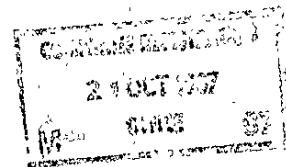


# Foseco Minsep (UK) Limited

## Report and Accounts December 31, 1986



**Arthur Young**

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Chartered Accountants Birmingham

FOSECO MINSEP (U.K.) LIMITED

REPORT OF THE DIRECTORS

The directors submit their report, together with the audited statement of accounts of the company, for the year ended 31st December, 1986.

Dividends and reserves

The directors propose that a dividend of £1,365,000 be paid, leaving a profit for the year of £1,035,000 to be transferred to retained earnings.

Activities and future developments

The company is a trading company and a holding company for a number of subsidiary companies within the Foseco Minsep Group. Its trading activity is in the field of specialty chemicals including metallurgical chemicals, construction and mining chemicals, abrasive and diamond products and miscellaneous chemical based businesses.

Market conditions were generally good with sales increasing by 14% from £119million to £136million but profit before tax decreasing by 33% from £3,586,000 to £2,395,000.

A provision of £233,000 has been provided for future reorganisation costs.

1987 has started reasonably well and in the opinion of the directors the activities of the company are likely to continue substantially unchanged.

Acquisitions and disposals

During the year the company disposed of the business and assets of Foscolor.

The company acquired the specialised water chemical business of Chemspec Division of Steetley Chemicals Limited.

Fixed assets

The changes in fixed assets during the year are summarised in the notes to the accounts.

The directors are of the opinion that the current value of land and buildings owned by the company is in excess of the book value and the cost of a revaluation would not be justified at the present time.

Research and development

The company relies on a number of central laboratories operated by the Foseco Minsep group for product development and research.

Donations

During the year the company made donations to UK charities of £21,000 (1985 £Nil). No donations were made for political purposes.

FOSECO MINSEP (U.K.) LIMITED

REPORT OF THE DIRECTORS  
(continued)

Directors

The directors of the company during 1986 were:

Dr. D.S. Belford  
Mr. A.G.T. Chubb  
Mr. R. Jordan  
Mr. P.J. Welch  
Mr. J. Whitehead

All the directors of the company at the end of the year were also directors of Foseco Minsep plc, the ultimate holding company, and their interests in the share capital of that company are disclosed in its directors' report for the year ended 31st December, 1986.

Auditors

A resolution to re-appoint Arthur Young will be put to the members at the annual general meeting.

BY ORDER OF THE BOARD



D.W. MATTIN  
Secretary

6th May 1987



A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Arthur Young

Chartered Accountants

P.O. Box 1  
3 Colmore Row,  
Birmingham B3 2DB

REPORT OF THE AUDITORS

TO THE MEMBERS OF FOSECO MINSEP (U.K.) LIMITED

We have audited the accounts on pages 4 to 15 in accordance with approved auditing standards.

In our opinion the accounts, which have been prepared under the historical cost convention modified to include revaluation of certain fixed assets and investments, give a true and fair view of the state of affairs of the company at 31st December, 1986 and of the profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

Arthur Young  
Chartered Accountants  
Birmingham

6th May 1987

FOSECO MINSEP (U.K.) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER, 1986

	<u>Notes</u>	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
Sales	2	136,657	118,637
Cost of sales		111,608	94,260
Gross profit		<u>24,449</u>	<u>24,377</u>
Distribution costs		7,772	6,869
Administrative expenses		11,084	11,009
Trading profit	3	5,593	6,499
Income from shares in group companies		-	102
Net interest payable	4	(3,198)	(3,015)
Profit on ordinary activities before tax		<u>2,395</u>	<u>3,586</u>
Tax on profit on ordinary activities	5	(185)	-
Profit on ordinary activities after tax		<u>2,210</u>	<u>3,586</u>
Extraordinary items	6	190	(196)
Profit for the financial year		<u>2,400</u>	<u>3,390</u>
Dividend proposed		(1,365)	(6,000)
Profit/(deficit) for the year	16	<u>1,035</u>	<u>(2,610)</u>

The notes on pages 7 to 15 form part of these accounts.

FOSECO MINSEP (U.K.) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER, 1986

	<u>Notes</u>	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
Sales	2	136,057	118,637
Cost of sales		111,608	94,260
Gross profit		<u>24,449</u>	<u>24,377</u>
Distribution costs		7,772	6,869
Administrative expenses		11,084	11,009
		<u>-----</u>	<u>-----</u>
Trading profit	3	5,593	6,499
Income from shares in group companies		-	102
Net interest payable	4	(3,198)	(3,015)
Profit on ordinary activities before tax		<u>2,395</u>	<u>3,586</u>
Tax on profit on ordinary activities	5	(185)	-
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		<u>-----</u>	<u>-----</u>

The notes on pages 7 to 15 form part of these accounts.

FOSECO MINSELP (U.K.) LIMITED

BALANCE SHEET AT 31ST DECEMBER, 1986

	<u>Notes</u>	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
Fixed assets:			
Tangible assets	7	25,265	24,028
Investments	8	48,809	46,303
		<u>74,074</u>	<u>70,331</u>
Debtors: amounts falling due after more than one year			
External loans		-	700
		<u>74,074</u>	<u>71,031</u>
Current assets:			
Stocks	9	20,420	21,888
Debtors	10	40,877	39,481
Cash at bank and in hand		2,269	1,957
		<u>63,566</u>	<u>63,326</u>
Creditors: amounts falling due within one year			
Bank overdrafts		131	1,782
Obligations under finance leases		1,010	926
Other creditors	11	32,384	34,492
		<u>33,525</u>	<u>37,200</u>
Net current assets		<u>30,041</u>	<u>26,126</u>
Total assets less current liabilities		<u>104,115</u>	<u>97,157</u>
Creditors: amounts falling due after more than one year:			
Amounts owed to group companies	12	58,665	52,022
Amounts owed to subsidiary companies	12	16,447	16,301
Other loans	13	4,953	5,794
		<u>80,065</u>	<u>74,117</u>
Accruals and deferred income:			
Deferred government grants		257	396
Deferred taxation	14	180	-
		<u>80,502</u>	<u>74,513</u>
		<u>23,613</u>	<u>22,644</u>
Capital and reserves:			
Called up share capital	15	900	900
Share premium account		15,874	15,874
Revaluation reserve	16	1,867	1,933
Profit and loss account	16	4,972	3,937
		<u>23,613</u>	<u>22,644</u>

R. JORDAN

Directors

J. WHITEHEAD

6th May 1987

The notes on pages 7 to 15 form part of these accounts.

FOSECO MINSEP (U.K.) LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 31ST DECEMBER, 1986

	<u>Notes</u>	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
Source of funds:			
Profit before tax		2,395	3,586
Extraordinary items before tax (excluding depreciation of £145,000)		335	(196)
Depreciation		3,720	3,203
Release of provisions for liabilities and charges		-	(310)
Total generated from operations		<u>6,450</u>	<u>6,283</u>
Other sources:			
Disposal of businesses at book value	22	287	-
Disposal of fixed assets		429	659
Disposal of subsidiaries		-	11
Tax refunded		-	105
Decrease in working capital	19	2,618	-
		<u>9,784</u>	<u>7,058</u>
Application of funds:			
Additions to fixed assets		5,818	6,526
Government grants		139	(144)
Increase in working capital	19	-	5,388
Tax paid		24	-
Dividend paid		6,000	-
Investment in subsidiaries		-	136
		<u>11,981</u>	<u>11,906</u>
Net cash outflow		<u>(2,197)</u>	<u>(4,848)</u>
Comprising:			
Bank balances and cash		312	947
Bank overdrafts and loans repayable within one year		1,567	(1,972)
Increase in net short term borrowings		<u>1,879</u>	<u>(1,025)</u>
Long term loans receivable		(700)	-
Long term loans payable		841	(3,951)
Loans to and from holding company, subsidiaries and fellow subsidiaries		(4,217)	128
		<u>(2,197)</u>	<u>(4,848)</u>

The notes on pages 7 to 15 form part of these accounts.



FOSECO MINSEP (U.K.) LIMITED

NOTES TO THE ACCOUNTS AT 31ST DECEMBER, 1986

1. Accounting policies

Accounting convention

The accounts are prepared under the historical cost convention modified to include the revaluation of certain fixed assets and investments.

Group accounts

Group accounts are not prepared as Foseco Minsep (U.K.) Limited is a wholly owned subsidiary of Foseco Minsep plc which is incorporated in Great Britain.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life.

The following minimum depreciation rates are in use.

Freehold buildings	- over 50 years
Leasehold land and buildings (with more than 50 years to run)	- over 50 years
Leasehold land and buildings (with less than 50 years to run)	- over the lease term
Plant and machinery	- over 5 to 10 years

Government grants

Government grants on capital expenditure are credited to a deferral account and are released to revenue over the expected useful life of the relevant asset by equal annual amounts.

Grants of a revenue nature are credited to income in the period to which they relate.

Interest in subsidiaries

Interests in subsidiaries are revalued to be stated at the net asset value of the subsidiary companies, which in the opinion of the directors reflects their value to the company.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes direct materials, labour and manufacturing overheads incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Research and development

Research and development expenditure is written off as incurred. Research laboratories' equipment is written off over its expected life.

FOSECO MINSEP (U.K.) LIMITED

NOTES TO THE ACCOUNTS AT 31ST DECEMBER, 1986  
(continued)

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is provided on the liability method on timing differences to the extent that such taxation is likely to be payable in the foreseeable future. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. All differences are taken to the profit and loss account.

Leasing commitments

Assets obtained under finance leases are capitalised in the balance sheet at an amount reflecting the related capital element of future rentals and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to profit and loss account as incurred.

2. Sales

Sales represent the invoiced amount of goods sold and services provided during the year, stated net of value added tax.

Sales by geographical destination were UK £111,788,000, outside UK £24,269,000 (1985 UK £99,532,000, outside UK £19,105,000).

3. Trading profit

a) This is stated after charging:

	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
Depreciation	3,720	3,203
Management charges paid	2,400	1,800
Operating lease rentals - plant and machinery	1,350	1,163
- property	140	235
Auditors' remuneration	83	79

b) Directors' remuneration

None of the directors received remuneration from this company or its subsidiaries in either year.

However, they were remunerated by Foseco Minsep plc and other Foseco Minsep group holding companies, a part of which remuneration relates to their services to this company. Their remuneration is disclosed in the accounts of Foseco Minsep plc and in the opinion of the directors it is not practicable to estimate what proportion relates to Foseco Minsep (U.K.) Limited.

FOSECO MINSEP (U.K.) LIMITED

NOTES TO THE ACCOUNTS AT 31ST DECEMBER, 1986  
(continued)

3. Trading profit (continued)

c) Employees

The trading of Foseco Minsep (U.K.) Limited is carried on by a number of fellow subsidiary agent companies who employ all personnel. Details of employees and staff costs are therefore disclosed (where applicable) in the accounts of these agent companies.

4. Interest

	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
Interest payable		
Bank loans and overdrafts	589	678
Other loans wholly repayable within five years	170	111
Other loans not wholly repayable within five years	58	86
Interest payable to other group companies	4,281	3,772
Other	17	103
	<u>5,115</u>	<u>4,750</u>
Interest receivable		
Short term deposits	497	737
Interest receivable from other group companies	1,046	998
Other	374	-
	<u>1,917</u>	<u>1,735</u>
Net interest payable	<u>3,198</u>	<u>3,015</u>

5. Taxation

There is no UK corporation tax charge or credit on the results of the year owing to the utilisation of tax losses brought forward.

	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
Overseas taxation	(5)	-
Deferred taxation	(180)	-
	<u>(185)</u>	<u>-</u>
<u>6. Extraordinary items</u>	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
Extraordinary charges:		
Closure costs and reorganisations	(233)	-
Deficit on sale of business	-	(196)
	<u>(233)</u>	<u>(196)</u>
Extraordinary income:		
Surplus on sale of business	423	-
	<u>190</u>	<u>(196)</u>

There is no taxation associated with the extraordinary charges and income.

FOSECO MINSEP (U.K.) LIMITED

NOTES TO THE ACCOUNTS AT 31ST DECEMBER, 1986  
(continued)

7. Tangible fixed assets

	<u>Land and buildings</u> <u>£'000</u>	<u>Plant and machinery</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
Cost or valuation:			
At 1st January, 1986	14,577	33,449	48,026
Additions	822	4,996	5,818
Disposals	(246)	(2,303)	(2,549)
At 31st December, 1986	15,153	36,142	51,295
At cost	9,507	36,142	45,649
At professional valuations (between 1962 and 1976)	5,646	-	5,646
Depreciation:			
At 1st January, 1986	4,166	19,832	23,998
Provided during the year	418	3,302	3,720
Extraordinary item	130	15	145
Disposals	(57)	(1,776)	(1,833)
	4,657	21,373	26,030
Net book value:			
At 31st December, 1986	10,496	14,769	25,265
At 31st December, 1985	10,411	13,617	24,028

The net book value of land and buildings comprises:

	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
Freehold	10,178	10,128
Long leasehold	278	237
Short leasehold	40	46
	10,496	10,411

For the freehold land and buildings included at valuation:

	<u>£'000</u>
Historical cost:	
At 31st December, 1986	3,811
Depreciation based on cost:	
At 31st December, 1986	1,265
Net historical cost value	2,546

FOSECO MINSEP (U.K.) LIMITED

NOTES TO THE ACCOUNTS AT 31ST DECEMBER 1986  
(continued)

7. Tangible fixed assets (continued)

The remaining fixed assets of the company have not been revalued in the accounts but the directors have considered their value and are satisfied that their aggregate value at 31st December, 1986 was not less than their net book value shown in the accounts.

Included in the amounts for plant and machinery above are the following amounts relating to leased assets:

	<u>Cost</u> <u>£'000</u>	<u>Accumulated</u> <u>depreciation</u> <u>£'000</u>
At 1st January, 1986	6,130	1,754
At 31st December, 1986	<u>5,937</u>	<u>2,112</u>
Depreciation provided during the year		<u>841</u>

8. Investments

	<u>Subsidiary</u> <u>Companies</u> <u>£'000</u>	<u>Fellow</u> <u>group</u> <u>Companies</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
Share of net assets:			
At 1st January 1986	20,165	341	20,506
Additions	-	-	-
Revaluation	3	(69)	(66)
At 31st December 1986	<u>20,168</u>	<u>272</u>	<u>20,440</u>
Net loans to related companies, subsidiaries and fellow group companies:			
At 1st January 1986	5,008	20,789	25,797
Increase/(decrease) in the year	(27)	2,949	2,922
Movement on disposals	(350)	-	(350)
At 31st December 1986	<u>4,631</u>	<u>23,738</u>	<u>28,369</u>
Net Book Value:			
At 31st December 1986	24,799	24,010	48,809
At 1st January 1986	<u>25,173</u>	<u>21,130</u>	<u>46,303</u>

The historical cost of shares in subsidiary companies is £20,205,000 (1985 £20,616,000).

Investments in fellow group companies are investments in subsidiaries of the ultimate parent company which are not subsidiaries of this company.

Details of the principal subsidiary companies are set out in note 23.

FOSECO MINSEP (U.K.) LIMITED

NOTES TO THE ACCOUNTS AT 31ST DECEMBER, 1986  
(continued)

9. Stocks

	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
Raw materials and consumables	6,843	7,583
Work-in-progress	3,542	3,643
Finished goods and goods for sale	10,035	10,662
	<u>20,420</u>	<u>21,888</u>

The directors do not consider that the replacement cost of stocks is materially different from the value shown above.

10. Debtors

	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
Trade debtors	26,000	24,544
Amounts due from group companies	10,616	12,492
Taxation recoverable	31	12
Other debtors	2,626	999
Prepayments and accrued income	1,604	1,434
	<u>40,877</u>	<u>39,481</u>

11. Other creditors

	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
Trade creditors	16,524	15,512
Amounts owed to group companies	7,232	5,966
Other taxes and social security costs	2,579	2,850
Other creditors	745	827
Accruals	3,939	3,337
Dividend payable	1,365	6,000
	<u>32,384</u>	<u>34,492</u>

12. Group creditors: amounts falling due after more than one year

The amounts due to group and subsidiary companies have no fixed date of repayment. Of the amounts due to group companies £28,363,000 is interest free and £30,302,000 bears interest, normally at 1% above bank base rate. The amounts due to subsidiary companies are interest free.

FOSECO MINSEP (U.K.) LIMITED

NOTES TO THE ACCOUNTS 31ST DECEMBER, 1986  
(continued)

13. Other creditors: amounts falling due after more than one year

Other loans:	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
Obligations under finance leases	2,115	2,656
Unsecured loans repayable after five years	2,838	3,138
	<u>4,953</u>	<u>5,794</u>

Obligations under finance leases are repayable as follows:

	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
between one and two years	984	878
between two and five years	1,031	1,564
after five years	100	214
	<u>2,115</u>	<u>2,656</u>

14. Deferred taxation

	<u>Provided</u>		<u>Unprovided</u>	
	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
Accelerated capital allowances	1,700	1,500	1,300	1,560
Losses carried forward	(900)	(1,350)	-	(20)
Advance corporation tax	(620)	-	(1,000)	(1,280)
Other timing differences	-	(150)	-	-
On disposal of revalued properties	-	-	-	-
	<u>180</u>	<u>NIL</u>	<u>300</u>	<u>260</u>

15. Share capital

	<u>Authorised</u> <u>£'000</u>	<u>1986 and 1985</u> <u>Allotted,</u> <u>called up</u> <u>and fully paid</u> <u>£'000</u>
Ordinary shares of £1 each	960	900

FOSECO MINSEP (U.K.) LIMITED

NOTES TO THE ACCOUNTS AT 31ST DECEMBER, 1986  
(continued)

16. Reserves

	<u>Revaluation reserve £'000</u>	<u>Profit and loss account £'000</u>
At 1st January, 1986	1,933	3,937
Profit for the year	-	1,035
Revaluation of investments in subsidiaries	(66)	-
At 31st December, 1986	<u>1,867</u>	<u>4,972</u>

17. Capital commitments

Amounts contracted for but not provided in the accounts amounted to £212,000 (1985 - £562,000). Amounts authorised by the directors but not contracted for were £1,277,000 (1985 - £1,424,000).

18. Contingent liabilities

	<u>1986 £'000</u>	<u>1985 £'000</u>
Bills discounted	12	3
Guarantees and other contingent liabilities	441	357

19. (Decrease)/Increase in working capital

	<u>1986 £'000</u>	<u>1985 £'000</u>
Stocks and work-in-progress	(1,468)	407
Debtors	3,253	2,588
Amounts owing to and from holding company and fellow subsidiaries	(3,142)	5,541
Creditors	(1,261)	(3,148)
	<u>(2,618)</u>	<u>5,388</u>

20. Operating leases

	<u>Property leases</u>	<u>Plant and machinery</u>
	<u>1986 £'000</u>	<u>1985 £'000</u>
Annual rentals payable on non cancellable leases expiring after five years	102	527
in the second to fifth years inclusive	391	86
within one year	9	18
	<u>502</u>	<u>631</u>
	<u>1,362</u>	<u>1,054</u>

21. Pension commitments

The company bears the cost of pension contributions to a number of self-administered defined-benefit pension schemes for the employees of the agent companies.

The company's contributions are fixed periodically following actuarial advice.



FOSECO MINSEP (U.K.) LIMITED

NOTES TO THE ACCOUNTS AT 31ST DECEMBER, 1986

22. Disposals

	<u>1986</u> <u>£'000</u>
Net assets disposed of	
Tangible fixed assets	287
Working Capital	(74)
	-----
Surplus on disposal	213
	423
	-----
Proceeds of disposals (Received in 1987)	636
	-----

23. Principal subsidiary companies

The company's subsidiaries are in the business of specialty chemicals, including metallurgical chemicals, construction and mining chemicals, abrasive and diamond products and other interests. The principal subsidiaries are:

L.M. Van Moppes & Sons Limited  
Holemasters Limited  
Craelius Co. Limited  
Universal Grinding Wheel Co. Limited  
Universal Abrasives Limited  
English Abrasives Limited  
Van Moppes IDP Limited  
Celmac Limited (formerly Robert McArd & Co. Limited)  
Celmac Heatherley Limited  
Fosroc Limited  
Foseco Simplipac Limited  
Foseco Minsep International Limited and its subsidiary:  
    Foseco (FS) Limited  
Fosmin Industries Limited and its subsidiaries:  
    Midland Oil Refineries Limited  
    Fospur Limited

The company owns all the ordinary share capital of the subsidiaries which are all incorporated in Great Britain.

24. Ultimate holding company

The company's ultimate holding company is Foseco Minsep plc, a company incorporated in Great Britain.