

MINING & CHEMICAL PRODUCTS LIMITED

REPORT AND FINANCIAL STATEMENTS

2005

244498



MINING AND CHEMICAL PRODUCTS LIMITED

31ST DECEMBER 2005

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MINING & CHEMICAL PRODUCTS LIMITED
31st December 2005

COMPANY INFORMATION

Board of Directors Ian CADELL (Chairman)
Ian McLEAN
Stephen DAVENHILL

Company Secretary Ian McLEAN

Principal Bankers HSBC Bank plc
8 London Street
Basingstoke
HANTS R621 7NU

Auditors RSM Robson Rhodes LLP
Chartered Accountants
186 City Road
London EC1V 2NU

Solicitors Lawrence Graham
190 Strand
London WC2R 1JN

Registered office 22 Melton Street
LONDON NW1 2BW

Company Registration Number 244498

Website www.mcp-group.com

MINING & CHEMICAL PRODUCTS LIMITED

31st December 2005

DIRECTORS' REPORT

The Directors submit their report and audited financial statements for the year ended 31 December 2005, to be presented at the seventy-sixth Annual General Meeting of the Company to be held at Craven House, Arundell Place, West Street, Farnham on 6th June 2006.

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's Metals and Chemicals business performed as expected during 2005 following the end of the bull market in metals during 2005 and the return to a more normal trading environment.

The directors expect profits to fall slightly in the forthcoming year, in the absence of clear stock profit opportunities similar to those seen in the preceding two years.

RESULTS AND DIVIDENDS

The Company has made a profit before taxation for the year of £2,535,000 (2004 £2,267,000), and has earnings for the year, after taxation, of £1,776,000 (2004 £1,598,000).

The directors have recommended the payment of a dividend of £1 million, which payment will subject to approval at the forthcoming annual general meeting.

DEVELOPMENT EXPENDITURE

The Company has expensed development costs of £163,000 (2004: £137,000).

DIRECTORS


The composition of the Board is as stated on page 1. None of the directors has any beneficial interest in the issued share capital of the Company. The interests of the directors in the share capital of the ultimate parent company are disclosed in the financial statements of that company.

AUDITORS

A resolution to re-appoint RSM Robson Rhodes LLP as auditors will be proposed at the forthcoming annual general meeting.

The Board approved the Report of the Directors on 19th April 2006 and it is signed on its behalf.

I D McLean, CA (SA) FAPA
Secretary



MINING & CHEMICAL PRODUCTS LIMITED

31st December 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law in the United Kingdom 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 these financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable United Kingdom accounting standards; and
- prepared the financial statements on the going concern basis.

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.

The directors are responsible for ensuring that the directors' report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom.

MINING & CHEMICAL PRODUCTS LIMITED
31st December 2005

PROFIT AND LOSS ACCOUNT	<i>Note</i>	2005 £'000's	2004 £'000's
Turnover	1	42,084	29,769
Cost of sales		(35,614)	(23,841)
Material cost of sales		(32,903)	(21,588)
Manufacturing costs		(2,711)	(2,253)
Gross Profit		6,470	5,928
<i>Other operating income</i>	2	14	15
Distribution costs		(1,292)	(1,218)
Administrative expenses		(2,451)	(2,260)
Other operating expenses		(30)	(65)
Operating Profit	4	2,711	2,400
Interest payable	5	(181)	(133)
Interest receivable	6	5	-
Profit on ordinary activities before taxation		2,535	2,267
Taxation on ordinary activities	7	(759)	(669)
Profit on ordinary activities		1,776	1,598
Dividend Paid	8	(1,000)	-
Transferred to reserves	16	776	1,598

All results relate to continuing activities.

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

MINING & CHEMICAL PRODUCTS LIMITED
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BALANCE SHEET	<i>Note</i>	2005 £'000's	2004 £'000's
TANGIBLE FIXED ASSETS	9	2,563	2,361
CURRENT ASSETS			
Stocks	11	9,916	9,024
Debtors	12	4,518	3,730
Cash at bank and in hand		-	-
		14,434	12,754
Creditors, due within one year			
Bank overdraft		(2,576)	(1,810)
Creditors	13	(4,502)	(4,171)
		(7,078)	(5,981)
NET CURRENT ASSETS		7,356	6,773
TOTAL ASSETS, less CURRENT LIABILITIES		9,919	9,134
Provisions for liabilities and charges	14	(91)	(82)
TOTAL NET ASSETS		9,828	9,052
SHAREHOLDERS FUNDS			
Capital and reserves			
Called up share capital	15	1,000	1,000
Profit and Loss Account	16	8,828	8,052
Equity Shareholders' Funds	17	9,828	9,052

The financial statements were approved by the Board on 19th April 2006, and signed on its behalf.


 I V Cadell
 Director

MINING & CHEMICAL PRODUCTS LIMITED
31st December 2005

CASH FLOW STATEMENT	<i>Note</i>	2005 £'000's	2004 £'000's
Operating activities	18	430	1,468
Returns on investment and servicing of finance			
Interest received		5	-
Interest paid		(181)	(133)
Group Loan Received		1,229	-
		1,053	(133)
Taxation		(780)	(610)
Capital expenditure			
Purchase of tangible fixed assets		(475)	(295)
Sale of fixed assets		6	-
		(469)	(295)
Financing			
Equity dividend paid		(1,000)	-
		(1,000)	-
Change in cash resources	19	(766)	430

MINING & CHEMICAL PRODUCTS LIMITED

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ACCOUNTING POLICIES

Convention

The financial statements are prepared in accordance with applicable Accounting Standards, under the historical cost convention.

Basis of preparation and Related Party transactions

The Company has taken advantage of S228 of the Companies Act 1989 (as amended). Accordingly, no Group accounts are presented.

The Company is a wholly owned subsidiary of MCP Metals and Chemicals Limited, whose ultimate parent is MCP Aramayo Limited, a company registered in England. The ultimate parent company prepares consolidated financial statements for itself and all its subsidiaries, including the Company. Transactions and balances within that group are eliminated on consolidation. The consolidated financial statements of MCP Aramayo Limited 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 that requires disclosure in these accounts.

Property, plant and equipment

All trading property, plant and equipment is recorded at cost. Subsequently, all such assets, excepting only freehold land, are depreciated 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. The maximum estimated useful lives are:

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

Gains and losses on disposal are calculated by reference to their carrying amount and are taken into account in determining operating profit. Interest cost on acquisition of property, plant and equipment is written off as incurred.

Investments

Financial investments that are listed on a recognised public stock exchange are marked to market as at the Balance Sheet date. Changes in the value of such investments, including profits or losses on disposal, are taken to the Profit and Loss Account. Financial investments include surplus funds awaiting investment, placed on deposit at licensed financial institutions, and loans to third parties.

Stocks

Stocks are valued at the lower of specific attributable cost (or, where appropriate, average cost) and net realisable value. The cost of manufactured products includes specific material cost and an allowance for production overhead where applicable. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and at bank, deposits on call at banks and investments in money market transactions. Bank overdrafts are shown as borrowing in creditors due within one year, unless committed for more than twelve months from the Balance Sheet date.

ACCOUNTING POLICIES

MINING & CHEMICAL PRODUCTS LIMITED

31st December 2005

Provisions

Provisions are made when there is an actual 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.

Revenue recognition

Sales are recognised upon delivery of products or service 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. Sales are stated at the invoiced amount, net of discounts and value added, turnover or sales taxes. Interest income is recorded as it accrues.

Foreign currencies

Profit and Loss Accounts of foreign subsidiaries are translated at average rates for the year, and the Balance Sheets are translated at year-end rates. Currency translation differences arising from the re-translation of the net investment in subsidiaries are taken to reserves. Monetary assets and liabilities in foreign currencies are translated at year-end rates and all gains and losses are taken to the profit and loss account.

Financial Instruments

Financial instruments include cash and bank balances, investments, receivables, payables and borrowing. Particular recognition methods are outlined in the individual policy statements pertaining to those items. Financial instruments such as forward exchange contracts are utilised by the Company to reduce risk. Unrealised gains and losses on such instruments are not recognised until settlement occurs.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred or accelerated because of temporary differences between the treatment of certain items for accounting and taxation purposes. Deferred taxation is provided for using the full liability method. Credit is taken for deferred tax assets to the extent it is probable that the asset will be recovered in the near future.

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.

Research and development

Research and development costs are expensed when incurred because the expenditure does not fulfil all the requirements for capitalisation set out in Statement of Standard Accounting Practice 13.

Retirement benefit obligations

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

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NOTES TO THE FINANCIAL STATEMENTS

1 TURNOVER	2005	2004
Revenues are shown according to the location of the customer.	£'000's	£'000's
United Kingdom	4,802	4,231
Germany	16,216	11,120
France	2,871	1,999
Other European countries	5,164	3,119
North America	5,348	4,618
South America	2,254	1,318
Other countries	5,429	3,364
TOTAL	42,084	29,769

Sales to "Other" geographical regions are mainly in Asia.

2 OPERATING INCOME		
Laboratory and analytical services	14	15

3 STAFF COSTS		
Cost		
Wages, salaries and related costs	2,748	2,919
Social security costs	225	287
Pension costs - defined contribution	82	101
Other costs	90	162
Total costs	3,145	3,469
The average number of employees	#	#
Management and administration	9	8
Sales and distribution	15	14
Manufacturing	55	47
Total number	79	69

4 OPERATING PROFIT	2005	2004
This is stated after charging	£'000's	£'000's
Auditors' remuneration	22	25
Auditors' fees for services other than audit	6	7
Depreciation of fixed assets	264	210
Loss on sale of assets	3	2
Development expenditure	163	137
Directors' remuneration	795	814
- Cost of pensions	45	42
- Highest paid director	421	431

5 INTEREST PAYABLE		
Interest on loans and overdrafts repayable within five years	169	94
Group interest	12	39
	181	133

MINING & CHEMICAL PRODUCTS LIMITED
31st December 2005

NOTES TO THE FINANCIAL STATEMENTS

	2005 £'000's	2004 £'000's
6 INTEREST RECEIVABLE		
Bank interest	-	-
Interest from Group companies	-	-
Interest on Corporation tax refunded	5	-
7 TAXATION		
The taxation charge is based on the profit on ordinary activities		
Current taxation		
Corporation Tax	750	664
Deferred taxation		
Net origination of timing differences	9	8
Tax on current year activities	759	672
Adjustments to prior years		
Corporation tax	0	(3)
Deferred tax	-	-
Tax on profit on ordinary activities	759	669
Reconciliation of current tax charge		
Profit on ordinary activities before taxation	2,535	2,267
Theoretical tax thereon at UK Corporation tax rate of 30%	761	-
Expenses not deductible for tax	6	6
Other adjustments	(8)	(14)
Tax on current year activities	759	672
8 DIVIDEND		
Dividend paid (2004: Nil per share)	1,000	Nil

9 TANGIBLE ASSETS	Freehold Land and Buildings	Plant and Equipment	Cars, computers and other	TOTAL
	£'000's	£'000's	£'000's	£'000's
Cost				
At 1 st January	2,126	1,555	576	4,257
Additions	12	361	102	475
Disposals	-	-	(52)	(52)
At 31st December	2,138	1,916	626	4,680
Depreciation				
At 1 st January	354	1,099	443	1,896
Charge for the year	44	145	75	264
Disposals	-	-	(43)	(43)
At 31st December	398	1,244	475	2,117
Net Book Value				
At 31 December 2005	1,740	672	151	2,563
At 31 December 2004	1,772	456	133	2,361

MINING & CHEMICAL PRODUCTS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

10 INVESTMENTS

Group Companies

The Company has no investments in subsidiaries.

11 STOCKS

	2005 £'000's	2004 £'000's
Raw materials	5,406	7,304
Work in progress	1,920	991
Finished goods and goods for re-sale	2,590	729
	9,916	9,024

12 DEBTORS

Trade Debtors	1,905	1,645
Amounts owed by fellow subsidiaries	2,126	974
Value Added Taxation	487	1,111
Other debtors	-	-
	4,518	3,730

13 CREDITORS - due within one year

Trade creditors	1,248	1,491
Accruals	731	1,249
Amounts owed to subsidiaries	2,172	570
Amounts owed to parent	-	-
Corporation tax	230	264
Other creditors	121	597
	4,502	4,171

14 PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation

Deferred tax is provided at 30% (2004: 30%) is provided in respect of accelerated capital allowances.

At 1 January	82	74
Charged in the year	9	8
At 31 December	91	82

15 CALLED UP SHARE CAPITAL

1,000,000 authorised, allotted and fully paid ordinary shares of £1

At 1 January and 31 December	1,000	1,000
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MINING & CHEMICAL PRODUCTS LIMITED
31st December 2005

NOTES TO THE FINANCIAL STATEMENTS

16 PROFIT AND LOSS ACCOUNT	2005	2004
	£'000's	£'000's
At 1 January	8,085	6,454
Result for the year	776	1,598
At 31 December	8,828	8,052
17 EQUITY SHAREHOLDERS' FUNDS		
Opening equity shareholders' funds	9,052	7,454
Result for the year	776	1,598
Closing equity shareholders' funds	9,828	9,052
18 RECONCILIATION BETWEEN RESULT AND OPERATING CASH FLOW		
Operating profit, before interest	2,711	2,400
Items not involving cash flows		
Depreciation	264	210
Loss on sale of assets	3	2
Cash effect of trading operations	2,978	2,612
Change in stocks	(929)	(2,145)
Change in debtors	(658)	(1,301)
Change in creditors	(961)	2,302
Cash effect of working capital change	(2,548)	(1,144)
Operating Activities	430	1,468
19 RECONCILIATION OF CASH FLOW TO MOVEMENT ON NET CASH		
Net cash at 1 January 2005		(2,240)
Net cash inflow		430
Net overdrafts at 31 December		(1,810)

Net cash consists of bank balances less bank overdrafts.

20 COMMITMENTS

There was no capital expenditure or operating lease commitments.

21 FINANCIAL GUARANTEES AND SECURITY

The Company's bankers have given a guarantee in favour of a fellow subsidiary's bankers, indemnified by the Company, with a maximum value of £100,000. At 31 December 2004 the amount outstanding was Nil (2004 - Nil). 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 deferments, with a maximum value of £30,000. At 31 December the amount outstanding was £18,800 (2004 - £13,600). 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.

22 PARENT COMPANY

The Company is a wholly owned subsidiary of MCP Metals and Chemicals Limited, a company registered in England. The ultimate parent is MCP Aramayo Limited, which is registered in England. The published financial statements of the ultimate holding company are available from The Secretary, Craven House, West Street, Farnham, Surrey GU9 7EN

MINING & CHEMICAL PRODUCTS LIMITED

31st December 2005

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

We have audited the financial statements on pages 4 to 12. 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

As described in the Statement of Directors Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes LLP

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors

6 June 2006
Hemel Hempstead, England