

REPORT OF THE DIRECTORS

The Directors present their report together with the Financial Statements for the year ended 31st December 1996

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 £4.97 million.

The dividend paid amounted to £2.20 million and £2.77 million have 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
R.J.Atkins
D.B.Bowden (Retired 24th May 1996)
D.L.A.Holyoak
J.G.Addy
Dr. P.F. McNally (Resigned 29th February 1996)
Dr. J.M. Woodfine
Dr G.B.Lawson
R.Shuttleworth
H.B.Evans (Appointed 1st January 1997)
M.C.James (Appointed 1st March 1996)

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.

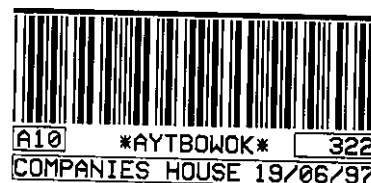
Auditors

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
15th April 1997



ACCOUNTING POLICIES - year ended 31st December 1996

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 1996 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
15th April 1997

Profit and Loss Account for the Year Ended 31st December 1996

		<u>1996</u>	<u>1995</u>
	Note	£'000	£'000
Turnover	1	<u>47,381</u>	<u>47,255</u>
Operating profit	2	6,689	6,651
Interest		-	-
Profit on ordinary activities before taxation		6,689	6,651
Tax on profit on ordinary activities	3	<u>(1,719)</u>	<u>(2,124)</u>
Profit on ordinary activities after taxation		4,970	4,527
Dividends	4	<u>(2,200)</u>	<u>(2,200)</u>
Transfer to reserves	12	<u>2,770</u>	<u>2,327</u>

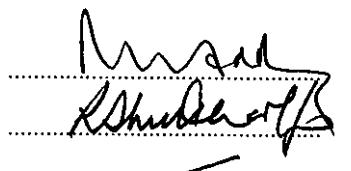
There were no recognised gains or losses other than the profit for the financial year.

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

Balance Sheet at 31st December 1996

		<u>1996</u>		<u>1995</u>	
	Note	£'000	£'000	£'000	£'000
Fixed Assets					
Tangible Assets	5		16,524		16,359
Current Assets					
Stocks	6	2,952		2,863	
Debtors	7	10,334		10,501	
Cash at Bank & in Hand		1		22	
		<u>13,287</u>		<u>13,386</u>	
Creditors: amounts falling due within one year	8	(5,596)		(6,458)	
Net Current Assets			<u>7,691</u>		<u>6,928</u>
Total Assets less Current Liabilities			<u>24,215</u>		<u>23,287</u>
Creditors: amounts falling due after one year	9		(12,130)		(13,626)
Provisions for Liabilities and charges	10		(307)		(628)
Deferred Revenue: Capital Grants	11		(24)		(49)
			<u>11,754</u>		<u>8,984</u>
Capital and Reserves					
Called Up Share Capital	12		0		0
Profit and Loss Account	12		11,754		8,984
Shareholders' Funds			<u>11,754</u>		<u>8,984</u>

The Financial Statements were approved by the board of directors on the 15th April 1997


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 } 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 1996

1. Turnover

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

		<u>1996</u>		<u>1995</u>
	%	£'000	%	£'000
United Kingdom	19	8,951	20	9,345
Other EEC Countries	31	14,732	46	22,060
Rest of Europe	24	11,540	8	3,727
Rest of the World	26	12,158	26	12,123
		<u>47,381</u>		<u>47,255</u>

2. Operating Profit

Operating profit on ordinary activities is stated after:

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Changes in stocks	(89)	(116)
Own work capitalised	(514)	(500)
Raw materials & consumables	5,832	4,967
Other external charges:		
Distribution costs	13,933	13,430
Energy Costs	2,026	2,234
Others	2,988	5,124
Employment costs	9,722	8,795
Depreciation	2,537	2,588
Auditors remuneration	26	24
Other operating income	(91)	(264)
Management charge - from holding company	4,465	4,468
Profit on disposal of fixed assets	(143)	(131)
Government grants credited	(25)	(18)
Provision for permanent diminution in value of fixed asset	0	0
Loss on currency	25	3
	<u>40,692</u>	<u>40,604</u>

3. Tax on Profit on Ordinary Activities

	<u>1996</u>	<u>1995</u>
	£'000	£'000
U.K. Corporation Tax payable at 33% on taxable profits for the year	1,941	2,124
Overprovision in prior years	(222)	-
	<u>1,719</u>	<u>2,124</u>

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

4. Dividends Paid

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Ordinary Dividend of £1,100,000 per share (1995 : £1,100,000) paid 31st December 1996	2,200	2,200

Notes to the Financial Statements for the Year Ended 31st December 1996 (continued)

5. Tangible Fixed Assets

	Total £'000	Plant and Machinery £'000	Furniture and Equipment £'000	Projects in Progress £'000
Cost				
At 1st January 1996	36,875	34,664	754	1,457
Additions	4,522	1,206	92	3,224
Disposals	(1,128)	(1,121)	(7)	0
Net transfers to/from group undertakings	(1,622)	2,642	1	(4,265)
At 31st December 1996	38,647	37,391	840	416
Depreciation				
At 1st January 1996	20,516	19,997	519	-
Provided in the year	2,537	2,442	95	-
Disposals	(939)	(933)	(6)	-
Net transfers to/from group undertakings	9	9	0	-
At 31st December 1996	22,123	21,515	608	-
Net Book Value at 31st December 1996	16,524	15,876	232	416
Net Book Value at 31st December 1995	16,359	14,667	235	1,457

6. Stocks

	1996 £'000	1995 £'000
Bought-in goods and consumables	1,187	1,515
Own Production	1,765	1,348
	2,952	2,863

7. Debtors

	1996 £'000	1995 £'000
Trade Debtors	9,128	9,187
Amounts owed by fellow subsidiary undertakings	228	164
Amounts owed by associated undertakings	13	18
Other Debtors	674	751
Prepayments	291	381
	10,334	10,501

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

	1996 £'000	1995 £'000
Trade Creditors	2,375	2,191
Amounts owed to fellow subsidiary undertakings	6	122
Corporation Tax	2,464	2,850
Accruals	634	1,179
Other Creditors	117	116
	5,596	6,458

Notes to the Financial Statements for the Year Ended 31st December 1996 (continued)

9. Creditors : Amounts falling due after more than one year	1996 £'000	1995 £'000
Amounts owed to group undertakings	12,130	13,626
10. Provisions for liabilities and charges	1996 £'000	1995 £'000
Writedown in value of fixed assets		
As at 1st January 1996	298	
Transferred (to) / from Profit & Loss	(298)	
As at 31st December 1996		0
Overburden Removal		
As at 1st January 1996	0	
Transferred from/(to) Profit & Loss	0	
As at 31st December 1996		0
Other Provisions in respect of deferred revenue expenditure		
As at 1st January 1996	330	
Transferred to Profit & Loss	(23)	
As at 31st December 1996		307
Total provisions as at 31st December 1996		307
Total provisions as at 31st December 1995		628
11. Deferred Revenue - Capital Grants	1996 £'000	1995 £'000
As at 1st January 1996	49	67
Transferred to Profit & Loss	(25)	(18)
As at 31st December 1996	24	49

Notes to the Financial Statements for the Year Ended 31st December 1996 (continued)

12. Shareholders' Funds

	<u>1996</u> £'000	<u>1995</u> £'000
Profit and Loss Account		
As at 1st January 1996	8,984	6,657
Retained profit for the year	2,770	2,327
As at 31st December 1996	<u>11,754</u>	<u>8,984</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 :-

	<u>1996</u> £'000	<u>1995</u> £'000
Accelerated Capital Allowances	2,521	2,308
Other timing differences	(39)	(75)
	<u>2,482</u>	<u>2,233</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 1996 is £25.424m (1995 : £19.266m).

15. Capital Commitments

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

	<u>1996</u> £'000	<u>1995</u> £'000
Authorised by the Directors but not contracted for	595	719
Contracted for but not provided in these financial statements	90	1,427
	<u>685</u>	<u>2,146</u>

Notes to the Financial Statements for the Year Ended 31st December 1996 (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	0	1,268
D.L.A.Holyoak	12,341	12,341	314	314
R.Shuttleworth	0	0	0	0
J.G.Addy	13,426	13,426	1,420	1,420
P.F.McNally (Resigned 29.02.96)	11,127	11,127	4,234	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

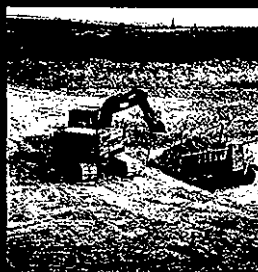
17. Controlling Related Party and Related Party Transactions

The ultimate parent undertaking of this company is Watts Blake Bearne & Company Plc, registered in England & Wales, who is also the company's ultimate controlling related party.

The Annual Report and Accounts can be obtained from the Company Secretary, Park House, Courtenay Park, Newton Abbot, Devon, TQ12 4PS.

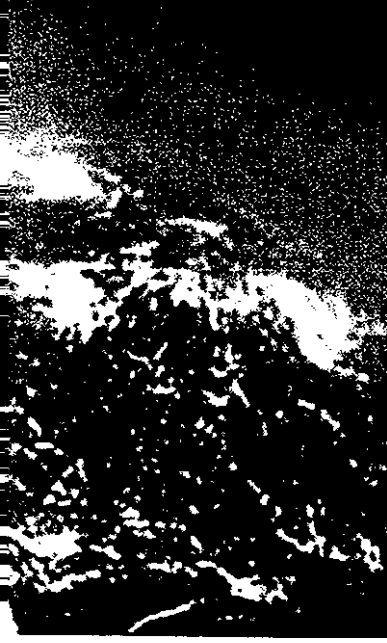
The company has taken advantage of the exemption permitted by FRS 8, not to disclose transactions with related parties, as it is a wholly owned subsidiary included within the consolidated financial statements of Watts Blake Bearne & Company Plc.

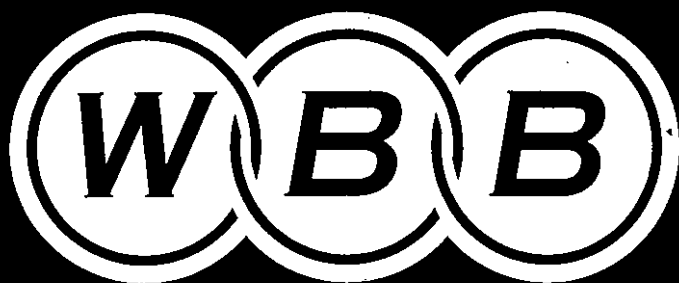
Balances with related parties are disclosed in notes 7,8 and 9 to these financial statements.



Watts Blake Bearne & Company PLC

Report & Accounts 1996





WBB is a leading international clay producer, whose operations in the UK, Germany, the USA and the Asia-Pacific region specialise in the supply of ball clays, kaolins and prepared ceramic bodies to the ceramics and other industries worldwide.

WBB is the world's largest international producer of ball clays, with production operations in most of the world's significant ball clay deposits. Ball clay is a relatively rare mineral, but is an important white-firing plastic component in ceramics such as sanitaryware, tiles and tableware.

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