

Registered Number 961050

The Aluminium Powder Company Limited  
Annual Report  
for the year ended 31 December 2004



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Annual Report  
for the year ended 31 December 2004  
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# **The Aluminium Powder Company Limited**

## **Directors and advisors for the year ended 31 December 2004**

### **Directors**

A R Dixey (Chairman)	(appointed 25 October 2004)
Dr C H Entrekin	
T J Busby	(appointed 23 August 2004)
Dr M A Kearns	(resigned 11 August 2004)
J D Tait	
S W Kober	(resigned 11 August 2004)
C K Yarbrough	(appointed 5 August 2004)

### **Secretary**

D J E Beare

### **Registered Office**

Forge Lane  
Minworth  
Sutton Coldfield  
West Midlands  
B76 1AH

### **Auditors**

PricewaterhouseCoopers LLP  
1 East Parade  
Sheffield  
S1 2ET

### **Solicitors**

DLA Piper Rudnick Gray Cary UK LLP  
The Fountain Precinct  
1 Balm Green  
Sheffield  
S1 1RZ

### **Bankers**

Barclays Bank plc  
North East and Yorkshire Larger Business Team  
PO Box 190  
3<sup>rd</sup> Floor  
6 East Parade  
Leeds  
LS1 2UX

# **The Aluminium Powder Company Limited**

## **Directors' report for the year ended 31 December 2004**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2004.

### **Principal activities**

The principal activity of the company is manufacturing and trading in aluminium powder, together with the provision of expertise in this field.

### **Review of business and future developments**

Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

### **Results and dividends**

The profit and loss account for the year is set out on page 5. The directors do not recommend payment of a final ordinary dividend in respect of the year ended 31 December 2004 (2003: £1,700,000).

### **Directors and their interests**

The directors who held office during the year are noted on page 1.

None of the directors had an interest in the shares of the company or any other company in the Metallurg Holdings Inc. group at any time during the year.

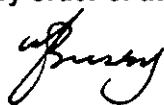
### **Charitable donations**

The charitable contributions made by the company during the year amounted to £1,000 (2003: £1,000).

### **Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office as auditors to the company.

### **By order of the Board**



**T J Busby  
Director**

**31 May 2005**

# **The Aluminium Powder Company Limited**

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2004 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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.

**By order of the Board**



**T J Busby**

**Director**

May 2005

# The Aluminium Powder Company Limited

## Independent auditors' report to the members of The Aluminium Powder Company Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the related notes, and the accounting policies set out in the statement of accounting policies.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

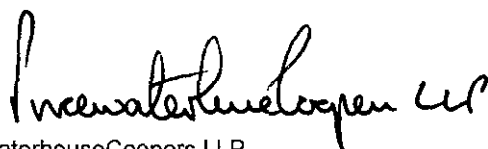
### Basis of audit opinion

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 in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Sheffield

31 May 2005

# The Aluminium Powder Company Limited

## Profit and loss account for the year ended 31 December 2004

	Note	2004 £'000	2003 £'000
<b>Turnover</b>	1	<b>19,989</b>	19,039
Cost of sales		(17,986)	(16,254)
<b>Gross profit</b>		<b>2,003</b>	2,785
Operating expenses	4	(1,294)	(1,018)
<b>Operating profit</b>		<b>709</b>	1,767
Interest receivable and similar income		2	9
<b>Profit on ordinary activities before taxation</b>	5	<b>711</b>	1,776
Tax on profit on ordinary activities	6	(221)	(528)
<b>Profit on ordinary activities after taxation</b>		<b>490</b>	1,248
Dividends	7	-	(1,700)
<b>Retained profit/(loss) for the financial year</b>	16	<b>490</b>	(452)

All items dealt with in arriving at operating profit above relate to continuing operations.

There is no difference between the profit on ordinary activities before taxation and the retained profit/(loss) for the year stated above and their historical cost equivalents.

The company has no recognised gains or losses other than as shown above and therefore no separate statement of total recognised gains and losses has been presented.

# The Aluminium Powder Company Limited

## Balance sheet as at 31 December 2004

	Note	2004 £'000	2003 £'000
<b>Fixed assets</b>			
Tangible assets	8	3,327	3,214
Investments	9	222	222
		<b>3,549</b>	<b>3,436</b>
<b>Current assets</b>			
Stocks	10	2,290	2,043
Debtors	11	3,446	2,811
Cash at bank and in hand		364	399
		<b>6,100</b>	<b>5,253</b>
<b>Creditors: amounts falling due within one year</b>	12	<b>(2,295)</b>	<b>(1,733)</b>
<b>Net current assets</b>		<b>3,805</b>	<b>3,520</b>
<b>Total assets less current liabilities</b>		<b>7,354</b>	<b>6,956</b>
<b>Creditors: amounts falling due after more than one year</b>	13	<b>-</b>	<b>(6)</b>
<b>Provisions for liabilities and charges</b>	14	<b>(255)</b>	<b>(341)</b>
<b>Net assets</b>		<b>7,099</b>	<b>6,609</b>
<b>Capital and reserves</b>			
Called up share capital	15	436	436
Profit and loss reserve	16	6,663	6,173
<b>Equity shareholders' funds</b>	17	<b>7,099</b>	<b>6,609</b>

The financial statements on pages 5 to 19 were approved by the board of directors on 31 May 2005 and were signed on its behalf by:



C K Yarbrough  
Director



# **The Aluminium Powder Company Limited**

## **Statement of accounting policies**

The financial statements have been prepared on the going concern basis, in accordance with applicable accounting standards in the United Kingdom. A summary of the more important policies, which have been applied consistently, is set out below.

### **Basis of accounting**

The financial statements are prepared under the historical cost convention.

### **Consolidated financial statements**

The company is a wholly owned subsidiary undertaking of a European Economic Area (EEA) parent undertaking, and as such avails itself of the exemption from preparing consolidated accounts under S228 of the Companies Act 1985.

### **Cash flow statement**

The company is ultimately owned by Metallurg Holdings, Inc. and is included in the consolidated financial statements of that company which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cashflow statement under the terms of FRS 1 (Revised 1996).

### **Foreign currencies**

Transactions denominated in foreign currencies are initially translated to sterling at the rates ruling at the dates of the transactions. Profits and losses on settlements during the year are reflected in the profit and loss account.

At the year end, current assets and liabilities in foreign currencies are translated to sterling at the hedged or spot rate, whichever is appropriate, and the resultant exchange differences are reflected through the profit and loss account.

Premiums paid to acquire currency options are charged to the profit and loss account when paid. Profits on currency options are credited to the profit and loss account when that option is exercised.

### **Revenue recognition**

Turnover represents amounts invoiced to customers net of value added tax. Under normal circumstances, revenue from product sales is recognised upon despatch to the customer or, in case of goods supplied ex-works, upon collection by the customer or their agent. Where consignment stock arrangements are in place, revenue is recognised upon notification by the customer that the product has been withdrawn from consignment or, where relevant, on expiry of a fixed contractual term.

### **Leases**

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

### **Investments**

Investments held as fixed assets are stated at cost unless there is a permanent diminution in value, in which case they are stated at the net realisable value.

# The Aluminium Powder Company Limited

## Fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

The cost of tangible fixed assets is depreciated on a straight line basis over the estimated useful lives of the assets, unless there is a permanent diminution in value, in which case it is written down to its estimated recoverable amount. The annual rates generally used are:

Plant, machinery, fixtures and fittings	10% straight line
Laboratory equipment	20% straight line
Motor vehicles	25% straight line
Freehold property	4% straight line

## Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct material and labour costs together with the relevant overheads on the basis of normal activity levels. Provision is made for obsolete, slow-moving or defective items where appropriate.

## Government grants

Grants obtained for capital equipment are treated as deferred income and are credited to the profit and loss account over the expected useful economic life of the related asset on a basis consistent with depreciation policies.

## Pensions

The London & Scandinavian Metallurgical Co Limited group operates pension schemes, comprising a final salary and a defined contribution plan, which require contributions to be made to separately administered funds. Contributions to the final salary scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives within the company. The regular cost is attributed to individual years using the projected unit credit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

The group has taken the transitional approach as prescribed by FRS 17 'Retirement benefits' for this year. As the company is unable to identify its share of the underlying assets and liabilities of the group scheme, the scheme will be accounted for by the company as a defined contribution scheme under FRS 17. The transitional disclosures in respect of FRS 17 are given in the accounts of London & Scandinavian Metallurgical Co Limited.

## Deferred taxation

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax is not provided on timing differences arising from revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

## **The Aluminium Powder Company Limited**

### **Related party transactions**

The company is exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Metallurg Holdings, Inc. group. For details of other related party transactions see note 20.

# The Aluminium Powder Company Limited

## Notes to the financial statements for the year ended 31 December 2004

### 1 Turnover

Turnover represents the amount receivable in the ordinary course of business for goods sold and services provided to customers, excluding value added tax. It relates wholly to one class of business. The geographical analysis of turnover is:

	<b>2004</b>	2003
	<b>£'000</b>	£'000
United Kingdom	<b>8,059</b>	6,900
Rest of Europe	<b>8,696</b>	8,919
Rest of the World	<b>3,234</b>	3,220
	<b>19,989</b>	19,039

### 2 Employee information

<b>Average number of persons employed by activity</b>	<b>2004</b>	2003
	<b>Number</b>	Number
Production	<b>62</b>	72
Administration	<b>6</b>	6
Distribution	<b>1</b>	1
	<b>69</b>	79

	<b>2004</b>	2003
<b>Staff costs during the year (including directors)</b>	<b>£'000</b>	£'000
Wages and salaries	<b>1,790</b>	1,821
Social security costs	<b>179</b>	179
Pensions costs	<b>183</b>	143
	<b>2,152</b>	2,143

# The Aluminium Powder Company Limited

## 3 Directors' emoluments

	2004 £'000	2003 £'000
Aggregate emoluments	180	137
Compensation for loss of office	113	-

Compensation for loss of office represents payments made in respect of one director. Compensation has been given in the form of cash, pension contributions, medical insurance and the use of a company car.

Retirement benefits are accruing to two (2003: two) directors under a defined benefit scheme. There are no directors accruing benefits under a money purchase scheme (2003: nil).

## 4 Operating expenses

	2004 £'000	2003 £'000
Distribution costs	96	98
Administrative expenses	1,198	920
	1,294	1,018

## 5 Profit on ordinary activities before taxation

	2004 £'000	2003 £'000
<b>Operating profit is stated after charging/(crediting)</b>		
Depreciation of tangible fixed assets		
- owned assets	427	431
Rentals under operating leases		
- hire of plant and machinery	37	31
- other	56	56
Auditors' remuneration	14	16
Amortisation of government grants	(45)	(41)

Fees paid to PricewaterhouseCoopers LLP for non-audit services in the UK were £2,400 (2003: £2,300).

# The Aluminium Powder Company Limited

## 6 Tax on profit on ordinary activities

	2004 £'000	2003 £'000
<b>Current tax:</b>		
UK Corporation tax on profits of the period	168	511
Adjustment in respect of prior periods	139	(8)
Total current tax	307	503
<b>Deferred tax:</b>		
Origination and reversal of timing differences	53	25
Adjustment in respect of prior periods	(139)	-
Total deferred tax (note 14)	(86)	25
<b>Tax on profit on ordinary activities</b>	<b>221</b>	<b>528</b>

The tax assessed for the period is higher than (2003: lower) the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2004 £'000	2003 £'000
Profit on ordinary activities before tax	711	1,776
Profit on ordinary activities multiplied by standard rate in the UK 30% (2003: 30%)	213	533
Effects of:		
Expenses not deductible for tax purposes	9	5
Accelerated capital allowances and other timing differences	(54)	(27)
Adjustments to tax charge in respect of previous periods	139	(8)
Current tax charge for the period	307	503

# The Aluminium Powder Company Limited

## 7 Dividends

The directors do not recommend payment of a final dividend in respect of the year ended 31 December 2004 (2003: £1.7m)

## 8 Tangible assets

	Freehold buildings £'000	Plant, machinery and motor vehicles £'000	Fixtures and fittings £'000	Total £'000
<b>Cost</b>				
At 1 January 2004	1,648	5,638	200	7,486
Additions	272	268	-	540
<b>At 31 December 2004</b>	<b>1,920</b>	<b>5,906</b>	<b>200</b>	<b>8,026</b>
<b>Depreciation</b>				
At 1 January 2004	1,019	3,053	200	4,272
Charge for the year	34	393	-	427
<b>At 31 December 2004</b>	<b>1,053</b>	<b>3,446</b>	<b>200</b>	<b>4,699</b>
<b>Net book amount</b>				
<b>At 31 December 2004</b>	<b>867</b>	<b>2,460</b>	<b>-</b>	<b>3,327</b>
At 31 December 2003	629	2,585	-	3,214

# The Aluminium Powder Company Limited

## 9 Fixed asset investments

				£'000
Cost and net book value at 1 January 2004 and 31 December 2004				222
<b>Interest in group undertakings</b>				
	Principal activity	Description of shares held	Country of incorporation or registration	Proportion of nominal value of issued shares held by company
Benda-Lutz-Alpoco Sp.zo.o	Manufacturing aluminium powder	Ordinary shares	Poland	51% subsidiary
Alpoco	Non-trading	Ordinary shares	England and Wales	100% subsidiary
Metalloys Limited	Non-trading	Ordinary shares	England and Wales	100% subsidiary
M&A Powders Limited	Non-trading	Ordinary shares	England and Wales	100% subsidiary

## 10 Stocks

	2004 £'000	2003 £'000
Raw materials and consumables	681	461
Finished goods and goods for resale	1,609	1,582
	<b>2,290</b>	<b>2,043</b>

## 11 Debtors

	2004 £'000	2003 £'000
Trade debtors	3,169	1,933
Amounts owed by group undertakings:		
- parent	239	790
- fellow subsidiary undertakings	-	25
- subsidiary undertakings	26	49
Other debtors	-	1
Prepayments and accrued income	12	13
	<b>3,446</b>	<b>2,811</b>



# The Aluminium Powder Company Limited

## 12 Creditors – Amounts falling due within one year

	2004 £'000	2003 £'000
Trade creditors	469	514
Amounts owed to group undertakings:		
- parent company	1,463	623
- fellow subsidiary undertakings	3	-
- subsidiary undertakings	3	-
Corporation tax payable	193	501
Other taxation and social security	34	-
Other creditors	8	19
Accruals and deferred income	122	76
	<b>2,295</b>	<b>1,733</b>

## 13 Creditors – Amounts falling due after more than one year

	2004 £'000	2003 £'000
Accruals and deferred income (government grant):		
Due between one and two years	-	6

## 14 Provisions for liabilities and charges

	2004 £'000
<b>Deferred taxation</b>	
At 1 January	341
Current year credit	(86)
<b>At 31 December</b>	<b>255</b>

# The Aluminium Powder Company Limited

## Deferred taxation

Deferred taxation provided in the financial statements is analysed as follows:

	2004 £'000	2003 £'000
Excess of tax allowances over depreciation	258	344
Other timing differences	(3)	(3)
	255	341

The company does not have any unprovided deferred tax (2003: £nil).

## 15 Called up share capital

	2004 £'000	2003 £'000
<b>Authorised, called up, allotted and fully paid equity shares</b>		
436,037 ordinary shares of £1 each	436	436

## 16 Profit and loss account

	2004 £'000
At 1 January	6,173
Retained profit for the financial year	490
<b>At 31 December</b>	<b>6,663</b>

## 17 Reconciliation of movements in shareholders' funds

	2004 £'000	2003 £'000
Profit for the financial year	490	1,248
Dividends	-	(1,700)
<b>Net addition/(reduction) in equity shareholders' funds</b>	<b>490</b>	<b>(452)</b>
Equity shareholders' funds at 1 January	6,609	7,061
<b>Equity shareholders' funds at 31 December</b>	<b>7,099</b>	<b>6,609</b>

# The Aluminium Powder Company Limited

## 18 Financial commitments

### Operating lease commitments

At 31 December 2004 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings		Other	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Leases which expire:				
Within one year	24	-	-	8
Within two to five years	-	53	11	20
In more than five years	-	3	-	-
	24	56	11	28

### Capital commitments

	2004	2003
	£'000	£'000
Contracts placed for future capital expenditure not provided for in the financial statements	19	-

# The Aluminium Powder Company Limited

## 19 Pension commitments

The company participates in the London & Scandinavian Metallurgical Co Limited group pension scheme. This consists of two parts, a defined benefits plan (the "RBP") and a defined contribution plan (the "CAP"). The RBP is a funded plan, the last actuarial valuation for which was carried out at 31 December 2002. Particulars of the valuation are contained in the consolidated financial statements of London & Scandinavian Metallurgical Co Limited. The pension cost charge for the year amounted to £183,488 (2003: £142,903).

As the company is unable to identify its share of the underlying assets and liabilities of the group scheme, the scheme will be accounted for by the company as a defined contribution scheme under FRS 17. The transitional disclosures in respect of FRS 17 are given in the accounts of London & Scandinavian Metallurgical Co Limited.

## 20 Related party disclosures

During the year The Aluminium Powder Company Limited made sales to Bostlan SA, an associate company of London & Scandinavian Metallurgical Co Limited, and made purchases from Benda-Lutz-Alpoco Sp.zo.o, a 51% owned subsidiary. The transactions for the year and the balances outstanding as at 31 December 2004 are summarised below:

	Sales		Debtors	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Bostlan SA	538	535	47	44

	Purchases		Creditors	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Benda-Lutz-Alpoco Sp.zo.o	222	198	3	-

All the above transactions are undertaken on normal commercial terms.

The Company has given a loan of £83,000 to Benda-Lutz-Alpoco Sp.zo.o. The balance outstanding as at 31 December 2004 was £26,000 (2003: £49,000).

# **The Aluminium Powder Company Limited**

## **21 Contingent liabilities**

The company has given a guarantee limited to £1,000,000 (2003: £1,000,000) in respect of bank overdrafts of its parent company. The company has given fixed and floating charges over all assets to secure the sterling loans of its parent company.

On 13 August 2004, in connection with the refinancing of the company's ultimate parent company, Metallurg Holdings Inc., the company gave a guarantee limited to US\$17,000,000 to MHR, secured by a second charge over all the assets of the company subordinate to the existing security granted against London & Scandinavian Metallurgical Co Limited's existing bank borrowings. The guarantee can only be called 150 days after the occurrence of an event of default under the MHR agreement. An event of default can be caused by any of the borrowers or guarantors not complying with covenants, or any of the borrowers not making required payments of principal or interest.

In the opinion of the directors no loss is expected to arise as a result of these matters.

## **22 Ultimate parent company**

*The immediate parent undertaking is London & Scandinavian Metallurgical Co Limited, a company registered in England and Wales, and is the smallest group in which the results of the company are consolidated. Copies of the immediate parent company's consolidated financial statements may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.*

*The company's ultimate parent company is Metallurg Holdings, Inc., whose principal address is 400 The Safeguard Building, 435 Devon Park Drive, Wayne, PA 19087, USA., is the largest group in which the results of the company are consolidated. Metallurg Holdings, Inc. is controlled by Safeguard International Fund, L.P., which is the ultimate controlling party of the group. Copies of the financial statements of Metallurg Holdings, Inc. can be obtained from the principal address.*