

# Mining & Chemical Products Limited

## REPORT and FINANCIAL STATEMENTS

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**Mining & Chemical Products Limited**  
**31<sup>st</sup> December 2006**

**Financial Statements**

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**Mining & Chemical Products Limited**  
**31<sup>st</sup> December 2006**

**Financial Statements**

**GENERAL INFORMATION**

|                                    |   |
|------------------------------------|---|
| <b>Board of Directors</b>          | <b>Ian CADELL (Chairman)</b><br><b>Ian McLEAN</b><br><b>Stephen DAVENHILL</b>                                       |
| <b>Company Secretary</b>           | <b>Ian McLEAN</b>   |
| <b>Principal Bankers</b>           | <b>HSBC Bank plc</b><br><b>8 London Street</b><br><b>Basingstoke</b><br><b>HANTS RG21 7NU</b>                       |
| <b>Auditors</b>                    | <b>RSM Robson Rhodes LLP</b><br><b>Chartered Accountants</b><br><b>30 Finsbury Square</b><br><b>London EC2P 2YU</b> |
| <b>Solicitors</b>                  | <b>Lawrence Graham</b><br><b>190 Strand</b><br><b>London WC2R 1JN</b>   |
| <b>Registered office</b>           | <b>22 Melton Street</b><br><b>LONDON NW1 2BW</b>  |
| <b>Company Registration Number</b> | <b>244498</b>   |
| <b>Website</b>                     | <b><a href="http://www.mcp-group.com">www.mcp-group.com</a></b>   |

# Mining & Chemical Products Limited

## 31<sup>st</sup> December 2006

# Financial Statements

### BUSINESS REVIEW

Attached to this review are the audited financial statements of Mining & Chemical Products Limited, for the year ended 31 December 2006, to be presented at the seventy-seventh Annual General Meeting of the Company, at Craven House, Arundell Place, Farnham, England, on 26<sup>th</sup> June 2007

### 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

### ECONOMIC ENVIRONMENT

The Company operates in the UK and internationally via group establishments in Germany, France, Italy, Spain, United States and China. Other countries are served through a network of agents. Revenues in more established markets have increased in line with rising metal prices

The wide range of products produced from the metals with which the Company operates means that the Company has a spread of risk over several economic sectors. The most significant sectors are Consumer Products, Construction and Engineering and Steel and Aluminium Foundries, although the Company's diversification into more downstream products for the Telecommunications and Electronics sectors has resulted in increased share of revenues from this sector

The Company sources much of its metals raw material from Asia, Central and South America.

### RESULTS FOR THE YEAR

The Company's Operating Profit was £2,102,000 (2005 £2,711,000). The Company paid dividends totalling £960,000 during the year. No further dividends in respect of 2006 are proposed.

### KEY PERFORMANCE INDICATORS

Mining and Chemical Products Limited aim to increase shareholder value through growth in revenue, linked to profitability, controlling costs and managing assets and liabilities. Source data is taken from the audited financial statements.

| Key Performance Indicator    | Target  | 2006    | 2005    |
|------------------------------|---------|---------|---------|
| Gross Profit (£ '000s)       | £ 6,000 | £ 5,232 | £ 6,615 |
| Gross Profit %               | 14.5%   | 13.5%   | 15.7%   |
| Stock Holding (average days) | 120-180 | 127     | 201     |
| Debtor Days                  | 48      | 44      | 34      |

The company fell short of its target Gross Profit, despite an increase in the volume output, of 35% more than budget, due to not achieving target sales value with new and existing products. Gross Profit was 14% below budget due to rising metal prices meeting some customer resistance to price increases. Stock holding moves through a range which reflects availability of material and market risk and opportunities. The increase to Debtor days is due to sales of Gallium to a new group company in China taking extended credit while setting up their production facility.

### EMPLOYEES

The Company's policy is to offer employment with long term prospects, and where economic necessity requires the cessation of products or processes, the Company will seek to redeploy employees as far as possible. The Company has a flat management structure, with only four major layers from the Boardroom to the shop floor.

As a private company, share option schemes have not been available as remuneration or motivational tools, resulting in more reliance on performance related bonuses, tied to the achievement of returns on total assets above minimum benchmarks set by shareholders.

## BUSINESS REVIEW

### KEY BUSINESS RISKS

#### *Market risks*

The metals which form the basis of the Company's products are not quoted on any officially recognised exchanges, although there are reliable trade publications that provide indicative pricing on a regular basis for some of the metals. One aspect of the Company's strategy is to hold exceptionally large reserves of materials in inventory on a long term basis, and metal prices can sometimes cause stock losses. The Company seeks to ameliorate this risk by judicious buying and average costing techniques.

Metal price fluctuations tend to be self-hedging as the Company prices much of its products on a formula basis aligned with purchase formulas. Most of the metals are traded in US Dollars. Long term supply contracts are usually hedged with appropriate purchase contracts or with recourse arrangements with customers.

#### *Competitive risks*

A key asset for the Company is its long standing reputation as a reliable supplier of quality product, developed to meet customers' evolving requirements. Competition from substitute products or alternative processes is always present, so the Company devotes considerable time to remaining in touch with customers' development strategies.

#### *Sector risk*

As mentioned above, the deployment of Company product across several fundamental sectors moderates the risks inherent in the cyclical fortunes of any one sector.

#### *Credit risk*

The largest customer (in value) amounted to 11% of the Company's revenues, the next twenty three customers accounted for between 1% and 6.2% each, being 51% in total. These customers are mainly large multinational corporations. The Company assesses credit risk profiles with the help of established credit agencies and based on the long history of trading with its customers, which includes monitoring compliance with credit terms.

#### *Financial risks*

The Company trades in three major currencies, US Dollars, Euros and Sterling, with most trading being done in Euros and Dollars. For the most part the Company operates natural hedges between purchasing and sales activities in the two major trading currencies, and makes use of fixed forward contracts to buy or sell excess currency in exceptional circumstances.

The Company operates a conservative borrowing strategy, with gearing (interest-bearing debt as a proportion of equity) generally within a target range of 30-50%. As a result, interest rate changes do not usually have a major effect on the results of the Company, enabling the Company to maintain a satisfactory interest cover.

#### *Financial risks*

The Company has adequate borrowing facilities in England. On a long term basis the usage of facilities has seldom exceeded 80%. Where this has happened, this has usually been for specific situations which have been unwound in relatively short periods of time.

#### *Employment, product and environmental impact risks*

The Company's products are not of themselves hazardous, although production processes do make use of some hazardous materials and potentially hazardous operations. However, the Company devotes considerable resources (from Board level downwards, and including full-time professional health, safety, quality and environment risk manager) to providing a safe work place, to preventing any damage to the environment, and to producing products which have a negligible risk to their users.

## OUTLOOK

The Company continues its geographic expansion, notably in China, and looks to build on the early success enjoyed so far. There will also be further consolidation opportunities as larger corporations abandon niche markets or non-core divisions which inhabit the traditional markets served by the Company. The Company continues to develop more value added products based on its expanding activity in chemicals derived from its five main metals, and the introduction of the new metals.

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted for use in the European Union

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,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements and
- 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 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

#### DISCLOSURE OF INFORMATION TO AUDITORS

At the date of making this report each of the company's directors, as set out on page 1, confirm the following

- so far as each director is aware, there is no relevant information needed by the company's auditors in connection with preparing their report of which the company's auditors are unaware, and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

#### AUDITORS

RSM Robson Rhodes LLP have been appointed as auditors for the accounting period. RSM Robson Rhodes LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the forthcoming annual general meeting

This report was approved by the board of directors and authorised for issue on 25<sup>th</sup> April 2007 and it is signed on its behalf by

Ian McLean  
Company Secretary



**Mining & Chemical Products Limited**  
**31<sup>st</sup> December 2006**

**Financial Statements**

**INCOME STATEMENT**

|   | <i>Note</i> | 2006<br>£'000's      | 2005<br>£'000's      |
|---|-------------|----------------------|----------------------|
| <b>Continuing operations</b>                          |             |                      |                      |
| <b>Revenue</b>  | 1           | <b><u>38,826</u></b> | <b><u>42,084</u></b> |
| <b>Cost of sales</b>                                  |             |                      |                      |
| Material cost of sales                                |             | (30,720)             | (32,903)             |
| Manufacturing costs                                   |             | <u>(2,874)</u>       | <u>(2,566)</u>       |
|   |             | <u>(33,594)</u>      | <u>(35,469)</u>      |
| <b>Gross Profit</b>                                   |             | <b>5,232</b>         | <b>6,615</b>         |
| Other income  | 2           | 16                   | 14                   |
| Distribution costs                                    |             | (1,168)              | (1,292)              |
| Administrative expenses                               | 2           | (1,670)              | (2,332)              |
| Other expenses  | 2           | (36)                 | (30)                 |
| Depreciation and Amortisation                         |             | <u>(272)</u>         | <u>(264)</u>         |
| <b>Operating Profit</b>                               |             | <b>2,102</b>         | <b>2,711</b>         |
| Finance costs   | 2           | <u>(201)</u>         | <u>(176)</u>         |
| <b>Profit before taxation</b>                         |             | <b>1,901</b>         | <b>2,535</b>         |
| Taxation on profit on ordinary activities             | 3           | <u>(408)</u>         | <u>(759)</u>         |
| <b>Profit for the year from continuing operations</b> |             | <b><u>1,493</u></b>  | <b><u>1,776</u></b>  |
| <b>Attributable to<br/>Equity shareholders</b>        |             | <b><u>1,493</u></b>  | <b><u>1,776</u></b>  |

**Mining & Chemical Products Limited**  
**31<sup>st</sup> December 2006**

**Financial Statements**

**BALANCE SHEET**

|  | <i>Note</i> | 2006<br>£'000's      | 2005<br>£'000's      |
|--|-------------|----------------------|----------------------|
| <b>ASSETS</b>                              |             |                      |                      |
| <b>NON-CURRENT ASSETS</b>                  |             |                      |                      |
| Property, plant and equipment              | 5           | 2,703                | 2,563                |
| Intangible assets                          | 6           | 83                   | -                    |
|  |             | <u>2,786</u>         | <u>2,563</u>         |
| <b>CURRENT ASSETS</b>                      |             |                      |                      |
| Inventories                                | 7           | 8,237                | 9,916                |
| Trade and other receivables                | 8           | 5,394                | 4,518                |
|  |             | <u>13 631</u>        | <u>14 434</u>        |
| <b>TOTAL ASSETS</b>                        |             | <u><b>16,417</b></u> | <u><b>16,997</b></u> |
| <br><b>EQUITY AND LIABILITIES</b>          |             |                      |                      |
| <b>Equity attributable to shareholders</b> |             |                      |                      |
| Share capital                              | 10          | 1,000                | 1,000                |
| Retained earnings                          |             | 9,361                | 8 828                |
| <b>Total equity</b>                        |             | <u><b>10,361</b></u> | <u><b>9 828</b></u>  |
| <b>Non-current liabilities</b>             |             |                      |                      |
| Long term borrowings                       | 11          | 1,550                | -                    |
| Deferred tax                               | 12          | 111                  | 91                   |
|  |             | <u>1,661</u>         | <u>91</u>            |
| <b>Current liabilities</b>                 |             |                      |                      |
| Short-term borrowings                      | 9           | 2,182                | 2,576                |
| Trade and other payables                   | 13          | 1,804                | 4 272                |
| Income tax payable                         |             | 409                  | 230                  |
|  |             | <u>4,395</u>         | <u>7,078</u>         |
| <b>TOTAL EQUITY AND LIABILITIES</b>        |             | <u><b>16,417</b></u> | <u><b>16,997</b></u> |

The financial statements were approved by the board of directors and authorised for issue on 25<sup>th</sup> April 2007, and they were signed on its behalf by

  
 Ian Cadell  
 Director



**STATEMENT OF CHANGES IN EQUITY**

|                          | Attributable to shareholders |                                 |                         |
|--------------------------|------------------------------|---------------------------------|-------------------------|
|                          | Issued<br>Capital<br>£'000's | Retained<br>Earnings<br>£'000's | Total equity<br>£'000's |
| <b>2005</b>              |                              |                                 |                         |
| Balance at 1 January     | 1,000                        | 8,052                           | 9,052                   |
| Net profit for the year  |                              | 1,776                           | 1,776                   |
| Total income and expense | 1,000                        | 9,828                           | 10,828                  |
| Dividends                |                              | (1,000)                         | (1,000)                 |
| <b>31 December</b>       | <b>1,000</b>                 | <b>8,828</b>                    | <b>9,828</b>            |
| <b>2006</b>              |                              |                                 |                         |
| Net profit for the year  |                              | 1,493                           | 1,493                   |
| Total income and expense | 1,000                        | 10,321                          | 11,321                  |
| Dividends                |                              | (960)                           | (960)                   |
| <b>31 December</b>       | <b>1,000</b>                 | <b>9,361</b>                    | <b>10,361</b>           |

**Mining & Chemical Products Limited**  
**31<sup>st</sup> December 2006**

**Financial Statements**

**CASH FLOW STATEMENT**

|   | <i>Note</i> | 2006<br>£'000's       | 2005<br>£'000's       |
|---|-------------|-----------------------|-----------------------|
| <b>Cash flows from operating activities</b>     |             |                       |                       |
| Cash flows from operating activities            | 14          | 1,051                 | 1,659                 |
| Interest received                               |             | -                     | 5                     |
| Taxation paid                                   |             | (549)                 | (780)                 |
| <b>Net cash flows from operating activities</b> |             | <u>502</u>            | <u>884</u>            |
| <b>Cash flows from investing activities</b>     |             |                       |                       |
| Purchase of property, plant and equipment       | 5           | (417)                 | (475)                 |
| Purchase of intangibles                         | 6           | (83)                  | -                     |
| Sale of property, plant and equipment           |             | 3                     | 6                     |
| <b>Net cash flows from investing activities</b> |             | <u>(497)</u>          | <u>(469)</u>          |
| <b>Cash flows from financing activities</b>     |             |                       |                       |
| Proceeds from borrowing                         | 11          | 2,000                 | -                     |
| Repayment of borrowing                          | 11          | (450)                 | -                     |
| Interest paid                                   |             | (201)                 | (181)                 |
| Dividends Paid                                  | 4           | (960)                 | (1000)                |
| <b>Cash flows from financing activities</b>     |             | <u>389</u>            | <u>(1,181)</u>        |
| <b>Net change in cash and cash equivalents</b>  |             | <b>394</b>            | <b>(766)</b>          |
| Cash and cash equivalents at 1 January          |             | (2,576)               | (1,810)               |
| <b>Cash Resources at 31 December</b>            | <b>9</b>    | <u><b>(2,182)</b></u> | <u><b>(2,576)</b></u> |

## **PREPARATION OF THE FINANCIAL STATEMENTS**

### **Corporate information**

The financial statements of Mining & Chemical Products Limited (the "Company") for the year ended 31<sup>st</sup> December 2006 were authorised for issue by resolution of the Board of Directors on 25<sup>th</sup> April 2007

Mining & Chemical Products Limited is a private limited company incorporated, registered and domiciled in England

### **Basis of preparation**

#### *Statement of compliance*

The financial statements have been prepared on a historical cost basis and are presented in Sterling (£), with values rounded to the nearest thousand Pound (£'000's), except where the context indicates otherwise. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use in the European Union

## **SIGNIFICANT ACCOUNTING POLICIES**

### **Intangible assets**

#### *Goodwill*

Goodwill is the excess of the cost of acquisition over the fair value of the Purchased assets at the date of acquisition. Goodwill is stated at the cost at date of acquisition less a provision for impairment. Goodwill is evaluated at the time of acquisition, and, subsequently, at least annually to determine whether any impairment of the value has occurred.

#### *Customer List*

Customer List is stated at the cost at date of acquisition less a provision for impairment. Customer List is evaluated at the time of acquisition, and, subsequently, at least annually to determine whether any impairment of the value has occurred.

#### *Research and development costs*

Research and development costs are expensed when incurred because the expenditure does not usually fulfil all the requirements for capitalisation set out in International Accounting Standard 38 - Intangible Assets.

### **Leases**

The Company has no finance leases (defined as leases where substantially all the risks and benefits of ownership are assumed by the Company). Operating lease expenditure is written off in equal instalments over the period of the lease. Early termination costs are written off when incurred.

### **Foreign currency Translation**

#### *Functional and presentation currency*

The financial statements are presented in Sterling. The Company uses Sterling for both functional and presentational purposes. Monetary assets and liabilities in foreign currencies are translated at year-end rates and all gains and losses are taken to the income statement.

#### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

**SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Retirement benefit obligations**

The Company provides for retirement benefits by defined contribution pension schemes, the costs of which are expenses in the year to which they relate

**Borrowing cost**

Borrowing costs are recognised as expenses when incurred

**Inventories**

Inventories are carried at the lower of cost or net realisable value. The cost of raw materials and components is the purchase cost on either a weighted average or actual cost basis. The cost of manufactured products includes specific material cost and the cost of direct labour and production overhead.

**Trade and other receivables**

Trade receivables are carried at original invoice amount, less any necessary provision for uncollectible debts. Bad debts are written off once identified.

**Trade and other payables**

Trade payables are not interest bearing and are stated at their nominal value.

**Cash and short term deposits**

Cash and short term deposits comprise cash in hand and at bank, deposits on call at banks and investments in money market transactions, and they are carried at nominal value.

Bank overdrafts are shown as borrowing in current liabilities, unless committed for more than twelve months from the Balance Sheet date.

**Borrowings**

Borrowing is accounted for at the amount of the proceeds received less transaction costs. The difference between cost and the amortised cost (using the effective interest method) is adjusted through the Income Statement, if significant, on an accruals basis.

**Deferred Taxes**

Deferred taxation is provided in full on temporary differences arising between tax bases of asset or liability values and their carrying amounts in the financial statements, using tax rates enacted at the balance sheet date.

The principal temporary differences relate to depreciation of plant and equipment.

**Provisions**

Provisions are made when there is present legal or constructive obligation arising from past events, where it is probable that costs will be incurred to settle the obligations, and a reliable estimate of the amount of the obligation can be made.

**Property, plant and equipment**

All trading property, plant and equipment are recorded at cost less accumulated depreciation. Depreciation is provided in equal annual instalments at rates designed to reduce the net book values of the assets to their estimated residual values at the end of their expected useful lives.

**SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property, plant and equipment**

The maximum useful lives are estimated as follows

|                               |          |
|-------------------------------|----------|
| Freehold buildings            | 25 years |
| Plant, fixtures and equipment | 8 years  |
| Motor vehicles                | 4 years  |
| Computer equipment            | 3 years  |

The carrying value of property, plant and equipment is reviewed annually for impairment, and any loss, if significant, is adjusted in the Income Statement as it arises. Residual values and useful lives are reviewed annually and adjusted if required.

Gains and losses on disposal are calculated by reference to their carrying amount and the proceeds on disposal, the result is taken to the income statement immediately.

**Revenue recognition**

Revenue is recognised upon delivery of products or services to customers, when substantially all the risks and rewards of ownership pass to the customer, in accordance with the terms and conditions attaching to the transaction. The majority of revenue stem from the delivery of products.

Revenue is stated at the invoiced amount, net of discounts and value added, turnover or sales taxes. Interest income is recorded as it accrues.

**Taxes**

The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The charge for taxation is based primarily on the profit for the year, and is calculated using tax rates enacted at the balance sheet date. The charge for tax takes into account taxation deferred or accelerated because of temporary differences between the treatment of certain items for accounting and taxation purposes.

**ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, sometimes not be the same as the related actual results.

**Mining & Chemical Products Limited**  
**31<sup>st</sup> December 2006**

**Financial Statements**

**NOTES TO THE FINANCIAL STATEMENTS**

|   |               |               |
|---|---------------|---------------|
| <b>1 REVENUE</b>  | <b>2006</b>   | <b>2005</b>   |
| Revenues are shown according to the location of the customer    | £'000's       | £'000's       |
| European Union  | 28,801        | 28,843        |
| Rest of Europe  | 411           | 210           |
| North America   | 5,649         | 5,348         |
| South America   | 1,215         | 2,254         |
| Asia  | 2,574         | 5,116         |
| Other   | 176           | 313           |
| Total   | <b>38,826</b> | <b>42,084</b> |
| <br>  |               |               |
| <b>2 OTHER REVENUES and EXPENSES</b>                            |               |               |
| <i>Other operating income</i>                                   |               |               |
| Laboratory Analysis Fees received                               | 16            | 14            |
| Other expenses  | (36)          | (30)          |
| <br>  |               |               |
| Interest receivable   | -             | 5             |
| <br>  |               |               |
| <i>Finance costs</i>  |               |               |
| Interest payable  | (201)         | (181)         |
| <br>  |               |               |
| <i>Staff costs</i>  |               |               |
| Salaries, wages, bonuses and commissions                        | 2,624         | 2,748         |
| Social security costs   | 252           | 225           |
| Pension costs - defined contribution plans                      | 75            | 82            |
| Other costs   | 76            | 90            |
|   | <b>3,027</b>  | <b>3,145</b>  |
| <br>  |               |               |
| <i>The average number of employees</i>                          | #             | #             |
| Manufacturing and development                                   | 63            | 55            |
| Sales and distribution  | 16            | 15            |
| Administration  | 10            | 9             |
|   | <b>89</b>     | <b>79</b>     |
| <br>  |               |               |
| <i>Directors' remuneration</i>                                  |               |               |
| Emoluments (three directors)                                    | 286           | 750           |
| Contributions to defined contribution schemes (three directors) | 45            | 45            |
|   | <b>331</b>    | <b>795</b>    |
| <br>  |               |               |
| Highest paid director - emoluments                              | 162           | 396           |
| - pension contributions   | 25            | 25            |

No director had any interest in the shares of the Company. The interests of the Directors in the shares of the parent company are shown in that company's annual financial statements.

**Mining & Chemical Products Limited**  
**31<sup>st</sup> December 2006**

**Financial Statements**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

| 2 OTHER REVENUES and EXPENSES   | 2006       | 2005         |
|---|------------|--------------|
|   | £'000's    | £'000's      |
| <i>Other expenses</i>   |            |              |
| Depreciation of property, plant and equipment   | 272        | 264          |
| Bad debts   | 72         | (5)          |
| Foreign exchange differences losses / (gains)   | (11)       | 36           |
| Research and development expenditure (expensed as incurred)                           | 153        | 163          |
| Operating lease rentals plant and equipment   | 9          | 22           |
| Profit / (loss) on sale of property, plant and equipment                              | 5          | (3)          |
| <i>Professional Fees</i>  |            |              |
| Auditors remuneration for statutory audits  | 24         | 22           |
| Auditors remuneration for taxation services   | -          | 6            |
| <br>  |            |              |
| <b>3 INCOME TAX</b>   |            |              |
| Current tax   | 453        | 750          |
| Deferred Tax  | 130        | 9            |
| Taxes on current year results   | <u>583</u> | <u>759</u>   |
| Adjustments for previous years - tax  | (65)       | -            |
| Adjustments for previous years - deferred tax   | (110)      | -            |
| Tax per Income Statement  | <u>408</u> | <u>759</u>   |
| <br>  |            |              |
| Tax on accounting profit average 30% (2005 30%)                                       | 570        | 761          |
| Income not subject to tax   |            |              |
| Expenses not deductible for tax   | 25         | 6            |
| Other   | (12)       | (8)          |
| Tax on current year results   | <u>583</u> | <u>759</u>   |
| <br>  |            |              |
| <b>4 DIVIDENDS</b>  |            |              |
| <i>Dividend declared and paid during the year</i>                                     |            |              |
| <i>Equity dividend on ordinary shares</i>   |            |              |
| First interim dividend for 2006 32p per share (2005 100p per share)                   | 320        | 1,000        |
| Second interim dividend for 2006 32 p per share (2005 nil)                            | 320        | -            |
| Third interim dividend for 2006 32p per share (2005 nil)                              | 320        | -            |
|   | <u>960</u> | <u>1,000</u> |
| <br>  |            |              |
| <i>Dividend declared after the year end (not shown as a liability at 31 December)</i> | nil        | nil          |

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**Financial Statements**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**5 PROPERTY, PLANT AND EQUIPMENT**

|                         | Freehold Land<br>and<br>Buildings<br>£'000's | Plant and<br>Equipment<br>£'000's | Cars,<br>computers and<br>other<br>£'000's | TOTAL<br>£'000's |
|-------------------------|--|-----------------------------------|--|------------------|
| <i>Cost</i>             |  |                                   |  |                  |
| At 1 January            | 2,138  | 1,916                             | 626  | 4,680            |
| Additions               | 192  | 161                               | 64   | 417              |
| Disposals               |  |                                   | (19)                                       | (19)             |
| At 31 December          | <u>2,330</u>                                 | <u>2,077</u>                      | <u>671</u>                                 | <u>5,078</u>     |
| <i>Depreciation</i>     |  |                                   |  |                  |
| At 1 January            | 398  | 1,244                             | 475  | 2,117            |
| Charged in current year | 51   | 176                               | 45   | 272              |
| Disposals               |  | (6)                               | (8)  | (14)             |
| At 31 December          | <u>449</u>                                   | <u>1,414</u>                      | <u>512</u>                                 | <u>2,375</u>     |
| <i>Net Book Value</i>   |  |                                   |  |                  |
| At 1 January            | 1,740  | 672                               | 151  | 2,563            |
| At 31 December          | <u>1,881</u>                                 | <u>663</u>                        | <u>159</u>                                 | <u>2,703</u>     |

Land and buildings includes an element of cost for land of £ 580 thousand, which is not depreciated

**6 INTANGIBLES**

|                | TOTAL<br>£'000's |
|----------------|------------------|
| <i>Cost</i>    |                  |
| At 1 January   |                  |
| Additions      | 83               |
| At 31 December | <u>83</u>        |

Intangibles comprise the cost of acquisition of a customer list as part of the acquisition of the business, trade and assets of a small pewter business

|                               | 2006<br>£'000's | 2005<br>£'000's |
|-------------------------------|-----------------|-----------------|
| <b>7 INVENTORIES</b>          |                 |                 |
| Raw materials and consumables | 5,489           | 5,406           |
| Work-in-progress              | 1,234           | 1,920           |
| Finished goods                | 1,514           | 2,590           |
|                               | <u>8,237</u>    | <u>9,916</u>    |

**8 TRADE and OTHER RECEIVABLES**

|                                     |              |              |
|-------------------------------------|--------------|--------------|
| Trade receivables                   | 2,347        | 1,905        |
| Amounts owed by fellow subsidiaries | 2,576        | 2,126        |
| VAT recoverable                     | 471          | 487          |
|                                     | <u>5,394</u> | <u>4,518</u> |

Trade receivables are non-interest bearing and credit period is between 30 and 120 days



**Mining & Chemical Products Limited**  
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**Financial Statements**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**9 CASH and CASH EQUIVALENTS**

Cash at banks in current accounts usually earns no interest. Short-term deposits are made for varying periods between one day and one month, depending on immediate cash requirements, and these earn interest at short term rates. Cash and cash equivalents comprise the following:

|                            | 2006<br>£'000's | 2005<br>£'000's |
|----------------------------|-----------------|-----------------|
| Cash at banks and in hand  | -               | 566             |
| Short term bank overdrafts | (2,182)         | (3,142)         |
|                            | <u>(2,182)</u>  | <u>(2,576)</u>  |

**10 ISSUED CAPITAL**

The total authorised share capital as at 1 January and 31 December was one million ordinary shares of £ 1 each

|                            | 2006             |              | 2005             |              |
|----------------------------|------------------|--------------|------------------|--------------|
|                            | #                | £'000's      | #                | £'000's      |
| Issued and fully paid      |                  |              |                  |              |
| At 1 January               | 1,000,000        | 1,000        | 1,000,000        | 1,000        |
| Ordinary shares of €1 each |                  |              |                  |              |
| At 31 December             | <u>1,000,000</u> | <u>1,000</u> | <u>1,000,000</u> | <u>1,000</u> |

**11 INTEREST BEARING LOANS and BORROWING**

|   | 2006<br>£'000's | 2005<br>£'000's |
|---|-----------------|-----------------|
| <i>Current</i>                                    |                 |                 |
| Bank overdrafts (average interest rate 6½%)       | 1,789           | 3,142           |
| Bank loans - current portion (effective rate 6½%) | 400             | -               |
|   | <u>2,189</u>    | <u>3,142</u>    |
| <i>Non-current</i>                                |                 |                 |
| Bank loans (effective rate 6½%)                   | 1,550           | -               |
|   | <u>1,550</u>    | <u>-</u>        |
|   | <u>3,739</u>    | <u>3,142</u>    |

The effective interest rate has been disclosed where possible. However, due to interest charges being made based on variable interest rates that are unforeseeable, the average rate has been used as an estimate of the effective rate. The non-current bank loans expire in June & December 2011.

**12 DEFERRED TAX**

Deferred tax is calculated on all temporary differences under the liability method, using appropriate tax. Deferred tax assets and liabilities are offset.

*Summary of deferred tax balances*

|                          |       |      |
|--------------------------|-------|------|
| Deferred tax liabilities | (111) | (91) |
|--------------------------|-------|------|

Deferred tax relates to accelerated depreciation allowances in excess of accounting depreciation

|                      | £'000's      |
|----------------------|--------------|
| At 1 January         | (91)         |
| Charged / (released) | (20)         |
| At 31 December       | <u>(111)</u> |

**Mining & Chemical Products Limited**  
**31<sup>st</sup> December 2006**

**Financial Statements**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

| 13 TRADE PAYABLES and OTHER CREDITORS | 2006         | 2005         |
|---------------------------------------|--------------|--------------|
|                                       | £'000's      | £'000's      |
| Trade payables                        | 904          | 1,979        |
| Amounts owed to fellow subsidiaries   | 732          | 2,172        |
| Other payables                        | 168          | 121          |
|                                       | <u>1,804</u> | <u>4 272</u> |

Trade payables are non-interest bearing and credit period is between prompt and 30 days

**14 CASH GENERATED FROM OPERATIONS**

*Reconciliation of profit before tax with cash generated from operations*

|  |                |                |
|--|----------------|----------------|
| Profit before taxation                                 | 1,901          | 2,535          |
| Interest Paid  | 201            | 176            |
|  | <u>2,102</u>   | <u>2,711</u>   |
| Depreciation and amortisation                          | 272            | 264            |
| Net profit on disposal of property plant and equipment | (5)            | 3              |
| Items not involving cash flows                         | <u>267</u>     | <u>267</u>     |
| Inventory  | 1,679          | (892)          |
| Receivables  | (327)          | (658)          |
| Payables   | (2,670)        | 231            |
| Net working capital changes                            | <u>(1,318)</u> | <u>(1 319)</u> |
| Cash generated from operations                         | <u>1 051</u>   | <u>1 659</u>   |

**15 CONTINGENCIES and COMMITMENTS**

The Company had no contingent liabilities or commitments (2005 nil)

| 16 RELATED PARTY DISCLOSURES     | Sales made | Services bought | Purchases made | Amounts owed | Amounts due |
|----------------------------------|------------|-----------------|----------------|--------------|-------------|
|                                  | £'000's    | £'000's         | £'000's        | £'000's      | £'000's     |
| <i>Ultimate Parent Company</i>   |            |                 |                |              |             |
| MCP Aramayo Ltd                  |            | 166             |                |              |             |
| <i>Other Group Companies</i>     |            |                 |                |              |             |
| MCP Tooling Technologies Limited |            |                 |                | 107          | 75          |
| MCP France SA                    | 2198       | 2               | 40             | 2            | 199         |
| MCP Italia srl                   | 46         |                 |                |              | 11          |
| MCP Iberia SA                    | 458        | 20              |                | 6            | 76          |
| MCP Metals (Shenzhen) Limited    |            |                 |                |              | 380         |
| MCP HEK GmbH                     | 15838      | 105             | 550            | 84           | 1,288       |
| MCP Metalspecialties Inc         | 5032       | 18              | 3690           | 533          | 541         |

**17 PARENT COMPANY**

The Company is a wholly owned subsidiary of MCP Aramayo Limited, which is registered in England Consolidated financial statements are prepared only for the ultimate parent, MCP Aramayo Limited, and its subsidiaries and jointly controlled entities Copies of the consolidated financial statements may be obtained from Craven House, Arundell Place, West Street, Farnham GU9 7EN

**Mining & Chemical Products Limited**  
**31<sup>st</sup> December 2006**

**Financial Statements**

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

We have audited the financial statements on pages 5 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards, as adopted for use in the European Union, are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

**In our opinion**

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, as adopted for use in the European Union, of the state of affairs of the Company as at 31<sup>st</sup> December 2006 and of the profit of the company for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

*RSM Robson Rhodes LLP*  
RSM Robson Rhodes LLP  
Chartered Accountants and Registered Auditors

Hemel Hempstead, England  
~~22<sup>nd</sup> May~~ 2007

13 June