MINING EXPLOSIVES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Registered number 6032094

MINING EXPLOSIVES LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2011

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MINING EXPLOSIVES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report and audited financial statements of the company for the year ended 31 December 2011

PRINCIPAL ACTIVITIES

The company's principal activities are the supply of goods and services to the underground and surface stone and mineral extraction industries

BUSINESS REVIEW

Supply of non-electric detonators continued to the UK market only during 2011 with a 7% reduction in volumes over 2010, although volumes are expected to recover in 2012 As indicated in 2010, shareholder loans were put in place in early 2010 which secured the company's financial position with a partial repayment being made at the end of 2011 Further repayments will be made, by agreement with the shareholders, as the company's financial position allows

RESULTS AND DIVIDENDS

Results for the financial year are set out on page 4 and show a profit after tax of £66,083 (2010 £27,000) No dividend was paid during the year (2010 £nil)

DIRECTORS

The directors who held office during the year and up to the date of signing the financial statements were as follows

Mr Raymond Keen (resigned 20 October 2011)
Mr Nicholas Bird
Mr Bertrand Pougny
Mr Colin Wilson
Mr Benjamin Williams (appointed 20 October 2011)

Certain directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report

DONATIONS

There were no charitable or political donations made in the financial year (2010 £nil)

MINING EXPLOSIVES LIMITED

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they 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 are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006 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

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each director in office at the date the directors' report is approved, the following applies

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

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006

By order of the board

Ben Williams

Mr Ben Williams
Director

25 September 2012

Registered company number 6032094

MINING EXPLOSIVES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OFMINING EXPLOSIVES LIMITED

We have audited the financial statements of Mining Explosives Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement set out on page 2 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report

David Teager (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
27 September 2012

MINING EXPLOSIVES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 £'000	2010 £'000
TURNOVER	2	**1,110**	1,189
COST OF SALES		**(905)**	(902)
GROSS PROFIT		**205**	287
Administrative expenses		**(129)**	(236)
OPERATING PROFIT		**76**	51
Interest payable and similar charges	5	**(21)**	(14)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	**55**	37
Tax on profit on ordinary activities	6	**11**	(10)
PROFIT FOR THE FINANCIAL YEAR	13	**66**	27

In both the current and preceding financial year, all amounts relate to continuing operations There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents There are no recognised gains and losses in the financial years and accordingly no statement of total recognised gains and losses has been prepared

MINING EXPLOSIVES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2011

	Note	2011 £'000	2011 £'000	2010 £'000	2010 £'000
FIXED ASSETS					
Tangible assets	7		367		518
CURRENT ASSETS					
Stocks	8	155		417	
Debtors	9	250		372	
Cash at bank and in hand		245		360	
		650		1,149	
CREDITORS: amounts falling due within one year	10	(163)		(579)	
NET CURRENT ASSETS			487		570
TOTAL ASSETS LESS CURRENT LIABILITIES			854		1,088
CREDITORS: amounts falling due after more than one year			(490)		(790)
NET ASSETS			364		298
CAPITAL AND RESERVES:					
Called up share capital	12		350		350
Profit and loss account	13		14		(52)
TOTAL SHAREHOLDERS' FUNDS	14		364		298

The financial statements on pages 4 to 11 were approved and authorised for issue by the Board of Directors on 30 August 2012 and were signed below on its behalf by

Mr Benjamin Williams
Director

Ben Williams

1. ACCOUNTING POLICIES

Basis of preparation
These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The principal accounting policies, which have been applied consistently throughout the financial year, are set out below

Turnover
Turnover represents the amounts, excluding value added tax, derived from the provision of goods and services to customers in line with the principal activities Turnover is recognised at the point of despatch of the goods and services

Tangible fixed assets and depreciation
Tangible fixed assets are stated at historic purchase cost less accumulated depreciation Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use Depreciation has been calculated to write off the cost of tangible fixed assets over their estimated useful lives on a straight line basis Depreciation commences when the asset is completed, fully commissioned and brought into use Assets in the course of construction are not depreciated The rates used are

Plant and machinery	10 – 33% straight line

If assets are not in use for a significant period of time their useful economic life may be reassessed to ensure that the period over which they are depreciated is appropriate

Stocks
Stocks are stated at the lower of cost and net realisable value In determining the cost of raw materials the weighted average purchase price is used For work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads Net realisable value is the price at which stocks can be sold in the normal course of business, after allowing for the costs of realisation Stocks are regularly reviewed for slow moving, obsolete and defective stock and, where necessary, provision has been made

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on an undiscounted basis

Cash flow statement
Advantage has been taken of the exemption available to small companies under FRS 1 'Cash flow statement' and accordingly the company has not prepared a cash flow statement

Foreign currencies
Transactions in foreign currencies are translated at the rates ruling at the date of transaction Monetary assets and liabilities held in foreign currencies are translated at the rates ruling at the balance sheet date All exchange differences are taken to the profit and loss account

2. TURNOVER

	2011 £'000	2010 £'000
Contributed by geographical area and origin		
Europe	**1,110**	1 189
Contributed by activity		
Explosives	**1,110**	1,189

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2011 £'000	2010 £'000
Profit on ordinary activities before taxation is stated after charging		
Depreciation of tangible fixed assets	**50**	65
Profit on sale of tangible assets	**12**	4
Auditors' remuneration - audit fees	**4**	5

4 DIRECTORS AND EMPLOYEES

Payments amounting to £46,208 (2010 £98,000) were made to an associate company for management services The directors received no remuneration from the company in the year (2010 £nil) but receive remuneration from associate companies The company has no employees other than the directors

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2011 £'000	2010 £'000
Interest on loans repayable within five years	**21**	14

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

		2011 £'000	2010 £'000
(a)	Analysis of tax (credit)/charge for the year		
	Current tax		
	United Kingdom corporation tax on the profit for the year	**(31)**	-
	Total current tax (Note 6(b))	**(31)**	-
	Deferred tax (note 11)		
	Origination and reversal of timing differences	**5**	3
	Total tax losses utilised for carry forward	**15**	7
	Total deferred tax	**20**	10
	Tax (credit)/charge on profit on ordinary activities	**(11)**	10

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

(b) Factors affecting tax charge in the year

The current tax assessed for the year is lower (2010 lower) than the standard rate of corporation tax in the United Kingdom for the year ended 31 December 2011 of 27% (2010 28%) The differences are explained below

	2011 £'000	2010 £'000
Profit on ordinary activities before taxation	55	37
Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 27% (2010 28%)	15	10
Effects of		
Capital allowances in excess of depreciation	-	(3)
Utilisation of trading losses carried forward	(15)	(7)
Group relief surrendered for previously unrecognised losses	(31)	-
Total current tax charge/(credit)	(31)	-

During the year, relevant deferred tax balances have been re-measured as a result of the change in the UK main corporation tax rate to 26%, which was substantively enacted on 29 March 2011 and was effective from 1 April 2011and to 25%, which was substantively enacted on 5 July 2011 and was expected to be effective from 1 April 2012 Further reductions to the UK corporation tax rate were announced in the March 2012 Budget The change in the main corporation tax rate from 1 April 2012 was substantively enacted on 26 March 2012 The changes are not material to these financial statements

7. TANGIBLE FIXED ASSETS

	Plant and machinery £'000	Assets under construction £'000	Total £'000
Cost			
At 1 January 2011	551	69	620
Additions	-	18	18
Disposals	(101)	(69)	(170)
Transfers	15	(15)	-
At 31 December 2011	465	3	468
Accumulated depreciation			
At 1 January 2011	102	-	102
Disposals	(51)	-	(51)
Charge for year	50	-	50
At 31 December 2011	101	-	101
Net Book Value			
At 31 December 2011	364	3	367
At 31 December 2010	449	69	518

8. STOCKS

	2011 £'000	2010 £'000
Raw materials	155	317
Finished goods	-	100
	155	417

9. DEBTORS

	2011 £'000	2010 £'000
Amounts owed by related parties	247	274
Deferred tax asset (see note 11)	-	20
Other debtors	2	71
Prepayments and accrued income	1	7
	250	372

10. CREDITORS: amounts falling due within one year

	2011 £'000	2010 £'000
Trade creditors	1	81
Amounts owed to joint venture parent companies	16	277
Amounts owed to related parties	80	213
Accruals and deferred income	66	8
	163	579

11. DEFERRED TAX ASSET

	2011 £'000	2010 £'000
Tax effect of timing differences due to		
Excess of tax allowances over depreciation	(77)	(77)
Tax losses carried forward	77	97
	-	20

Opening balance	20	30
(Debited)/Credited to profit and loss account (note 6)	(20)	(10)
	-	20

12. CALLED UP SHARE CAPITAL

	2011 £	2010 £
Authorised:		
350,000 (2010 350,000) ordinary shares of £1 each	350,000	350,000
Allotted and fully paid:		
350,000 (2010 350,000) ordinary shares of £1 each	350,000	350,000

13. PROFIT AND LOSS ACCOUNT

	2011 £'000	2010 £'000
At 1 January 2011	(52)	(79)
Profit for the financial year	66	27
At 31 December 2011	14	(52)

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011 £'000	2010 £'000
Opening shareholders' funds	298	271
Profit for the financial year	66	27
	364	298
Shareholders' loans	490	790
Closing shareholders' funds	854	1,088

15 ULTIMATE PARENT COMPANY

The company is controlled by Société Anonyme d'Explosifs et de Produits Chimiques ('EPC') and African Explosives Holdco Limited ('AEL')

The immediate parent undertaking is Société Anonyme d'Explosifs et de Produits Chimiques ('EPC') which is the parent undertaking of both the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2011 The consolidated financial statements of EPC, a company incorporated in France and quoted on the Bourse de Paris, are available to the public from Greffe du Tribunal de Commerce de Paris, 1 Quai de Corse, 75004 Paris

The ultimate parent undertaking and controlling party is Société E J Barbier, a company incorporated in France

16. RELATED PARTY TRANSACTIONS AND CONTROLLING PARTIES

The company entered into the following aggregated transactions with the controlling parties All transactions were undertaken on normal trading terms

	2011			2010		
	Income £'000	Trading expenditure £'000	Fixed asset expenditure £'000	Income £'000	Trading expenditure £'000	Fixed asset expenditure £'000
EPC	1,110	-	-	1,137	652	1
AEL	-	383	-	-	280	-
	1,110	383	-	1,137	932	1

At the year end Mining Explosives Limited had a debtor balance of £nil (2010 £nil) owed from the joint venture parents and £246,787 (2010 £315,890) owed by associated companies At the year end there was a creditor balance of £11,298 (2010 £272,518) owed to AEL, £5,108 (2010 £4,872) owed to EPC and £79,845 (2010 £212,703) owed to associated companies

17. CAPITAL COMMITMENTS

At 31 December 2011, the company had no capital commitments (2010 £ nil)