

MORGAN HOLDINGS INTERNATIONAL LIMITED

REPORT AND ACCOUNTS

YEAR ENDED 4TH JANUARY 1997

COMPANY NO. 1352995



MORGAN HOLDINGS INTERNATIONAL LIMITED

DIRECTORS

Mr. D.J. Coker
Dr. E.B. Farmer
Mr. G.D. Swetman

SECRETARY AND REGISTERED OFFICE

Mrs. E Marriner
Morgan House
Madeira Walk
Windsor
Berkshire
SL4 1EP

MORGAN HOLDINGS INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

1. The Directors submit their Report and the Accounts for the year ended 4th January 1997.

2. **Principal Activities and Review**

The Company was an intermediate holding and investment company during the period under review and it is intended that the Company will continue in this role for the foreseeable future.

During the period under review the Company acquired from its associated company, Morgan Holdings Limited, the entire issued share capital of Morgan Holdings Netherlands B.V., a corporation registered and operating in The Netherlands. The Company satisfied the consideration for this transaction by issuing a further 643,113 Ordinary shares. Further, the Company transferred its interest in Morgan Terrassen B.V. to Morgan Holdings Netherlands B.V. in exchange for that company issuing two shares of NGL100 at a premium to the Company.

3. **Results For The Year and Dividend**

The loss after tax for the year was £360,000. The Directors do not recommend the payment of a dividend in respect of the year under review, but that the deficit of £360,000 be transferred to reserves.

4. **Directorate**

- (a) The names of the Directors as at the date of this Report are shown on page 1 of this Report.
- (b) None of the Directors had any interests in the shares of the Company. Directors interests in the Company's ultimate holding company, The Morgan Crucible Company plc are as follows:

<u>Ordinary Shares of 25p each</u>	<u>04.01.97</u>	<u>04.01.96</u>
D.J. Coker	1,048	22,913

Ordinary Shares held under
the Long Term Incentive Plan

D.J. Coker	26,178	23,092
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Ordinary Shares held under The
Morgan Share Participation Scheme

D.J. Coker	75	Nil
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Ordinary Shares held under Option

D.J. Coker	30,463	28,150
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The above Options were held under The Morgan Executive Share Option Scheme (1984) and the Morgan Sharesave Scheme (1995) and may be exercised between 25th October 1996 and 24th October 2003 at prices between 315.52p and 372.80p. During the period under review Mr D.J. Coker was granted an option under the Morgan Sharesave Scheme (1995) over 2,313 Ordinary shares with an option price of 372.80p.

Dr. E.B. Farmer and Mr. G.D. Swetman are Directors of The Morgan Crucible Company plc and their interests are disclosed in the financial statements of that company.

5. Auditors

Ernst & Young have expressed their willingness to continue in office as Auditors, and a resolution proposing their reappointment will be submitted at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD



E Marriner
SECRETARY

Date: 11 SEP 1997

Morgan House
Madeira Walk
Windsor
Berkshire
SL4 1EP

MORGAN HOLDINGS INTERNATIONAL LIMITED

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE ACCOUNTS**

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs and of the profit or loss of the Company for that period. In preparing those accounts, 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 accounts and;
- * prepare the accounts 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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and of detection of fraud and other irregularities.

By Order of the Board



E Marriner
Secretary

REPORT OF THE AUDITORS
TO THE MEMBERS OF
MORGAN HOLDINGS INTERNATIONAL LIMITED

We have audited the accounts on pages 6 to 13 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 4 the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion based on our audit, on those accounts and to report our opinion to you.

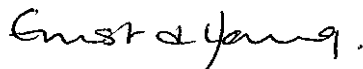
BASIS OF OPINION

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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, 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 accounts 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 accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 4 January 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
London

11 SEP 1997

MORGAN HOLDINGS INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 4TH JANUARY 1997

	<u>Note:</u>	<u>1996</u> £000s	<u>1995</u> £000s
Operating Costs	2	<u>8</u>	<u>-</u>
Operating (Loss)		(8)	-
Investment Income	3	7	22
Interest Receivable	4	<u>140</u>	<u>2,247</u>
Profit on Ordinary Activities before taxation		139	2,269
Taxation	7	<u>499</u>	<u>299</u>
Profit/(Loss) on Ordinary Activities After Taxation		(360)	1,970
Dividend	8	<u>-</u>	<u>4,895</u>
Retained (Loss) for the year		<u>(360)</u>	<u>(2,925)</u>

Statement of Total Recognised Gains and Losses
for the Year Ended 4th January 1997

	<u>1996</u> £000s	<u>1995</u> £000s
(Loss)/Profit on Ordinary Activities After Taxation	(360)	1,970
Exchange Movement	<u>(9)</u>	<u>510</u>
Total Recognised Gains and Losses for the Year	<u>(369)</u>	<u>2,480</u>

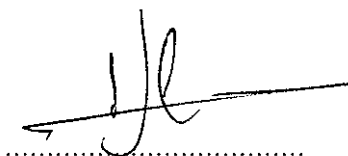
The movement in reserves for the year are shown in note 14.

MORGAN HOLDINGS INTERNATIONAL LIMITED

BALANCE SHEET

AS AT 4TH JANUARY 1997

	<u>Note</u>	<u>4 January 1997</u> £000s	<u>4 January 1996</u> £000s
FIXED ASSETS			
Investments in Subsidiary Undertakings	9	58,104	49,865
CURRENT ASSETS			
Debtors	10	59,944	73,038
Cash at Bank		<u>2</u>	<u>12</u>
		59,946	73,050
CREDITORS	11	<u>57</u>	<u>5,198</u>
NET CURRENT ASSETS		<u>59,889</u>	<u>67,852</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		117,993	117,717
Provisions for Liabilities and Charges	12	<u>11</u>	<u>9</u>
		<u>117,982</u>	<u>117,708</u>
CAPITAL AND RESERVES			
Called-up Share Capital	13	115,643	115,000
Profit and Loss Account	14	<u>2,339</u>	<u>2,708</u>
		<u>117,982</u>	<u>117,708</u>



D J COKER - Director

11 SEP 1997

MORGAN HOLDINGS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 4 JANUARY 1997

1. ACCOUNTING POLICIES

Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

2. OPERATING COSTS

	<u>1996</u>	<u>1995</u>
	<u>£000s</u>	<u>£000s</u>
Net exchange losses	<u>8</u>	<u>-</u>

3. INVESTMENT INCOME

Dividends receivable from Group Undertakings	<u>7</u>	<u>22</u>
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4. INTEREST RECEIVABLE

Interest receivable from Group Undertakings	<u>140</u>	<u>2,247</u>
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5. DIRECTORS EMOLUMENTS

The Directors' emoluments for the period under review are nil (1995-nil).

6. STAFF NUMBERS

No persons were employed by the Company at any time during the period under review.

MORGAN HOLDINGS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 4 JANUARY 1997

7. TAXATION

	<u>1996</u> £000s	<u>1995</u> £000s
United Kingdom Corporation Tax at 33% (1995 - 33%)		
- Underprovision in prior year	450	-
- Current year charge	<u>47</u>	<u>293</u>
	497	293
 Deferred Taxation	 2	 6
	<u>499</u>	<u>299</u>

8. DIVIDEND

	<u>1996</u> £000s	<u>1995</u> £000s
Dividends declared on:		
"A" Ordinary Shares - Final	-	-
"B" Redeemable Preference Shares - Final	<u>-</u>	<u>4,895</u>
	<u>-</u>	<u>4,895</u>

9. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	£000s
Balance at 4th January 1996	49,865
Additions	47,054
Disposals	(38,815)
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Balance at 4th January 1997	<u>58,104</u>

MORGAN HOLDINGS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 4 JANUARY 1997

The shares are held in the following subsidiaries:

<u>Company Name</u>	<u>Country of Incorporation & Principal Country of Operation</u>	<u>Nature of Business</u>	<u>% Ownership</u>
Morganite do Brasil Industrial Ltda	Brazil	Thermal Ceramics	100%
Fibras Ceramicas Ltda	Brazil	Thermal Ceramics	100%
Dulmison Manufacturing Ltd	Hong Kong	Technical Ceramics	100%
LPS Research (Canada)	Canada	Specialty Chemicals	100%
Costruzione Impianti - Rappresentanze Industriali - Appatti srl	Italy	Thermal Ceramics	5%
Morgan Crucible Co bv	Netherlands	Holding Company	100%

All of the subsidiaries are involved in the manufacture of industrial materials for the product groups stated above.

The Directors are of the opinion that the value of these investments is not less than the value stated above.

10. DEBTORS

	<u>1996</u> £000s	<u>1995</u> £000s
Amounts owed by third parties:		
Other debtors	4	4
Amounts owed by Group Undertakings:		
Dividends	30	22
Loans	59,897	71,569
Other debtors	<u>13</u>	<u>1,443</u>
	<u>59,944</u>	<u>73,038</u>

11. CREDITORS - Amounts falling due within one year

	<u>1996</u> £000s	<u>1995</u> £000s
Amounts owed to Group Undertakings:		
Loans	10	10
Dividends	-	4,895
Taxation	<u>47</u>	<u>293</u>
	<u>57</u>	<u>5,198</u>

MORGAN HOLDINGS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 4 JANUARY 1997

12. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Deferred Tax</u> £000s
Balance at 4th January 1996	9
Provision for the year	<u>2</u>
Balance at 4th January 1997	<u>11</u>

Full provision for deferred tax has been made in the accounts as a result of short-term timing differences, in respect of interest receivable.

13. CALLED-UP SHARE CAPITAL	<u>1996</u> £000s	<u>1995</u> £000s
<u>Authorised</u>		
140,643,113 "A" Ordinary shares of £1 each	140,000	140,000
9,999,998 "B" Redeemable Preference shares of £1 each	10,000	10,000
2 "C" Ordinary Preference shares of £1 each	<u>-</u>	<u>-</u>
	<u>150,000</u>	<u>150,000</u>
<u>Issued and Fully Paid</u>		
140,643,113 "A" Ordinary shares of £1 each	114,643	114,000
1,000,000 "B" Redeemable Preference shares of £1 each	1,000	1,000
2 "C" Ordinary Preference shares of £1 each	<u>-</u>	<u>-</u>
	<u>115,643</u>	<u>115,000</u>

The "B" Redeemable Preference shares are redeemable in cash at par on 12 April 1999 or on such later date as may be decided by the holders of the majority of the "A" Ordinary shares.

MORGAN HOLDINGS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 4 JANUARY 1997

14. PROFIT AND LOSS ACCOUNT

	£000s
Balance at 4th January 1996	2,708
(Loss) for the year after tax	(360)
Exchange Movement	<u>(9)</u>
Balance at 4th January 1997	<u>2,339</u>

15. RECONCILIATION OF SHAREHOLDERS' FUNDS

	<u>1996</u> £000s	<u>1995</u> £000s
Total Recognised Gains and Losses	(369)	2,480
Dividends	-	(4,895)
New Share Capital	<u>643</u>	<u>-</u>
Total Movements for the Year	274	(2,415)
Opening Shareholders' Funds	<u>117,708</u>	<u>120,123</u>
Closing Shareholders' funds	<u>117,982</u>	<u>117,708</u>

16. ULTIMATE HOLDING COMPANY

The Directors regard The Morgan Crucible Company plc, incorporated in England, as being the Company's immediate and ultimate Holding Company.

Copies of their accounts can be obtained from Morgan House, Madeira Walk, Windsor, Berkshire, SL4 1EP.

MORGAN HOLDINGS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 4 JANUARY 1997

17. CASHFLOW STATEMENT

As the Company is a wholly owned subsidiary undertaking of the Morgan Crucible Company plc, a Company registered in England and Wales, which prepares a consolidated Cashflow Statement, the Company has taken advantage of the exemption provided under paragraph 8 of FRS 1 not to prepare a Cashflow Statement.

18. GROUP ACCOUNTS

Group Accounts dealing with subsidiary and associated undertakings have not been prepared as the Company was, at the end of its financial year, the wholly owned subsidiary of another body corporate incorporated in England.