

244698

MINING & CHEMICAL PRODUCTS LIMITED

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1997



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	7-15
Report of the Auditors	16

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 SIXTY-NINTH ANNUAL GENERAL MEETING of the Company to be held at Laverstoke, Hampshire on 23 April 1998, at 12 noon.

The Directors submit their report and audited financial statements for the year ended 31 December 1997.

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 1997, given the difficult metals and currency markets. In particular, the strength of the pound had an adverse effect on both margins and sales. The directors expect an improvement in the forthcoming year.

RESULTS AND DIVIDENDS

The Group has made a profit before taxation for the year of £521,000 (1996 £1,003,000), and has earnings for the year, after taxation, of £386,000 (1996 £743,000).

The directors do not recommend the payment of a dividend.

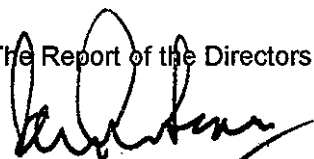
DIRECTORS

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 16 March 1998, and it is signed on its behalf by:



I D McLean, CA(SA) FAPA
Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	1997 £ '000's	1996 £'000's
TURNOVER	2	22,431	21,639
Raw materials and consumables		17,810	15,196
Change in stocks		(584)	1,385
Gross Profit		5,205	5,058
Other operating income	3	(93)	(168)
Staff costs	4	2,353	2,164
Depreciation of tangible fixed assets		219	212
Profit on disposal of assets		-	(8)
Other operating charges		2,155	1,815
OPERATING PROFIT	5	571	1,043
Interest payable	6	(116)	(77)
Interest receivable	7	66	37
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		521	1,003
Taxation	8	(135)	(260)
PROFIT AFTER TAXATION		386	743
Dividend	9	-	(500)
PROFIT AFTER TAXATION TRANSFERRED TO RESERVES	18	386	243

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 19, on page 13.

CONSOLIDATED BALANCE SHEET

	Note	1997 £ '000's	1996 £'000's
TANGIBLE FIXED ASSETS	10	2,405	1,625
CURRENT ASSETS			
Stocks	12	4,684	4,117
Debtors	13	3,509	2,165
Cash at bank and in hand		1,139	1,704
		9,332	7,986
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(4,650)	(2,905)
NET CURRENT ASSETS		4,682	5,081
TOTAL ASSETS LESS CURRENT LIABILITIES		7,087	6,706
Provision for liabilities and charges	15	(150)	(155)
TOTAL NET ASSETS		6,937	6,551
CAPITAL AND RESERVES			
CALLED UP SHARE CAPITAL	16	1,000	1,000
OTHER RESERVES	17	1,333	1,333
PROFIT AND LOSS ACCOUNT	18	4,604	4,218
EQUITY SHAREHOLDERS' FUNDS	19	6,937	6,551

The financial statements were approved by the Board on 16 March 1998, and signed on its behalf by:

I V Cadell
Director

BALANCE SHEET

	Note	1997 £ '000's	1996 £'000's
TANGIBLE FIXED ASSETS	10	2,405	1,625
CURRENT ASSETS			
Stocks	12	4,684	4,117
Debtors	13	2,966	2,121
Cash at bank and in hand		1,105	1,564
		8,755	7,802
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(4,241)	(2,889)
NET CURRENT ASSETS		4,514	4,913
TOTAL ASSETS LESS CURRENT LIABILITIES		6,919	6,538
Provision for liabilities and charges	15	(150)	(155)
TOTAL NET ASSETS		6,769	6,383
CAPITAL AND RESERVES			
CALLED UP SHARE CAPITAL	16	1,000	1,000
PROFIT AND LOSS ACCOUNT	18	5,769	5,383
EQUITY SHAREHOLDERS' FUNDS	19	6,769	6,383

The financial statements were approved by the Board on 16 March 1998, and signed on its behalf by:

I V Cadell
Director

CONSOLIDATED CASH FLOW STATEMENT

	Note	1997 £'000's	1996 £'000's
Operating activities	20	103	3,380
Returns on investment and servicing of finance			
Interest received		66	37
Interest paid		(116) (50)	(77) (40)
Taxation			
Received by way of refund		-	11
Paid to fiscal authorities		(227)	(339)
Paid to parent company (Double Taxation Relief)		- (227)	(34) (362)
Capital expenditure			
Additions to tangible fixed assets		(1,011)	(272)
Proceeds from sale of fixed assets		12 (999)	21 (251)
Equity dividends paid		-	(500)
Financing			
Drawdown of bank loan	21	608	-
Repayment of bank loan		- 608	(987) (987)
Decrease / (Increase) in cash	21	(565)	1,240

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.

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	3%
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

	1997 £'000's	1996 £'000's
2. TURNOVER		
Turnover analysed by geographical area		
United Kingdom	6,124	3,907
Other European countries	9,533	12,916
North America	5,906	4,482
South America	421	-
Asia	39	54
Other countries	408	280
	22,431	21,639
3. OTHER OPERATING INCOME		
Marketing costs recovered	76	168
Other services	17	-
	93	168
4. STAFF COSTS		
Costs		
Wages, salaries and related	1,969	1,863
Social security costs	205	193
Pension costs	138	108
Other	41	-
	2,353	2,164
Average number of employees	Number	Number
Management and administration	23	23
Selling and distribution	18	12
Manufacturing	59	59
	100	94
	£'000's	£'000's
5. OPERATING PROFIT		
(a) This is stated after charging		
Auditors' remuneration	38	36
Auditors fees for services other than audit	37	12
Operating leases		
- Motor vehicles	51	51
- Property	144	211

NOTES TO THE FINANCIAL STATEMENTS

	1997 £'000's	1996 £'000's
5. OPERATING PROFIT (continued)		
(b) Directors' remuneration		
Management remuneration	290	288
Emoluments (excluding pension contributions)		
Highest paid director	104	97
<p>The Company does not operate an occupational pension scheme, any long term incentive plans or any stock option plans. Accordingly, no directors have benefited from such arrangements.</p>		
6. INTEREST PAYABLE		
Interest on loans and overdrafts repayable wholly within five years	22	44
Group interest	94	33
	116	77
7. INTEREST RECEIVABLE		
Bank interest	66	37
8. TAXATION		
<p>The taxation charge is based on the profit on ordinary activities for the year.</p>		
Mainstream Corporation Tax at 33%	134	261
Under/(Over) provision in prior year	1	(1)
	135	260
9. DIVIDEND		
Dividend of 50p per ordinary share of £1	nil	500

NOTES TO THE FINANCIAL STATEMENTS

10. TANGIBLE ASSETS
Group and Company

	Freehold Land and Building £'000's	Fixtures Fittings Equipment and Computers £'000's	Plant Machinery and Motor Vehicles £'000's	Total £'000's
Cost				
At 1 January 1997	1,041	316	1,103	2,460
Assets under construction	727	-	-	727
Additions	-	123	161	284
Disposals	-	(80)	(42)	(122)
At 31 December 1997	1,768	359	1,222	3,349
Depreciation				
At 1 January 1997	60	178	597	835
Charge for the year	12	67	140	219
Disposals	-	(80)	(30)	(110)
At 31 December 1997	72	165	707	944
Net Book Value				
At 31 December 1997	1,696	194	515	2,405
At 31 December 1996	981	138	506	1,625

11. INVESTMENTS

Group companies

The Company owns the entire issued share capital of the Rhondda Metal Company Limited. The subsidiary is incorporated in Great Britain and did not trade during the year. On 16 March 1998, the members of Rhondda Metal Company Limited passed a resolution that the company be wound up voluntarily.

The Company owns 50% of the £100 issued share capital of MCP-Peko Limited. The company is registered in England and Wales. The investment is stated at cost. This company is regarded as a subsidiary of the Company, as the day-to-day management thereof is in the hands of the management of the Company. Also, three of the six directors of MCP Peko Limited are directors of the Company, one of whom is Chairman of MCP Peko Limited, the Chairman having the casting vote. The principal activity of the company was the marketing of bismuth. This company ceased trading on 31 December 1997, and its business was merged into that of the Company.

NOTES TO THE FINANCIAL STATEMENTS

		Group and Company			
		1997	1996		
		£'000's	£'000's		
12.	STOCKS				
	Raw materials	2,859	2,628		
	Work in progress	592	479		
	Finished goods and goods for re-sale	1,233	1,010		
		4,684	4,117		
		Group	Company	Group	Company
		1997	1997	1996	1996
		£'000's	£'000's	£'000's	£'000's
13.	DEBTORS				
	Trade debtors	1,316	1,263	1,341	1,271
	Amounts owed by				
	- fellow subsidiaries	1,426	1,070	740	601
	- subsidiary	-	279	-	171
	Value Added Taxation	292	288	33	27
	Prepayments	66	66	51	51
	Other debtors	409	-	-	-
		3,509	2,966	2,165	2,121
14.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR				
	Bank borrowing	608	608	-	-
	Trade creditors	936	766	308	140
	Accruals	600	600	695	680
	Amounts owed to				
	- fellow subsidiaries	360	360	397	394
	- subsidiaries	-	170	-	170
	- parent	1,982	1,573	1,274	1,274
	Corporation tax	134	134	135	135
	Advance Corporation Taxation	-	-	91	91
	Other creditors	30	30	5	5
		4,650	4,241	2,905	2,889

NOTES TO THE FINANCIAL STATEMENTS

		Group and Company £'000's	
15.	PROVISION FOR LIABILITIES AND CHARGES Deferred taxation There is no potential liability for deferred tax and no provision is therefore made.		
	General Provisions		
	At 1 January 1997		155
	Utilised in the year		(30)
	Set aside in the year		25
	At 31 December 1997		150
16.	CALLED UP SHARE CAPITAL 1,000,000 authorised, allotted and fully paid ordinary shares of £1 At 1 January and 31 December 1997		1,000
17.	OTHER RESERVES At 1 January and 31 December 1997		1,333
18.	PROFIT AND LOSS ACCOUNT At 1 January 1997 Result for the year At 31 December 1997	Group £'000's	Company £'000's
		4,218	5,383
		386	386
		4,604	5,769
19.	EQUITY SHAREHOLDERS' FUNDS Opening equity shareholders funds Result for the year Closing equity shareholders funds	Group 1997 £'000's	Company 1996 £'000's
		6,551	6,138
		386	245
		6,937	6,383

NOTES TO THE FINANCIAL STATEMENTS

	1997 £'000's	1996 £'000's
20. RECONCILIATION BETWEEN PROFIT AND LOSS RESULT AND OPERATING CASH FLOW		
Operating profit	571	1,043
Movement on provisions	25	57
Depreciation	219	204
Cash effect of trading operations	815	1,304
Decrease/(Increase) in stocks	(567)	1,384
Decrease/(Increase) in debtors	(1,344)	1,436
Increase/(Decrease) in creditors	1,199	(744)
Cash effect of working capital changes	(712)	2,076
Operating activities	103	3,380

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 1996	464	(987)	(523)
Loans repaid		987	987
Net cash inflow	1,240	-	1,240
At 1 January 1997	1,704	-	1,704
Loans drawn down		(608)	(608)
Net cash outflow	(565)	-	(565)
At 31 December 1997	1,139	(608)	531

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, rue des Moulins, 1211 Geneva 11, Switzerland

NOTES TO THE FINANCIAL STATEMENTS

	Group and company	
	1997	1996
	£'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:		
Within one year		
Non property related	45	49
Property related	105	133
Two to five years		
Non property related	35	37
Property related	105	83
After five years		
Non property related	-	2
Property related	105	83

Guarantees

There is an unlimited multilateral guarantee in respect of the bank borrowings of the Company and fellow subsidiaries. At 31 December 1997 the net amount outstanding was nil (1996 £nil).

The Company's bankers have given a guarantee in favour of a fellow subsidiary's bankers, indemnified by the Company. At 31 December 1997, the amount outstanding was Lire 50 million (1996 Lire 50 million).

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 1997 the amount outstanding was £80,000 (1996 £56,000).

The Company has given a guarantee in favour of the Midland Bank plc, of a maximum of US\$ 1 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 15, 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 1997 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
24 March 1998

COMPANY PROFIT AND LOSS ACCOUNT

FOR DIRECTORS USE ONLY

	Note	1997 £	1996 £
TURNOVER	2	21,220,864	19,539,280
Raw materials and consumables		16,582,628	13,095,982
Change in stocks		(567,280)	1,384,701
Gross Margin		5,205,516	5,058,597
Other operating income	3	(93,309)	(168,389)
Staff costs	4	2,353,970	2,163,739
Depreciation of tangible fixed assets		219,374	211,975
Profit/Loss on sale of fixed assets		-	(7,900)
Other operating charges		2,153,580	1,812,204
OPERATING PROFIT	5	571,901	1,046,968
Interest payable	6	(115,024)	(77,180)
Interest receivable	7	64,593	35,343
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		521,470	1,005,131
Taxation	8	(134,716)	(260,123)
PROFIT AFTER TAXATION		386,754	745,008
Dividend		-	(500,000)
EARNINGS ATTRIBUTABLE TO SHAREHOLDERS TRANSFERRED TO RESERVES	18	386,754	245,008