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COMPANIES**

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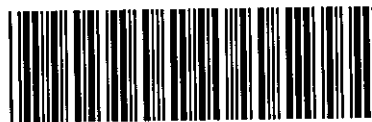
A & M Tungsten Powders Limited

Report and Financial Statements

Year Ended

30 June 2006

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BDO Stoy Hayward
Chartered Accountants

A & M Tungsten Powders Limited

Annual report and financial statements for the year ended 30 June 2006

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Director

P H David

Secretary and registered office

D Downing, 17 Devonshire Square, London, EC2M 4SQ.

Company number

3674027

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL.

A & M Tungsten Powders Limited

Report of the director for the year ended 30 June 2006

The director presents his report together with the audited financial statements for the year ended 30 June 2006.

Results and dividends

The profit and loss account is set out on page 5 and shows the loss for the year.

The directors do not recommend a payment of a final ordinary dividend for the year (2005 - £Nil).

Principal activities, trading review and future developments

The principal activities of the company are the manufacture of tungsten powders and pressed sintered tungsten alloys.

On 11 December 2005, some of the company's assets together with the property at Hemel Hempstead were damaged as a result of the Buncefield Oil Depot explosion. No production of tungsten powders has taken place since this date.

An insurance claim was raised against the company's insurers for material damages and interruption to business operations.

On 23 November 2006, the claim was approved for a sum of £900,013 in full settlement for loss and damage caused by the explosion, split between £345,513 for the material damages claim and £554,500 for the business interruption claim.

The directors are currently considering business options for the forthcoming year.

Directors

The directors of the company during the year were:

J M McCombie	(resigned 12 July 2006)
P H David	(appointed 26 May 2006)

J McCombie also resigned as a director of the ultimate parent company, A & M Group Limited on 12 July 2006, and his interests in the share capital of that company during the year are shown in its financial statements. From 12 July 2006, J McCombie no longer held any shares in A & M Group Limited.

Financial instruments

The objectives, policies and strategies applied with respect to the management of financial risk are determined by the director. The principal financial instruments used by the company to finance its operations are cash, bank overdrafts, and secured debt.

Foreign currency risk

The company's reporting currency is Sterling, but it operates in different parts of the world in different currencies. The company enters into forward exchange contracts to protect against the risk that the cost of goods will increase due to exchange rate fluctuations.

Interest rate risk

The company's exposure to interest rate fluctuations is constantly monitored. There is no formal policy on bank overdrafts but a variable rate is applied over secured debts.

A & M Tungsten Powders Limited

Report of the director for the year ended 30 June 2006 (*Continued*)

Financial instruments (*Continued*)

Liquidity risk

The company monitors cash flow on a periodic basis, ensuring that appropriate facilities are available to be drawn on as necessary.

Credit risk

The company's trade debtors are represented by amounts due from well established organisations in the minerals and metals industries. Regular credit checks are performed on all customers. No significant credit risk exists.

Director's responsibilities

The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the director to prepare financial statements for each financial period 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 director is 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 director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of the information needed by the company's auditors for the purposes of their audit and to ensure that the auditors are aware of the information. The directors are not aware of any relevant information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board


D Downing

Secretary

Date 7TH FEBRUARY 2007

A & M Tungsten Powders Limited

Report of the independent auditors

To the shareholders of A & M Tungsten Powders Limited

We have audited the financial statements of A & M Tungsten Powders Limited for the year ended 30 June 2006 which comprise the profit and loss account, Note of historical cost profits and losses and reconciliation of movements in shareholders' funds, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The director's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also 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 the director's report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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.

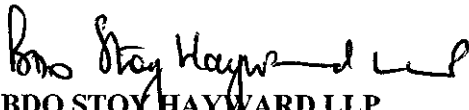
A & M Tungsten Powders Limited

Report of the independent auditors (*Continued*)

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 the company's affairs as at 30 June 2006 and of its loss 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.


BDO STOY HAYWARD LLP
Chartered Accountants
and Registered Auditors
London

Date 7 February 2007

A & M Tungsten Powders Limited

Profit and loss account for the year ended 30 June 2006

	Note	2006 £	2005 £
Turnover	2	2,032,938	1,831,657
Cost of sales		2,092,645	1,551,052
		<hr/>	<hr/>
Gross (loss)/profit		(59,707)	280,605
Administrative expenses		64,302	394,703
		<hr/>	<hr/>
Operating loss	5	(124,009)	(114,098)
Interest payable and similar charges	6	12,186	2,852
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(136,195)	(116,950)
Taxation on loss from ordinary activities	7	18,525	26,500
		<hr/>	<hr/>
Loss on ordinary activities after taxation		(117,670)	(90,450)
		<hr/>	<hr/>

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 8 to 14 form part of these financial statements.

A & M Tungsten Powders Limited

Note of historical cost profits and losses and reconciliation of movements in shareholders' funds for the year ended 30 June 2006

	2006 £	2005 £
Note of historical cost profits and losses		
Reported loss on ordinary activities before taxation	(136,195)	(116,950)
Difference between actual and historical depreciation charge	5,887	5,887
	<hr/>	<hr/>
Historical cost loss on ordinary activities before taxation	(130,308)	(111,063)
	<hr/>	<hr/>
Retained historical cost loss for the year after taxation	(111,783)	(84,563)
	<hr/>	<hr/>
Reconciliation of movements in shareholders' deficit		
Loss for the year	(117,670)	(90,450)
Opening shareholders' deficit	(160,398)	(69,948)
	<hr/>	<hr/>
Closing shareholders' deficit	(278,068)	(160,398)
	<hr/>	<hr/>

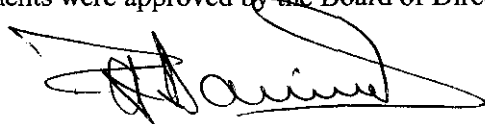
The notes on pages 8 to 14 form part of these financial statements.

A & M Tungsten Powders Limited

Balance sheet at 30 June 2006

	Note	2006 £	2006 £	2005 £	2005 £
Fixed assets					
Tangible assets	8		281,124		367,873
Current assets					
Stocks	9	251,657		684,532	
Debtors	10	452,139		277,957	
Cash at bank and in hand		2,128		718	
		<u>705,924</u>		<u>963,207</u>	
Creditors: amounts falling due within one year	11	1,265,116		837,463	
		<u></u>		<u></u>	
Net current (liabilities)/assets			(559,192)		125,744
			<u></u>		<u></u>
Total assets less current liabilities			(278,068)		493,617
Creditors: amounts falling due after more than one year	12		-		(654,015)
			<u></u>		<u></u>
Net liabilities			(278,068)		(160,398)
			<u></u>		<u></u>
Capital and reserves					
Called up share capital	13		220,000		220,000
Revaluation reserve	14		45,062		50,949
Profit and loss account	14		(543,130)		(431,347)
			<u></u>		<u></u>
Shareholders' funds - equity			(278,068)		(160,398)
			<u></u>		<u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 7 February 2007



P H David
Director

The notes on pages 8 to 14 form part of these financial statements.

A & M Tungsten Powders Limited

Notes forming part of the financial statements for the year ended 30 June 2006

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of fixed assets, and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Going concern

The accounts of the company have been prepared on a going concern basis which assumes that the company will continue in existence for the foreseeable future. The company relies on support from its parent company, A & M Group Limited, in order to meet its obligations as they fall due. The directors have received assurances from the parent company that this support will continue to be provided for the foreseeable future and on this basis, and all other information available, they consider that it is appropriate to prepare the financial statements on the going concern basis.

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax.

Turnover is recognised when the risks and rewards of owning the goods has passed to the customer, which is generally on delivery.

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Plant and machinery	-	20% - 50 % per annum
Factory improvements	-	10% per annum
Office equipment	-	50% per annum
Motor vehicles	-	25% per annum
Furnace	-	6.7% per annum
Hydrogen conversion unit	-	10% per annum

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences and deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief.

Deferred tax balances are not discounted.

A & M Tungsten Powders Limited

Notes forming part of the financial statements for the year ended 30 June 2006 (Continued)

1 Accounting policies (Continued)

Foreign currency

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Operating leases

The annual rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

Pension costs

Contributions to employee's personal pension plans are charged to the profit and loss account in the year in which they become payable.

Revaluation of fixed assets

Financial Reporting Standard 15, requires fixed assets which are carried at revalued amounts to be shown at their current value at the balance sheet date. To achieve this revalued assets are subject to a full valuation every five years with an interim valuation carried out in the third year of this cycle.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

3 Employees

	2006 £	2005 £
Staff costs consist of:		
Wages and salaries	259,562	307,764
Social security costs	25,998	30,854
Other pension costs	7,344	8,486
	<hr/>	<hr/>
	292,904	347,104
	<hr/>	<hr/>

The average number of employees, including directors, during the year was 10 (2005 - 12).

No remuneration was paid to the director during the year.

4 Director

No remuneration was paid to the director during the year, nor during the prior year, in respect of his services in relation to the company.

A & M Tungsten Powders Limited

Notes forming part of the financial statements for the year ended 30 June 2006 (Continued)

5 Operating loss

	2006 £	2005 £
This has been arrived at after charging:		
Depreciation	109,846	93,091
Auditors' remuneration	7,200	7,245
Hire of land and buildings - operating leases	30,000	30,000
Exceptional item - insurance claim	(226,204)	-
	<u> </u>	<u> </u>

6 Interest payable and similar charges

	2006 £	2005 £
Bank interest	12,186	2,852
	<u> </u>	<u> </u>

7 Taxation on loss from ordinary activities

	2006 £	2005 £
<i>Current tax</i>		
Corporation tax credit	18,525	26,500
	<u> </u>	<u> </u>

The tax assessed for the year varies from the standard rate of corporation tax in the UK. The differences are explained below:

	2006 £	2005 £
Loss on ordinary activities before tax	(136,195)	(116,950)
	<u> </u>	<u> </u>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2005 - 30%)	(40,859)	(35,085)
Effects of:		
Expenses not deductible for tax purposes	7,263	716
Capital allowances and depreciation timing differences	15,449	7,874
Receipt for group relief	(18,525)	(26,500)
Surrender for group relief	18,147	26,495
	<u> </u>	<u> </u>
Current tax credit for year	(18,525)	(26,500)
	<u> </u>	<u> </u>

A potential deferred tax asset exists at the balance sheet date in respect of tax losses carried forward. This has not been recognised in the accounts as there is insufficient evidence that the asset will be recoverable within the meaning of Financial Reporting Standard 19 "Deferred Tax". Tax losses carried forward at the balance sheet date were £376,000 (2005 - £310,000).

A & M Tungsten Powders Limited

Notes forming part of the financial statements for the year ended 30 June 2006 (Continued)

8 Fixed assets	Plant and machinery £	Factory improvements £	Office equipment £	Motor vehicles £	Furnace £	Hydrogen unit conversion £	Total £
<i>Cost or valuation</i>							
At 1 July 2005	285,993	162,342	11,700	6,995	241,484	2,007	710,521
Additions	18,125	-	500	-	-	4,472	23,097
At 30 June 2006	304,118	162,342	12,200	6,995	241,484	6,479	733,618
<i>Depreciation</i>							
At 1 July 2005	205,366	58,306	11,700	6,995	59,865	416	342,648
Provided for the year	71,558	15,334	208	-	21,544	1,202	109,846
At 30 June 2006	276,924	73,640	11,908	6,995	81,409	1,618	452,494
<i>Net book value</i>							
At 30 June 2006	27,194	88,702	292	-	160,075	4,862	281,124
At 30 June 2005	80,627	104,036	-	-	181,619	1,591	367,873

The furnace was valued by the directors at 30 June 2001 at its estimated open market value. The surplus over cost, less depreciation, of £45,062 was transferred to the revaluation reserve (note 14).

In line with Financial Reporting Standard 15, the reserve is being reduced on an annual basis by £5,887, the difference between the historical depreciation charge and the revalued depreciation charge.

As a result of the Buncefield Oil Depot explosion on 11 December 2005 the carrying value of the furnace as at 30 June 2006 is considered reasonable based on the insurance proceeds received.

No provision has been made for deferred tax on the gain recognised on revaluing the finance to its market value. In the event that the finance was sold at the amount that the directors consider to be the current market value and the gain crystallise, a potential tax liability of £18,000 (2005 - £18,000) would be expected to arise. It is not envisaged that any tax will become payable in the foreseeable future.

A & M Tungsten Powders Limited

Notes forming part of the financial statements for the year ended 30 June 2006 (Continued)

9 Stocks

	2006 £	2005 £
Raw materials	66,336	162,963
Work in progress	52,404	-
Finished goods	132,917	521,569
	<u>251,657</u>	<u>684,532</u>

10 Debtors

	2006 £	2005 £
Trade debtors	371,633	237,305
Prepayments and accrued income	72,849	40,652
Other debtors	7,657	-
	<u>452,139</u>	<u>277,957</u>

All amounts shown under debtors fall due for payment within one year.

Included within prepayments is an amount of £69,604 deemed recoverable by the insurance claim.

11 Creditors: amounts falling due within one year

	2006 £	2005 £
Bank overdraft	110,500	260,531
Trade creditors	43,642	109,435
Amounts owed to group undertakings	1,069,249	407,736
Taxation and social security	6,282	10,816
Other creditors and accruals	35,443	48,945
	<u>1,265,116</u>	<u>837,463</u>

A & M Tungsten Powders Limited

Notes forming part of the financial statements for the year ended 30 June 2006 (Continued)

12 Creditors: amounts falling due after more than one year

	2006 £	2005 £
Amounts owed to group undertakings	-	654,015

13 Share capital

	2006 Number	Authorised 2005 Number	2006 £	2005 £
Ordinary shares of £1 each	500,000	500,000	500,000	500,000
	2006 Number	Allotted, called up and fully paid 2005 Number	2006 £	2005 £
Ordinary shares of £1 each	220,000	220,000	220,000	220,000

14 Reserves

	Revaluation reserve £	Profit and loss account £
At 1 July 2005	50,949	(431,347)
Transfer of excess depreciation over historical cost depreciation	(5,887)	5,887
Retained loss for period	-	(117,670)
At 30 June 2006	45,062	(543,130)

15 Commitments under operating leases

The company entered into a licence agreement with A & M Group Limited for a period of three years from 1 January 2002 which was renewed by default on 1 January 2005 for a further 3 years. This agreement was reviewed on 1 January 2006. The annual rental charge under the agreement is £30,000.

A & M Tungsten Powders Limited

Notes forming part of the financial statements for the year ended 30 June 2006 (Continued)

16 Contingent liabilities

The company has a joint and several liability for VAT under a group registration scheme. At the balance sheet date £Nil (2005 - £51,181) was owed by the group to HMCE.

The company is party with certain other group companies to an omnibus guarantee and set off agreement as part of a group banking facility.

17 Related party transactions

At the year end, there was an amount due from A & M Group Limited of £131,333 (2005 - £86,645 due to A & M Group Limited).

A charge of £18,113 for group relief was levied to A & M Minerals and Metals Limited.

At the year end, there was an amount due from A & M Minerals and Metals Limited of £1,268,917- (2005 - £275,235).

At the year end, there was an amount due to A & M Minerals Limited of £2,467,915 (2005 - £1,428,506).

A charge of £Nil (2005 - £26,500) for group relief was levied to London Chemical Exports Limited. At the year end there was an amount due to London Chemical Export limited of £1,996 (2005 - £1,835).

All transactions with related parties took place on an arm's length basis and in the ordinary course of business.

18 Cash flow statements

The company has used the exemption under Financial Reporting Standard 1, "Cash Flow Statements", not to prepare a cash flow statement as it is consolidated in the financial statements of its ultimate parent company.

19 Ultimate parent company

At the beginning and end of the year the ultimate parent company was A & M Group Limited a company incorporated in England and Wales, which is the parent of both the largest and smallest company in the group of which the company is a member.

Copies of the consolidated accounts of A & M Group Limited are available from 17 Devonshire Square, London, EC2M 4SQ.

20 Post balance sheet events

See report of the director for details of post balance sheet events arising.