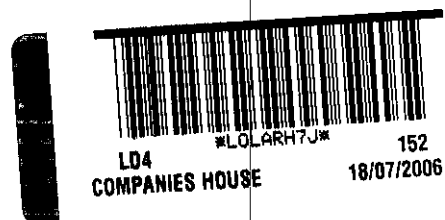


**Metalloyd Limited**

**Report and Financial Statements**

**Year Ended**

**31 December 2005**



**BDO Stoy Hayward**  
Chartered Accountants

**Metalloyd Limited**

**Annual report and financial statements for the year ended 31 December 2005**

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**Directors**

S Soukholinski  
N Gavrielides  
K Panayiotou  
M Wilde  
N Dickson  
N Fitzpatrick  
A Zykov

**Secretary and registered office**

Portland Registrars Limited, 1 Conduit Street, London, W1S 2XA

**Company number**

1683631

**Auditors**

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

**\*\***

## **Metalloyd Limited**

### **Report of the directors for the year ended 31 December 2005**

The directors present their report together with the audited financial statements for the year ended 31 December 2005.

#### **Results and dividends**

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

An interim dividend of \$Nil (2004-\$500,000) was paid in the year. The directors do not recommend the payment of a final dividend (2004 - \$Nil).

#### **Principal activities, trading review and future developments**

The company's principal activity is the trading of steel and other raw materials. The directors are satisfied with the result for the year and anticipate growth in sales volumes in the forthcoming year.

As the majority of the trading transactions are denominated in US\$ the company has reflected its results in that currency.

#### **Charitable contributions**

During the year the company charitable contributions of \$1,916 (2004 - \$378).

#### **Directors**

The directors of the company during the year and their interests in the ordinary share capital of the company were:

	<b>Ordinary shares of \$1 each</b>	
	<b>31 December 2005</b>	<b>31 December 2004</b>
S Soukholinski	-	-
N Gavrielides	-	-
K Panayiotou	-	-
M Wilde	900,000	900,000
N Dickson	300,000	300,000
N Fitzpatrick	300,000	300,000
A Zykov	-	-

At 31 December 2005 Messr Soukholinski has a beneficial interest in Deneb Investments Limited, the immediate parent company, and this is disclosed in its accounts.

# Metalloyd Limited

## Report of the directors for the year ended 31 December 2005 (*Continued*)

### Directors' responsibilities

The directors are 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 directors to prepare financial statements for each financial year 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 directors are 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 directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

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.

### On behalf of the Board

N Dickson



Director

Date 14 July 2006

## **Metalloyd Limited**

### **Report of the independent auditors**

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#### **To the shareholders of Metalloyd Limited**

We have audited the financial statements of Metalloyd Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### *Respective responsibilities of directors and auditors*

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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 other transactions is not disclosed.

We read the Directors' 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.

**Metalloyd Limited**

**Report of the independent auditors (*Continued*)**

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*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 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

*BDO Stoy Hayward LLP*

**BDO STOY HAYWARD LLP**

*Chartered Accountants  
and Registered Auditors  
London*

Date *14 July 2006*

**Metalloyd Limited****Profit and loss account for the year ended 31 December 2005**

	Note	2005 \$'000	2004 \$'000
<b>Turnover</b>	2	348,237	520,841
Cost of sales		339,029	506,658
<b>Gross profit</b>		9,208	14,183
Administrative expenses		4,802	4,251
<b>Operating profit</b>	5	4,406	9,932
Interest receivable		680	379
Interest payable and similar charges	6	(4,482)	(4,560)
<b>Profit on ordinary activities before taxation</b>		604	5,751
Taxation on profit from ordinary activities	7	249	1,750
<b>Profit on ordinary activities after taxation</b>		355	4,001
Dividends	8	-	500
<b>Retained profit</b>	15	355	3,501

All amounts relate to continuing activities.

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

There are no movements in shareholders' funds other than the profit for the year.

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

**Metalloyd Limited****Balance sheet at 31 December 2005**

	Note	2005 \$'000	2005 \$'000	2004 \$'000	2004 \$'000
<b>Fixed assets</b>					
Tangible assets	9		82		110
<b>Current assets</b>					
Stocks	10	30,395		46,832	
Debtors	11	90,957		124,972	
Cash at bank and in hand		7,619		6,962	
		128,971		178,766	
<b>Creditors: amounts falling due within one year</b>	12	111,491		161,669	
<b>Net current assets</b>			17,480		17,097
<b>Total assets less current liabilities</b>			17,562		17,207
<b>Capital and reserves</b>					
Called up share capital	13		10,001		10,001
Profit and loss account	14		7,561		7,206
<b>Shareholders' funds</b>			17,562		17,207

The financial statements were approved by the Board on 14 July 2006

  
N Dickson  
Director

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



**Metalloyd Limited**
**Cash flow statement for the year ended 31 December 2005**

	Note	2005 \$'000	2005 \$'000	2004 \$'000	2004 \$'000
<b>Net cash inflow/(outflow) from Operating activities</b>	19		<b>58,750</b>		<b>(41,511)</b>
<b>Returns on investments and servicing of finance</b>					
Interest received		680		379	
Interest paid		(4,482)		(5,142)	
<b>Net cash outflow from returns on investments and servicing of finance</b>			<b>(3,802)</b>		<b>(4,763)</b>
<b>Taxation</b>					
Corporation tax paid			(2,270)		(850)
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets			(7)		(85)
<b>Cash inflow/(outflow) before use of liquid resources and financing</b>			<b>52,671</b>		<b>(47,209)</b>
<b>Equity dividends paid</b>			-		(500)
<b>Financing</b>					
Inception of new loans		6,000		30,752	
Repayment of loans		(30,752)		(24,152)	
<b>Net cash (outflow)/inflow from financing</b>			<b>(24,752)</b>		<b>6,600</b>
<b>Increase/(decrease) in cash</b>	20,21		<b>27,919</b>		<b>(41,109)</b>

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

**1 Accounting policies**

The financial statements have been prepared under the historical cost convention, and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

*Turnover*

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

*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:

Fixtures, fittings and equipment	- 20% per annum
Computer equipment	- 33⅓% per annum

*Stocks*

Stocks are valued at the lower of cost and net realisable value. Cost includes direct costs such as freight and tolling.

*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.

Deferred tax balances are not discounted.

*Leased assets*

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

# Metalloyd Limited

## Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

### 1 Accounting policies (Continued)

#### *Leased assets (Continued)*

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives to enter into operating lease agreements are initially recorded as deferred income and released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

#### *Pension costs*

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable. The assets of the scheme are held separately from those of the company in an independently administered fund.

#### *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.

### 2 Turnover

Turnover is wholly attributable to the principal activity of the company. The directors consider that analysis of turnover by different geographical markets would be prejudicial to the interests of the company.

### 3 Employees

	2005 \$'000	2004 \$'000
Staff costs consist of:		
Wages and salaries	2,218	2,354
Social security costs	258	276
Other pension costs	149	126
	<hr/>	<hr/>
	2,625	2,756
	<hr/>	<hr/>

The average number of employees, including directors, during the year was 21 (2004 -19).

**Metalloyd Limited**

**Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)**

**4 Directors**

	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Directors' emoluments consist of:		
Fees and remuneration for management services	<b>862</b>	<b>954</b>
Pensions	<b>72</b>	<b>56</b>
	<b>934</b>	<b>1,010</b>

There were 3 (2004 - 3) directors in the company's defined contribution pension scheme during the year.

The highest paid director in the year received £171,104 (2004 - £211,760) and had £18,888 (2004 - £14,864) paid to his pension scheme.

**5 Operating profit**

	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
This has been arrived at after charging:		
Depreciation	<b>35</b>	<b>13</b>
Auditors' remuneration - audit services	<b>40</b>	<b>25</b>
- other services	<b>7</b>	<b>6</b>
Operating lease payments - land and buildings	<b>275</b>	<b>290</b>

**6 Interest payable and similar charges**

	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank and letter of credit charges	<b>1,400</b>	<b>2,440</b>
Other loans	<b>759</b>	<b>713</b>
Bank interest	<b>1,660</b>	<b>1,698</b>
Other interest	<b>202</b>	<b>291</b>
Foreign exchange loss/(gain)	<b>461</b>	<b>(582)</b>
	<b>4,482</b>	<b>4,560</b>

**Metalloyd Limited**

Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

**7 Taxation on profit from ordinary activities**

	2005 \$'000	2004 \$'000
<i>Current tax</i>		
UK corporation tax on profits of the year	249	1,750

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2005 \$'000	2004 \$'000
Profit on ordinary activities before tax	604	5,751
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2004 –30%)	181	1,725
Effects of:		
Expenses not deductible for tax purposes	51	29
Capital allowances for year in deficit/(excess) of depreciation	2	(7)
Under provision in respect of prior year	15	3
Current tax charge for year	249	1,750

**8 Dividends**

	2005 \$'000	2004 \$'000
Ordinary shares of \$1 each	-	500
Interim paid of \$Nil (2004-\$0.05) per share		

# Metalloyd Limited

Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

## 9 Tangible assets

	Fixtures, fittings and equipment \$'000
<i>Cost</i>	
At 1 January 2005	153
Additions	7
	<hr/>
At 31 December 2005	160
	<hr/>
<i>Depreciation</i>	
At 1 January 2005	43
Provided for the year	35
	<hr/>
At 31 December 2005	78
	<hr/>
<i>Net book value</i>	
At 31 December 2005	82
	<hr/>
At 31 December 2004	110
	<hr/>

## 10 Stocks

	2005 \$'000	2004 \$'000
Goods held for resale	30,395	46,832
	<hr/>	<hr/>

There is no material difference between the replacement cost of stocks and the amounts stated above.

## 11 Debtors

	2005 \$'000	2004 \$'000
Trade debtors	87,602	124,379
Corporation tax recoverable	274	-
Other debtors	437	439
Prepayments and accrued income	2,644	154
	<hr/>	<hr/>
	90,957	124,972
	<hr/>	<hr/>

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

**Metalloyd Limited**

**Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)**

**12 Creditors: amounts falling due within one year**

	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank loans and overdrafts	24,789	52,051
Trade creditors	72,169	75,141
Taxation and social security	233	269
Corporation tax	-	1,747
Accruals	352	1,400
Other loans	6,000	30,752
Other creditors	219	292
Deferred income	7,729	17
	<b>111,491</b>	<b>161,669</b>

**13 Share capital**

	<b>Authorised, allotted, called up and fully paid</b>			
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>Number</b>	<b>Number</b>	<b>\$'000</b>	<b>\$'000</b>
Ordinary shares of \$1 each	10,001,000	10,001,000	10,001	10,001

**14 Reserves**

	<b>Profit and loss account \$'000</b>
At 1 January 2005	7,206
Profit for year	355
At 31 December 2005	<b>7,561</b>

**Metalloyd Limited****Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)****15 Reconciliation of movements shareholders' funds**

	<b>2005</b> <b>\$'000</b>	<b>2004</b> <b>\$'000</b>
Profit for the year	<b>355</b>	4,001
Dividends	-	(500)
	<hr/>	<hr/>
Net additions to shareholders' funds	<b>355</b>	3,501
Opening shareholders' funds	<b>17,207</b>	13,706
	<hr/>	<hr/>
Closing shareholders' funds	<b>17,562</b>	17,207
	<hr/>	<hr/>

**16 Commitments under operating leases**

As at 31 December 2005, the company had annual commitments under non-cancellable operating leases as set out below:

	<b>Land and buildings 2005 \$'000</b>	<b>Land and buildings 2004 \$'000</b>
Operating leases which expire:		
Over five years	<b>370</b>	370
	<hr/>	<hr/>

**17 Contingencies**

The Company has been notified of a claim by a customer. The customer claims the material delivered does not meet the agreed specification and is seeking full restitution under the contract. The Company has issued a similar claim against the supplier from whom it purchased the material in question. The directors believe that as the purchase and sale were made on substantially the same terms the likelihood of a material loss occurring is unlikely. The original sale had a value in the region of \$2m and the Directors estimate the current market value of the material to be \$840,000, however the quality of the material may have deteriorated whilst outside of the Company's control. The dispute has been taken to arbitration and submissions have now closed. The Directors expect full disclosure and inspection of the documents in the next few months.



**Metalloyd Limited**

**Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)**

**18 Related party transactions**

During the year the company had the following transactions with companies under common control:

	<b>Interest Paid 2005 \$'000</b>	<b>Year end loan balance 2005 \$'000</b>
Fintrade	2	-
Universal Metals International (UMI)	176	-
Rockwell	582	6,000
	<b>Interest Paid 2004 \$'000</b>	<b>Year end loan balance 2004 \$'000</b>
Fintrade	(112)	2,500
Universal Metals International (UMI)	(9)	20,500
Rockwell	(592)	-

The loans provide funding for trading operations. All amounts are repayable within one year.  
Interest is charged on all balances at 2.5% above LIBOR.

**19 Reconciliation of operating profit to net cash outflow from operating activities**

	<b>2005 \$'000</b>	<b>2004 \$'000</b>
Operating profit	4,406	10,514
Depreciation	35	13
Decrease/(increase) in stocks	16,437	(21,507)
Decrease/(increase) in debtors	34,289	(78,148)
(Decrease)/increase in creditors	3,583	47,617
Net cash inflow/(outflow) from operating activities	58,750	(41,511)

**Metalloyd Limited**

**Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)**

**20 Reconciliation of net cash inflow to movement in net debt**

	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Increase/(decrease) in cash	<b>27,919</b>	(41,109)
Net cash flow from debt financing	<b>24,752</b>	(6,600)
	<hr/>	<hr/>
Decrease in net debt in year	<b>52,671</b>	(47,709)
Opening net debt	<b>(75,841)</b>	(28,132)
	<hr/>	<hr/>
Closing net debt	<b>(23,170)</b>	(75,841)
	<hr/>	<hr/>

**21 Analysis of net debt**

	<b>At</b>		<b>At</b>
	<b>1 January</b>	<b>Cash</b>	<b>31 December</b>
	<b>2005</b>	<b>flow</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and in hand	6,962	657	7,619
Bank loans and overdrafts	(52,051)	27,262	(24,789)
	<hr/>	<hr/>	<hr/>
	(45,089)	27,919	(17,170)
Other loans	(30,752)	24,752	(6,000)
	<hr/>	<hr/>	<hr/>
	(75,841)	52,671	(23,170)
	<hr/>	<hr/>	<hr/>

**22 Ultimate parent company**

At 31 December 2005 the company's immediate and ultimate parent company was Deneb Investments Limited, a company registered in Cyprus, which is the parent of both the smallest and largest groups of which the company is a member.