

MINING & CHEMICAL PRODUCTS LIMITED

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1998



MINING & CHEMICAL PRODUCTS LIMITED - 31 December 1998

CONTENTS

	Page
Company Information	1
Directors' Report	2
Consolidated Profit and Loss Account	3
Consolidated Balance Sheet	4
Balance Sheet	5
Consolidated Cash Flow Statement	6
Notes to the Financial Statements	7-14
Report of the Auditors	15

COMPANY INFORMATION

Directors	I V Cadell M D Fickling I D McLean P German-Ribon A German-Ribon	Chairman Managing Director
Principal Bankers	Midland Bank PLC Reading Corporate Banking Centre Queen's Court 56/58 Queen's Road Reading BERKS RG1 4DB	
Auditors	Robson Rhodes Chartered Accountants 186 City Road London EC1V 2NU	
Solicitors	Lawrence Graham 190 Strand London WC2R 1JN	
Registered office	2 Crane Court Fleet Street London EC4A 2BL	
Registered number	244498	

DIRECTORS' REPORT

To be presented at the SEVENTIETH ANNUAL GENERAL MEETING of the Company to be held at Laverstoke, Hampshire on 23 April 1999, at 12 noon.

The Directors submit their report and audited financial statements for the year ended 31 December 1998.

PRINCIPAL ACTIVITIES

During the year the Company continued its activities in the refining and marketing of bismuth and other non-ferrous metals and the manufacture and marketing of fusible alloys, fine chemicals and associated equipment.

REVIEW OF THE BUSINESS

The Company returned an acceptable performance in 1998. The company, in common with many others, has been faced with severe economic deterioration in important export markets. The company has also absorbed initial losses sustained by two new investments in joint ventures designed to expand the company's activities in metals trading and steel tool-making. The directors are cautious about expecting an early improvement in the forthcoming year.

RESULTS AND DIVIDENDS

The Group has made a profit before taxation for the year of £724,000 (1997 £521,000), and has earnings for the year, after taxation, of £490,000 (1997 £386,000). The directors do not recommend the payment of a dividend.

YEAR 2000 AND EUROPEAN MONETARY UNION

The Group is executing a detailed plan to ensure that its ability to trade normally will be unaffected by the computer date-handling risks associated with the advent of the Year 2000. Implementation of the plan is progressing according to time-table. Costs of implementing the plan are expensed as incurred. The Group is able to conduct business in Euros, should suppliers or customers require this.

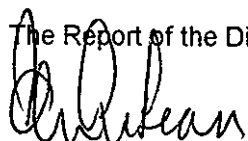
DIRECTORS

The composition of the Board is as stated on page 1. All directors served throughout the year. None of the directors has any beneficial interest in the issued share capital of the Company.

AUDITORS

Messrs. Robson Rhodes have expressed their willingness to continue in office as Auditors and a Resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

The Report of the Directors was approved by the Board on 24 March 1999, and it is signed on its behalf by:


I D McLean, CA(SA) FAPA
Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	1998 £ '000's	1997 £'000's
TURNOVER	2	25,213	22,431
<i>Total turnover</i>	11	57,391	22,431
<i>less: Turnover relating to joint ventures (acquisition)</i>		(32,178)	-
Raw materials and consumables		18,935	17,810
Change in stocks		371	(584)
Gross Profit		5,907	5,205
Other operating income	3	68	93
Release of General Provision		130	-
Staff costs	4	(2,696)	(2,353)
Depreciation of tangible fixed assets		(255)	(219)
Loss on disposal of assets		(3)	-
Other operating charges		(2,037)	(2,155)
OPERATING PROFIT, before interest	5	1,114	571
Loss on interest in joint ventures (acquisition)	11	(142)	-
Interest payable			
Group	6	(167)	(116)
Joint ventures	11	(129)	-
Interest receivable	7	48	66
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		724	521
Taxation			
Group	8	(234)	(135)
Joint ventures		-	-
PROFIT AFTER TAXATION TRANSFERRED TO RESERVES	18	490	386

All results are in respect of continuing operations.

There are no recognised gains or losses other than those dealt with in the Profit and Loss Account.

Movements in reserves are shown in Note 18, on page 13.

MINING & CHEMICAL PRODUCTS LIMITED - 31 December 1998

CONSOLIDATED BALANCE SHEET

	Note	1998 £ '000's	1997 £'000's
FIXED ASSETS			
Tangible	10	2,915	2,405
Investments in joint ventures	11	222	-
<i>Share of gross assets</i>		1,612	
<i>Share of gross liabilities</i>		(1,390)	
		3,137	2,405
CURRENT ASSETS			
Stocks	12	4,313	4,684
Debtors	13	2,981	3,509
Cash at bank and in hand		811	1,139
		8,105	9,332
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
	14	(3,735)	(4,650)
NET CURRENT ASSETS		4,370	4,682
TOTAL ASSETS LESS CURRENT LIABILITIES		7,507	7,087
Provision for liabilities and charges	15	(80)	(150)
TOTAL NET ASSETS		7,427	6,937
CAPITAL AND RESERVES			
CALLED UP SHARE CAPITAL			
	16	1,000	1,000
OTHER RESERVES			
	17	-	1,333
PROFIT AND LOSS ACCOUNT			
	18	6,427	4,604
EQUITY SHAREHOLDERS' FUNDS		7,427	6,937

The financial statements were approved by the Board on 24 March 1999, and signed on its behalf by:



I V Cadell
Director

MINING & CHEMICAL PRODUCTS LIMITED - 31 December 1998

BALANCE SHEET

	Note	1998 £ '000's	1997 £'000's
TANGIBLE FIXED ASSETS	10	2,915	2,405
CURRENT ASSETS			
Stocks	12	4,313	4,684
Debtors	13	3,203	2,966
Cash at bank and in hand		811	1,105
		8,327	8,755
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(3,735)	(4,241)
NET CURRENT ASSETS		4,592	4,514
TOTAL ASSETS LESS CURRENT LIABILITIES		7,507	6,919
Provision for liabilities and charges	15	(80)	(150)
TOTAL NET ASSETS		7,427	6,769
CAPITAL AND RESERVES			
CALLED UP SHARE CAPITAL	16	1,000	1,000
PROFIT AND LOSS ACCOUNT	18	6,427	5,769
EQUITY SHAREHOLDERS' FUNDS	19	7,427	6,769

The financial statements were approved by the Board on 24 March 1999, and signed on its behalf by:


 I V Cadell
 Director

CONSOLIDATED CASH FLOW STATEMENT

	Note	1998 £'000's	1997 £'000's
Operating activities	20	1,793	99
Returns on investment and servicing of finance			
Interest received		48	66
Interest paid		(167)	(116)
		(119)	(50)
Taxation			
Paid to fiscal authorities		(134)	(225)
		(134)	(225)
Capital expenditure			
Investment in joint ventures		(493)	-
Additions to tangible fixed assets		(784)	(1,011)
Proceeds from sale of fixed assets		17	14
		(1,260)	(997)
Financing			
Drawdown of bank loan	21	-	608
Repayment of bank loan	21	(608)	-
		(608)	608
Decrease in cash	21	(328)	(565)

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Convention

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

As permitted by s.230 Companies Act 1985, the profit and loss account of the parent company has not been presented separately in the financial statements.

Consolidation

The group profit and loss account and balance sheet include the accounts of the Company and of both its subsidiaries made up to the end of the financial year. Reserves arising on consolidation are transferred to other reserves, and goodwill so arising is charged to these reserves. Any net deficit is transferred to the profit and loss account until such time as future transactions eliminate this deficit.

The results and net assets of the Group's investment in joint venture associates are included using the equity accounting method.

Fixed assets

The costs of fixed assets, excluding freehold land, are depreciated in equal annual instalments at the following rates, which are designed to reduce the net book values of the assets to their estimated residual values at the end of their expected useful lives:

	Rate per annum
Freehold buildings	4%
Plant, fixtures and fittings	15% (10% in year of purchase)
Motor vehicles	25%
Computer equipment	33%

Stocks

Stocks are valued at the lower of cost or, where appropriate, average cost and net realisable value. The cost of manufactured products includes raw material content only.

Turnover

Turnover represents the invoiced amount of goods sold and services provided during the year, stated net of value added tax.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date and all gains and losses are taken to the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Deferred taxation is provided using the liability method, only to the extent it is probably that the liability will become payable in the foreseeable future.

Advance corporation tax on dividends paid and provided for the year is not written off if UK corporation taxation liabilities for the period up to the next balance sheet date are expected to be sufficient to absorb this tax.

Related Party transactions

The Company prepares consolidated financial statements for itself and its subsidiaries. Transactions and balances within the group are eliminated on consolidation.

The Company is a wholly owned subsidiary of Compagnie Aramayo SA. Compagnie Aramayo SA also prepares consolidated financial statements for itself and all its subsidiaries. Transactions and balances within that group are eliminated on consolidation.

The consolidated financial statements of Compagnie Aramayo SA are publicly available. Accordingly, details of transactions within the group are not set out in these financial statements. There are no other related parties with whom transactions occur which require disclosure in these accounts.

Pensions

The group contributes on behalf of its staff to a group personal pension scheme (defined contributions).

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Operating leases

Operating lease expenditure is written off in the year in which it is incurred.

NOTES TO THE FINANCIAL STATEMENTS

	1998 £'000's	1997 £'000's
2. TURNOVER		
Turnover analysed by geographical area		
United Kingdom	6,230	6,124
Germany	8,012	6,064
Other European countries	3,756	3,469
North America	5,304	5,906
South America	553	421
Asia	71	39
Other countries	1,287	408
	25,213	22,431
3. OTHER OPERATING INCOME		
Marketing costs recovered	-	76
Other services	68	17
	68	93
4. STAFF COSTS		
Costs		
Wages, salaries and related costs	2,254	1,969
Social security costs	224	205
Pension costs (defined contribution)	134	138
Other	84	41
	2,696	2,353
Average number of employees	Number	Number
Management and administration	20	18
Selling and distribution	23	23
Manufacturing	63	59
	106	100
5. OPERATING PROFIT		
This is stated after charging		
Auditors' remuneration	38	38
Auditors fees for services other than audit	32	37
Depreciation of fixed assets	255	219
Operating leases		
- Motor vehicles	57	51
- Property	102	144
Directors' remuneration	416	290
- Cost of pensions	38	36
- Highest paid director	208	104

NOTES TO THE FINANCIAL STATEMENTS

	1998 £'000's	1997 £'000's		
6. INTEREST PAYABLE				
Interest on loans and overdrafts repayable wholly within five years	61	22		
Group interest	106	94		
	167	116		
7. INTEREST RECEIVABLE				
Bank interest	48	66		
8. TAXATION				
The taxation charge is based on the profit on ordinary activities for the year.				
Mainstream Corporation Tax at 31%	154	134		
Deferred tax	80	-		
Under/(Over) provision in prior year	-	1		
	234	135		
9. DIVIDEND				
Dividend paid	nil	nil		
10. TANGIBLE ASSETS				
Group and Company				
	Freehold Land and Building £'000's	Plant and Machinery £'000's	Computers Cars and Equipment £'000's	Total £'000's
Cost				
At 1 January	1,768	1,066	516	3,350
Additions	59	483	242	784
Disposals			(64)	(64)
At 31 December	1,827	1,549	694	4,070
Depreciation				
At 1 January	72	649	224	945
Charge for the year	26	117	112	255
Disposals			(45)	(45)
At 31 December	98	766	291	1,155
Net Book Value				
At 31 December 1998	1,729	783	403	2,915
At 31 December 1997	1,696	417	292	2,405

NOTES TO THE FINANCIAL STATEMENTS

11. INVESTMENTS

Group companies

The Company owns 100% of the £1,000 issued share capital of Mule Metals Corporation Limited, a company registered in England and Wales, which was incorporated on 1 September 1997. The company participates in a joint venture, the business of which commenced in November 1997, and which comprises the trading of non-ferrous metals.

The Company owns 100% of the £1,000 issued share capital of MCP Tooling Limited, a company registered in England and Wales, which was incorporated on 12 December 1997. The company participates in a joint venture, the business of which commenced in February 1998, and which comprises the manufacturing of steel tooling.

The Company owns 50% of the £100 issued share capital of MCP-Peko Limited. The company is registered in England and Wales. This company ceased trading on 31 December 1997, and is presently dormant.

	1998 £'000's	1997 £'000's
Group Interest in associated undertakings		
Share of net assets of joint ventures		
Made during the year	493	-
Share of operating losses	(142)	-
Share of interest payable	(129)	-
At 31 December	222	-
Company investments		
Cost		
Made during the year	2	-
At 31 December	2	-
Provisions		
Made during the year	2	-
At 31 December	2	-
Net Book Value at 31 December	-	-
 Joint Venture Turnover		
<i>United Kingdom</i>	5,512	-
<i>Germany</i>	6,517	-
<i>Other European countries</i>	16,030	-
<i>North America</i>	2,768	-
<i>South America</i>	279	-
<i>Asia</i>	949	-
<i>Other countries</i>	123	-
	32,178	-

There were no pre-acquisition profits.

Group and Company	
1998	1997
£'000's	£'000's

12. STOCKS

Raw materials	2,178	2,859
Work in progress	1,130	592
Finished goods and goods for re-sale	1,005	1,233
	4,313	4,684

NOTES TO THE FINANCIAL STATEMENTS

	Group 1998 £'000's	Company 1998 £'000's	Group 1997 £'000's	Company 1997 £'000's
13. DEBTORS				
Trade debtors	1,826	1,826	1,316	1,263
Amounts owed by				
- fellow subsidiaries	935	935	1,426	1,070
- subsidiaries	-	222	-	279
- associates	159	159	-	-
Value Added Taxation	58	58	292	288
Prepayments	-	-	66	66
Other debtors	3	3	409	-
	2,981	3,203	3,509	2,966
14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR				
Bank borrowing	-	-	608	608
Trade creditors	488	488	936	766
Accruals	901	901	600	600
Amounts owed to				
- fellow subsidiaries	-	-	360	360
- subsidiaries	-	-	-	170
- parent	2,158	2,158	1,982	1,573
Corporation tax	154	154	134	134
Other creditors	34	34	30	30
	3,735	3,735	4,650	4,241

**Group and Company
£'000's**

15. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation (at 31%)

At 1 January	-
Arising in the year	80
At 31 December	80

Deferred Taxation is provided in respect of accelerated capital allowances.

General Provisions

At 1 January	150
Utilised in the year	(20)
Released in the year	(130)
At 31 December	-

The release of the £130,000 provision is consequent upon the completion of the Group's relocation of its metals manufacturing operations to Wellingborough from Alperton. No further costs are expected to arise in respect of this move.

NOTES TO THE FINANCIAL STATEMENTS

16.	CALLED UP SHARE CAPITAL 1,000,000 authorised, allotted and fully paid ordinary shares of £1 At 1 January and 31 December 1998				1,000
					Group £'000's
17.	OTHER RESERVES At 1 January Transferred to Profit and Loss Account At 31 December 1998				1,333 (1,333) -
					Group £'000's
					Company £'000's
18.	PROFIT AND LOSS ACCOUNT At 1 January 1998 Released on liquidation of subsidiary Result for the year At 31 December 1998			4,604 1,333 490 6,427	5,769 - 658 6,427
				Group 1997 £'000's	Company 1997 £'000's
19.	EQUITY SHAREHOLDERS' FUNDS Opening equity shareholders funds Result for the year Closing equity shareholders funds	6,937 490 7,427	6,769 658 7,427	6,551 386 6,937	6,383 386 6,769
		Group 1998 £'000's	Company 1998 £'000's	Group 1997 £'000's	Company 1997 £'000's
20.	RECONCILIATION BETWEEN PROFIT AND LOSS RESULT AND OPERATING CASH FLOW Operating profit, before interest and loss on joint ventures Movement on provisions Depreciation Loss on disposal of fixed assets Cash effect of trading operations Decrease/(Increase) in stocks Decrease/(Increase) in debtors Increase/(Decrease) in creditors Cash effect of working capital changes Operating activities			1,114 (150) 255 2 1,221 371 528 (327) 572 1,793	571 25 219 - 815 (567) (1,344) 1,195 (716) 99
				1998 £'000's	1997 £'000's

NOTES TO THE FINANCIAL STATEMENTS

21. ANALYSIS OF NET DEBT and RECONCILIATION OF CASH FLOW TO MOVEMENT ON NET CASH

	Cash £'000's	Borrowing £'000's	Net Cash £'000's
At 1 January 1997	1,704	-	1,704
Loans drawn down		(608)	(608)
Net cash outflow	(565)		(565)
At 1 January	1,139	(608)	531
Loans repaid		608	608
Net cash outflow	(328)		(328)
At 31 December	811	-	811

22. PARENT COMPANY

The Company is a wholly-owned subsidiary of Mining and Chemical Products SA, a company incorporated in Switzerland whose ultimate parent company is Compagnie Aramayo SA, which is registered in Switzerland. The published financial statements of the ultimate holding company are available from The Secretary, 1 rue des Moulins, 1211 Geneva 11, Switzerland

	Group and company	
	1998	1997
	£'000's	£'000's
23. FINANCIAL COMMITMENTS		
Group capital expenditure commitments		
Contracted	-	20
Operating lease commitments		
Annual commitments analysed according to the period on which the lease expires:		
<i>Within one year</i>		
Non property related	28	45
Property related	105	105
<i>Two to five years</i>		
Non property related	8	35
Property related	105	105
<i>After five years</i>		
Non property related	-	-
Property related	65	105

Guarantees

The Company's bankers have given a guarantee in favour of a fellow subsidiary's bankers, indemnified by the Company. At 31 December 1998, the amount outstanding was ITL 50 million (1997 ITL 50 million). Also, the Company's bankers, indemnified by the Company, have given a guarantee in favour of H M Customs and Excise in respect of duty and VAT deferrals. At 31 December the amount outstanding was £102,000 (1997 £80,000).

The Company has given a guarantee in favour of the Midland Bank plc, of a maximum of US\$ one million, in respect of facilities provided by the bank to a joint venture in which the Company has an interest.

Security given

The Company's bankers have a first legal charge over the Company's freehold property, and a fixed and floating charge over the Company's assets and undertaking in respect of cash borrowing and commercial facilities granted.

**REPORT OF THE AUDITORS
TO THE SHAREHOLDERS OF MINING & CHEMICAL PRODUCTS LIMITED**

We have audited the financial statements on pages 3 to 14, which have been prepared on the basis of the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

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 group and Company, and of the profit and loss and cash flows of the group for that period. In preparing those financial statements, the directors are required to :

- 1 select suitable accounting policies and apply them consistently;
- 2 make judgements and estimates that are reasonable and prudent;
- 3 consider whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 4 prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and 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 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.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

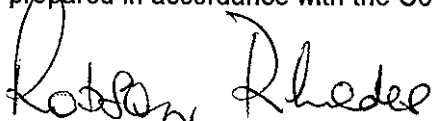
Basis of opinion

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 of the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the group and Company as at 31 December 1998 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Robson Rhodes
Chartered Accountants and Registered Auditor
London
29 March 1999