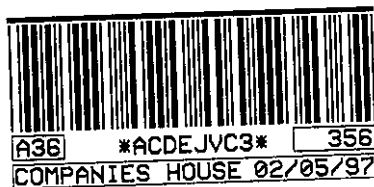


DIRECTORS' REPORT AND FINANCIAL STATEMENTS

THOMAS MARSHALL (LOXLEY) LTD

31st December 1996

Company No: 322439



THOMAS MARSHALL (LOXLEY) LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER 1996

The directors have pleasure in presenting their report and the audited financial statements for the year ended 31st December 1996.

ACTIVITY

The company continues to be the holding company for the companies listed at note 5 to the accounts. The principal activity of the company's subsidiary undertakings is the manufacture and sale of refractory products of all kinds. During the year, the company did not trade. The profit for the year of £136,851 arises as a result of a dividend received from a subsidiary undertaking.

DIVIDEND

A final dividend of £136,851 is recommended by the directors (1995: £33,852). The retained profit for the year is £NIL (1995: £NIL).

DIRECTORS

The following is a list of all persons who were directors of the company between 1st January 1996 and the date of this report:

R. E. Lambourne

D. Shelton

R. M. Sykes

(resigned 31.1.96)

(appointed 1.2.96)

P. G. Whiteley

(resigned 17.5.96)

Mr. Lambourne and Mr. Sykes are directors of the holding company Hepworth Refractories (Holdings) Limited. Accordingly, there is no requirement for them to disclose any interests in shares in group companies in the register maintained by this company.

THOMAS MARSHALL (LOXLEY) LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER 1996

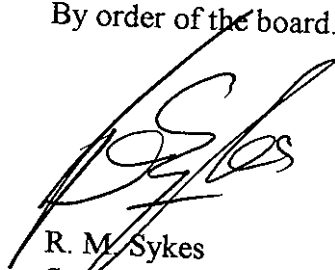
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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 statement 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board.



R. M. Sykes
Secretary
25th March 1997

Registered Office
Swanwick Court
Alfreton
Derbyshire
DE55 7AR

REPORT OF THE AUDITORS, KPMG Audit Plc

TO THE MEMBERS OF THOMAS MARSHALL (LOXLEY) LIMITED

We have audited the financial statements on pages 4 to 9.

Respective responsibilities of directors and auditors

As described on page 2, 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 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 mis-statement, 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 31st December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc,
Chartered Accountants,
Registered Auditors,

26 March 1997

Sheffield

THOMAS MARSHALL (LOXLEY) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1996

	Note	1996 £	1995 £
OTHER INCOME	3	<u>136,851</u>	<u>33,852</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		136,851	33,852
DIVIDEND		<u>(136,851)</u>	<u>(33,852)</u>
RETAINED PROFIT FOR THE YEAR		<u>-</u>	<u>-</u>
STATEMENT OF RETAINED PROFITS			
Profit and loss account at 1st January 1996 and at 31st December 1996		<u>3,594,583</u>	<u>3,594,583</u>

Movements on other reserves are shown in note 8.

In both the current and preceding year the company made no material acquisitions, had no material discontinued operations and has no recognised gains or losses other than the retained profit for the year

**The notes on page 6 to 9 form part
of these financial statements.**

THOMAS MARSHALL (LOXLEY) LIMITED

BALANCE SHEET - 31ST DECEMBER 1996

	Note	1996 £	1995 £
FIXED ASSETS			
Tangible assets	4	11,241	11,241
Interest in subsidiary undertakings	5	<u>1,391,448</u>	<u>1,391,448</u>
		1,402,689	1,402,689
CURRENT ASSETS			
Debtors	6	<u>5,146,708</u>	<u>5,146,708</u>
NET ASSETS		<u><u>6,549,397</u></u>	<u><u>6,549,397</u></u>
CAPITAL AND RESERVES			
Called up share capital	7	1,841,130	1,841,130
Reserves	8	1,113,684	1,113,684
Profit and loss account		<u>3,594,583</u>	<u>3,594,583</u>
		<u><u>6,549,397</u></u>	<u><u>6,549,397</u></u>
SHAREHOLDERS' FUNDS			
Shareholders' Funds comprise:			
Equity - ordinary shares		6,349,397	6,349,397
Non-Equity - preference shares		<u>200,000</u>	<u>200,000</u>
		<u><u>6,549,397</u></u>	<u><u>6,549,397</u></u>

Approved by the board on 25th March 1997 and signed on their behalf by:-



R. E. Lambourne
Director

**The notes on page 6 to 9 form part
of these financial statements.**

THOMAS MARSHALL (LOXLEY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31ST DECEMBER 1996

1. ACCOUNTING POLICIES

Basis of presentation

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of Hepworth PLC and its cash flows are included within the consolidated cash flow statement of the company.

Depreciation and amortisation

Freehold land is not depreciated.

Investment in subsidiary undertakings

Shares in subsidiary undertakings are stated at the value attributed to the net tangible assets acquired, other than goodwill, at the dates of their acquisition and after adjustments in respect of subsequent losses.

2. DIRECTORS' EMOLUMENTS

No emoluments have been received by the directors in respect of their services as directors of the company (1995: £Nil).

3. OTHER INCOME

	1996	1995
	£	£
Dividends received from subsidiary undertakings	<u>136,851</u>	<u>33,852</u>

THOMAS MARSHALL (LOXLEY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31ST DECEMBER 1996 (CONTINUED)

4. TANGIBLE ASSETS

	Land and Buildings £
<u>Cost</u>	
At 1st January 1996 and 31st December 1996	<u>11,246</u>
<u>Depreciation</u>	
At 1st January 1996 and 31st December 1996	<u>5</u>
<u>Net Book Value</u>	
At 1st January 1996 and 31st December 1996	<u>11,241</u>

Land and buildings include a short leasehold property, the amount of which at 31st December 1996 is:

	Cost £	Depreciation £	Net Amount £
Short leasehold	<u>1,199</u>	<u>-</u>	<u>1,199</u>

5. INTEREST IN SUBSIDIARY UNDERTAKINGS

<u>Cost</u>	£
At 1st January and at 31st December 1996	<u>1,391,448</u>

The company's principal subsidiary undertakings are shown below.

<u>Company</u>	<u>Country of Incorporation or registration</u>
Moler Products Limited	England
Thomas Marshall Overseas Investments Limited	England
Hepworth Refractories Inc*	USA
Hepworth Refractories (Canada) Limited*	Canada

Each subsidiary undertaking is wholly owned with ordinary shares only in issue and operates in its country of incorporation or registration.

THOMAS MARSHALL (LOXLEY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31ST DECEMBER 1996 (CONTINUED)

5. INTEREST IN SUBSIDIARY UNDERTAKINGS (Cont'd)

In accordance with S228 Companies Act 1985, consolidated financial statements are not submitted as the company is a wholly owned subsidiary undertaking of Hepworth PLC, a company registered in England and Wales.

In the opinion of the directors, the aggregate value of the investment in the company's subsidiary undertaking is not less than the aggregate of the amount at which those assets are stated in the balance sheet.

The companies which are not direct subsidiary undertakings of Thomas Marshall (Loxley) Limited are denoted*.

6. DEBTORS

	1996	1995
	£	£
Amounts due from parent undertaking	<u>5,146,708</u>	<u>5,146,708</u>

7. CALLED UP SHARE CAPITAL

	1996	1995
	£	£
Ordinary shares of 25p each Authorised	<u>2,300,000</u>	<u>2,300,000</u>
Allotted, called up and fully paid	<u>1,641,130</u>	<u>1,641,130</u>
7% (now 4.9% plus tax credit) Preference shares of £ 1 each Authorised	<u>200,000</u>	<u>200,000</u>
Allotted, called up and fully paid	<u>200,000</u>	<u>200,000</u>

THOMAS MARSHALL (LOXLEY) LIMITED**NOTES TO THE FINANCIAL STATEMENTS - 31ST DECEMBER 1996 (CONTINUED)****8. RESERVES**

	1996 £	1995 £
Share premium	813,511	813,511
Revaluation reserve	18,790	18,790
Other	<u>281,383</u>	<u>281,383</u>
	<u>1,113,684</u>	<u>1,113,684</u>

9. RECONCILIATION OF SHAREHOLDERS' FUNDS

	1996 £	1995 £
Profit for the year	136,851	33,852
Dividends	<u>(136,851)</u>	<u>(33,852)</u>
Net addition to shareholders' funds	-	-
Opening shareholders' funds	<u>6,549,397</u>	<u>6,549,397</u>
Closing shareholders' funds	<u>6,549,397</u>	<u>6,549,397</u>

10. ULTIMATE HOLDING COMPANY

The ultimate holding company is Hepworth PLC, a company registered in England and Wales. Both the largest and the smallest group of undertakings for which group accounts are drawn up and of which the company is a member of that headed by Hepworth PLC. The consolidated financial statements of Hepworth PLC are available to the public from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

11. RELATED PARTY TRANSACTIONS

As the company is a wholly owned subsidiary of Hepworth PLC, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group.