

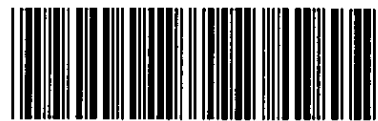
**Company Registration No. 04386308**

**Metal One UK Limited**

**Report and Financial Statements**

**31 December 2006**

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# **Metal One UK Limited**

## **Report and financial statements 2006**

<b>Contents</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Statement of directors' responsibilities</b>	<b>4</b>
<b>Independent auditors' report</b>	<b>5</b>
<b>Profit and loss account</b>	<b>7</b>
<b>Balance sheet</b>	<b>8</b>
<b>Notes to the accounts</b>	<b>9</b>

# **Metal One UK Limited**

## **Report and financial statements 2006**

### **Officers and professional advisers**

#### **Directors**

O Kamiya  
T Kiba  
T Nakanishi

#### **Secretary**

T Nakanishi

#### **Registered office**

Mid City Place  
71 High Holborn  
London WC1V 6BA

#### **Solicitors**

Lovells  
Atlantic House  
Holborn Viaduct  
London EC1A 2FG

#### **Bankers**

The Bank of Tokyo-Mitsubishi UFJ Ltd  
Finsbury Circus House  
12-15 Finsbury Circus  
London EC2M 7BT

#### **Auditors**

Deloitte & Touche LLP  
Chartered Accountants  
London

# **Metal One UK Limited**

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

### **Business review and principal activities**

The company's principal activities are of the wholesale of steel products. We have mainly supplied European steel products to one of the biggest engineering companies in Japan.

As shown on the company's profit and loss account on page 7, the company's turnover, gross profit and operating profit have increased by 12%, 21% and 28% respectively. As a result, the profit for the year after taxation amounted to £762,186 (2005: profit of £624,615), an increase of 22%.

The balance sheet on page 8 shows that the company's current assets and current liabilities increased as a result of business expansion.

The directors declared an interim dividend of £600,000 which was paid in 2006 (2005: £nil). They recommend that no final dividend is declared.

There have been no significant events since the balance sheet date which require disclosure.

The company uses gross profit as a key performance indicator. The basis of calculation is the gross profit as a percentage of turnover as shown in page 7 of these financial statements. The result this year is 4.6% (2005: 4.2%). This is predicted to remain at the same level in future years.

### **Principal risks and uncertainties**

Due to the nature of steel trade business, the company faces competitive pressures, which could result in losing sales to its key competitors. The company manages this risk by giving fast responses and services to customers, not only in supplying products but also in handling all customer requests, and by maintaining strong relationships with customers.

Because of the trading nature of the company, the only financial risk that the directors consider relevant to this company is credit risk. This risk is mitigated by periodical credit reviews on existing customers and suppliers as well as stringent business analysis and credit checks on new customers. Whilst the short-term bank loans have increased due to business expansion, the directors consider the interest rate risk is low. The company manages this risk by integrating interest costs into pricing and by timely accounts receivable collection.

### **Business development and future prospects**

The company is expecting to maintain the present business activities throughout 2007. We intend to expand business in Oil Country Tubular Goods by increasing our resources.

# Metal One UK Limited

## Directors' report (continued)

### Directors and their interests

The current directors are shown on page 1. The directors who served throughout the year and up to the date of this report (except as noted) were

S Ueno (resigned 23 March 2007)

O Kamiya

T Kadokura (resigned 23 March 2007)

T Kiba (appointed 23 March 2007)

T Nakanishi (appointed 23 March 2007)

T Nakanishi is also appointed as Managing Director with effect from 23 March 2007

During the year none of the directors had any beneficial interests, as defined by the Companies Act 1985, in the share capital of the company or any other group company incorporated in the United Kingdom, or the ultimate parent company

### Creditors

The company aims to make payment under agreed contract terms. During the year average payment was made in approximately 27 days (2005 approximately 30 days)

### Information to auditors

Each of the persons who is a director at the date of approval of this report confirms that

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

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

### Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors  
and signed by order of the Board



T Nakanishi  
Managing Director

18 MAY

2007

# **Metal One UK Limited**

## **Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year 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 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

## **Independent auditors' report to the members of Metal One UK Limited**

We have audited the financial statements of Metal One UK Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

The directors' 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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **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.

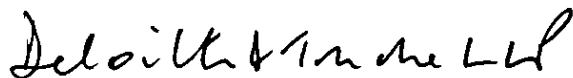
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Independent auditors' report to the members of Metal One UK Limited (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 31 December 2006 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 Directors' Report is consistent with the financial statements



**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
London, United Kingdom

*21 May* 2007



# Metal One UK Limited

## Profit and loss account Year ended 31 December 2006

	Notes	2006 £	2005 £
<b>Turnover</b>		64,151,751	57,378,904
Cost of sales		(61,207,544)	(54,955,344)
<b>Gross profit</b>		<u>2,944,207</u>	<u>2,423,560</u>
Administrative expenses		(1,952,305)	(1,686,461)
Other operating income	5	<u>237,219</u>	<u>223,855</u>
<b>Operating profit</b>	4	<u>1,229,121</u>	<u>960,954</u>
Interest receivable and similar income	6	58,601	61,635
Interest payable and similar charges	7	<u>(180,732)</u>	<u>(134,333)</u>
<b>Profit on ordinary activities before taxation</b>		1,106,990	888,256
Tax on profit on ordinary activities	8	<u>(344,804)</u>	<u>(263,641)</u>
<b>Profit on ordinary activities after taxation</b>		<u><u>762,186</u></u>	<u><u>624,615</u></u>

All of the company's operations for both the current and the preceding financial period fall into the category of "Continuing Operations" as defined in Financial Reporting Standard 3

There were no recognised gains or losses attributable to shareholders for the current or the preceding financial period other than as shown above

# Metal One UK Limited

## Balance sheet As at 31 December 2006

	Notes	2006 £	2005 £
<b>Fixed assets</b>			
Intangible assets	9	1	376
Tangible assets	10	41,956	62,595
		<u>41,957</u>	<u>62,971</u>
<b>Current assets</b>			
Stocks	11	11,542,819	3,947,224
Debtors	12	10,493,751	5,367,505
Cash at bank and in hand		2,060,193	6,700,691
		<u>24,096,763</u>	<u>16,015,420</u>
<b>Creditors amounts falling due within one year</b>	13	(15,305,963)	(7,407,820)
<b>Net current assets</b>		<u>8,790,800</u>	<u>8,607,600</u>
<b>Total assets less current liabilities</b>		<u>8,832,757</u>	<u>8,670,571</u>
<b>Capital and reserves</b>			
Called up share capital	14	8,000,000	8,000,000
Profit and loss account	15	832,757	670,571
<b>Equity shareholders' funds</b>	16	<u>8,832,757</u>	<u>8,670,571</u>

These financial statements were approved by the Board of Directors on 18 May 2007  
Signed on behalf of the Board of Directors



T Nakanishi  
Managing Director

# **Metal One UK Limited**

## **Notes to the accounts Year ended 31 December 2006**

### **1. Accounting policies**

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are described below and have been applied consistently throughout the current and preceding year.

#### **Accounting convention**

The financial statements are prepared under the historical cost convention.

#### **Cash flow statement**

The company has not prepared a cash flow statement following the revision of FRS1 on the basis that the ultimate parent company produces consolidated accounts, which include a cash flow statement, into which the company's accounts are fully consolidated and are publicly available.

#### **Intangible fixed assets**

Intangible assets are valued at cost on acquisition and are amortised in equal annual amounts over their useful economic lives. All intangible assets have an estimated useful life of thirty nine months. Provision is made for any impairment.

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. Depreciation is provided against cost in equal annual instalments over the estimated useful life of the asset. All fixed assets have an estimated useful life of four years (25% per annum).

#### **Stocks**

Stocks consist of goods for resale stated at the lower of cost and net realisable value. Cost includes all the expenditure incurred in bringing stocks to their present location and condition.

#### **Turnover**

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales taxes.

#### **Foreign exchange**

Monetary assets and liabilities denominated in foreign currencies have been translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are translated at the rates prevailing on the dates of the transactions. Resulting differences on translation are charged or credited to the profit and loss account.

#### **Leases**

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the leases. Further details are given in note 17 to the accounts.

#### **Pension costs**

Pension costs are accounted for as incurred in respect of the company's defined contribution pension scheme.

# Metal One UK Limited

## Notes to the accounts Year ended 31 December 2006

### 1. Accounting policies (continued)

#### Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) by using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred taxation 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. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements

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

### 2. Turnover

In the opinion of the directors it is seriously prejudicial to the interest of the company and not meaningful to give an analysis of turnover, profit or net assets by geographical area. The directors are also of the opinion that the company's trading business constitutes one class of activity

### 3. Information regarding directors and employees

	2006 £	2005 £
Directors' emoluments	154,878	145,100

No pension contributions were made on behalf of the directors

	2006 No	2005 No.
Average number of persons employed (excluding directors)		
Trading and administration	15	13

	2006 £	2005 £
Employee costs (including directors' emoluments)		
Wages and salaries	682,303	696,933
Social security costs	111,981	111,779
Other pension costs (see note 17)	35,136	32,860
	829,420	841,572

# Metal One UK Limited

## Notes to the accounts Year ended 31 December 2006

### 4. Operating profit

Operating profit is stated after charging the following amounts

	2006 £	2005 £
Depreciation of tangible fixed assets – owned assets	36,901	35,581
Amortisation of intangible fixed assets	375	374
Rentals under operating leases - other operating leases	160,960	160,737
The analysis of auditor's remuneration is as follows		
Fees payable to the company's auditors for the audit the company's annual accounts	18,000	16,000
Total audit fee	18,000	16,000
Other services pursuant to legislation - Tax services	5,500	12,500
Total non-audit fee	5,500	12,500

### 5. Other operating income

Other operating income includes management recharges to other group companies for services provided

### 6. Interest receivable and similar income

	2006 £	2005 £
Bank interest	58,363	60,179
Other interest receivable and similar income	238	1,456
	58,601	61,635

### 7. Interest payable and similar charges

	2006 £	2005 £
Interest on bank loans	180,732	134,333

# Metal One UK Limited

## Notes to the accounts Year ended 31 December 2006

### 8. Tax on profit on ordinary activities

#### (i) Analysis of tax charge on ordinary activities

	2006 £	2005 £
United Kingdom corporation tax at 30% (2005 30%)	(331,525)	(273,000)
Adjustment in respect of prior years	(13,279)	9,359
	<u>(344,804)</u>	<u>(263,641)</u>
Deferred tax		
Timing differences, origination and reversal	-	(18)
Deferred tax assets arising in previous periods	-	18
	<u>(344,804)</u>	<u>(263,641)</u>

#### (ii) Factors affecting tax charge for the current period

The tax assessed for the period is higher (2005 lower) than that resulting from applying the standard rate of corporation tax in the UK 30% (2005 30%) The differences are explained below

	2006 £	2005 £
Profit on ordinary activities before tax	<u>1,106,990</u>	<u>888,256</u>
Tax at 30% (2005 30%) thereon	(332,097)	(266,477)
Effects of		
Expenses not deductible for tax purposes	(6,115)	(8,034)
Non taxable income	2,158	5,477
Capital allowances in excess of depreciation	(4,171)	(3,966)
Movement in short term timing differences	8,700	-
Adjustment in respect of prior years	(13,279)	9,359
Current tax charge for the period	<u>(344,804)</u>	<u>(263,641)</u>

#### (iii) Factors that may affect the future tax charge

A deferred tax asset of £8,401 (2005 £14,072) has not been recognised in respect of short term timing differences as there is insufficient evidence that the asset will be recoverable

# Metal One UK Limited

## Notes to the accounts Year ended 31 December 2006

### 9. Intangible assets

	£
<b>Cost</b>	
At 1 January 2006 and 31 December 2006	1,221
<b>Accumulated amortisation</b>	
At 1 January 2006	845
Charge for the year	375
At 31 December 2006	1,220
<b>Net book value</b>	
At 31 December 2006	1
At 31 December 2005	376

Intangible assets represent the amortised value of a website asset acquired during 2003

### 10 Tangible fixed assets

	Plant and machinery £	Furniture, fixtures and fittings £	Total £
<b>Cost</b>			
At 1 January 2006	98,702	38,523	137,225
Additions	16,392	465	16,857
Disposals	(1,144)	-	(1,144)
At 31 December 2006	113,950	38,988	152,938
<b>Accumulated depreciation</b>			
At 1 January 2006	52,960	21,670	74,630
Charge for the year	27,212	9,689	36,901
Disposals	(549)	-	(549)
At 31 December 2006	79,623	31,359	110,982
<b>Net book value</b>			
At 31 December 2006	34,327	7,629	41,956
At 31 December 2005	45,742	16,853	62,595

# Metal One UK Limited

## Notes to the accounts Year ended 31 December 2006

### 11. Stocks

	2006 £	2005 £
Finished goods and goods for resale	11,542,819	3,947,224

There is no material difference between the balance sheet value of stock and their replacement cost

### 12. Debtors

	2006 £	2005 £
Amounts due within one year		
Trade debtors	6,081,368	953,613
Amounts owed by group undertakings	3,833,360	4,013,248
Prepayments and accrued income	516,854	336,942
VAT	48,483	13,166
Other debtors	13,686	50,536
	<u>10,493,751</u>	<u>5,367,505</u>

### 13. Creditors: amounts falling due within one year

	2006 £	2005 £
Bank loans and overdrafts	7,941,052	2,350,683
Trade creditors	4,278,752	4,547,259
Amounts owed to group undertakings	2,617,921	199,972
Other creditors including taxation and social security	282,164	150,520
Accruals and deferred income	186,074	159,386
	<u>15,305,963</u>	<u>7,407,820</u>

The bank loans and overdrafts are guaranteed by the immediate parent company, Metal One Corporation

### 14. Called up share capital

	2006 £	2005 £
<b>Authorised:</b>		
800,000,000 ordinary shares of £0.01 each	8,000,000	8,000,000
<b>Called up, allotted and fully paid:</b>		
800,000,000 ordinary shares of £0.01 each	8,000,000	8,000,000



# Metal One UK Limited

## Notes to the accounts Year ended 31 December 2006

### 15. Movement on reserves

	Profit and loss account £
Balance at 1 January 2006	670,571
Profit for the financial year	762,186
Dividend declared and paid during 2006	(600,000)
	<hr/>
Balance at 31 December 2006	832,757
	<hr/>

### 16. Reconciliation of movements in equity shareholders' funds

	2006 £	2005 £
Opening equity shareholders' funds	8,670,571	8,045,956
Profit for the financial year	762,186	624,615
Dividend declared and paid during 2006	(600,000)	-
	<hr/>	<hr/>
Closing equity shareholders' funds	8,832,757	8,670,571
	<hr/>	<hr/>

### 17. Operating lease commitments

At 31 December 2006, the company was committed to making the following payments during the next year in respect of operating leases

	Land and buildings £
Leases which expire After five years	<hr/>
	160,960
	<hr/>

### 18. Pension schemes

The company operates a defined contribution scheme. The cost for the year was £35,136 (2005 £32,860). There was no outstanding contributions (2005 £nil) for the month of December 2006 as at the balance sheet date.

### 19. Immediate and ultimate parent company

In the opinion of the directors, the company's ultimate parent company and controlling entity is Mitsubishi Corporation, a company incorporated in Japan. This is the largest group in which the company is consolidated. The immediate parent company is Metal One Corporation, a company incorporated in Japan. This is the smallest group in which the company is consolidated.

Copies of the group financial statements of the ultimate parent company can be obtained from Mitsubishi Corporation, Department AA-F, 6-3 Marunouchi 2-Chome, Chiyoda-ku, Tokyo 100-8086, Japan.

Copies of the consolidated financial statements to the immediate parent company can be obtained from Metal One Corporation, Celestine Shiba Mitsui Building, 3-23-1 Shiba, Mitano-ku, Tokyo 105-0014 Japan.

## **Metal One UK Limited**

### **Notes to the accounts**

#### **Year ended 31 December 2006**

##### **20. Related party transactions**

The company has taken advantage of the exemption from related party disclosures available in Financial Reporting Standard No 8 - Related Party Disclosures, as the consolidated financial statements of the immediate parent company are publicly available as noted above