

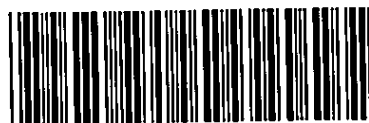
Company Registration No. 04386308

Metal One UK Limited

Report and Financial Statements

31 March 2009

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Metal One UK Limited

Report and financial statements 2009

Contents	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	5
Independent auditors' report	6
Profit and loss account	8
Balance sheet	9
Notes to the accounts	10

Metal One UK Limited

Report and financial statements 2009

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 LLP
Chartered Accountants
London

Metal One UK Limited

Directors' report (continued)

The directors present their annual report and the audited financial statements for the year ended 31 March 2009.

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 demand for oil and natural resources.

As shown in the company's profit and loss account on page 8, the company's turnover decreased by 20%. However, the current period is 12 months while the preceding period was 15 months.

Even though the turnover decreased, the gross profit and operating profit have increased by 18% and 185% respectively. The gross profit increase is mainly due to higher margin sales of consignment inventories and oil country tubular goods (OCTG). Consignment stock sales represent 25 % of turnover for the year. The management do not expect a significant volume of consignment stock sales during the next year. Foreign exchange gains of £2,548,790 (2008: gains of £293,810) represent 55% of operating profit for the year. All of the gains relate to trading transactions and are due to significant movements in foreign exchange rates and careful management of foreign exchange risk.

Decreased interest rates and higher cash balances meant that interest costs were reduced. As a result, the profit for the year after taxation amounted to £3,293,740 (2008: profit of £799,135) shows a significant increase of 312%.

The balance sheet on page 9 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 8 of these financial statements. The result this year is 8.3% (2008: 5.6%). This is predicted to reduce slightly 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 directors consider credit risk is relevant to this company. This risk is mitigated by periodic 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.

Foreign exchange risk represents a challenging issue for the company as majority of trading transactions are denominated in foreign currencies, particularly USD and EUR. The majority of the exchange gain during the year relates to consignment stock business and the management do not expect this exceptional exchange difference during the next period.

The management is monitoring the variations in exchange rates very closely while mitigating the risk by using derivative instruments. such as forward contracts and currency swaps.

Metal One UK Limited

Directors' report (continued)

Business development and future prospects

The company is currently in the process of strengthening the sales and sourcing capability to achieve new businesses. We see negative growth in the worldwide economy and therefore we expect some downturn even in our business activity. However, from the long term point of view, we expect to establish the foundation for future business expansion.

Going Concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

Dividends

The directors recommend a final dividend of £0.0035 per ordinary share to be paid to ordinary shareholders which, together with the interim dividend of £0.00095 paid on 17 November 2008, makes a total of £0.00445 for the year (2008: £nil).

Directors

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:

O Kamiya	(resigned 8 May 2008)
T Kiba	(resigned 8 May 2008)
T Nakanishi	
H Aono	(appointed 8 May 2008)
E Saito	(appointed 8 May 2008)

Creditors

The company aims to make payment under agreed contract terms. During the year average payment was made in approximately 39 days (2008: approximately 37 days).

Metal One UK Limited

Directors' report (continued)

Information to auditors

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

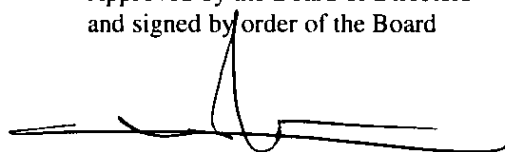
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's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

13/07/2009

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

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 March 2009 which comprise the profit and loss account, the balance sheet and the related notes 1 to 22. 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 2009 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 LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

13 July 2009

Metal One UK Limited

Profit and loss account Year ended 31 March 2009

	Notes	Year ended 31 March 2009 £	15 months ended 31 March 2008 £
Turnover	2	47,314,508	59,484,000
Cost of sales		(43,365,127)	(56,140,000)
Gross profit		<u>3,949,381</u>	<u>3,344,000</u>
Administrative expenses		(1,985,491)	(2,255,145)
Foreign exchange gains		2,548,790	293,810
Other operating income	5	140,717	251,428
Operating profit	4	<u>4,653,397</u>	<u>1,634,093</u>
Interest receivable and similar income	6	64,996	39,421
Interest payable and similar charges	7	(134,080)	(506,161)
Profit on ordinary activities before taxation		<u>4,584,313</u>	<u>1,167,353</u>
Tax on profit on ordinary activities	8	(1,290,573)	(368,218)
Profit on ordinary activities after taxation		<u><u>3,293,740</u></u>	<u><u>799,135</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 March 2009

	Notes	2009 £	2008 £
Fixed assets			
Intangible assets	10	1	1
Tangible assets	11	12,419	17,477
		<u>12,420</u>	<u>17,478</u>
Current assets			
Stocks	12	842,365	10,304,640
Debtors	13	3,516,485	8,364,241
Cash at bank and in hand		11,653,213	146,050
		<u>16,012,063</u>	<u>18,814,931</u>
Creditors: amounts falling due within one year	14	<u>(3,858,851)</u>	<u>(9,200,517)</u>
Net current assets		<u>12,153,212</u>	<u>9,614,414</u>
Total assets less current liabilities		<u>12,165,632</u>	<u>9,631,892</u>
Capital and reserves			
Called up share capital	15	8,000,000	8,000,000
Profit and loss account	16	4,165,632	1,631,892
Equity shareholders' funds	17	<u>12,165,632</u>	<u>9,631,892</u>

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

13/07 2009.



T Nakanishi
Managing Director

Metal One UK Limited

Notes to the accounts Year ended 31 March 2009

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.

Going Concern Basis

The cash and borrowing positions can be seen on the balance sheet on page 9 and note 14 on page 17. The company has a borrowing facility in place of £20m which is guaranteed by the parent company. This facility is reviewed on annual basis and is expected to be renewed during the next period. The directors believe that the company is well placed to manage its business risk successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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.

Metal One UK Limited

Notes to the accounts Year ended 31 March 2009

1. Accounting policies (continued)

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 18 to the accounts.

Bank borrowings

Interest-bearing bank loans and overdraft are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

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.

Metal One UK Limited

Notes to the accounts Year ended 31 March 2009

3. Information regarding directors and employees

	Year ended 31 March 2009 £	15 months ended 31 March 2008 £
Directors' emoluments	88,886.72	188,000
No pension contributions were made on behalf of the directors.		
	No.	No.
Average number of persons employed (excluding directors)		
Trading and administration	16	15
	£	£
Employee costs (including directors' emoluments)		
Wages and salaries	804,531	898,708
Social security costs	126,605	154,842
Other pension costs (see note 19)	38,838	46,965
	969,974	1,100,515

4. Operating profit

Operating profit is stated after charging the following amounts:

	Year ended 31 March 2009 £	15 months ended 31 March 2008 £
Depreciation of tangible fixed assets – owned assets	7,600	32,155
Foreign exchange gains	2,548,790	293,810
Rentals under operating leases - other operating leases	171,991	213,949
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	20,000	21,500
Total audit fee	20,000	21,500
Other services pursuant to legislation		
- Tax services	19,900	12,100
Total non-audit fee	19,900	12,100

Metal One UK Limited

Notes to the accounts Year ended 31 March 2009

5. Other operating income

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

6. Interest receivable and similar income

	Year ended 31 March 2009 £	15 months ended 31 March 2008 £
Bank interest	54,446	39,180
Other interest receivable and similar income	10,550	241
	<u>64,996</u>	<u>39,421</u>

7. Interest payable and similar charges

	Year ended 31 March 2009 £	15 months ended 31 March 2008 £
Interest on bank loans	<u>134,080</u>	<u>506,161</u>

Metal One UK Limited

Notes to the accounts Year ended 31 March 2009

8. Tax on profit on ordinary activities

(i) Analysis of tax charge on ordinary activities

	Year ended 31 March 2009 £	15 months ended 31 March 2008 £
United Kingdom corporation tax at 28% (2008: 30%)	(1,291,946)	(364,588)
Adjustment in respect of prior years	1,373	(3,630)
	<u>(1,290,573)</u>	<u>(368,218)</u>

(ii) Factors affecting tax charge for the current period

The tax assessed for the period is lower (2008: higher) than that resulting from applying the standard rate of corporation tax in the UK: 28% (2008: 30%). The differences are explained below:

	Year ended 31 March 2009 £	15 months ended 31 March 2008 £
Profit on ordinary activities before tax	4,584,313	1,167,353
Tax at 28% (2008: 30%) thereon:	(1,283,607)	(350,206)
Effects of:		
Expenses not deductible for tax purposes	(9,502)	(10,666)
Non taxable income	-	-
Capital allowances in excess of depreciation	1,163	(3,230)
Movement in short term timing differences		(486)
Adjustment in respect of prior years	1,373	(3,630)
	<u>(1,290,573)</u>	<u>(368,218)</u>
Current tax charge for the period		

(iii) Factors that may affect the future tax charge

A deferred tax asset of £9,691 (2008: £11,630) 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 March 2009

9 Dividends on equity shares

Amounts recognised as distributions to equity holders in the period:.

	Year ended 31 March 2009 £	15 months ended 31 March 2008 £
Interim dividend for the year ended 31 March 2009 of £0.00095 per ordinary share	760,000	-
	<hr/>	<hr/>
	760,000	-
	<hr/>	<hr/>
Proposed final dividend for the year ended 31 March 2009 of £0.0035 per ordinary share	2,800,000	-
	<hr/>	<hr/>

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

10 Intangible assets

	£
Cost	
At 1 April 2008 and 31 March 2009	<hr/> 1,221
Accumulated amortisation	
At 1 April 2008 and 31 March 2009	<hr/> 1,220
Net book value	
At 31 March 2009 and 31 March 2008	<hr/> 1

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

Metal One UK Limited

Notes to the accounts Year ended 31 March 2009

11 Tangible fixed assets

	Plant and machinery £	Furniture, fixtures and fittings £	Total £
Cost			
At 1 April 2008	121,626	38,988	160,614
Additions	2,235	307	2,542
	<hr/>	<hr/>	<hr/>
At 31 March 2009	123,861	39,295	163,156
	<hr/>	<hr/>	<hr/>
Accumulated depreciation			
At 1 April 2008	104,410	38,727	143,137
Charge for the period	7,447	123	7,600
	<hr/>	<hr/>	<hr/>
At 31 March 2009	111,887	38,850	150,737
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 March 2009	11,974	445	12,419
	<hr/>	<hr/>	<hr/>
At 31 March 2008	17,216	261	17,477
	<hr/>	<hr/>	<hr/>

12 Stocks

	2009 £	2008 £
Finished goods and goods for resale	842,365	10,304,640
	<hr/>	<hr/>

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

13 Debtors

	2009 £	2008 £
Amounts due within one year:		
Trade debtors	3,007,467	7,021,469
Amounts owed by group undertakings	155,330	314,060
Prepayments and accrued income	323,163	952,700
VAT	22,063	66,605
Other debtors	8,462	9,407
	<hr/>	<hr/>
	3,516,485	8,364,241
	<hr/>	<hr/>

Metal One UK Limited

Notes to the accounts Year ended 31 March 2009

14 Creditors: amounts falling due within one year

	2009 £	2008 £
Bank loans and overdrafts	2,377,453	4,724,360
Trade creditors	519,620	577,353
Amounts owed to group undertakings	120,425	3,657,078
Other creditors including taxation and social security	700,688	170,948
Accruals and deferred income	140,665	70,778
	<u>3,858,851</u>	<u>9,200,517</u>

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

15 Called up share capital

	2009 £	2008 £
Authorised:		
800,000,000 ordinary shares of £0.01 each	<u>8,000,000</u>	<u>8,000,000</u>
Called up, allotted and fully paid:		
800,000,000 ordinary shares of £0.01 each	<u>8,000,000</u>	<u>8,000,000</u>

16 Movement on reserves

	Profit and loss account £
Balance at 1 April 2008	1,631,892
Profit for the accounting period	3,293,740
Dividend Declared and paid during 2008-09	(760,000)
Balance at 31 March 2009	<u>4,165,632</u>

17 Reconciliation of movements in equity shareholders' funds

	2009 £	2008 £
Opening equity shareholders' funds	9,631,892	8,832,757
Profit for the accounting period	3,293,740	799,135
Dividend declared and paid during the accounting period	(760,000)	-
Closing equity shareholders' funds	<u>12,165,632</u>	<u>9,631,892</u>

Metal One UK Limited

Notes to the accounts Year ended 31 March 2009

18 Operating lease commitments

At 31 March 2009, the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings	
	2009	2008
	£	£
Leases which expire:		
After five years	171,991	176,492

19 Pension schemes

The company operates a defined contribution scheme. The cost for the accounting period was £38,838 (2008: £46,965). There were no outstanding contributions (2008: £nil) for the month of 31 March 2009 as at the balance sheet date.

20 Derivatives not included at fair value

The company has derivatives which are not included at fair value in the accounts:

	Fair value	
	2009	2008
	£	£
Forward foreign exchange contracts	1,054	-

The company uses the derivatives to hedge its exposures to changes in foreign currency exchange rates. The fair values are based on market values of equivalent instruments at the balance sheet date.

21 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 March 2009

22 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.