

Heraeus Silica and Metals Limited

Directors' report and financial statements

31 December 1996

Registered number 734915



Heraeus Silica and Metals Limited

Directors' report and financial statements

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Heraeus Silica and Metals Limited

Directors and other information

Directors

Dr P Vischer	-	Chairman
Mr G Vilsmeier	-	Managing director
Mr HKA Baumbach		
Mr BM Caporn		
Mr CB Latham		
Mr GND Lunt FCA		
Mr A Pitzen		

Secretary

DJR Turner ACMA

Registered Office

1 Craven Court
Canada Road
Byfleet
WEYBRIDGE
Surrey KT14 7JL

Auditors

KPMG
1 Forest Gate
Brighton Road
Crawley
West Sussex RH11 9PT

Solicitors

Bowles & Co
18 Church Street
EPSOM
Surrey KT17 4QD

Bankers

Barclays Bank Plc
(Walton-on-Thames, Bromborough, Stoke-on-Trent)

Commerzbank Ag
(London)

Bank of Scotland
(East Kilbride)

Heraeus Silica and Metals Limited

Directors and other information *(continued)*

Premises

Unit 1, Craven Court Industrial Estate
Canada Road
Byfleet
WEYBRIDGE
Surrey

Unit 3, The Bytech Centre
Canada Road
Byfleet
WEYBRIDGE
Surrey

5 Langlands Place
Kelvin South Business Park
EAST KILBRIDE
Scotland

Croft Business Park
Caldbeck Road
Bromborough
WIRRAL
Merseyside

Cinderhill Industrial Estate
Weston Coyney Road
LONGTON
Stoke-on-Trent

Heraeus Silica and Metals Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1996.

Principal activities

The company's activities during the year were the manufacture and sale of silica glass components, sale of materials for optical fibre manufacture, the supply of ceramic colours, the sale of materials and services for electronic circuits, precious metal and chemical products.

Turnover increased by 3.9% to £22.02 million. The directors are of the opinion that the company's state of affairs is satisfactory.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend for the year (1995: £487,500).

The profit for the year retained in the company is £1,235,339.

Directors and directors' interests

The present members of the board are shown on page 1. During the year ended 31 December 1996 the following served as directors:

Dr P Vischer
Mr G Vilsmeier
Mr HKA Baumbach
Mr BM Caporn
Mr GND Lunt
Mr CB Latham
Mr A Pitzen

Heraeus Silica and Metals Limited

Directors' report *(continued)*

Directors and directors' interests *(continued)*

The directors who held office throughout the year had the following interests in the shares of the company.

1 January 1996 and 31 December 1996

Directors	Ordinary	Deferred
<i>Beneficial interests</i>		
Mr HKA Baumbach	19,500	500

Auditors

In accordance with Section 385 of the Companies Act 1985 a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



DJR Turner
Company secretary

Craven Court
Canada Road
Byfleet
Weybridge
Surrey
KT14 7JL

Heraeus Silica and Metals Limited

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.



1 Forest Gate
Brighton Road
Crawley
West Sussex RH11 9PT

Report of the auditors to the members of Heraeus Silica and Metals Limited

We have audited the financial statements on pages 7 to 19.

Respective responsibilities of directors and auditors

As described on page 5 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 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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

WmG

20 March 1997

Chartered Accountants
Registered Auditors

Heraeus Silica and Metals Limited

Profit and loss account for the year ended 31 December 1996

		1996	1995
	Note	£	£
Turnover	<i>1</i>	22,024,323	21,191,633
Cost of sales		(17,665,054)	(16,089,822)
Gross profit		4,359,269	5,101,811
Distribution and selling costs	<i>3</i>	(1,622,777)	(1,635,068)
Administrative expenses		(1,117,522)	(854,819)
Trading profit		1,618,970	2,611,924
Other operating income	<i>5</i>	154,743	180,676
Operating profit		1,773,713	2,792,600
Interest receivable and similar income	<i>6</i>	449,832	239,759
Interest payable	<i>7</i>	(318,962)	(386,695)
Profit on ordinary activities before taxation	<i>2-7</i>	1,904,583	2,645,664
Tax on profit on ordinary activities	<i>8</i>	(669,244)	(799,800)
Profit on ordinary activities after taxation		1,235,339	1,845,864
Dividends proposed	<i>9</i>	-	(487,500)
Retained profit for the financial year		1,235,339	1,358,364
Retained profit brought forward		5,300,414	3,942,050
Retained profit carried forward		6,535,753	5,300,414

The company has no recognised gains and losses other than those included in the profit and loss account above.

During the year the company made no acquisitions and had no discontinued activities.

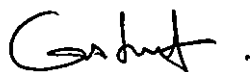
Heraeus Silica and Metals Limited

Balance sheet

at 31 December 1996

	Note	1996		1995	
		£	£	£	£
Fixed assets					
Tangible assets	10	3,307,448		2,967,756	
Current assets					
Stocks	11	3,689,804		3,855,697	
Debtors	12	4,087,403		4,015,551	
Cash at bank and in hand		1,500,641		1,432,552	
		<u>9,277,848</u>		<u>9,303,800</u>	
Creditors: amounts falling due within one year	13	<u>(2,422,689)</u>		<u>(5,747,457)</u>	
Net current assets		<u>6,855,159</u>		<u>3,556,343</u>	
Total assets less current liabilities		<u>10,162,607</u>		<u>6,524,099</u>	
Creditors: amounts falling due after more than one year	14	<u>(3,230,854)</u>		<u>(972,000)</u>	
Provisions for liabilities and charges	15	<u>(196,000)</u>		<u>(51,685)</u>	
Net assets		<u>6,735,753</u>		<u>5,500,414</u>	
Capital and reserves					
Called up share capital	16	200,000		200,000	
Profit and loss account		<u>6,535,753</u>		<u>5,300,414</u>	
Equity shareholders' funds		<u>6,735,753</u>		<u>5,500,414</u>	

These financial statements were approved by the board of directors on 20 March 1997 and were signed on its behalf by:



GND Lunt
Director

Heraeus Silica and Metals Limited

Cash flow statement

for the year ended 31 December 1996

	Note	1996	1995
		£	£
Net cash inflow from operating activities	18	2,295,937	1,728,893
Returns on investments and servicing of finance			
Interest received	225,527	235,121	
Interest paid	(379,149)	(382,057)	
Dividend paid	(487,500)	(487,500)	
Net cash outflow from returns on investment and servicing of finance		(641,122)	(634,436)
Taxation			
Corporation tax paid		(855,092)	(644,567)
Investing activities			
Payments to acquire tangible fixed assets	(859,210)	(658,924)	
Reimbursement of expenditure on fixed assets	100,000	635,000	
Receipts from sale of tangible fixed assets	27,576	27,304	
Net cash inflow/(outflow) from investing activities		(731,634)	3,380
Increase in cash and cash equivalents	19	68,089	453,270

Heraeus Silica and Metals Limited

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 in accordance with applicable accounting standards and under the historical cost accounting rules.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods to customers during the year.

Related Party Disclosure

The company is exempt under Financial Reporting Standard 8, from the requirement to disclose related party transactions, as it is a subsidiary of Heraeus Holding GmbH.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	2%
Long leasehold land and buildings	-	4%
Plant and machinery	-	10%
Motor vehicles	-	25%
Furniture, fixtures and fittings	-	10% - 20%

Deferred income

Reimbursement of expenditure on fixed assets is deferred and credited to the profit and loss account over the estimated useful economic lives of the related assets in line with the depreciation of those assets.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. In accordance with Statement of Standard Accounting Practice No 20, exchange gains and losses on the retranslation of monetary items are taken to the profit and loss account for the year. To the extent that unrealised exchange profits arise on the retranslation of unsettled long-term monetary items, this treatment represents a departure from the Companies Act 1985 requirement to take to the profit and loss account only profits realised at the balance sheet date. However, as noted in SSAP 20, exchange gains on unsettled transactions can be determined no less objectively than exchange losses and to defer the former whilst recognising the latter would both be illogical and inhibit fair measurement of the company's performance in the year. Therefore, the directors consider that recognition of such unrealised profits is necessary in order for the accounts to give a true and fair view. The effect of this departure is to increase profit before taxation by £279,768 (1995: £nil) and decrease the value of the loan from a fellow subsidiary by £279,768.

Heraeus Silica and Metals Limited

Notes (continued)

1 Accounting policies (continued)

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful lives of the assets to which they relate.

Leases

Annual rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Employees have the right to make additional voluntary contributions. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods manufactured by the company, cost is taken as production cost which includes an appropriate proportion of attributable overheads. Raw materials and bought in components have been valued at the lower of cost and net realisable value.

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. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

2 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	1996 £	1995 £
Auditors' remuneration:		
Audit	18,800	17,900
Other services	31,065	30,553
Consultancy (see below)	100,625	-
Depreciation	462,387	410,177
Rentals payable under operating leases for land and buildings	99,544	104,475
Hire of other assets	31,990	26,685
	<hr/>	<hr/>

after crediting

Government grants	45,000	35,000
Deferred income	86,500	86,500
	<hr/>	<hr/>

A further £93,020 of consultancy fees paid to the auditors relates to software configuration and is included in fixed assets.

Heraeus Silica and Metals Limited

Notes (continued)

3 Remuneration of directors

	1996	1995
	£	£
Directors' emoluments:		
As directors	<u>324,901</u>	<u>322,038</u>

The emoluments, excluding pension contributions, of the chairman were £nil (1995:£nil) and those of the highest paid director were £103,784 (1995: £114,704).

The emoluments, excluding pension contributions, of the directors were within the following ranges:

	Number of directors	
	1996	1995
£ 0 - £ 5,000	3	4
£10,001 - £15,000	-	1
£40,001 - £45,000	-	1
£65,001 - £70,000	1	1
£70,001 - £75,000	1	-
£75,001 - £80,000	1	1
£100,001 - £105,000	1	-
£110,001 - £115,000	-	1

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1996	1995
Management and administration	14	14
Selling	34	31
Production	88	75
	<u>136</u>	<u>120</u>

The aggregate payroll costs of these persons were as follows:

	1996	1995
	£	£
Wages and salaries	2,701,641	2,683,501
Social security costs	261,248	251,399
Other pension costs (see note 22)	80,744	75,515
	<u>3,043,633</u>	<u>3,010,415</u>

Heraeus Silica and Metals Limited

Notes (continued)

5 Other operating income

	1996 £	1995 £
Commissions	<u>154,743</u>	<u>180,676</u>

6 Interest receivable and similar income

	1996 £	1995 £
Bank interest	170,064	239,759
Exchange gain on long term loan with group undertaking (see note 1)	<u>279,768</u>	<u>-</u>
	<u>449,832</u>	<u>239,759</u>

7 Interest payable

	1996 £	1995 £
On bank overdraft	90	475
On foreign currency loan with group undertaking	179,599	193,768
On bank loan wholly repayable within five years	138,307	192,452
Other	<u>966</u>	<u>-</u>
	<u>318,962</u>	<u>386,695</u>

8 Taxation

	1996 £	1995 £
UK corporation tax at 33% (1995:33%) on the profit for the year on ordinary activities	525,000	775,000
Deferred taxation	64,800	24,800
Adjustment relating to an earlier year: Corporation taxation	<u>79,444</u>	<u>-</u>
	<u>669,244</u>	<u>799,800</u>

Heraeus Silica and Metals Limited

Notes (continued)

9 Dividend

	1996 £	1995 £
Ordinary dividend: £nil per share (1995: £2.50 per share)	-	487,500

10 Tangible fixed assets

	Freehold land and buildings £	Long leasehold land and buildings £	Plant and machinery £	Fixtures and fittings £	Total £
Cost					
At beginning of year	698,108	209,499	1,099,488	2,741,766	4,748,861
Additions	-	-	304,755	523,932	828,687
Disposals	-	-	(16,762)	(296,844)	(313,606)
At end of year	698,108	209,499	1,387,481	2,968,854	5,263,942
Depreciation					
At beginning of year	12,040	75,247	638,462	1,055,356	1,781,105
Provided in year	12,082	6,660	88,133	355,512	462,387
Disposals	-	-	(16,194)	(270,804)	(286,998)
At end of year	24,122	81,907	710,401	1,140,064	1,956,494
Net book value					
At 31 December 1996	673,986	127,592	677,080	1,828,790	3,307,448
At 31 December 1995	686,068	134,252	461,026	1,686,410	2,967,756

The gross book value of freehold land and buildings includes £603,108 (1995: £603,108) of depreciable assets.

Heraeus Silica and Metals Limited

Notes (continued)

11 Stocks

	1996 £	1995 £
Raw materials and bought in components	1,796,412	1,650,326
Work in progress	204,210	256,880
Finished goods	1,689,182	1,948,491
	<u>3,689,804</u>	<u>3,855,697</u>

12 Debtors

	1996 £	1995 £
<i>Due within one year</i>		
Trade debtors	3,921,706	3,665,216
Amounts owed by parent and fellow subsidiary undertakings	34,225	138,793
Prepayments	131,472	169,182
	<u>4,087,403</u>	<u>3,973,191</u>
<i>Due after one year</i>		
Advance corporation tax recoverable	-	42,360
	<u>4,087,403</u>	<u>4,015,551</u>

Heraeus Silica and Metals Limited

Notes (continued)

13 Creditors: amounts falling due within one year

	1996		1995	
	£	£	£	£
Trade creditors		320,448		237,482
Amounts owed to parent and fellow subsidiary undertakings		699,307		3,060,250
Other creditors including taxation and social security:				
Corporation tax	403,125		775,648	
Other taxes and social security	586,407		547,250	
		<u>989,532</u>		<u>1,322,898</u>
Accruals and deferred income		413,402		639,327
Dividend proposed		-		487,500
		<u>2,422,689</u>		<u>5,747,457</u>

14 Creditors: amounts falling due after more than one year

	1996	1995
	£	£
Loan from fellow subsidiary undertaking	2,275,054	-
Deferred income	955,800	972,000
	<u>3,230,854</u>	<u>972,000</u>

The loan, which is denominated in DM, is repayable on or before 22 March 2000. The effective rate of interest incurred on this arrangement is fixed at a rate of 7.75% per annum.

Heraeus Silica and Metals Limited

Notes (continued)

15 Provisions for liabilities and charges

	Deferred taxation	
	1996 £	1995 £
At beginning of year	131,200	106,400
Charge for the year in the profit and loss account	64,800	24,800
At end of year	196,000	131,200
Advance corporation tax recoverable	-	(79,515)
	<u>196,000</u>	<u>51,685</u>

The amounts provided for deferred taxation are set out below:

	1996 £	1995 £
Accelerated capital allowances	159,600	131,200
Other timing differences	36,400	-
	<u>196,000</u>	<u>131,200</u>

There is no unprovided deferred taxation (1995: £nil).

16 Called up share capital

	1996 £	1995 £
<i>Authorised, allotted, called up and fully paid</i>		
Ordinary shares of £1 each	195,000	195,000
Deferred shares of £1 each	5,000	5,000
	<u>200,000</u>	<u>200,000</u>

Heraeus Silica and Metals Limited

Notes (continued)

17 Reconciliation of movement in shareholders' funds

	1996 £	1995 £
Profit for the financial year	1,235,339	1,845,864
Dividends	-	(487,500)
Net additions to shareholders' funds	1,235,339	1,358,364
Shareholders' funds at beginning of year	5,500,414	4,142,050
Shareholders' funds at end of year	6,735,753	5,500,414

18 Reconciliation of operating profit to net cash inflow from operating activities

	1996 £	1995 £
Operating profit	1,773,713	2,792,600
Depreciation charge	462,387	410,177
Profit on sale of tangible fixed assets	(968)	(9,281)
Deferred income	(131,500)	(121,500)
(Increase)/decrease in stocks	165,893	(1,315,063)
Increase in debtors	(169,675)	(237,992)
Increase in creditors	196,087	209,952
Net cash inflow from operating activities	2,295,937	1,728,893

19 Analysis of changes in cash and cash equivalents during the year

	1996 £	1995 £
At beginning of year	1,432,552	979,282
Net cash inflow	68,089	453,270
At end of year	1,500,641	1,432,552

Heraeus Silica and Metals Limited

Notes (continued)

20 Analysis of changes in financing during the year

	1996 £
At beginning of year	-
New loan from group undertaking	2,554,822
Exchange gain	(279,768)
	<hr/>
At end of year	<u>2,275,054</u>

21 Commitments

- (i) Capital commitments at the end of the financial year for which no provision has been made.

	1996 £	1995 £
Contracted	<u>259,000</u>	<u>124,470</u>

- (ii) Annual commitments under non-cancellable operating leases are as follows:

	1996 Land and buildings £	1995 Land and buildings £
Operating leases which expire:		
Within one year	-	2,225
In the second to fifth years inclusive	16,750	16,750
Over five years	84,620	84,620
	<hr/>	<hr/>
	<u>101,370</u>	<u>103,595</u>

22 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £80,744 (1995: £75,515).

23 Ultimate holding company

The company is a subsidiary undertaking of Heraeus Holding GmbH incorporated in Germany. Copies of the consolidated accounts are available from Heraeus Silica and Metals, Byfleet, England.