

CeramTec UK Ltd

(formerly Hoechst CeramTec UK Ltd)

Directors' report and financial statements

30 September 1996

Registered number 851165



CeramTec UK Ltd
(formerly Hoechst CeramTec UK Ltd)

Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors' report	1 - 2
Statement of directors' responsibilities	3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7 - 8
Notes	9 - 18

CeramTec UK Ltd

(formerly Hoechst CeramTec UK Ltd)

Directors' report

The directors present their annual report and the audited financial statements for the nine months ended 30 September 1996.

Principal activities

The principal activity of the company continued to be the manufacture and sale of technical ceramics.

Business review

On 1 October 1996 the company changed its name to CeramTec UK Ltd from Hoechst CeramTec UK Ltd.

In July 1996 the entire issued share capital of the company was sold by Hoechst AG to Metallgesellschaft AG and the company changed its year end to 30 September 1996 to be co-terminus with that of its new ultimate parent company.

The company has continued its efforts in the research and development of materials, process steps, new steps, new products and new markets.

Proposed dividend

The directors recommend that no final dividend is paid.

Political and charitable contributions

The company made no political contributions during the period (1995:£Nil). Donations to UK charities amounted to £Nil (1995:£Nil).

Directors and directors' interests

The directors who held office during the period were as follows:

WK Opitz (managing director)
Dr W Weber
Mr AL Baltzer (resigned 31 March 1996)
Dr D Kreuziger (resigned 14 July 1996)

The director retiring by rotation is Dr Weber who, being eligible, offers himself for re-election.

None of the directors who held office at the end of the period has any discloseable interest in the shares of group companies.

CeramTec UK Ltd
(formerly Hoechst CeramTec UK Ltd)

Directors' report *(continued)*

Auditors

During the period, Ernst & Young resigned as auditors of the company and the directors appointed KPMG to fill the casual vacancy. Accordingly, in accordance with Section 384 of the Companies Act 1985, a resolution for the appointment of KPMG as auditors of the company, is to be proposed at the forthcoming Annual General Meeting.

By order of the board

EW Edge
Secretary



Sidmouth Road
Colyton
Devon
EX13 6NP

CeramTec UK Ltd

(formerly Hoechst CeramTec UK Ltd)

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;
- 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 maintaining 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 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.



Linacre House
Southernhay East
Exeter
EX1 1UG

Report of the auditors to the members of CeramTec UK Ltd
(formerly Hoechst CeramTec UK Ltd)

We have audited the financial statements on pages 5 to 18.

Respective responsibilities of directors and auditors

As described on page 3 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 of 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 30 September 1996 and of its profit for the period from 1 January 1996 to 30 September 1996 and have been properly prepared in accordance with the Companies Act 1985.

KAMC

26 November 1996

Chartered Accountants
Registered Auditors



CeramTec UK Ltd
(formerly Hoechst CeramTec UK Ltd)

Profit and loss account
for the period ended 30 September 1996

	<i>Note</i>	Nine months ended 30 September 1996 £	Year ended 31 December 1995 £
Turnover	2	3,541,846	4,740,373
Cost of sales		(2,681,310)	(3,495,906)
Gross profit		860,536	1,244,467
Distribution costs		(78,765)	(108,073)
Administrative expenses		(363,474)	(460,633)
Other operating income	6	42,497	75,191
Operating profit		460,794	750,952
Other interest receivable and similar income	7	19,259	65,808
Profit on ordinary activities before taxation	3	480,053	816,760
Tax on profit on ordinary activities	8	(160,162)	(273,001)
Profit on ordinary activities after taxation		319,891	543,759
Dividends paid	9	-	(1,587,000)
Retained profit/(loss) for the financial period		319,891	(1,043,241)
Retained profit brought forward		390,685	1,433,926
Retained profit carried forward		710,576	390,685

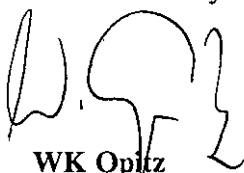
There are no recognised gains or losses other than the profit for the period and consequently no separate statement of recognised gains and losses is presented.


CeramTec UK Ltd
(formerly Hoechst CeramTec UK Ltd)

Balance sheet
at 30 September 1996

	<i>Note</i>	30 September 1996		31 December 1995	
		£	£	£	£
Fixed assets					
Tangible assets	10		929,411		592,044
Current assets					
Stocks	11	517,290		561,259	
Debtors	12	1,195,907		1,365,172	
Cash at bank and in hand		465,361		372,232	
			<u>2,178,558</u>		<u>2,298,663</u>
Creditors: amounts falling due within one year	13	(1,096,109)		(1,205,818)	
Net current assets			<u>1,082,449</u>		<u>1,092,845</u>
Total assets less current liabilities			<u>2,011,860</u>		<u>1,684,889</u>
Provisions for liabilities and charges	14		(114,284)		(107,204)
Net assets			<u>1,897,576</u>		<u>1,577,685</u>
Capital and reserves					
Called up share capital	15	1,187,000		1,187,000	
Profit and loss account		710,576		390,685	
			<u>1,897,576</u>		<u>1,577,685</u>

These financial statements were approved by the board of directors on 26 November 1996 and were signed on its behalf by:


WK Opitz
Director


Dr Weber
Director

CeramTec UK Ltd
(formerly Hoechst CeramTec UK Ltd)

Cash flow statement
for the period ended 30 September 1996

	<i>Note</i>	Nine months ended 30 September 1996	Year ended 31 December 1995
		£	£
Net cash inflow from operating activities	<i>A</i>	809,557	966,334
Return on investments and servicing of finance			
Interest received		18,739	65,333
Dividends paid		-	(2,182,000)
		<u>18,739</u>	<u>(2,116,667)</u>
Net cash inflow/(outflow) from returns on investment and servicing of finance		18,739	(2,116,667)
Taxation			
UK corporation tax paid		(503,655)	(299,497)
Repayments of corporation tax received		245,334	-
		<u>(258,321)</u>	<u>(299,497)</u>
Tax paid		(258,321)	(299,497)
Investing activities			
Purchase of tangible fixed assets		(476,846)	(126,780)
Proceeds of sale of tangible fixed assets		-	4,150
		<u>(476,846)</u>	<u>(122,630)</u>
Net cash outflow from investing activities		(476,846)	(122,630)
Net cash inflow/(outflow) before financing		93,129	(1,572,460)
Financing			
Issue of ordinary share capital	<i>C</i>	-	1,147,000
		<u>-</u>	<u>1,147,000</u>
Increase/(decrease) in cash and cash equivalents	<i>B</i>	93,129	(425,460)

CeramTec UK Ltd
(formerly Hoechst CeramTec UK Ltd)

Notes

(forming part of the financial statements)

A Reconciliation of operating profit to net cash outflow from operating activities

	Nine months ended 30 September 1996 £	Year ended 31 December 1995 £
Operating profit	460,794	750,952
Depreciation	139,479	126,914
Decrease/(increase) in stocks	43,969	(54,430)
(Increase)/decrease in debtors	(167,538)	246,093
Increase/(decrease) in creditors	334,153	(102,350)
Reserve against customer claims	(1,300)	3,300
Profit on disposal of fixed assets	-	(4,145)
	<hr/>	<hr/>
Net cash inflow from operating activities	809,557	966,334
	<hr/>	<hr/>

B Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	30 September 1996 £	31 December 1995 £	Change in year £
Cash at bank and in hand	465,361	372,232	93,129
	<hr/>	<hr/>	<hr/>

C Analysis of changes in financing during the period

	Share capital £
Balance at 1 January 1995	40,000
Issue of ordinary share capital	1,147,000
	<hr/>
Balance at 31 December 1995	1,187,000
	<hr/>
Balance at 30 September 1996	1,187,000
	<hr/>

CeramTec UK Ltd

(formerly Hoechst CeramTec UK Ltd)

Notes (continued)

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.

In accordance with Financial Reporting Standard Number 8, the company has taken advantage of the exemption from the requirement to publish details of intra-group transactions as it is a wholly owned subsidiary undertaking of Metallgesellschaft AG (see note 21).

Fixed assets and depreciation

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

Freehold buildings	4%
Plant and machinery	
In continual use	33.33%
In general use	20%
With replacement parts	16.67%
Kilns	12.50%
Water and electrical installation	5%
Furniture fittings and equipment	20% - 10%
Motor vehicles	25%

No depreciation is provided on freehold land.

Pension costs

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

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.

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.

CeramTec UK Ltd

(formerly Hoechst CeramTec UK Ltd)

Notes (continued)

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date and the gains or losses on transaction are included in the profit and loss account.

Research and development

Expenditure on research and development is written off against profits in the year in which it is incurred.

Turnover

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

2 Turnover and operating profit

All turnover and operating profits arose from the company's principal activity of the manufacture and sale of technical ceramics.

	Nine months ended 30 September 1996 £	Year ended 31 December 1995 £
<i>Turnover by market</i>		
United Kingdom	2,760,946	3,641,124
Overseas	780,900	1,099,249
	<hr/> 3,541,846	<hr/> 4,740,373

CeramTec UK Ltd
(formerly Hoechst CeramTec UK Ltd)

Notes (continued)

3 Profit on ordinary activities before taxation

	Nine months ended 30 September 1996 £	Year ended 31 December 1995 £
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration	4,500	6,900
Depreciation on tangible fixed assets	139,479	126,914
Research and development expenditure	220,000	303,000

4 Remuneration of directors

Executive directors are employed and remunerated by CeramTec AG.

5 Staff numbers and costs

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

	Nine months ended 30 September 1996	Year ended 31 December 1995
Production	115	118
Management and administration	12	12
	<hr/> 127	<hr/> 130

CeramTec UK Ltd
(formerly Hoechst CeramTec UK Ltd)

Notes *(continued)*

5 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	Nine months ended 30 September 1996 £	Year ended 31 December 1995 £
Wages and salaries	1,096,102	1,466,872
Social security costs	77,240	108,768
Other pension costs (see note 17)	67,993	91,705
	<u>1,241,335</u>	<u>1,667,345</u>

6 Other operating income

	Nine months ended 30 September 1996 £	Year ended 31 December 1995 £
Commission receivable	42,372	74,876
Sundry	125	315
	<u>42,497</u>	<u>75,191</u>

7 Other interest receivable and similar income

	Nine months ended 30 September 1996 £	Year ended 31 December 1995 £
Bank interest received	<u>19,259</u>	<u>65,808</u>

CeramTec UK Ltd
(formerly Hoechst CeramTec UK Ltd)

Notes *(continued)*

8 Taxation

	Nine months ended 30 September 1996 £	Year ended 31 December 1995 £
UK corporation tax at 33 % (1995:33%) on the profit for the period on ordinary activities	151,782	271,374
Deferred taxation	8,380	1,627
	<u>160,162</u>	<u>273,001</u>

9 Dividends

	Nine months ended 30 September 1996 £	Year ended 31 December 1995 £
Interim dividend paid	-	1,587,000
	<u>-</u>	<u>1,587,000</u>

CeramTec UK Ltd
(formerly Hoechst CeramTec UK Ltd)

Notes (continued)

10 Tangible fixed assets

	Freehold land and buildings £	Plant and equipment £	Fixtures and fittings £	Motor vehicles £	Total £
<i>Cost</i>					
At 1 January 1996	499,767	2,330,865	27,463	100,948	2,959,043
Additions	-	476,846	-	-	476,846
	<u>499,767</u>	<u>2,807,711</u>	<u>27,463</u>	<u>100,948</u>	<u>3,435,889</u>
At 30 September 1996	499,767	2,807,711	27,463	100,948	3,435,889
<i>Depreciation</i>					
At 1 January 1996	283,840	2,009,358	21,847	51,954	2,366,999
Charge for period	11,749	112,100	983	14,647	139,479
	<u>295,589</u>	<u>2,121,458</u>	<u>22,830</u>	<u>66,601</u>	<u>2,506,478</u>
At 30 September 1996	295,589	2,121,458	22,830	66,601	2,506,478
<i>Net book value</i>					
At 30 September 1996	<u>204,178</u>	<u>686,253</u>	<u>4,633</u>	<u>34,347</u>	<u>929,411</u>
At 1 January 1996	<u>215,927</u>	<u>321,507</u>	<u>5,616</u>	<u>48,994</u>	<u>592,044</u>

The net book value of freehold land and buildings includes freehold land of £37,916 which is not depreciated.

11 Stocks

	30 September 1996 £	31 December 1995 £
Raw materials and consumables	407,787	454,269
Work in progress	43,766	46,244
Finished goods	65,737	60,746
	<u>517,290</u>	<u>561,259</u>

CeramTec UK Ltd
(formerly Hoechst CeramTec UK Ltd)

Notes (continued)

12 Debtors

	30 September 1996 £	31 December 1995 £
Trade debtors	1,093,511	900,268
Amounts owed by parent and fellow subsidiary undertakings	43,947	68,071
Prepayments and accrued income	14,402	12,398
Other debtors	340	3,403
ACT recoverable	43,707	381,032
	<u>1,195,907</u>	<u>1,365,172</u>

ACT recoverable includes an amount of £43,707 (1995: £135,698) which falls due after more than one year.

13 Creditors: amounts falling due within one year

	30 September 1996 £	31 December 1995 £
Trade creditors	476,307	131,673
Corporation tax	59,793	503,655
Other taxation and social security	166,650	154,672
Amounts owed to fellow subsidiary undertakings	208,353	260,099
Other creditors	155,192	119,347
Accruals and deferred income	29,814	36,372
	<u>1,096,109</u>	<u>1,205,818</u>

CeramTec UK Ltd
(formerly Hoechst CeramTec UK Ltd)

Notes (continued)

14 Provisions for liabilities and charges

	Provision against customers' claims £	Deferred taxation £	Total £
At 1 January 1996	94,800	12,404	107,204
(Credit)/charge for the period in the profit and loss account	(1,300)	8,380	7,080
At 30 September 1996	<u>93,500</u>	<u>20,784</u>	<u>114,284</u>

The amounts provided for deferred taxation and the amounts not provided are set out below:

	30 September 1996		31 December 1995	
	Provided £	Unprovided £	Provided £	Unprovided £
Difference between accumulated depreciation and capital allowances	20,224	-	12,016	-
Other timing differences	560	-	388	-
Industrial buildings allowances	-	3,898	-	5,696
	<u>20,784</u>	<u>3,898</u>	<u>12,404</u>	<u>5,696</u>

15 Called up share capital

	30 September 1996 and 31 December 1995 £
<i>Authorised, allotted, called up and fully paid</i> Ordinary shares of £5 each	<u>1,187,000</u>

CeramTec UK Ltd

(formerly Hoechst CeramTec UK Ltd)

Notes (continued)

16 Capital commitments

Capital commitments at the end of the period for which no provision has been made are as follows:

	30 September 1996 £	31 December 1995 £
Contracted	<u>124,000</u>	<u>610,000</u>

17 Pension scheme

- (a) Contributions to the company's defined benefit pension scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the aggregate valuation method. The most recent valuation was at 1 April 1996. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

The pension charge for the period was £58,103 (1995:£82,860).

The most recent actuarial valuation showed that the market value of the scheme's assets was £2,262,348 and that the actuarial value of those assets represented 106% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the company and employees will remain at 11.5% and 6.5% of earnings respectively.

Contributions amounting to £11,123 (1995:£10,753) were payable to the fund and are included in creditors.

- (b) 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 £9,890 (1995:£8,845).

Contributions amounting to £1,677 (1995:£1,019) were payable to the fund and are included in creditors.

CeramTec UK Ltd
(formerly Hoechst CeramTec UK Ltd)

Notes *(continued)*

18 Reconciliation of movements in shareholders funds

	Nine months ended 30 September 1996 £	Year ended 31 December 1995 £
Profit for the period	319,891	543,759
Dividends	-	(1,587,000)
New shares issued	-	1,147,000
	<hr/>	<hr/>
Net movement in shareholders' funds	319,891	103,759
Shareholders' funds at start of period	1,577,685	1,473,926
	<hr/>	<hr/>
Shareholders' funds at end of period	1,897,576	1,577,685
	<hr/>	<hr/>

19 Post balance sheet event

On 1 October 1996 the company acquired the entire issued share capital of Cerasiv SPK Limited.

20 Contingent liabilities

At 30 September 1996 the company has an outstanding guarantee given in the ordinary course of business amounting to £5,000 (1995:£5,000). The directors do not expect any liability to arise in respect of this guarantee.

21 Ultimate parent company

The ultimate parent company at 30 September 1996 is Metallgesellschaft AG registered in Germany, copies of whose accounts are available to the public from PO Box 101501, D-60271 Frankfurt am Main, Germany.