

REPORT OF THE DIRECTORS

The Directors present their report together with the Financial Statements for the year ended 31st December 1995

Principal Activities

The principal activity of the company is the extraction, processing and marketing of Ball and China Clays.

Review of Operations

The Profit for the year after taxation and Management Charges amounted to £4.5 million. A dividend of £2.2 million has been paid, leaving £2.3 million which has been transferred to reserves.

The policy of replacement of Plant & Machinery continued.

Directors

The changes in the Directors and those Directors presently in office are listed below, all served on the board throughout the year unless otherwise indicated.

J.D.Pike
 E.Ash (retired 20/12/95)
 R.J.Atkins
 D.B.Bowden
 D.L.A.Holyoak
 D.Mitchell (retired 30/12/95)
 J.G.Addy (appointed 1st March 1995)
 Dr. P.F. McNally (appointed 1st March 1995 and resigned 29th February 1996)
 Dr. J.M. Woodfine (appointed 1st March 1995)
 Dr G.B.Lawson (appointed 29th November 1995)
 R Shuttleworth (appointed 29th November 1995)
 T.P.V.Robertson (retired 1st March 1995)

The directors have no beneficial interest in the shares of this company. The directors' interests in shares of the parent company are as stated in Note 16 to the financial statements.

Directors' responsibilities for the financial statements

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 of the company 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

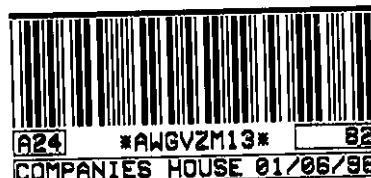
Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with S385 of the Companies Act 1985.

By order of the Board

W.J.C.Watts Company Secretary
 16th April 1996

Registered in England & Wales No. 2394306



ACCOUNTING POLICIES - year ended 31st December 1995

The Financial Statements have been prepared on an historical cost basis and in accordance with applicable Accounting Standards

TURNOVER

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

DEPRECIATION

Assets have been depreciated on a straight line basis calculated on original cost, over varying periods between 3 and 15 years (structures 30 years).

STOCKS

Stocks are stated at the lower of cost and net realisable value.

EMPLOYMENT COSTS

All employees of the WBB Group working on WBB Devon Clays Limited activities, are under contracts of employment to the parent company. Information concerning their employment is disclosed within the annual report of Watts Blake Bearne & Company Plc.

CAPITAL GRANTS

Regional Development Grants are being credited to revenue over periods relating to the lives of the relevant assets.

DEFERRED TAXATION

Deferred tax is provided for under the liability method using the tax rates estimated to arrive when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

FOREIGN CURRENCIES

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

AUDITORS REPORT

REPORT OF THE AUDITORS TO THE MEMBERS OF WBB DEVON CLAYS LIMITED

We have audited the financial statements on pages 2 and 4 to 10 which have been prepared under the accounting policies set out on page 2.

Respective responsibilities of directors and auditors

As described on page 1 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 an 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 31st December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

Plymouth
16th April 1996

Profit and Loss Account for the Year Ended 31st December 1995

		<u>1995</u>	<u>1994</u>
	Note	£'000	£'000
Turnover	1	<u>47,255</u>	<u>42,094</u>
Operating profit	2	6,651	5,749
Interest		-	-
Profit on ordinary activities before taxation		6,651	5,749
Tax on profit on ordinary activities	3	<u>(2,124)</u>	<u>(2,004)</u>
Profit on ordinary activities after taxation		4,527	3,745
Dividends	4	<u>(2,200)</u>	<u>(1,900)</u>
Transfer to reserves	12	<u>2,327</u>	<u>1,845</u>

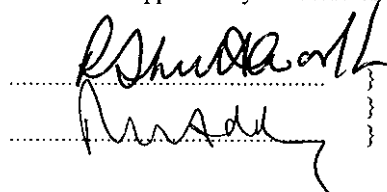
There were no recognised gains or losses other than the profit for the financial year.

The accounting policies and notes on pages 2 and 6 to 10 form part of these financial statements.

Balance Sheet at 31st December 1995

		<u>1995</u>		<u>1994</u>	
	Note	£'000	£'000	£'000	£'000
Fixed Assets					
Tangible Assets	5		16,359		15,539
Current Assets					
Stocks	6	2,863		2,677	
Debtors	7	10,501		9,247	
Cash at Bank & in Hand		23		86	
		<u>13,387</u>		<u>12,010</u>	
Creditors: amounts falling due within one year	8	(6,458)		(5,637)	
Net Current Assets			6,929		6,373
Total Assets less Current Liabilities			<u>23,288</u>		<u>21,912</u>
Creditors: amounts falling due after one year	9		(13,626)		(14,332)
Provisions for Liabilities and charges	10		(628)		(855)
Deferred Revenue: Capital Grants	11		(49)		(67)
			<u>8,985</u>		<u>6,658</u>
Capital and Reserves					
Called Up Share Capital	12		0		0
Profit and Loss Account	12		8,985		6,658
Shareholders' Funds			<u>8,985</u>		<u>6,658</u>

The Financial Statements were approved by the board of directors on 16th April 1996


 Directors

The accounting policies and notes on pages 2 and 6 to 10 form part of these financial statements.

Notes to the Financial Statements for the Year Ended 31st December 1995

1. Turnover

Turnover represents the invoiced value of goods and services, excluding VAT and trade discounts, analysed over the following geographical markets:-

	%	1995 £'000	%	1994 £'000
United Kingdom	20	9,345	22	9,192
Other EEC Countries	46	22,060	38	16,172
Rest of Europe	8	3,727	12	4,921
Rest of the World	26	12,123	28	11,809
		<u>47,255</u>		<u>42,094</u>

2. Operating Profit

Operating profit on ordinary activities is stated after:

	1995 £'000	1994 £'000
Changes in stocks	(116)	349
Own work capitalised	(500)	(501)
Raw materials & consumables	4,967	4,271
Other external charges:		
Distribution costs	13,430	11,408
Energy Costs	2,234	2,110
Others	5,124	3,952
Employment costs	8,795	8,353
Depreciation	2,588	2,327
Auditors remuneration	24	30
Other operating income	(264)	(169)
Management charge - from holding company	4,468	4,017
Profit on disposal of fixed assets	(131)	(134)
Government grants credited	(18)	(14)
Provision for permanent diminution in value of fixed asset	0	346
Loss on currency	3	
	<u>40,604</u>	<u>36,345</u>

3. Tax on Profit on Ordinary Activities

U.K. Corporation Tax payable at 33% on taxable profits for the year

1995 £'000	1994 £'000
<u>2,124</u>	<u>2,004</u>

The tax charge has been increased by £150,000 as a result of timing differences on which deferred tax has not been provided (Note 13.).

4. Dividends Paid

Ordinary Dividend of £1100,000 per share (1994 :£950,000) paid 31st December 1995

1995 £'000	1994 £'000
<u>2,200</u>	<u>1,900</u>

Notes to the Financial Statements for the Year Ended 31st December 1995 (continued)

5. Tangible Fixed Assets

	Total £'000	Plant and Machinery £'000	Furniture and Equipment £'000	Projects in Progress £'000
Cost				
At 1st January 1995	34,356	33,476	619	261
Additions	4,086	2,477	81	1,528
Disposals	(1,338)	(1,337)	(1)	0
Net transfers to/from group undertakings	(229)	48	55	(332)
At 31st December 1995	36,875	34,664	754	1,457
Depreciation				
At 1st January 1995	18,817	18,458	359	-
Provided in the year	2,588	2,480	108	-
Disposals	(970)	(969)	(1)	-
Net transfers to/from group undertakings	81	27	54	-
At 31st December 1995	20,516	19,996	520	-
Net Book Value at 31st December 1995	16,359	14,668	234	1,457
Net Book Value at 31st December 1994	15,539	15,018	260	261

6. Stocks

	1995 £'000	1994 £'000
Bought-in goods and consumables	1,515	1,436
Own Production	1,348	1,241
	2,863	2,677

7. Debtors

	1995 £'000	1994 £'000
Trade Debtors	9,187	8,698
Amounts owed by fellow subsidiary undertakings	164	57
Amounts owed by associated undertakings	18	0
Other Debtors	751	193
Prepayments	381	299
	10,501	9,247

Included in other debtors for 1995 is £nil which falls due after more than one year (1994 ; £24,000) .

8. Creditors : Amounts falling due in less than one year

	1995 £'000	1994 £'000
Trade Creditors	2,191	2,038
Amounts owed to fellow subsidiary undertakings	122	72
Corporation Tax	2,850	2,200
Accruals	1,179	1,219
Other Creditors	116	108
	6,458	5,637

Notes to the Financial Statements for the Year Ended 31st December 1995 (continued)

9. Creditors : Amounts falling due after more than one year	1995	1994
	£'000	£'000
Amounts owed to group undertakings	13,626	14,332
10. Provisions for liabilities and charges	1995	1994
	£'000	£'000
Writedown in value of fixed assets		
As at 1st January 1995	298	
Transferred to Profit & Loss	0	
Transferred from Profit & Loss	0	
As at 31st December 1995		298
Overburden Removal		
As at 1st January 1995	270	
Transferred from/(to) Profit & Loss	(270)	
As at 31st December 1995		0
Other Provisions in respect of deferred revenue expenditure		
As at 1st January 1995	287	
Transferred to Profit & Loss	137	
Transferred from Profit & Loss	(94)	
As at 31st December 1995		330
Total provisions as at 31st December 1995		628
Total provisions as at 31st December 1994		855
11. Deferred Revenue - Capital Grants	1995	1994
	£'000	£'000
As at 1st January 1995	67	81
Transferred to Profit & Loss	(18)	(14)
As at 31st December 1995	49	67

Notes to the Financial Statements for the Year Ended 31st December 1995 (continued)

12. Shareholders' Funds

	1995 £'000	1994 £'000
Profit and Loss Account		
As at 1st January 1995	6,658	4,813
Retained profit for the year	2,327	1,845
As at 31st December 1995	<u>8,985</u>	<u>6,658</u>

Authorised, allotted, called up and fully paid Share Capital consists of 2 Ordinary Shares of £1 each.

13. Deferred Taxation

There is no provision for deferred taxation. The total potential liability, which represents a contingent liability at the balance sheet date, is set out below :-

	1995 £'000	1994 £'000
Accelerated Capital Allowances	2,308	2,279
Other timing differences	(75)	(196)
	<u>2,233</u>	<u>2,083</u>

14. Contingent Liabilities

The contingent liabilities as at 31st December are :-

Deferred Tax (Note 13.)

The Company has given an unlimited guarantee in favour of some of the bank indebtedness of its Parent Company. The amount of this indebtedness at 31st December 1995 is £19,265,969 (1994 :- £14,136,841).

15. Capital Commitments

As at 31st December the company's capital expenditure commitments were :

	1995 £'000	1994 £'000
Authorised by the Directors but not contracted for	719	196
Contracted for but not provided in these financial statements	1,427	415
	<u>2,146</u>	<u>611</u>

Notes to the Financial Statements for the Year Ended 31st December 1995 (continued)

16. Directors Interests

The directors have no beneficial interest in the shares of this company. The directors' interests in shares of the parent company are as follows:

	Under Option		Fully Paid	
	31 Dec	1 Jan	31 Dec	1 Jan
R.J. Atkins	9,000	9,000	1,268	1,668
D.L.A. Holyoak	12,341	12,341	314	494
R. Shuttleworth	0	0	0	0
J.G. Addy	13,426	12,109	1,420	1,420
P.F. McNally	11,127	12,942	1,860	1,860
J.M. Woodfine	9,000	9,000	0	0

The interests of Messrs. J.D. Pike, D.B. Bowden and G.B. Lawson in the shares of the parent company are as shown in that company's accounts

17. Ultimate Parent Undertaking

The ultimate parent undertaking is Watts Blake Bearne & Company Plc, registered in England & Wales. The Annual Report and Accounts can be obtained from the Company Secretary, Park House, Courtenay Park, Newton Abbot, Devon, TQ12 4PS.