

Heraeus Silica and Metals Limited

Directors' report and financial statements

31 December 1997

Registered number 734915



COMPANIES HOUSE 21/05/98

Directors' report and financial statements

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Directors and other information

Directors

Dr P Vischer - Chairman
Mr G Vilsmeier - Managing Director
Mr B M Caporn
Mr C B Latham
Mr G N D 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)

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

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

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 8.7% to £23.94 million. The directors are of the opinion that the company's state of affairs is satisfactory.

Proposed dividend and transfer to reserves

A dividend of £1.6m was paid during the year (1996: £nil).

The loss for the year retained in the company is £164,169 (1996 profit: £1,235,339).

Directors and directors' interests

The present members of the board are shown on page 1. During the year ended 31 December 1997 the following served as directors:

Dr P Vischer
Mr G Vilsmeier
Mr HKA Baumbach (resigned 31 December 1997)
Mr BM Caporn
Mr GND Lunt
Mr CB Latham
Mr A Pitzen

Auditors

In accordance with Section 384 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

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.



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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 6 to 15.

Respective responsibilities of directors and auditors

As described on page 4 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
Registered Auditors

15 March 1998

Profit and loss account
for the year ended 31 December 1997

	1997	1996
	£	£
	<i>Note</i>	
Turnover	<i>1</i>	
Cost of sales	23,938,889 (19,117,376)	22,024,323 (17,665,054)
Gross profit	4,821,513	4,359,269
Distribution and selling costs	(1,788,065)	(1,622,777)
Administrative expenses	(1,176,933)	(1,117,522)
Trading profit	1,856,515	1,618,970
Other operating income	<i>5</i>	154,743
Operating profit	1,970,438	1,773,713
Interest receivable and similar income	<i>6</i>	449,832
Interest payable	<i>7</i>	(318,962)
Profit on ordinary activities before taxation	<i>2-7</i>	1,904,583
Tax on profit on ordinary activities	<i>8</i>	(669,244)
Profit on ordinary activities after taxation		1,235,339
Dividends paid	<i>9</i>	-
Retained (loss)/profit for the financial year	(164,169)	1,235,339
Retained profit brought forward	6,535,753	5,300,414
Retained profit carried forward	6,371,584	6,535,753

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.

Balance sheet
at 31 December 1997

	<i>Note</i>	1997 £	£	1996 £	£
Fixed assets					
Tangible assets	<i>10</i>		3,784,423		3,307,448
Current assets					
Stocks	<i>11</i>	3,508,479		3,689,804	
Debtors	<i>12</i>	4,371,918		4,087,403	
Cash at bank and in hand		366,202		1,500,641	
		<u>8,246,599</u>		<u>9,277,848</u>	
Creditors: amounts falling due within one year	<i>13</i>	<u>(2,478,002)</u>		<u>(2,422,689)</u>	
Net current assets			<u>5,768,597</u>		<u>6,855,159</u>
Total assets less current liabilities			<u>9,553,020</u>		<u>10,162,607</u>
Creditors: amounts falling due after more than one year	<i>14</i>		<u>(2,807,436)</u>		<u>(3,230,854)</u>
Provisions for liabilities and charges	<i>15</i>		<u>(174,000)</u>		<u>(196,000)</u>
Net assets			<u>6,571,584</u>		<u>6,735,753</u>
Capital and reserves					
Called up share capital	<i>16</i>		200,000		200,000
Profit and loss account			6,371,584		6,535,753
Equity shareholders' funds	<i>17</i>		<u>6,571,584</u>		<u>6,735,753</u>

These financial statements were approved by the board of directors on 16th March 1998 and were signed on its behalf by:



GND Lunt
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 financial statements.

Basis of preparation

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

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Heraeus GmbH, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Heraeus GmbH, within which this company is included, can be obtained from Heraeus Silica and Metals, Byfleet, England.

Turnover

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

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. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

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 (money purchase) 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

	1997	1996
	£	£
Auditors' remuneration:		
Audit	20,000	18,800
Other services	36,450	31,065
Consultancy (see below)	53,018	100,625
Depreciation	545,250	462,387
Rentals payable under operating leases for land and buildings	100,821	99,544
Hire of other assets	26,773	31,990
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
<i>after crediting</i>		
Government grants	57,049	45,000
Deferred income	86,500	86,500
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>

A further £30,860 of consultancy fees paid to the auditors relates to software configuration and is included in fixed assets.

Notes (continued)

3 Remuneration of directors

	1997	1996
	£	£
Directors' emoluments:		
As directors	331,473	317,095
Company contributions to money purchase pension schemes	9,680	7,806
	341,153	324,901
	341,153	324,901

The emoluments of the highest paid director were £108,083 (1996: £103,784), and company pension contributions of £3,015 (1996: £2,587) were made to a money purchase scheme on his behalf.

	Number of directors	
	1997	1996
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	3	3

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	
	1997	1996
Management and administration	14	14
Selling	34	34
Production	88	88
	136	136
	136	136

The aggregate payroll costs of these persons were as follows:

	1997	1996
	£	£
Wages and salaries	2,915,525	2,701,641
Social security costs	267,864	261,248
Other pension costs (see note 19)	123,614	80,744
	3,307,003	3,043,633
	3,307,003	3,043,633

Notes *(continued)*

5 Other operating income

	1997 £	1996 £
Commissions	113,923	154,743
	<u>113,923</u>	<u>154,743</u>

6 Interest receivable and similar income

	1997 £	1996 £
Bank interest	68,100	170,064
Exchange realised gain on long term loan with group undertaking	156,186	279,768
	<u>224,286</u>	<u>449,832</u>

7 Interest payable

	1997 £	1996 £
On bank overdraft	1,489	90
On foreign currency loan with group undertaking	151,341	179,599
On bank loan wholly repayable within five years	-	138,307
Other	61	966
	<u>152,891</u>	<u>318,962</u>

8 Taxation

	1997 £	1996 £
UK corporation tax at 31.5% (1996:33%) on the profit for the year on ordinary activities	623,000	525,000
Deferred taxation	(17,040)	64,800
Adjustment relating to an earlier year: Corporation taxation	42	79,444
	<u>606,002</u>	<u>669,244</u>

Notes (continued)

9 Dividend

	1997 £	1996 £
Ordinary dividend paid: £8.21 per share (1996: £nil per share)	1,600,000	-
	1,600,000	-

10 Tangible fixed assets

	Freehold land and buildings £	Long leasehold land and buildings £	Plant and machinery £	Fixtures and fittings £	Total £
<i>Cost</i>					
At beginning of year	698,108	209,499	1,387,481	2,968,854	5,263,942
Additions	-	271,118	307,148	451,184	1,029,450
Transfer	-	46,795	-	(46,795)	-
Disposals	-	-	-	(149,804)	(149,804)
	698,108	527,412	1,694,629	3,223,439	6,143,588
<i>Depreciation</i>					
At beginning of year	24,122	81,907	710,401	1,140,064	1,956,494
Provided in year	13,988	7,111	120,638	403,513	545,250
Transfer	-	7,019	-	(7,019)	-
Disposals	-	-	-	(142,579)	(142,579)
	38,110	96,037	831,039	1,393,979	2,359,165
<i>Net book value</i>					
At 31 December 1997	659,998	431,375	863,590	1,829,460	3,784,423
At 31 December 1996	673,986	127,592	677,080	1,828,790	3,307,448

The gross book value of freehold land and buildings includes £603,108 (1996: £603,108) of depreciable assets.

11 Stocks

	1997 £	1996 £
Raw materials and bought in components	1,839,059	1,796,412
Work in progress	260,272	204,210
Finished goods	1,409,148	1,689,182
	3,508,479	3,689,804
	3,508,479	3,689,804

Notes (continued)

12 Debtors

	1997	1996
	£	£
<i>Due within one year</i>		
Trade debtors	4,181,097	3,921,706
Amounts owed by parent and fellow subsidiary undertakings	67,488	34,225
Prepayments	123,333	131,472
	4,371,918	4,087,403
	4,371,918	4,087,403

13 Creditors: amounts falling due within one year

	1997		1996	
	£	£	£	£
Bank loans and overdraft		1,630		-
Trade creditors		352,557		320,448
Amounts owed to parent and fellow subsidiary undertakings		400,832		699,307
Other creditors including taxation and social security:				
Corporation tax	627,960		403,125	
Other taxes and social security	614,442		586,407	
		1,242,402		989,532
Accruals and deferred income		480,581		413,402
Dividend proposed		-		-
		2,478,002		2,422,689
		2,478,002		2,422,689

14 Creditors: amounts falling due after more than one year

	1997	1996
	£	£
Loan from fellow subsidiary undertaking	-	2,275,054
Loan from ultimate holding company	2,000,000	-
Deferred income	807,436	955,800
	2,807,436	3,230,854
	2,807,436	3,230,854

The Deutshmark loan which was held at the end of 1996 was repaid during the year and replaced with a new loan, which is denominated in Sterling and is repayable on or before 17 November 2002. The effective rate of interest incurred on this arrangement is fixed at a rate of 7.25% per annum.

Notes (continued)

15 Provisions for liabilities and charges

	Deferred taxation	
	1997	1996
	£	£
At beginning of year	196,000	131,200
(Release)/charge for the year in the profit and loss account	(17,040)	64,800
	<hr/>	<hr/>
At end of year	178,960	196,000
Advance corporation tax recoverable	(4,960)	-
	<hr/>	<hr/>
	174,000	196,000
	<hr/> <hr/>	<hr/> <hr/>

The amounts provided for deferred taxation are set out below:

	1997	1996
	£	£
Accelerated capital allowances	178,960	159,600
Advance corporation tax recoverable	(4,960)	-
Other timing differences	-	36,400
	<hr/>	<hr/>
	174,000	196,000
	<hr/> <hr/>	<hr/> <hr/>

There is no unprovided deferred taxation (1996: £nil).

16 Called up share capital

	1997	1996
	£	£
<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
	<hr/>	<hr/>
	200,000	200,000
	<hr/> <hr/>	<hr/> <hr/>

17 Reconciliation of movement in shareholders' funds

	1997	1996
	£	£
Profit for the financial year	1,435,821	1,235,339
Dividends	(1,600,000)	-
	<hr/>	<hr/>
Net (reductions)/additions to shareholders' funds	(164,179)	1,235,339
Shareholders' funds at beginning of year	6,735,753	5,500,414
	<hr/>	<hr/>
Shareholders' funds at end of year	6,571,574	6,735,753
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

18 Commitments

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

	1997 £	1996 £
Contracted	<u>168,000</u>	<u>259,000</u>

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

	1997 Land and buildings £	1996 Land and buildings £
Operating leases which expire:		
In the second to fifth years inclusive	16,750	16,750
Over five years	84,620	84,620
	<u>101,370</u>	<u>101,370</u>

19 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 £123,614 (1996: £80,744).

20 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. No other group accounts include the results of the company.

Heraeus Silica and Metals Limited

Directors' report and financial statements

31 December 1997

Registered number 734915

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Mr G Vilsmeier	-	Managing Director
Mr B M Caporn		
Mr C B Latham		
Mr G N D Lunt FCA		
Mr A Pitzen		

Secretary

DJR Turner ACMA

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Mr A Pitzen

Auditors

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By order of the board

DJR Turner
Company secretary

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