

Microfine Minerals Limited

Directors' report and financial statements

31 December 1996

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

<i>Contents</i>	<i>Page</i>
Directors' report	2
Statement of directors' responsibilities	3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes	7 - 16

Microfine Minerals Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1996.

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.

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:

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

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
DE21 7BE

29 January 1997

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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A stylized signature of the KPMG firm, written in a cursive script.
KPMG

*Chartered Accountants
Registered Auditors*

29 January 1997

Microfine Minerals Limited

Profit and loss account for the year ended 31 December 1996

	Notes	1996 £	1995 £
Turnover	2	13,156,378	12,500,068
Cost of sales		(8,520,251)	(8,248,815)
Gross profit		4,636,127	4,251,253
Distribution costs		(1,155,671)	(1,106,809)
Administrative expenses		(1,608,837)	(1,635,121)
Operating profit		1,871,619	1,509,323
Income from other fixed asset investments		24,556	46,149
Other interest receivable and similar income	5	50,182	25,723
Amounts written off investments	9	(90,595)	(96,450)
Interest payable and similar charges		(4,052)	(1,467)
Profit on ordinary activities before taxation	6	1,851,710	1,483,278
Tax on profit on ordinary activities	7	(654,504)	(551,491)
Profit on ordinary activities after taxation		1,197,206	931,787
Ordinary dividend paid		(931,787)	(862,705)
Retained profit for the financial year		265,419	69,082
Retained profit brought forward		2,025,860	1,956,778
Retained profit carried forward		2,291,279	2,025,860

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 1996

	Notes	£	1996 £	£	1995 £
Fixed assets					
Tangible assets	8		2,914,713		3,080,541
Investments	9		298,271		388,866
			<u>3,212,984</u>		<u>3,469,407</u>
Current assets					
Stocks	10	2,456,539		2,532,286	
Debtors	11	3,065,262		2,338,023	
Cash at bank and in hand		4,106		72,084	
		<u>5,525,907</u>		<u>4,942,393</u>	
Creditors: Amounts falling due within one year	12	(2,662,102)		(2,565,052)	
Net current assets			<u>2,863,805</u>		<u>2,377,341</u>
Total assets less current liabilities			<u>6,076,789</u>		<u>5,846,748</u>
Creditors: Amounts falling due after more than one year	13		(3,168,172)		(3,168,172)
Provisions for liabilities and charges	14		(103,272)		(138,650)
Net assets			<u>2,805,345</u>		<u>2,539,926</u>
Capital and reserves					
Called up share capital	15		10,505		10,505
Revaluation reserve			43,497		43,497
Capital reserve			460,064		460,064
Profit and loss account			2,291,279		2,025,860
Shareholders' funds					
Equity			2,795,345		2,529,926
Non-equity preference shares			10,000		10,000
	19		<u>2,805,345</u>		<u>2,539,926</u>

These financial statements were approved by the board of directors on 29 January 1997 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 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.

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	-	4-8 years

No depreciation is provided on freehold land.

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 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.

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.

Pensions

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:

	1996 £	1995 £
United Kingdom	7,184,405	7,267,751
Rest of Europe	3,838,966	3,442,106
Other	2,133,007	1,790,211
	<u>13,156,378</u>	<u>12,500,068</u>

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	
	1996	1995
Management and administration	12	12
Production	60	58
Development and quality assurance	5	6
Selling and distribution	15	15
	<u>92</u>	<u>91</u>

The aggregate payroll costs of these persons were as follows:

	1996 £	1995 £
Wages and salaries	1,947,511	1,895,963
Social security costs	168,648	162,380
Other pension costs	130,104	124,045
	<u>2,246,263</u>	<u>2,182,388</u>

Microfine Minerals Limited

Notes (continued)

4 Directors' emoluments

	1996 £	1995 £
Directors' emoluments	322,093	301,446
Pension contributions	36,450	34,164
	<u>358,543</u>	<u>335,610</u>

The emoluments, excluding pension fund contributions, of the chairman were £Nil (1995: £Nil) and those of the highest paid director were £83,890 (1995: £78,141).

The emoluments, excluding pension fund contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

	1996 Number	1995 Number
£0 - £5,000	1	1
£45,001 - £50,000	-	1
£50,001 - £55,000	1	-
£55,001 - £60,000	2	2
£60,001 - £65,000	-	1
£65,001 - £70,000	1	-
£75,001 - £80,000	-	1
£80,001 - £85,000	1	-
	<u>1</u>	<u>-</u>

5 Other interest receivable and similar income

	1996 £	1995 £
Bank interest	7,265	7,295
Other interest	36,056	34
Group interest	6,861	18,394
	<u>50,182</u>	<u>25,723</u>

Microfine Minerals Limited

Notes (continued)

6 Profit on ordinary activities before taxation

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

	1996 £	1995 £
Depreciation	430,727	391,463
(Profit)/loss on sale of fixed assets	(1,946)	7,318
Hire of plant and machinery - rentals payable under operating leases	44,198	40,813
Other operating leases	22,408	22,408
Auditors' remuneration	14,900	14,500
Remuneration of auditors for other services	5,975	5,045
	<u> </u>	<u> </u>

7 Taxation

	1996 £	1995 £
UK corporation tax at 33% (1995 - 33%)	(700,000)	(530,000)
Deferred taxation	35,378	(5,339)
	<u> </u>	<u> </u>
	(664,622)	(535,339)
Overseas taxation - relieved and unrelieved	(8,595)	(16,152)
Overprovision in prior year	18,713	-
	<u> </u>	<u> </u>
	(654,504)	(551,491)
	<u> </u>	<u> </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	1,869,587	3,540,690	332,083	5,742,360
Additions	14,179	185,026	86,673	285,878
Disposals	-	(122,886)	(89,100)	(211,986)
Transfers between categories	(42,058)	42,058	-	-
At end of year	1,841,708	3,644,888	329,656	5,816,252
Depreciation				
At beginning of year	352,116	2,105,210	204,493	2,661,819
Charge for year	41,442	313,809	75,476	430,727
On disposals	-	(118,252)	(72,755)	(191,007)
At end of year	393,558	2,300,767	207,214	2,901,539
Net book value				
At 31 December 1996	1,448,150	1,344,121	122,442	2,914,713
At 31 December 1995	1,517,471	1,435,480	127,590	3,080,541

The gross book value of land and buildings includes £25,000 (1995: £25,000) of non depreciable land.

Particulars relating to revalued land and buildings are given below:

	1996 £	1995 £
At 1978 open market value	101,000	101,000
Aggregate depreciation thereon	(40,319)	(38,299)
Net book value	60,681	62,701

Microfine Minerals Limited

Notes (continued)

8 Tangible fixed assets(continued)

	1996 £	1995 £
Historical cost of revalued assets	24,000	24,000
Aggregate depreciation based on historic cost	(9,581)	(9,101)
Historical cost net book value	<u>14,419</u>	<u>14,899</u>

9 Investments

	1996 £	1995 £
At beginning of year	388,866	485,316
Amounts written off investment	(90,595)	(96,450)
At end of year	<u>298,271</u>	<u>388,866</u>

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.

10 Stocks

	1996 £	1995 £
Raw materials and consumables	1,714,592	1,715,284
Finished goods and goods for resale	741,947	817,002
	<u>2,456,539</u>	<u>2,532,286</u>

11 Debtors

	1996 £	1995 £
Trade debtors	2,169,630	2,272,847
Amounts owed by parent and fellow subsidiary undertakings	752,284	10,794
Other debtors	23,371	-
Prepayments and accrued income	119,977	54,382
	<u>3,065,262</u>	<u>2,338,023</u>

Microfine Minerals Limited

Notes (continued)

12 Creditors: Amounts falling due within one year

	1996 £	1995 £
Trade creditors	707,487	901,697
Amounts owed to parent and fellow subsidiary undertakings	379,984	352,964
Corporation tax	402,084	359,747
Other taxes and social security	122,936	53,364
Accruals and deferred income	1,049,611	897,280
	<u>2,662,102</u>	<u>2,565,052</u>

13 Creditors: Amounts falling due after more than one year

	1996 £	1995 £
Amounts owed to parent undertaking	3,168,172	3,168,172
	<u>3,168,172</u>	<u>3,168,172</u>

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

14 Provisions for liabilities and charges

	£
Deferred taxation:	
At beginning of year	138,650
Transfer from profit and loss account	(35,378)
At end of year	<u>103,272</u>

The amounts provided and the maximum potential liability at 31 December 1996 are set out below:

	Provided 1996 £	Maximum potential liability 1996 £	Provided 1995 £	Maximum potential liability 1995 £
Accelerated capital allowances	154,465	154,465	157,985	157,985
Other timing differences	(51,193)	(51,193)	(19,335)	(19,335)
Capital gain on disposal of properties at net book value	-	8,000	-	8,000
	<u>103,272</u>	<u>111,272</u>	<u>138,650</u>	<u>146,650</u>

Microfine Minerals Limited

Notes (continued)

15 Called up share capital

	1996 £	1995 £
<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
	<u>20,000</u>	<u>20,000</u>
	1996 £	1995 £
<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>

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.

16 Contingent liabilities

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

	1996 £	1995 £
Bank and Trade Guarantees	112,911	112,911

17 Commitments

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

	1996 £	1995 £
Contracted for	170,748	91,200
Authorised but not contracted	331,826	27,456

Microfine Minerals Limited

Notes (continued)

17 Commitments (continued)

Annual commitments under non-cancellable operating leases 1996 are as follows:

	1996		1995	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	22,408	276	-	13,219
In two to five years	-	12,570	22,408	7,141
	<u>22,408</u>	<u>12,570</u>	<u>22,408</u>	<u>7,141</u>

18 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 £130,104 (1995: £124,045). Outstanding contributions amounting to £35,008 (1995: £33,755) payable to the fund are included in creditors.

19 Reconciliation of movements in shareholders' funds

	1996 £	1995 £
Opening shareholders funds	2,539,926	2,470,844
Profit for the financial year	1,197,206	931,787
Dividends	(931,787)	(862,705)
Closing shareholders funds	<u>2,805,345</u>	<u>2,539,926</u>

20 Parent undertakings

The company's ultimate parent undertaking is VEBA AG, a company 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.

Microfine Minerals Limited

Notes *(continued)*

21 **Related party transactions**

During the year the company purchased goods to a value of £477,178 and services for £23,087 from Microfine-P Pavlides SA, a company in which Microfine Minerals Limited owns 50% of the issued share capital.

The transactions noted above occurred in the normal course of business.

The company is exempt from the requirement to disclose transactions with other group undertakings on the grounds that more than 90% of the voting rights of Microfine Minerals Limited are controlled within the group.