

WBB Devon Clays Limited

**Directors' report and financial
statements**

Registered number 2394306

31 December 2003



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Results

The turnover for the financial year was £43.1 million (2002: £44.3 million). The profit for the year after taxation amounted to £7.4 million (2002: £5.3 million).

No dividend will be recommended by the directors (2002: *£nil*).

Principal activities and review of the business

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

On 19th December 2003, WBB Devon Clays Limited was acquired by Sibelco Minerals and Chemicals (Holdings) Limited.

With effect from 1st January 2004, the business and assets of WBB Devon Clays Limited were then transferred to WBB Minerals Limited (previously called Sibelco Minerals & Chemicals Limited).

Directors and directors' interests

The following is a list of all persons who were directors of the Company at any time between 1 January 2003 and the date of this report:

G Hillebrand (appointed 12 September 2003)

FF Fernández Torres (resigned 12 September 2003)

C Tawney

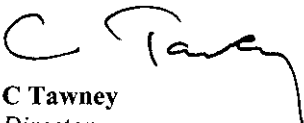
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None of the directors who held office at the end of the financial year had a beneficial interest in any shares or debentures of the Company or other group companies.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KMPG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



C Tawney
Director

Brookside Hall
Congleton Road
Sandbach
Cheshire
CW11 4TF

27th January 2005

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.



KPMG LLP

1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Report of the independent auditors to the members of WBB Devon Clays Limited

We have audited the financial statements on pages 4 to 13.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit 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 as at 31 December 2003 of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

28 January 2005

Profit and loss account
for the year ended 31 December 2003

	<i>Note</i>	2003 £000	2002 £000
Turnover	2	43,112	44,260
Operating profit	3	8,123	6,791
Exceptional item	4	-	851
Profit on ordinary activities before taxation		8,123	7,642
Tax on profit on ordinary activities	7	(733)	(2,334)
Retained profit for the year	15	7,390	5,308

There were no other recognised gains or losses other than those disclosed in the profit and loss account.

The profit as measured on an unmodified historical cost basis is not materially different from that reported above. Accordingly, no note of historical cost profits and losses has been prepared.

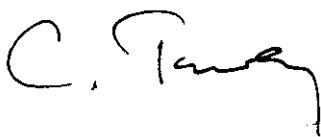
All amounts relate to continuing activities.

The notes on pages 6 to 13 form part of these financial statements.

Balance sheet
at 31 December 2003

	<i>Note</i>	2003	2002
		£000	£000
Fixed assets			
Tangible assets	8	29,723	31,112
Current assets			
Stocks	9	4,362	3,810
Debtors	10	24,990	15,555
Cash at bank and in hand		584	2,314
		<hr/> 29,936	<hr/> 21,679
Creditors: amounts falling due within one year	11	<hr/> (5,907)	<hr/> (6,187)
Net current assets		24,029	15,492
Total assets less current liabilities		<hr/> 53,752	<hr/> 46,604
Creditors: amounts falling due after one year	12	(18,828)	(18,828)
Provisions for liabilities and charges	13	(2,771)	(3,013)
		<hr/> 32,153	<hr/> 24,763
Capital and reserves			
Called up share capital	14	-	-
Profit and loss account	15	32,153	24,763
Shareholders' funds	16	<hr/> 32,153	<hr/> 24,763

These financial statements were approved by the board of directors on 27th January 2005 and were signed on its behalf by:



C Tawney
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied 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 under the historical cost convention and in accordance with applicable accounting standards, on a going concern basis.

Turnover

Turnover comprises the invoice value, excluding value added tax, of goods and services supplied to customers including fellow subsidiaries.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, and no significant uncertainties remain regarding recovery of the consideration due, associated costs or the possible return of goods.

Depreciation

Plant, machinery, fixtures fittings and vehicles

The cost of these assets is depreciated on a straight-line basis over varying periods between 3 and 15 years, or up to 30 years in the case of certain structures.

Projects in progress

Projects in progress are not depreciated before being brought into operations.

Mineral depletion and overburden

The costs or valuations of all mineral reserves are depleted on the basis of minerals extracted relative to the estimated total reserves, limited, if relevant, to the period of any applicable lease. The cost of overburden removal is charged to the profit and loss account in the period in which it was incurred.

Environmental provision

Having assessed the likely useful economic life of a quarry, an estimate is made of prospective environmental liabilities, by reference to estimated future costs when the quarry is decommissioned. Provision is made annually on a unit-of-production basis and discounted over the expected life of the quarry, adjusted for taxation. That element of the provision increment, which derives from the discounting process, is treated in the profit and loss account as a finance cost. In circumstances where economic benefit will derive directly from an anticipated cost of decommissioning, that element of cost, discounted back to when the related benefit would have occurred, is capitalised as part of mineral reserves and depleted accordingly.

Research and development expenditure

Laboratory equipment used for research and development is included as fixed assets and written off in accordance with the Company's depreciation policy. Other research expenditure is written off in the year in which it is incurred.

In accordance with SSAP 13, development expenditure is either written off in the period incurred or capitalised.

Notes (continued)

1 Accounting policies (continued)

Stocks

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

In accordance with SSAP 9 costs include direct costs, and production overheads inclusive of mineral depletion and production depreciation.

Net realisable value is the actual or estimated selling price (net of trade but before settlement discounts) less:

- a) all further cost to completion, and
- b) all costs to be incurred in marketing, selling and distribution.

Cashflow statements

Under Financial Reporting Standard 1 (revised 1996), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that an intermediate holding company, Watts Blake Bearne and Company Plc, includes the Company in its published consolidated financial statements.

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.

Deferred taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items of taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as required by FRS19.

Foreign currency

Transactions in foreign currencies are translated at the rates ruling when they occurred. Assets and liabilities expressed in foreign currencies are translated into sterling at rates ruling at the year end. Exchange gains and losses of a trading nature are dealt with in arriving at the profit before taxation.

2 Turnover

In the opinion of the directors the company operates in one class of business only. All turnover originated in the United Kingdom. Turnover by destination can be analysed over the following geographical markets :

	2003 £000	2002 £000
United Kingdom	7,610	9,090
Europe	22,730	25,065
Rest of the World	12,772	10,105
	<hr/> 43,112 <hr/>	<hr/> 44,260 <hr/>

Notes (continued)

3 Operating profit

	2003 £000	2002 £000
Operating profit on ordinary activities is stated after charging/(crediting):		
Finished goods / work in progress stock movement	(384)	213
Raw materials and consumables	1,110	1,108
Other external charges:		
Distribution costs	8,996	8,171
Energy costs	2,123	2,099
Others	11,245	15,229
Employment costs	7,721	6,313
Depreciation	2,758	3,024
Operating lease charges	753	545
Other operating charges	859	802
Profit on disposal of fixed assets	(192)	(35)
	<u>34,989</u>	<u>37,469</u>

Auditors' fees and exchange differences are borne by a fellow subsidiary undertaking.

Included within the figures above is an overhead recharge from WBB Minerals Limited (formerly Sibelco Minerals and Chemicals Limited) of £4.6m (2002 : £7.1m)

4 Exceptional item

Profit on disposal of aggregates business	-	851
	<u>-</u>	<u>851</u>

5 Directors

None of the directors received any emoluments during the year in respect of their services to the Company (2002: *nil*).

The Directors are remunerated by WBB plc and details are disclosed within those accounts.

6 Staff numbers and costs

	2003 £	2002 £
Wages and salaries	5,088	5,120
Social security costs	538	258
Company pension costs	2,095	935
	<u>7,721</u>	<u>6,313</u>

The average number of persons employed by the company during the year was:

	2003 Number	2002 Number
United Kingdom	258	269

Notes (continued)

7 Tax on profit on ordinary activities

Analysis of charge in period

	2003		2002	
	£000	£000	£000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	2,681		2,406	
Adjustments in respect of prior periods :				
Corporation Tax	(582)		(118)	
Group Relief	(1,088)		0	
	<hr/>		<hr/>	
Total current tax		1,011		2,288
Deferred tax (see note 16)				
Origination/reversal of timing differences	(345)		(72)	
Adjustment in respect of previous years	67		118	
	<hr/>		<hr/>	
		(278)		46
		<hr/>		<hr/>
Tax on profit on ordinary activities		733		2,334
		<hr/>		<hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2002: lower) than the standard rate of corporation tax in the UK (30%, 2002 : 30%). The differences are explained below.

	2003	2002
	£000	£000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	8,123	7,642
	<hr/>	<hr/>
Current tax at 30% (2002 : 30%)	2,437	2,293
<i>Effects of:</i>		
Permanent differences	(101)	33
Capital allowances for period in excess of depreciation	114	60
Other timing differences	231	20
Utilisation of group relief	(1,088)	-
Adjustments to tax charge in respect of previous periods	(582)	(118)
	<hr/>	<hr/>
Total current tax charge (see above)	1,011	2,288
	<hr/>	<hr/>

Notes (continued)

8 Tangible fixed assets

	Total	Land and buildings	Plant and vehicles	Under construction
	£000	£000	£000	£000
Cost				
At 1 January 2003	64,252	26,976	35,310	1,966
Reclassifications	-	499	1,720	(2,219)
Additions	1432	-	-	1432
Disposals	(633)	-	(633)	-
Net transfers to group undertakings	(164)	-	(164)	-
At 31 December 2003	64,887	27,475	36,233	1,179
Depreciation				
At 1 January 2003	33,140	8,206	24,934	-
Provided in the year	2,758	640	2,118	-
Disposals	(577)	-	(577)	-
Net transfers to group undertakings	(157)	-	(157)	-
At 31 December 2003	35,164	8,846	26,318	-
Net book value at 31 December 2003	29,723	18,629	9,915	1,179
Net book value at 31 December 2002	31,112	18,770	10,376	1,966

9 Stocks

	2003 £000	2002 £000
Bought-in goods and consumables	1,866	1,752
Own production	2,496	2,058
	4,362	3,810

Notes (continued)

10 Debtors

	2003 £000	2002 £000
Trade debtors	9,567	10,736
Amounts owed by fellow subsidiary undertakings	15,268	4,709
Other debtors	13	22
Prepayments	142	88
	<u>24,990</u>	<u>15,555</u>

11 Creditors: amounts falling due in less than one year

	2003 £000	2002 £000
Trade creditors	2,034	1,846
Amounts owed to fellow subsidiary undertakings	192	951
Corporation tax	3,109	2,378
Accruals	478	862
Other creditors (including other tax and social security)	94	150
	<u>5,907</u>	<u>6,187</u>

12 Creditors: amounts falling due after more than one year

	2003 £000	2002 £000
Amounts owed to group undertakings	18,828	18,828
	<u>18,828</u>	<u>18,828</u>

Notes (continued)

13 Provisions for liabilities and charges

	Deferred taxation (note 16) £000	Terminal restoration provisions £000	Total £000
At 1 January 2003	2,278	735	3,013
(Credited)/charged to profit and loss account	(278)	36	(242)
	<hr/>	<hr/>	<hr/>
At 31 December 2003	2,000	771	2,771
	<hr/>	<hr/>	<hr/>

14 Share capital

	Authorised, allotted, called up and fully paid			
	2003 Number	2002 Number	2003 £	2002 £
Ordinary shares of £1 each	2	2	2	2
	<hr/>	<hr/>	<hr/>	<hr/>

15 Profit and loss account reserves

	2003 £000	2002 £000
At the beginning of the year	24,763	19,455
Retained profit/(loss) for the year	7,390	5,308
	<hr/>	<hr/>
At the end of the year	32,153	24,763
	<hr/>	<hr/>

16 Reconciliation of movements in shareholders' funds

	2003 £000	2002 £000
Profit for the financial year	7,390	5,308
	<hr/>	<hr/>
Net additions to shareholders' funds	7,390	5,308
Opening shareholders' funds	24,763	19,455
	<hr/>	<hr/>
Closing shareholders' funds	32,153	24,763
	<hr/>	<hr/>

Notes (continued)

17 Deferred taxation

Deferred taxation provided for and not provided for in the financial statements is set out below. The amounts unprovided represent contingent liabilities at the balance sheet date and are calculated using tax rates of 30%.

	Amounts provided		Amounts unprovided	
	2003	2002	2003	2002
	£000	£000	£000	£000
Accelerated capital allowances	2,231	2,331	-	-
Other timing differences	(231)	(53)	-	-
	<u>2,000</u>	<u>2,278</u>	<u>0</u>	<u>0</u>

18 Contingent liabilities

Under a group registration, the Company is jointly and severally liable for Value Added Tax due by other group companies. At 31 December 2003, this contingent liability amounted to £95,717 (2002: £235,048).

19 Capital commitments

As at 31 December 2003 the company's capital expenditure commitments were:

	2003	2002
	£000	£000
Contracted for but not provided in these financial statements	<u>67</u>	<u>102</u>

20 Ultimate holding company

The company is a subsidiary undertaking of S.C.R. Sibelco SA incorporated in Belgium.

The largest group in which the results of the company are consolidated is that headed by S.C.R. Sibelco SA, incorporated in Belgium. The smallest group in which they are consolidated is that headed by Watts Blake Bearne and Company PLC, incorporated in England and Wales. The consolidated financial statements of these groups are available to the public and may be obtained from:

S.C.R. Sibelco SA
Quellinstraat 49
2018 Antwerp
Belgium

Watts Blake Bearne and Company PLC
Brookside Hall
Congleton Road
Sandbach
Cheshire
CW11 4TF