

Company Registration No. 04386308

Metal One UK Limited

Report and Financial Statements

31 March 2008



Metal One UK Limited

Report and financial statements 2008

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Metal One UK Limited

Report and financial statements 2008

Officers and professional advisers

Directors

T Nakanishi
H Aono
E Saito

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 15 month period ended 31 March 2008

Business review and principal activities

The company's principal activities are of the wholesale of steel products. We have focused the product mix not only in industrial pipes, but also in Oil Country Tubular Goods (OCTG) business in a view of increasing global demanding for oil and natural resources.

As shown in the company's profit and loss account on page 7, the company's turnover decreased by 7% despite the fact that the current period is 15 months, 3 months longer than the preceding period. However, the gross profit and operating profit have increased by 14% and 33% respectively. This is mainly due to an increase in higher margin sales of consignment inventories. But increasing interest rates during the period have increased interest expense. As a result, the profit for the period after taxation amounted to £799,135 (2006 profit of £762,186) on an increase of 4.85%.

The balance sheet on page 8 shows that the company's net current assets increased.

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

The company uses gross profit margin as a key performance indicator. The basis of calculation is dividing the gross profit by turnover as shown on page 7 of these financial statements. The result this year is 5.6% (2006 4.6%). 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. Since the short-term bank loans have decreased, 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 for the coming 12 months. We expect to continuously expand business in the OCTG sector by combining expertise and resources globally.

Metal One UK Limited

Directors' report (continued)

Directors

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

S Ueno (resigned 23 March 2007)
O Kamiya (resigned 8 May 2008)
T Kadokura (resigned 23 March 2007)
T Kiba (appointed 23 March 2007 and resigned 8 May 2008)
T Nakanishi (appointed 23 March 2007)

Mr Aono and Mr Saito were appointed Directors on 8 May 2008

Creditors

The company aims to make payment under agreed contract terms. During the year average payment was made in approximately 15 days (2006 approximately 27 days)

Information to auditors

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

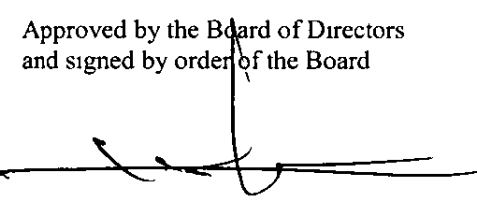
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's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

15/07/2008

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 accounting period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these 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 UK Accounting Standards have been followed, 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 period ended 31 March 2008 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 Annual Report and 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 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.

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 March 2008 and of its profit for the period 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

10 July 2008

Metal One UK Limited

Profit and loss account Period ended 31 March 2008

		15 months ended 31 March 2008 £	Year ended 31 December 2006 £
	Notes		
Turnover	2	59,484,000	64,151,751
Cost of sales		(56,140,000)	(61,207,544)
Gross profit		3,344,000	2,944,207
Administrative expenses		(1,961,335)	(1,952,305)
Other operating income	5	251,428	237,219
Operating profit	4	1,634,093	1,229,121
Interest receivable and similar income	6	39,421	58,601
Interest payable and similar charges	7	(506,161)	(180,732)
Profit on ordinary activities before taxation		1,167,353	1,106,990
Tax on profit on ordinary activities	8	(368,218)	(344,804)
Profit on ordinary activities after taxation		799,135	762,186

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

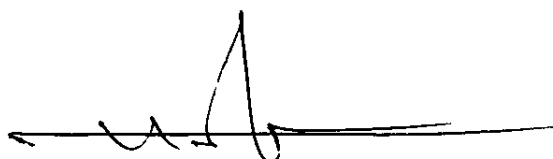
Metal One UK Limited

Balance sheet As at 31 March 2008

	Notes	31 March 2008 £	31 December 2006 £
Fixed assets			
Intangible assets	9	1	1
Tangible assets	10	17,477	41,956
		<u>17,478</u>	<u>41,957</u>
Current assets			
Stocks	11	10,304,640	11,542,819
Debtors	12	8,364,241	10,493,751
Cash at bank and in hand		146,050	2,060,193
		<u>18,814,931</u>	<u>24,096,763</u>
Creditors: amounts falling due within one year	13	<u>(9,200,517)</u>	<u>(15,305,963)</u>
Net current assets		<u>9,614,414</u>	<u>8,790,800</u>
Total assets less current liabilities		<u>9,631,892</u>	<u>8,832,757</u>
Capital and reserves			
Called up share capital	14	8,000,000	8,000,000
Profit and loss account	15	1,631,892	832,757
Equity shareholders' funds	16	<u>9,631,892</u>	<u>8,832,757</u>

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

10/07/2008



T Nakanishi
Managing Director

Metal One UK Limited

Notes to the accounts

Period ended 31 March 2008

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 period. The accounting reporting date has been changed from 31 December to 31 March to follow the reporting date of the parent company.

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 FRS 1 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

Period ended 31 March 2008

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

	15 months ended 31 March 2008 £	Year ended 31 December 2006 £
Directors' emoluments	188,000	154,878

No pension contributions were made on behalf of the directors

	15 months ended 31 March 2008 No.	Year ended 31 December 2006 No.
Average number of persons employed (excluding directors)		
Trading and administration	15	15

	15 months ended 31 March 2008 £	Year ended 31 December 2006 £
Employee costs (including directors' emoluments)		
Wages and salaries	898,708	682,303
Social security costs	154,842	111,981
Other pension costs (see note 18)	46,965	35,136
	1,100,515	829,420

Metal One UK Limited

Notes to the accounts

Period ended 31 March 2008

4. Operating profit

Operating profit is stated after charging the following amounts

	15 months ended 31 March 2008 £	Year ended 31 December 2006 £
Depreciation of tangible fixed assets – owned assets	32,155	36,901
Amortisation of intangible fixed assets	-	375
Rentals under operating leases - other operating leases	213,949	160,960

The analysis of auditor's remuneration is as follows

Fees payable to the company's auditors for the audit of the company's annual accounts

21,500	18,000
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Total audit fee

21,500	18,000
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Other services pursuant to legislation
- Tax services

12,100	5,500
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Total non-audit fee

12,100	5,500
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5 Other operating income

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

6. Interest receivable and similar income

	15 months ended 31 March 2008 £	Year ended 31 December 2006 £
Bank interest	39,180	58,363
Other interest receivable and similar income	241	238
	39,421	58,601

7 Interest payable and similar charges

	15 months ended 31 March 2008 £	Year ended 31 December 2006 £
Interest on bank loans	506,161	180,732

Metal One UK Limited

Notes to the accounts

Period ended 31 March 2008

8 Tax on profit on ordinary activities

(i) Analysis of tax charge on ordinary activities

	15 months ended 31 March 2008 £	Year ended 31 December 2006 £
United Kingdom corporation tax at 30% (2006 30%)	(364,588)	(331,525)
Adjustment in respect of prior years	(3,630)	(13,279)
	<u>(368,218)</u>	<u>(344,804)</u>

(ii) Factors affecting tax charge for the current period

The tax assessed for the period is higher (2006 lower) than that resulting from applying the standard rate of corporation tax in the UK 30% (2006 30%) The differences are explained below

	15 months ended 31 March 2008 £	Year ended 31 December 2006 £
Profit on ordinary activities before tax	<u>1,167,353</u>	<u>1,106,990</u>
Tax at 30% (2006 30%) thereon	(350,206)	(332,097)
Effects of		
Expenses not deductible for tax purposes	(10,666)	(6,115)
Non taxable income	-	2,158
Capital allowances in excess of depreciation	(3,230)	(4,171)
Movement in short term timing differences	(486)	8,700
Adjustment in respect of prior years	(3,630)	(13,279)
Current tax charge for the period	<u>(368,218)</u>	<u>(344,804)</u>

(iii) Factors that may affect the future tax charge

A deferred tax asset of £11,630 (2006 £8,401) 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

Period ended 31 March 2008

9. Intangible assets

	£
Cost	
At 1 January 2007 and 31 March 2008	1,221
Accumulated amortisation	
At 1 January 2007 and 31 March 2008	1,220
Net book value	
At 31 December 2007 and 31 March 2008	1

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 £
Cost			
At 1 January 2007	113,950	38,988	152,938
Additions	7,676	-	7,676
At 31 March 2008	121,626	38,988	160,614
Accumulated depreciation			
At 1 January 2007	79,623	31,359	110,982
Charge for the period	24,787	7,368	32,155
At 31 March 2008	104,410	38,727	143,137
Net book value			
At 31 March 2008	17,216	261	17,477
At 31 December 2006	34,327	7,629	41,956

Metal One UK Limited

Notes to the accounts

Period ended 31 March 2008

11. Stocks

	31 March 2008 £	31 December 2006 £
Finished goods and goods for resale	10,304,640	11,542,819

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

12 Debtors

	31 March 2008 £	31 December 2006 £
Amounts due within one year		
Trade debtors	7,021,469	6,081,368
Amounts owed by group undertakings	314,060	3,833,360
Prepayments and accrued income	952,700	516,854
VAT	66,605	48,483
Other debtors	9,407	13,686
	<u>8,364,241</u>	<u>10,493,751</u>

13. Creditors: amounts falling due within one year

	31 March 2008 £	31 December 2006 £
Bank loans and overdrafts	4,724,360	7,941,052
Trade creditors	577,353	4,278,752
Amounts owed to group undertakings	3,657,078	2,617,921
Other creditors including taxation and social security	170,948	282,164
Accruals and deferred income	70,778	186,074
	<u>9,200,517</u>	<u>15,305,963</u>

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

14. Called up share capital

	31 March 2008 £	31 December 2006 £
Authorised:		
800,000,000 ordinary shares of £0.01 each	8,000,000	8,000,000
Called up, allotted and fully paid:		
800,000,000 ordinary shares of £0.01 each	8,000,000	8,000,000

Metal One UK Limited

Notes to the accounts

Period ended 31 March 2008

15. Movement on reserves

	Profit and loss account £
Balance at 1 January 2007	832,757
Profit for the accounting period	799,135
Balance at 31 March 2008	<u>1,631,892</u>

16. Reconciliation of movements in equity shareholders' funds

	31 March 2008 £	31 December 2006 £
Opening equity shareholders' funds	8,832,757	8,670,571
Profit for the accounting period	799,135	762,186
Dividend declared and paid during 2006	-	(600,000)
Closing equity shareholders' funds	<u>9,631,892</u>	<u>8,832,757</u>

17. Operating lease commitments

At 31 March 2008, the company was committed to making the following payments during the next year in respect of operating leases

	31 March 2008 Land and buildings £	31 December 2006 Land and buildings £
Leases which expire After five years	<u>176,492</u>	<u>160,960</u>

18. Pension schemes

The company operates a defined contribution scheme. The cost for the accounting period was £46,965 (2006 £35,136). There were no outstanding contributions (2006 £nil) for the month of 31 March 2008 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

Period ended 31 March 2008

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