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A & M Tungsten Powders Limited

Report and Financial Statements

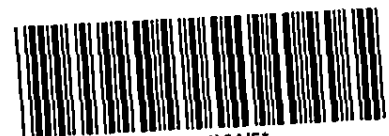
Year Ended

30 June 2007

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BDO Stoy Hayward
Chartered Accountants

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A & M Tungsten Powders Limited

Annual report and financial statements for the year ended 30 June 2007

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Director

P H David

Secretary and registered office

D Downing, Apex Yard, 29-35 Long Lane, London, SE1 4PL

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 2007

The director presents his report together with the audited financial statements for the year ended 30 June 2007

Results and dividends

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

The director does not recommend a payment of a final ordinary dividend for the year (2006 - £Nil)

Principal activities, trading review and future developments

The principal activities of the company are the manufacture of tungsten powders

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 at the Hemel Site 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 director is 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)

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 2007 (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

The current director has taken all the steps that he ought to have taken to make himself 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 director is 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

24 January 2008

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 2007 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 director's 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 director 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 2007 and of its profit 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 director's report is consistent with the financial statements

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors
London*

24 January 2008

A & M Tungsten Powders Limited

Profit and loss account for the year ended 30 June 2007

	Note	2007 £	2006 £
Turnover	2	826,837	2,032,938
Cost of sales		832,505	2,092,645
Gross loss		(5,668)	(59,707)
Administrative expenses		210,174	290,506
Other operating income	6	244,945	226,204
Operating profit/(loss)	5	29,103	(124,009)
Interest payable and similar charges	7	(15,079)	(12,186)
Profit/(loss) on ordinary activities before taxation		14,024	(136,195)
Taxation on profit/(loss) from ordinary activities	8	(5,894)	18,525
Profit/(loss) on ordinary activities after taxation		8,130	(117,670)

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

The notes on pages 8 to 16 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 2007

	2007 £	2006 £
Note of historical cost profits and losses		
Reported profit/(loss) on ordinary activities before taxation	14,024	(136,195)
Difference between actual and historical depreciation charge	2,453	5,887
	<u>16,477</u>	<u>(130,308)</u>
Historical cost profit/(loss) on ordinary activities before taxation	16,477	(130,308)
	<u>16,477</u>	<u>(130,308)</u>
Retained historical cost profit/(loss) for the year after taxation		
	10,583	(111,783)
	<u>10,583</u>	<u>(111,783)</u>
Reconciliation of movements in shareholders' funds		
Profit/(loss) for the year	8,130	(117,670)
Opening shareholders' funds	(278,068)	(160,398)
	<u>(269,938)</u>	<u>(278,068)</u>
Closing shareholders' funds	(269,938)	(278,068)
	<u>(269,938)</u>	<u>(278,068)</u>

The notes on pages 8 to 16 form part of these financial statements

A & M Tungsten Powders Limited

**Balance sheet
at 30 June 2007**

	Note	2007 £	2007 £	2006 £	2006 £
Fixed assets					
Tangible assets	9		-		281,124
Current assets					
Stocks	10	-		251,657	
Debtors	11	42,715		452,139	
Cash at bank and in hand		-		2,128	
		<u>42,715</u>		<u>705,924</u>	
Creditors amounts falling due within one year	12	<u>312,653</u>		<u>1,265,116</u>	
Net current liabilities			<u>(269,938)</u>		<u>(559,192)</u>
Net liabilities			<u>(269,938)</u>		<u>(278,068)</u>
Capital and reserves					
Called up share capital	13		220,000		220,000
Revaluation reserve	14		-		45,062
Profit and loss account	14		(489,938)		(543,130)
Shareholders' funds			<u>(269,938)</u>		<u>(278,068)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 24 January 2008

P H David
Director



The notes on pages 8 to 16 form part of these financial statements

A & M Tungsten Powders Limited

Notes forming part of the financial statements for the year ended 30 June 2007

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 director has 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, he considers 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.

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.

A & M Tungsten Powders Limited

Notes forming part of the financial statements
for the year ended 30 June 2007 (Continued)

1 Accounting policies (Continued)

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

	2007 £	2006 £
Staff costs consist of		
Wages and salaries	166,545	259,562
Social security costs	8,607	25,998
Other pension costs	4,531	7,344
	<u>179,683</u>	<u>292,904</u>

The average number of employees, including directors, during the year was 4 (2006 - 10)

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

5 Operating profit/(loss)

	2007 £	2006 £
This has been arrived at after charging/(crediting)		
Depreciation	30,565	109,846
Auditor's remuneration - in respect of audit services	4,285	7,200
- in respect of tax services	2,450	-
Hire of land and buildings - operating leases	-	30,000
Exceptional items (note 6)	(244,945)	(226,204)
	<u></u>	<u></u>

A & M Tungsten Powders Limited

Notes forming part of the financial statements
for the year ended 30 June 2007 (*Continued*)

6 Other operating income

Other operating income includes the net proceeds of £178,134 (2006- £226,204) in respect of the business interruption claim following the Buncefield Oil depot explosion

The remaining £66,811 of other operating income was profit earned in relation to the disposal of the assets at Hemel Hempstead, following the Buncefield Oil depot explosion. Both of the above items are considered to be exceptional items

7 Interest payable and similar charges

	2007 £	2006 £
Bank interest	15,079	12,186

8 Taxation on profit/(loss) from ordinary activities

	2007 £	2006 £
<i>Current tax</i>		
UK corporation tax on profit/(loss) for the year	5,894	(18,525)

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

	2007 £	2006 £
Profit/(loss) on ordinary activities before tax	14,024	(136,195)
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006 – 30%)	4,208	(40,859)
Effects of		
Expenses not deductible for tax purposes	61	7,263
Capital allowances and depreciation timing differences	42,422	15,449
Non taxable income	(20,043)	-
Depreciation on ineligible assets	300	-
Chargeable gain	4,866	-
Marginal relief/difference in tax rates	(1,744)	-
Utilisation of tax losses	(26,947)	-
Under provision in respect of previous years	2,772	-
Receipt for group relief	-	(18,525)
Surrender for group relief	-	18,147
Current year tax charge/(credit)	5,895	(18,525)

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 £250,981 (2006 - £376,000)

A & M Tungsten Powders Limited

Notes forming part of the financial statements
for the year ended 30 June 2007 (Continued)

9 Fixed assets	Plant and machinery £	Factory improvements £	Office equipment £	Motor vehicles £	Furnace £	Hydrogen unit conversion £	Total £
<i>Cost or valuation</i>							
At 1 July 2006	304,118	162,342	12,200	6,995	241,484	6,479	733,618
Additions	1,850	-	670	-	-	-	2,520
Disposals	(305,968)	(162,342)	(12,870)	(6,995)	(241,484)	(6,479)	(736,138)
At 30 June 2007	-	-	-	-	-	-	-
<i>Depreciation</i>							
At 1 July 2006	276,924	73,640	11,908	6,995	81,409	1,618	452,494
Provided for the year	19,256	2,528	250	-	7,181	1,330	30,545
On disposals	(296,180)	(76,168)	(12,158)	(6,995)	(88,590)	(2,948)	(483,039)
At 30 June 2007	-	-	-	-	-	-	-
<i>Net book value</i>							
At 30 June 2007	-	-	-	-	-	-	-
At 30 June 2006	27,194	88,702	292	-	160,075	4,861	281,124

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 13)

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. In the current year the reduction was £2,453 based on the charge up to the date of disposal.

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. On 30 November 2006 the furnace was disposed of.

A & M Tungsten Powders Limited

Notes forming part of the financial statements
for the year ended 30 June 2007 (*Continued*)

10 Stocks

	2007 £	2006 £
Raw materials	-	66,336
Work in progress	-	52,404
Finished goods	-	132,917
	<hr/>	<hr/>
	-	251,657
	<hr/>	<hr/>

11 Debtors

	2007 £	2006 £
Trade debtors	42,715	371,633
Prepayments and accrued income	-	72,849
Other debtors	-	7,657
	<hr/>	<hr/>
	42,715	452,139
	<hr/>	<hr/>

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

Included within prepayments is an amount of £Nil (2006 - £69,604) deemed recoverable by the insurance claim

12 Creditors: amounts falling due within one year

	2007 £	2006 £
Bank overdraft	-	110,500
Trade creditors	8,820	43,642
Amounts owed to group undertakings	289,489	1,069,249
Taxation and social security	6,065	6,282
Other creditors and accruals	8,279	35,443
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	312,653	1,265,116
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A & M Tungsten Powders Limited

Notes forming part of the financial statements
for the year ended 30 June 2007 (Continued)

13 Share capital

	2007 Number	Authorised 2006 Number	2007 £	2006 £
Ordinary shares of £1 each	500,000	500,000	500,000	500,000
	2007 Number	Allotted, called up and fully paid 2006 Number	2007 £	2006 £
Ordinary shares of £1 each	220,000	220,000	220,000	220,000

14 Reserves

	Revaluation reserve £	Profit and loss account £
At 1 July 2006	45,062	(543,130)
Transfer of excess depreciation over historical cost depreciation	(2,453)	2,453
Transfer of reserves on disposal	(42,609)	42,609
Profit for the period	-	8,130
At 30 June 2007	-	(489,938)

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 has ceased on the sale of the freehold building, owned by A&M Group Limited on 29 June 2007.

16 Contingent liabilities

The company has a joint and several liability for VAT under a group registration scheme. At the balance sheet date £Nil (2006 - £Nil) was owed by the group to HMRC.

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

A & M Tungsten Powders Limited

Notes forming part of the financial statements for the year ended 30 June 2007 (Continued)

17 Related party transactions

At the year end, there was an amount due to A & M Group Limited of £286,681 (2006 - £131,333)

At the year end, there was an amount due from A & M Minerals and Metals Limited of £Nil (2006 - £1,268,917)

At the year end, there was an amount due to A & M Minerals Limited of £Nil (2006 - £2,467,915)

At the year end there was an amount due to London Chemical Export limited of £Nil (2006 - £1,996)

At the year end there was an amount due to Thornton Processing Limited of £2,758

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 Apex Yard, 29-35 Long Lane, London, SE1 4PL

20 Post balance sheet events

The director is currently considering business options for the forthcoming year