

Hepworth Minerals & Chemicals (Holdings) Limited

(Registered number 495403)

Directors' report and accounts

31 December 1999



Hepworth Minerals & Chemicals (Holdings) Limited

Directors' report and accounts

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Hepworth Minerals & Chemicals (Holdings) Limited

Report of the directors for the year ended 31 December 1999

The directors present their annual report and the audited accounts for the year ended 31 December 1999.

Business review

The Company operates as the holding company for the minerals and chemicals companies within the Hepworth group.

Dividend

The directors have declared an interim dividend of £6,023,345 payable to its holding company. No final dividend will be recommended by the directors.

Directors

The following is a list of all persons who were directors of the Company at any time between 1 January 1999 and the date of this report :

J F Chene	H J Matthewson (appointed 01 April 1999)
IG Kerr (resigned 31 March 1999)	DF Routs
	W D Brown (appointed 01 April 1999)
	E Thomas (appointed 01 April 1999)

Directors' interests

No director had any interest in the shares of the Company. J F Chene was also a director of the ultimate holding company, Hepworth PLC, and any disclosable beneficial interests in the issued share and loan capital of that company are shown in its accounts.

Disclosable interests of, H J Matthewson, D F Routs , W D Brown and E Thomas are as follows:

Directors' interests in shares

The interests of these directors in the share capital of Hepworth PLC at the beginning and end of the year are set out below :

	At 1st January 1999	At 31st December 1999
H J Matthewson	0	0
D F Routs	3,216	3,216
W D Brown	3,527	3,527
E Thomas	683	683

Share option schemes

Hepworth PLC's executive share option scheme expired in 1996 and was replaced by the Hepworth Long-Term Incentive Plan in 1997. Directors also participate in the Hepworth Savings-Related Share Option Scheme ("SAYE") which is open to all employees who meet a minimum service requirement and which is felt to be an effective method of giving employees generally the opportunity to acquire shares in Hepworth PLC.

Details of share options held are set out over-leaf :

Hepworth Minerals & Chemicals (Holdings) Limited

Report of the directors for the year ended 31 December 1999 (continued)

Share option schemes

	Scheme	Number of options					Exercise price	Mid-market price on date of exercise	Date from which exercisable	Gains on exercise £	Expiry date
		At start of year	Granted during year	Exercised during year	Lapsed during year	At end of year					
H J Matthewson	Executive	37,037	0	0	0	37,037	297p		09.11.1997		08.11.2004
	SAYE	2,816	0	0	2,816	0	245p		01.07.2000		31.12.2000
		1,418	0	0	1,418	0	220p		01.07.2000		31.12.2000
		3,959	0	0	3,959	0	197p		01.07.2001		31.12.2001
		0	6,919	0	0	6,919	140p		01.07.2002		31.12.2002
D F Routs	Executive	3,677	0	0	3,677	0	266p		03.05.1992		02.05.1999
		10,111	0	0	0	10,111	369p		01.05.1995		30.04.2002
		8,816	0	0	0	8,816	385p		18.06.1996		17.06.2003
	SAYE	2,746	0	0	0	2,746	284p		01.07.2000		31.12.2000
		4,949	0	0	0	4,949	197p		01.07.2001		31.12.2001
W D Brown	Executive	6,695	0	0	6,695	0	266p		03.05.1992		02.05.1999
		2,955	0	0	0	2,955	369p		01.05.1995		30.04.2002
		6,476	0	0	0	6,476	385p		18.06.1996		17.06.2003
	SAYE	0	4,949	0	0	4,949	197p		01.07.2001		31.12.2001
E Thomas	Executive	5,028	0	0	0	5,028	267p		01.05.1993		30.04.2000
		13,866	0	0	0	13,866	369p		01.05.1995		30.04.2002
		9,160	0	0	0	9,160	385p		18.06.1996		17.06.2003
	SAYE	1,112	0	0	1,112	0	310p		01.07.1998		31.12.1999
		1,391	0	0	0	1,391	248p		01.07.2001		31.12.2001
		1,568	0	0	0	1,568	220p		01.07.2002		31.12.2002

Long-term incentive plan

In January 1997 Hepworth PLC introduced a new long-term incentive plan. The plan was designed to align the interests of senior executives and shareholders and to reward directors progressively in a way which would strengthen long-term motivation and commitment to the Group and assist in the retention of key executives. The plan provides for an annual award of shares in Hepworth PLC (a basic award) and, in addition, a participating director or employee may, at the discretion of that company's Remuneration Committee, be invited to invest some or all of his annual bonus in purchasing (and retaining) shares in Hepworth PLC in return for which he will receive an additional award of shares (a matching award). The release of the shares will be dependant upon continued employment and the achievement of demanding performance targets over a performance period of not less than three years.

The first awards were made under the plan in April 1997 to directors and other senior executives. Details of awards made under the plan are set out below:

	Number of shares subject to awards				Maximum number of shares which can vest	Year in which shares (if any) will vest
	At start of year	Awarded during year	Vested during year	At end of year		
HJ Matthewson	6,022	0	0	6,022	12,044	2,000
D F Routs	5,900	0	0	5,900	11,800	2,000
W D Brown	5,590	0	0	5,590	11,180	2,000
E Thomas	5,900	0	0	5,900	11,800	2,000

Hepworth Minerals & Chemicals (Holdings) Limited

Report of the directors for the year ended 31 December 1999 (continued)

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 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.

Employees

The policy of the Group for the employment of disabled persons is to give them equal opportunities with other employees to train for, and attain, any position in the Group having regard to the maintenance of a safe working environment and the constraints of their disabilities.

Year 2000 compliance

Risk analysis was undertaken to establish the impact of this issue on all our activities and to address the key risks in advance of the critical dates to avoid disruption to the underlying business activities.

Following the critical date transition to 1 January 2000, no failures to business critical systems have been identified. There has been no indication from third parties with whom the company engages, that they have been adversely affected by the Year 2000 problem, which may impact on our ability to operate.

The Directors, however, continue to recognise that there still remain critical dates which may lead to failures. In response to this possibility, resource continues to be dedicated to the problem until the potential remaining for Year 2000 problems to arise is significantly mitigated.

By order of the board



D F Routs
Secretary

17th March 2000

Registered Office
Brookside Hall
Congleton Road
Sandbach
Cheshire
CW11 4TF

**Report of the auditors, KPMG Audit Plc
to the members of Hepworth Minerals & Chemicals (Holdings)Limited**

We have audited the financial statements on pages 5 to 11

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, 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 . 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 1999 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 Auditor

29 March 2000

The Fountain Precinct
1 Balm Green
Sheffield
S1 3AF

Hepworth Minerals & Chemicals (Holdings) Limited

Profit and loss account for the year ended 31 December 1999

	<i>Note</i>	1999 £	1998 £
Operating income		0	0
Operating profit / (loss)		<u>0</u>	<u>0</u>
Bank interest receivable		33	33
Dividends receivable from subsidiaries		6,011,442	7,697,955
Profit on ordinary activities before taxation		<u>6,011,475</u>	<u>7,697,988</u>
Tax on profit on ordinary activities	3	(7)	(7)
Profit on ordinary activities after taxation		<u>6,011,468</u>	<u>7,697,981</u>
Dividends		(6,023,345)	(7,697,981)
Retained loss for the financial year		<u><u>(11,877)</u></u>	<u><u>0</u></u>

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

All of the above results relate to continuing operations.

Hepworth Minerals & Chemicals (Holdings) Limited

Balance sheet at 31 December 1999

	Note	1999 £	1998 £
Fixed assets			
Investments	4	335,604	335,604
Current assets			
Debtors	5	53,992,807	47,981,372
Cash at bank and in hand		6,607	6,574
		<u>53,999,414</u>	<u>47,987,946</u>
Creditors (amounts falling due within one year)	6	<u>(52,439,559)</u>	<u>(46,416,214)</u>
Net current assets		1,559,855	1,571,732
Net assets		<u>1,895,459</u>	<u>1,907,336</u>
Capital and reserves			
Called up share capital	7	800,000	800,000
Capital reserve	8	493,460	493,460
Profit and loss account	8	601,999	613,876
Total equity shareholders' funds		<u>1,895,459</u>	<u>1,907,336</u>

Approved by the board on 17th March 2000 and
signed on its behalf by



D F Routs
Director

*The notes on pages 7 to 11 form part
of these accounts*

Hepworth Minerals & Chemicals (Holdings) Limited

Notes to the accounts - 31 December 1999

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

Pension costs

The expected costs of pensions is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees. Variations from the regular cost are spread over the expected service lives of current employees in the scheme. Pension costs are assessed in accordance with the advice of an actuary.

Deferred taxation

Provision is made at current rates for deferred taxation unless there is a reasonable probability that no payment will be made in the foreseeable future.

Investment in subsidiary companies

Shares in subsidiary companies are stated at cost less provision for 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. Exchange gains and losses of a trading nature are dealt with in arriving at the profit before taxation. Other gains and losses and translation differences are shown separately as a movement on retained profits.

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 its ultimate parent undertaking, Hepworth PLC, includes the Company in its published consolidated financial statements.

Consolidated accounts

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

Hepworth Minerals & Chemicals (Holdings) Limited

Notes to the accounts - 31 December 1999 (continued)

2 Directors and employees

The average number of persons employed by the Company, excluding directors, during the year was nil (1998 : Nil).

None of the directors received any emoluments during the year in respect of his services to the Company (1998 : Nil).

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

	1999	1998
	£000	£000
Directors' emoluments	<u>458</u>	<u>488</u>

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director were £140,000 (1998 : £203,000). He is a member of a defined benefit pension scheme, under which his accrued pension at the year end was £91,000 (1998 : £81,000).

	1999	1998
	Number	Number
Retirement benefits are accruing to the following number of directors under defined benefit schemes	<u>3</u>	<u>3</u>

The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was

	1999	1998
	Number	Number
	<u>1</u>	<u>1</u>

Further details of directors' interests are set out in the directors' report on pages 1 to 3.

3 Taxation

	1999	1998
	£	£
Based on the profit for the year		
UK corporation tax at 20.25% (1998 : 21%)	<u>7</u>	<u>7</u>

Hepworth Minerals & Chemicals (Holdings) Limited

Notes to the accounts - 31 December 1999 (continued)

4 Fixed asset investments

	Cost £	Provision £	Net book value £
Shares in group undertakings :			
At 1 January 1999 and 31 December 1999	467,000	(131,396)	335,604

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
Hepworth Minerals and Chemicals Limited	England
Prestige Sports Surfaces Limited	England
*Hepworth Minerals and Chemicals Management Company S.A.	Belgium
*Hepworth Minerals and Chemicals B.V.	The Netherlands
*Hepworth Mineralien and Chemicalien GmbH	Germany
*Hepworth Minerals and Chemicals S.A.	Belgium
*Hepworth Minerals and Chemicals S.A.	France
*Iberdol S.A.	Spain
*A S Fumol	Denmark
*Shanghai Hepworth Foundry Products China Ltd	China
*Hubei Hepworth Foundry Materials Co. Ltd	China
*Hankook HMC Ltd	Korea
*Jinan Shengquan Hepworth Chemicals Ltd	China

Each company is wholly owned (except Prestige Sports Surfaces Limited which is 50% owned, Hankook HMC Ltd which is 80% 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 Hepworth 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.

Hepworth Minerals & Chemicals (Holdings) Limited

Notes to the accounts - 31 December 1999 (continued)

5 Debtors

	1999	1998
	£	£
Dividends receivable	34,475,474	28,464,032
Amounts due from group companies	19,517,333	19,517,340
	<u>53,992,807</u>	<u>47,981,372</u>

6 Creditors (falling due within one year)

	1999	1998
	£	£
Corporation tax	7	7
Dividends payable	52,439,552	46,416,207
	<u>52,439,559</u>	<u>46,416,214</u>

7 Called up share capital

	1999	1998
	£	£
Ordinary shares of £1 each:		
Authorised	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid	<u>800,000</u>	<u>800,000</u>

8 Reserves

	Capital Reserve £	Profit and loss account £
At the beginning of the year	493,460	613,876
Retained profit for the year	0	(11,877)
At the end of the year	<u>493,460</u>	<u>601,999</u>

9 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 1999, this contingent liability amounted to £946,956 (1998 - £575,489).

Hepworth Minerals & Chemicals (Holdings) Limited

Notes to the accounts - 31 December 1999 (continued)

10 Reconciliation in movement in shareholders funds	1999	1998
	£	£
Profit for the financial year	6,011,468	7,697,981
Dividends	(6,023,345)	(7,697,981)
Net addition / (reduction) in shareholders funds	(11,877)	0
Other recognised gains / (losses)	0	0
Net (reduction) in shareholders funds	(11,877)	0
Opening shareholders funds	1,907,336	1,907,336
Closing shareholders funds	1,895,459	1,907,336

11 Ultimate holding company

The Company is a wholly owned subsidiary of R & M Holdings Ltd whose ultimate holding and controlling undertaking is Hepworth PLC. The results of the Company are consolidated in the financial statements of Hepworth PLC, and accordingly certain of the disclosure requirements of FRS 8 - Related Party Disclosures do not apply to the Company.

The consolidated accounts of Hepworth PLC are available to the public from The Company Secretary, Hepworth PLC, 2 Cavendish Square, London, W1M 9HA.