

SOUTHERN GRAPHITE SERVICES LIMITED

REG. NO. 1190207

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

4TH JANUARY 1998

(Note: Round thousands of pounds are used)



SOUTHERN GRAPHITE SERVICES LIMITED

DIRECTORS

L. M. BRYCE

J. N. STUBBS

E. THEIN

R. A. WALDHEGER

SECRETARY AND REGISTERED OFFICE

L. H. Cook
Quay Lane
Gosport
Hants
PO12 4LJ

SOUTHERN GRAPHITE SERVICES LIMITED

REPORT OF THE DIRECTORS

1. REPORT OF THE DIRECTORS

The Directors submit their Report and Accounts for the year ended 4th January 1998.

2. RESULTS FOR THE YEAR

The Company has not traded during the year and no dividend has been declared.

3. DIRECTORS AND DIRECTORS INTERESTS

(a) The names of the Directors as at the date of this Report are shown on Page 1 of this Report (together with details of appointments and resignations made during the financial year under review).

(b) None of the Directors had any interests in shares of the Company. Directors' interests in the Company's ultimate holding company, The Morgan Crucible Company plc, are as follows:-

	<u>4.1.98</u>	<u>4.1.97</u> (or date of appointment)
<u>Ordinary Shares of 25p each</u>		
Dr. L. M. Bryce	2	-
Mr. J. N. Stubbs	257	252
Mr. E. Thein	12183	11724
<u>Ordinary Shares held under the Morgan Share Participation Scheme</u>		
Dr. L. M. Bryce	150	75
Mr. J. N. Stubbs	150	75
<u>Ordinary Shares held under Option</u>		
Dr. L. M. Bryce	20467	20467
Mr. E. Thein	5000	5000
Mr. J. N. Stubbs	19595	19595
<u>Ordinary Shares held under The Morgan Long Term Incentive Plan</u>		
Mr. R. A. Waldheger	15000	15000

The above options are held under The Morgan Executive Share Option Scheme (1984), The Morgan Executive Share Option Scheme 1995 and the Morgan Sharesave Scheme 1995. The Options are exercisable between 19 May 1992 and 16 October 2006 at prices between 234.34p and 478p.

4. FIXED ASSETS

There was no significant change in fixed assets of the Company during the year.

5. AUDITORS

The Company will be declared dormant by Special Resolution within the meaning of Section 250 of the Companies Act 1985 at the next Annual General Meeting.

By Order of the Board

L H Cook

L. H. Cook
Secretary

24th February 1998

Quay Lane
Gosport
Hampshire
PO12 4LJ

SOUTHERN GRAPHITE SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 4TH JANUARY 1998

	<u>NOTE</u>	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
Turnover: discontinued operations	2	Nil	3133
Operating Costs	3	Nil	2581
Operating Profit: discontinued operations		-----	-----
		Nil	552
Interest receivable	5	Nil	(59)
Interest payable	5	Nil	46
Profit on ordinary activities before taxation		-----	-----
		Nil	565
Taxation on Profit on ordinary activities	6	Nil	107
Profit on ordinary activities after taxation and for the financial year	12	----- =====	----- =====
		Nil	458

There are no gains or losses arising other than those reported in the profit and loss account.

SOUTHERN GRAPHITE SERVICES LIMITED

BALANCE SHEET

AS AT 4TH JANUARY 1998

	<u>NOTE</u>	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
Fixed Assets			
Tangible assets	7	- =====	- =====
Current Assets			
Stocks		-	-
Debtors:-			
Amounts falling due within one year.	9	-	-
Amounts falling due after more than one year		2587	2587
Cash at bank and in hand		- ----- 2587 -----	- ----- 2587 -----
Creditors - amounts falling due within one year	10	147 -----	147 -----
Net Current Assets		2440 -----	2440 -----
Total Assets Less Current Liabilities		2440 -----	2440 -----
Provisions for liabilities and charges:			
Deferred taxation		- ----- 2440 =====	- ----- 2440 =====
Capital and Reserves			
Called-up share capital	11	19	19
Profit and loss account	12	2421 -----	2421 -----
Shareholders' Funds - Equity Interests		2440 =====	2440 =====

.....*Car. Bryce*.....
*J. H. Stables*..... Director

Date:- 24th February 1998

SOUTHERN GRAPHITE SERVICES LIMITED

NOTES RELATING TO THE ACCOUNTS 1998

1. ACCOUNTING POLICIES

Accounting Convention

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

Basis of Presentation

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

Cash Flow Statement

The Company is exempt from the requirement to publish a Cash Flow Statement as it is a wholly owned subsidiary of The Morgan Crucible Company plc which publishes a Cash Flow Statement which meets the requirements of Financial Reporting Standard No. 1.

Related Party Transactions

The Company has taken advantage of the exemption in Financial Reporting Standard No.8 from disclosing transactions with related parties that are part of the Morgan Crucible Group or Investees of the Group.

2. TURNOVER

Turnover, which is stated net of value added tax, represents the invoiced value of sales to third parties and fellow subsidiaries less returns and allowances given in the normal course of trade.

The turnover and operating profit is attributable to the one discontinued activity, the manufacture and supply of graphite components.

An analysis of turnover by geographical market is as follows:-

	<u>1997</u>	<u>1996</u>
	<u>£000</u>	<u>£000</u>
United Kingdom	-	1779
Continental Europe	-	963
The Americas	-	140
The Far East and Australasia	-	130
The Middle East and Africa	-	121
	----	----
	Nil	3133
	----	----

SOUTHERN GRAPHITE SERVICES LIMITED

NOTES RELATING TO THE ACCOUNTS 1998

3. OPERATING COSTS

	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
Operating costs in relation to the discontinued operations were:-		
Labour costs:		
(i) Wages and salaries	-	494
(ii) Social Security costs)	-	38
(iii) Other Pensions costs)	-	30
Depreciation owned assets	-	145
Rentals under operating leases hire of plant and machines	-	5

4. DIRECTORS' REMUNERATION

No Directors received any remuneration from the company. (1996 : NIL).

5. NET FINANCE CHARGES

	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
Interest receivable		
- Bank interest	-	(35)
- Parent Undertaking	-	(24)
	----	----
	-	(59)
Interest Payable		
- Group Undertakings	-	46
	----	----
	Nil	(13)
	=====	=====

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
Based on Profit for the year:		
Corporation tax at 33%	-	223
Deferred Tax	-	(116)
	----	----
	Nil	107
	----	----

The effective tax rate for the previous year is lower than normal as a result of changing the basis for accounting for deferred tax from a full to partial provision basis prior to the transfer of all trade and assets to Morganite Special Carbons Limited

Tax losses are group relieved for which no payment is received.

SOUTHERN GRAPHITE SERVICES LIMITED

NOTES RELATING TO THE ACCOUNTS 1997

7. TANGIBLE FIXED ASSETS

Net Book amounts:

at 4 January 1998

- - - - -

At 4 January 1997

- - - - -

- - - - -

8. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Subsidiary Company

Issued Shares and
the proportion held
by the Company

Shares %

International Graphite Services Ltd.

500 Ordinary
Shares £1 each
Fully Paid 100

The Company is registered in England & Wales. In the opinion of the Directors the aggregate value of the investment in subsidiary undertakings is not less than the amount at which they are stated in the Accounts.

Group accounts have not been prepared as the Company is itself a wholly owned subsidiary of a company incorporated in the U.K.

9. DEBTORS

1997 1996
£000 £000

Amounts due after more than one year

Amounts owed by Parent Undertaking

2587 2587

- - - - -

2587 2587

- - - - -

10. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

1997 1996
£000 £000

Amounts owed to fellow
subsidiary undertakings

147 147

- - - - -

147 147

- - - - -

11. CALLED UP SHARE CAPITAL

1997 1996
£000 £000

Authorised:

Ordinary Shares of £1 each

50 50

- - - - -

Allotted, called-up and fully paid
Ordinary Shares of £1 each

19 19

- - - - -

SOUTHERN GRAPHITE SERVICES LIMITED

NOTES RELATING TO THE ACCOUNTS 1998

12. STATEMENT OF MOVEMENT ON RESERVES AND SHAREHOLDERS' FUNDS

	Share Capital £000	Profit and Loss £000	Total £000
At 4 January 1996	19	1963	1982
Profit for the year	-	458	458
	----	----	----
At 4 January 1997	19	2421	2440
Profit for the year	-	-	-
	----	----	----
At 4 January 1998	19	2421	2440
	----	----	----

13. OBLIGATIONS UNDER OPERATING LEASES

The Company had no annual commitments relating to plant and machinery under non-cancellable operating leases.

14. ULTIMATE PARENT UNDERTAKING

The Parent Company of the Group of undertakings for which Group Accounts are drawn up and of which the Company is a member is The Morgan Crucible Company plc, registered in England and Wales. Copies of the Accounts can be obtained from Morgan House, Madeira Walk, Windsor, Berks, SL4 1EP.

SOUTHERN GRAPHITE SERVICES LIMITED

A STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE ACCOUNTS

Company Law requires the Directors to prepare accounts 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 accounts, 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 accounts;
- * prepare the accounts 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 accounts 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

L. H. COOK

L. H. COOK
Secretary

SOUTHERN GRAPHITE SERVICES LIMITED

REPORT OF THE AUDITORS

TO THE MEMBERS OF SOUTHERN GRAPHITE SERVICES LIMITED

We have audited the accounts on Pages 4 to 9 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on Page 6.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on Page 10 the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts are free from material misstatements, 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 4 January 1998 and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

ERNST & YOUNG
Chartered Accountants
Registered Auditor
Southampton

26 February 1998