is made up as follows:

	Full Amount Provided		Potential Liability	
	1995 £	1994 £	1995 £	1994 £
Accelerated capital allowances	157,985	154,364	157,985	154,364
Other timing differences	(19,335)	(21,053)	(19,335)	(21,053)
Capital gain on disposal of properties at net book value	-	-	8,000	8,000
	<u>138,650</u>	<u>133,311</u>	<u>146,650</u>	<u>141,311</u>

15 Contingent liabilities and other financial commitments

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

	1995 £	1994 £
Bank and Trade Guarantees	<u>112,911</u>	<u>143,075</u>

16 Operating lease commitments

Commitments under operating leases at 31 December 1995 are:

	1995		1994	
	Land and buildings £	Other £	Land and buildings £	Other £
On agreements due to expire within one year	-	13,219	-	1,371
On agreements due to expire in two to five years	22,408	7,141	19,802	15,302
On agreements over 5 years	-	-	-	2,356
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Microfine Minerals Limited

Notes (continued)

17 Called up share capital

	1995 £	1994 £
<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
	<u>10,505</u>	<u>10,505</u>

	1995 £	1994 £
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>20,000</u>	<u>20,000</u>

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.

18 Reconciliation of movements in shareholders funds

	1995 £	1994 £
Opening shareholders funds	2,470,844	2,234,536
Profit for the financial year	931,787	862,705
Dividends	(862,705)	(626,397)
	<u>2,539,926</u>	<u>2,470,844</u>
Closing shareholders funds		

Microfine Minerals Limited

Notes (continued)

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 1994. Full details of the last actuarial valuation of the pension scheme are disclosed in the accounts of Fergusson Wild & Co. Limited.

The pension charge for the year was £124,045 (1994: £111,733). Outstanding contributions amounting to £33,755 (1994: £19,825) payable to the fund are included in creditors.

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 ultimate parent undertaking is 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.