

**Sibelco Minerals and Chemicals (Holdings)
Limited**

**Directors' report and financial
statements**

Registered number 495403

31 December 2002



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Business review

The Company operates as the holding company for the minerals and chemicals companies within the Sibelco Minerals and Chemicals group. The loss for the financial year was £1,064,776 compared to a loss of £2,052,902 for the previous year.

Dividend

No dividend will be recommended by the directors (2001: *£nil*).

Directors and directors' interests

The following is a list of all persons who were directors of the Company at any time between 1 January 2002 and the date of this report:

| | |
|---------------------|---|
| G Hillebrand | (appointed 12 September 2003) |
| FF Fernández Torres | (appointed 1 June 2002, resigned 12 September 2003) |
| GB Lawson | (resigned 11 July 2002) |
| J Emsens | (resigned 30 April 2002) |
| ME Beckett | |
| FAS Lesser | (resigned 10 May 2002) |
| MJ Matthewson | (resigned 21 May 2002) |
| D F Routs | (resigned 6 April 2002) |
| C Tawney | |
| WD Brown | |
| E Thomas | (resigned 30 April 2002) |

No directors had any interest in the shares of the Company or any group company.

Auditors

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

By order of the board



WD Brown
Director

Brookside Hall
Congleton Road
Sandbach
Cheshire
CW11 4TF

27 October 2003

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 Sibelco Minerals and Chemicals (Holdings) Limited

We have audited the financial statements on pages 4 to 10.

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.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

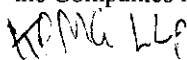
Basis of audit opinion

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 2002 of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG LLP
Chartered Accountants
Registered Auditor

29 October 2003

Profit and loss account
for the year ended 31 December 2002

| | <i>Note</i> | 2002 £ | 2001 £ |
|---|-------------|--------------------|-------------|
| Operating profit | | - | - |
| Interest received | | - | 47 |
| Interest paid | | (1,521,108) | (2,052,949) |
| Loss on ordinary activities before taxation | | (1,521,108) | (2,052,902) |
| Tax on loss on ordinary activities | 3 | 456,332 | - |
| Loss on ordinary activities after taxation | | (1,064,776) | (2,052,902) |
| Dividends | | - | - |
| Retained loss for the financial year | | (1,064,776) | (2,052,902) |

In both the current and preceding year there were no recognised gains or losses other than the loss for the year.

All of the above results relate to continuing operations.

Balance sheet

for the year ended 31 December 2002

| | Note | 2002 £ | £ | 2001 £ | £ |
|--|------|-------------|--------------|-------------|--------------|
| Fixed assets | | | | | |
| Investments | 4 | | 4,735,604 | | 4,735,604 |
| Current assets | | | | | |
| Debtors | 5 | 39,588,226 | | 41,489,899 | |
| Cash at bank and in hand | | 6,668 | | 6,668 | |
| | | | | | |
| | | 39,594,894 | | 41,496,567 | |
| Creditors (amounts falling due within one year) | 6 | - | | (6,686,897) | |
| | | | | | |
| Net current assets | | | 39,594,894 | | 34,809,670 |
| Creditors (amounts falling after one year) | 7 | | (35,000,000) | | (29,150,000) |
| | | | | | |
| Net assets | | | 9,330,498 | | 10,395,274 |
| | | | | | |
| Capital and reserves | | | | | |
| Called up share capital | 8 | 1,200,000 | | 1,200,000 | |
| Share premium account | 9 | 11,218,274 | | 11,218,274 | |
| Capital reserve | 9 | 493,460 | | 493,460 | |
| Profit and loss account | 9 | (3,581,236) | | (2,516,460) | |
| | | | | | |
| Total equity shareholders' funds | | | 9,330,498 | | 10,395,274 |

These financial statements were approved by the board of directors on 27 October 2003 and were signed on its behalf by:



WD Brown
 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 accounts.

Basis of preparation

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

Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Investments

Investments in subsidiary and associated companies are stated at cost less provisions for any permanent diminution in value.

Foreign currency

Assets and liabilities expressed in foreign currencies are translated into sterling at rates ruling at the year end and trading results at average rates applicable during the year.

Cashflow statement

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

Consolidated financial statements

The Company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Notes (continued)

2 Directors and employees

The average number of persons employed by the Company, excluding directors, during the year was nil (2001: nil).

None of the directors received any emoluments during the year in respect of their services to the Company (2001: nil).

The emoluments of the directors of the Company, excluding pension contributions, in respect of services to subsidiary undertakings were as follows:

| | 2002 £000 | 2001 £000 |
|--|--------------|--------------|
| Directors' emoluments (including contributions to money purchase and final salary pension schemes) | 887 | 489 |
| Compensation for loss of office | <u>761</u> | <u>-</u> |
| | <u>1,648</u> | <u>489</u> |

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director were £167,349 (2001: £151,930). He is a member of a defined benefit pension scheme, under which his accrued pension at the year end was £45,169 (2001: £20,987).

| | 2002 Number | 2001 Number |
|---|----------------|----------------|
| Retirement benefits are accruing to the following number of directors under defined benefit schemes | <u>4</u> | <u>8</u> |
| The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was | <u>-</u> | <u>-</u> |

3 Taxation

| | 2002 £000 | 2001 £000 |
|---|----------------|--------------|
| UK corporation tax | | |
| Current tax on income for the period | <u>456,332</u> | <u>-</u> |
| Total current tax | <u>456,332</u> | <u>-</u> |
| Tax on loss on ordinary activities | <u>456,332</u> | <u>-</u> |

There is no difference between the current tax credit for the period and the standard rate of corporation tax in the UK.

Notes (continued)

4 Fixed asset investments

| | Shares in group undertakings £ | Total £ |
|--|--------------------------------------|------------|
| <i>Shares</i> | | |
| <i>Cost</i> | | |
| At beginning of year and end of year | 4,867,000 | 4,867,000 |
| <i>Provisions</i> | | |
| At beginning of year and end of year | 131,396 | 131,396 |
| <i>Net book value</i> | | |
| At 31 December 2002 and 31 December 2001 | 4,735,604 | 4,735,604 |

The principal companies in which the Company's interest at the year end is more than 20% are shown below:

| Company | Country of incorporation or registration |
|---|---|
| Sibelco Minerals and Chemicals Limited | England |
| Prestige Sports Surfaces Limited | England |
| *Sibelco Minerals and Chemicals B.V. | The Netherlands |
| *Sibelco Minerralien and Chemicalien GmbH | Germany |
| *Sibelco Minerals and Chemicals S.A. | Belgium |
| *Sibelco Minerals and Chemicals S.A. | France |
| *Shanghai Hepworth Foundry Products China Ltd | China |
| *Hubei Hepworth Foundry Materials Co. Ltd | China |
| *A S Fumol | Denmark |
| *Jinan Shengquan Hepworth Chemicals Ltd | China |

Each company is wholly owned (except Prestige Sports Surfaces Limited which is 50% owned, Hubei Hepworth Foundry Materials Co. Ltd which is 60% owned and Jinan Shengquan Hepworth Chemicals Ltd which is 50% owned) and operates in its country of incorporation or registration.

Those companies which are not direct subsidiaries of Sibelco Minerals and Chemicals (Holdings) Limited are denoted*.

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

5 Debtors

| | 2002 £ | 2001 £ |
|----------------------------------|-------------------|-------------------|
| Amounts due from group companies | 39,131,894 | 41,489,899 |
| Corporation tax debtor | 456,332 | - |
| | <u>39,588,226</u> | <u>41,489,899</u> |

Notes *(continued)*

6 Creditors (falling due within one year)

| | 2002 | 2001 |
|------------------------------------|-------------|------------------|
| | £ | £ |
| Interest payable | - | 836,897 |
| Loan owed to other group companies | - | 5,850,000 |
| | <u>-</u> | <u>6,686,897</u> |
| | <u>-</u> | <u>6,686,897</u> |

7 Creditors (falling due after one year)

| | 2002 | 2001 |
|------------------------------------|-------------------|-------------------|
| | £ | £ |
| Loan owed to other group companies | 35,000,000 | 29,150,000 |
| | <u>35,000,000</u> | <u>29,150,000</u> |

The loan is a long term loan provided by a fellow group company Watts Blake Bearne and Company PLC. There are no fixed repayment terms on the loan.

8 Called up share capital

| | 2002 | 2001 |
|------------------------------------|------------------|------------------|
| | £ | £ |
| Ordinary shares of £1 each: | | |
| Authorised | 1,200,000 | 1,200,000 |
| | <u>1,200,000</u> | <u>1,200,000</u> |
| Allotted, called up and fully paid | 1,200,000 | 1,200,000 |
| | <u>1,200,000</u> | <u>1,200,000</u> |

Notes (continued)

9 Reserves

| | Share premium account £ | Capital reserve £ | Profit and loss account £ |
|-------------------------------|----------------------------------|-------------------------|------------------------------------|
| At the beginning of the year | 11,218,274 | 493,460 | (2,516,460) |
| Retained loss for the year | - | - | (1,064,776) |
| At the end of the year | 11,218,274 | 493,460 | (3,581,236) |

10 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 2002, this contingent liability amounted to £235,048 (2001: £781,770).

11 Reconciliation in movement in shareholders' funds

| | 2002 £ | 2001 £ |
|--|-------------|-------------|
| Loss for the year | (1,064,776) | (2,052,902) |
| Net (reduction) in shareholders' funds | (1,064,776) | (2,052,902) |
| Opening shareholders' funds | 10,395,274 | 12,448,176 |
| Closing shareholders' funds | 9,330,498 | 10,395,274 |

12 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

The directors have taken advantage of the exemption contained in FRS 8 – Related Party Disclosures and have not disclosed transactions with entities which are part of the S.C.R Sibelco SA group.