London & Scandinavian Metallurgical Co Limited

Report and Financial Statements

31 December 2007

Registered No 345279

Directors

I Resende	(Managing Director)
E E Jackson	
D J E Beare	
J C Stokes	(resigned 21 December 2007)
W J Levy	(appointed 20 March 2007)
SR Thistlethwaite	(appointed 7 September 2007)

Secretary

J Hamer	(appointed 20 March 2007)
D J E Beare	(resigned 20 March 2007)

Registered Office

Fullerton Road
Rotherham
S60 1DL

Auditors

Ernst & Young LLP
1 Bridgewater Place
Water Lane
Leeds
LS11 5QR

Bankers

HSBC Bank plc
Rotherham Branch
35 College Street
Rotherham
S65 1AF

Solicitors

DLA Piper UK LLP
1 St Paul's Place
Sheffield
S1 2JX

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2007

Results and dividends

The group profit and loss account for the year is set out on page 7 No dividend was paid in the year (2006- $2,000,000) Capital expenditure was $869,000 (2006 - $821,000) The group's external loans and overdraft were repaid in the year following a $25,000,000 capital contribution from its parent company, Metallurg Europe Limited

Principal activities and review of business

The group continued to manufacture and merchant principally metallurgical products throughout the year

The group's key financial performance indicators for the year were as follows

	2007 $'000	2006 $'000
Turnover	264,215	238,271
Profit before tax (excluding exceptional items)	5,836	1,772
Total shareholders' funds	77,723	49,059
EBITDA (excluding exceptional items)	9,337	8,487
Return on capital employed (excluding exceptional items)	6 8%	5 5%

Group turnover has risen by 10 9% during the year primarily due to increases in sales volumes and raw material price increases being passed onto customers

Principal risks and uncertainties

The management of the business is subject to a number of risks The key business risks affecting the group are considered to relate to competition from manufacturers overseas, currency exchange and metal price volatility

Competition

The metals industry is highly competitive on a worldwide basis Competition is primarily based on price, quality and timely delivery In recent years, price competition has been strong as a result of excess capacity in certain products In addition, export sales of metals and alloys from Russia and China produced in excess of local demand can severely hurt prices in Europe and the United States, which negatively impacts the prices of some of our products New entrants may also increase competition in the metals industry, which could adversely affect the group Although facing competition in each of our markets, we do not believe that any single competitor competes in all of our products or markets

Currency exchange and metal price volatility

The group's functional currency is US dollars A significant proportion of the group's purchases and sales are in US dollars However, the group has exposures to purchases made in sterling and sales made in euros The group has developed policies to effectively manage its currency exposures and minimise the risks of currency fluctuations

Directors' report

The group has exposures to changes in metal prices This includes metals that are priced on the London Metal Exchange The group monitors and manages its exposures on individual metals and has a hedging policy with the aim of minimising the risks of metal price fluctuations

Employees

The group thanks employees at all levels for their continued loyalty and support

All employees are regularly informed about the business in which they are involved and they and their representatives are consulted on issues directly concerning their interests The procedures by which these objectives are achieved include formal meetings with representatives and written reports issued within the group

It is the policy of the group to give full and fair consideration to applications for employment made by disabled persons having regard to their particular aptitudes and abilities Wherever possible, arrangements are made for the continued employment of persons who have become disabled during service and for appropriate training, career development and promotion of disabled employees

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware Having made enquiries of fellow directors and the group's auditors, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information

Auditors

The auditors, Ernst & Young LLP, have indicated their willingness to continue in office as auditors of the company

By order of the Board

J Hamer
Secretary
17 March 2008

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 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 group and the company and of the profit or loss of the group 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 UK 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 that disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditors' report

to the members of London & Scandinavian Metallurgical Co Limited

We have audited the group and parent company financial statements of London & Scandinavian Metallurgical Co Limited for the year ended 31 December 2007 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, and the related notes 1 to 29 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 United Kingdom law and Accounting Standards (UK 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 group's and 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

ERNST & YOUNG

Independent auditors' report

to the members of London & Scandinavian Metallurgical Co 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 group's and the parent company's affairs as at 31 December 2007 and of the group's 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

Ernst & Young LLP.

Ernst & Young LLP
Registered Auditor
Leeds

17 March 2008

Consolidated profit and loss account

for the year ended 31 December 2007

	Note	2007 $'000	2006 $'000
Turnover	2	**264,215**	238,271
Cost of sales		**(249,674)**	(226,574)
Gross profit		**14,541**	11,697
Operating expenses	5	**(9,742)**	(9,086)
Operating profit before exceptional items		**4,799**	2,611
Exceptional items	6	**-**	10,368
Income from associated undertakings		**473**	78
Profit on ordinary activities before interest		**5,272**	13,057
Interest receivable and similar income	7	**246**	180
Interest payable and similar charges	8	**(1,455)**	(1,550)
Other finance income	21	**1,773**	453
Profit on ordinary activities before taxation	9	**5,836**	12,140
Tax on profit on ordinary activities	10	**(1,282)**	(4,264)
Profit on ordinary activities after taxation		**4,554**	7,876
Minority interests		**(169)**	(30)
Profit for the financial year		**4,385**	7,846

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

Statement of total recognised gains and losses

for the year ended 31 December 2007

	2007 $'000	2006 $'000
Profit for the financial year	**4,385**	7,846
Actuarial (loss)/gain on pension schemes (note 21)	**(1,747)**	21,147
Foreign exchange movements on pension schemes (note 21)	**(126)**	(3,672)
Movement on deferred tax relating to pension liability (note 20)	**524**	(5,242)
Foreign exchange movements	**147**	77
Total recognised gains relating to the year	3,183	20,156

Note of historical cost profits and losses

	2007 $'000	2006 $'000
Reported profit on ordinary activities before taxation	**5,836**	12,140
Difference between the historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	**478**	478
Historical cost profit on ordinary activities before taxation	6,314	12,618
Historical cost profit for the year after taxation and minority interests	4,863	8,324

Balance sheets

at 31 December 2007

		Group		*Company*	
		2007	*2006*	*2007*	*2006*
	Note	*$'000*	*$'000*	*$'000*	*$'000*
Fixed assets					
Intangible assets	13	**475**	647	**475**	647
Tangible assets	14	**23,829**	26,710	**18,724**	20,870
Investments	15	**1,667**	1,344	**3,797**	3,797
		25,971	28,701	**22,996**	25,314
Current assets					
Stocks	16	**36,864**	30,434	**31,254**	25,430
Debtors	17	**49,731**	46,358	**43,891**	41,326
Cash at bank and in hand		**5,730**	448	**3,980**	-
		92,325	77,240	**79,125**	66,756
Creditors amounts falling due within one year	18	**(39,782)**	(47,575)	**(38,199)**	(47,504)
Net current assets		**52,543**	29,665	**40,926**	19,252
Total assets less current liabilities		**78,514**	58,366	**63,922**	44,566
Creditors: amounts falling due after more than one year	19	**-**	(6,112)	**-**	(6,112)
Provisions for liabilities and charges	20	**(791)**	(1,919)	**(460)**	(1,462)
Net assets excluding pension liability		**77,723**	50,335	**63,462**	36,992
Pension liability	21	**-**	(1,276)	**-**	-
Net assets including pension liability		**77,723**	49,059	**63,462**	36,992
Capital and reserves					
Called up share capital	23	**30,698**	30,698	**30,698**	30,698
Capital reserve	23	**25,000**	-	**25,000**	-
Revaluation reserve	24	**7,332**	7,810	**7,332**	7,810
Share based payment reserve	24	**166**	-	**166**	-
Profit and loss reserve	24	**13,519**	9,858	**266**	(1,516)
Equity shareholders' funds	25	**76,715**	48,366	**63,462**	36,992
Minority interests		**1,008**	693	**-**	-
Total shareholders' funds		**77,723**	49,059	**63,462**	36,992

The financial statements were approved for issue by the board of directors on 17th March 2008 and signed on its behalf by

I Resende
Director

Notes to the financial statements

at 31 December 2007

1. Accounting policies

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

Basis of accounting

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain tangible fixed assets

Basis of consolidation

The consolidated financial statements include the results of the company and all its subsidiary undertakings The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the date of their acquisition or up to the date of their disposal Intra-group sales and profits are eliminated fully on consolidation

Cash flow statement

The company is a wholly owned subsidiary of AMG Advanced Metallurgical Group N V , and is included in the consolidated financial statements of that company which are publicly available Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996)

Foreign currencies

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

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

For consolidation purposes the assets and liabilities of subsidiary undertakings and joint ventures are translated at the closing exchange rates Profit and loss accounts of such undertakings are consolidated at the average rate of exchange during the year Exchange differences arising on these translations are taken to reserves

Revenue recognition

Turnover represents amounts invoiced to customers net of value added tax Revenue is recognised upon transfer of the risks and rewards of ownership, and in accordance with terms of shipment Where consignment stock arrangements are in place, revenue is recognised upon withdrawal from consignment by the customer or, where relevant, on expiry of a fixed contractual term.

Leases

Assets which are financed by leasing agreements that transfer substantially all the risks and rewards of ownership are capitalised The amounts capitalised are the present value of the minimum lease payments The liability to the leasing company is included as an obligation under finance leases within creditors Depreciation on leased assets is charged to the profit and loss account on the same basis as purchased assets

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term

Notes to the financial statements

at 31 December 2007

1. Accounting policies (continued)

Research and development

Research and development expenditure (excluding expenditure on fixed assets) is written off in the profit and loss account in the period in which it is incurred

Investments

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

Associated undertakings

Investments in undertakings where the group has a participating interest, where the investment is held for the long-term and where the group exercises significant influence, are treated as associates Associated undertakings have been account for using the equity accounting method Investments in associates are stated in the group balance sheet at the group's share of net assets, together with any attributable unamortised goodwill The group's share of profits less losses of associates is included in the group profit and loss account

In the parent company financial statements investments in subsidiaries and associates are accounted for at the lower of cost and net realisable value

Goodwill and know-how

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired Goodwill arising on the acquisition of subsidiaries and associates is amortised over a period of 20 years, its useful economic life, unless there is a permanent diminution in value, in which case it is written down to its estimated recoverable amount Purchased goodwill and know-how are amortised over their useful economic lives

Fixed assets

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

The cost or subsequent revaluation of buildings, and the cost of plant and machinery net of any capital based government grants prior to 1 January 1989, is depreciated on a straight line basis over the estimated useful lives of the assets, unless there is a permanent diminution in value, in which case it is written down to its estimated recoverable amount The annual rates generally used are

Freehold land	nil
Freehold buildings	4%
Plant and machinery	10%
Laboratory equipment	20%
Motor vehicles	25%
Computer equipment	33%

Following the implementation of FRS 15 "Tangible fixed assets" the carrying value of previously revalued freehold land and buildings has been frozen as permitted by the transitional provisions of the standard

Stocks and work in progress

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

Stocks held under consignment arrangements are reviewed regularly in order to assess whether the substance of the arrangements is such that those stocks constitute assets which should be reflected in the group balance sheet Further details of consignment stocks held at the year end are given in note 16

Notes to the financial statements

at 31 December 2007

1. Accounting policies (continued)

Share Based Payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award Fair value is determined by an valuer using an appropriate pricing model In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions) No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification No reduction is recognised if this difference is negative

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement

Pensions

The group operates pension schemes, comprising final salary (main scheme closed 31 May 2006 to all members) and a defined contribution plan, which require contributions to be made to separately administered funds

Pension scheme assets are measured using market values Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability

The increase in the present value of the liabilities of the group's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in other finance costs Actuarial gains and losses are recognised in the consolidated statement of total recognised gains and losses

The underlying assets and liabilities are denominated in Sterling, as the functional currency is Dollars, these are translated at the closing exchange rate The exchange gains / losses are included within the Statement of Total Recognised Gains and Losses

Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of related deferred tax

Notes to the financial statements

at 31 December 2007

1. Accounting policies (continued)

Pensions (continued)

Costs of defined contribution schemes represent the amounts payable in the year

As the company is unable to identify its share of the underlying assets and liabilities of the group defined benefit schemes, the schemes are accounted for by the company as defined contribution schemes under FRS 17

In addition, the company is funding extra payments to reduce the deficit on the pension scheme These two factors result in the company's profit and loss account being affected by $2,642,000 (2006 –extra charge of $10,689,000) At a consolidated group level under accounting for the scheme as a defined benefit scheme the extra charge of $2,642,000 is reversed (2006 $10,689,000)

Deferred taxation

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

Related party transactions

The company is exempt under the terms of FRS 8 from disclosing related party transactions with entities where 90 per cent or more of the voting rights are controlled within the AMG Advanced Metallurgical Group N V For details of other related party transactions see note 27

Notes to the financial statements

at 31 December 2007

2. Turnover

Turnover represents the invoiced value of goods and services supplied, excluding value added tax and trade discounts

All of the group's turnover and profit before taxation is derived from the manufacture and merchanting of metals and related products All net assets relate to this class of business

The geographical analysis of turnover is

	2007	2006
	$'000	$'000
United Kingdom	**37,227**	30,381
Rest of Europe	**131,500**	113,049
Rest of the world	**95,488**	94,841
	264,215	238,271

3. Employee information

Average monthly number of persons employed by activity

	2007	2006
	Number	Number
Production	**240**	238
Sales and administration	**39**	39
	279	277

Staff costs (including directors)

	2007	2006
	$'000	$'000
Wages and salaries	**18,501**	16,513
Social security costs	**1,831**	1,639
Pension costs (note 21)	**566**	(11,567)
	20,898	6,585

Notes to the financial statements

at 31 December 2007

4. Directors' emoluments

	2007 $'000	2006 $'000
Aggregate emoluments	**1,329**	1,012
Compensation for loss of office	**232**	1,060
Pensions paid to former directors and spouses	**-**	6
Company contribution to money purchase pension schemes	**81**	28

There are no retirement benefits accruing to directors under defined benefit schemes (2006 - five) There are four directors accruing benefits under a money purchase scheme (2006 - six)

The compensation for loss of office was in the form of cash, pension contributions and medical insurance

E E Jackson and W J Levy received no emoluments from this company

Highest paid director

	2007 $'000	2006 $'000
Aggregate emoluments	**652**	192
Company contribution to money purchase pension schemes	**41**	4

5. Operating expenses

	2007 $'000	2006 $'000
Operating expenses:		
Distribution costs	**2,982**	2,160
Administrative expenses	**6,760**	6,926
	9,742	9,086

6. Exceptional items

	2007 $'000	2006 $'000
Pension curtailment gain	**-**	14,144
Restructuring costs	**-**	(2,687)
Impairment loss on associate	**-**	(693)
Impairment loss on fixed assets	**-**	(396)
	-	10,368

Notes to the financial statements

at 31 December 2007

6. Exceptional items (continued)

	2007	*2006*
	$'000	*$'000*
Cost of sales	-	(1,574)
Distribution costs	-	(16)
Administrative expenses	-	11,958
	-	10,368

The pension curtailment gain arose following the closure of the main defined benefit pension scheme on 31 May 2006

The $693,000 impairment charge in 2006 resulted from a review of the carrying value of the group's investment in its associate, Bostlan SA

The $396,000 impairment charge on fixed assets in 2006 related to the restructuring programme undertaken by the group which resulted in a building being no longer in use

Restructuring costs represented severance costs to employees

7. Interest receivable and similar income

	2007	*2006*
	$'000	*$'000*
Interest receivable from group undertakings	**55**	57
Other interest receivable	**191**	123
	246	180

8. Interest payable and similar charges

	2007	*2006*
	$'000	*$'000*
Bank loans and overdrafts	**1,366**	1,550
Interest payable to group undertakings	**89**	-
	1,455	1,550

Notes to the financial statements

at 31 December 2007

9. Profit on ordinary activities before taxation

	2007 $'000	2006 $'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets – owned assets	3,893	4,500
Goodwill amortisation	172	209
Rentals under operating leases - plant and machinery	25	83
- other	318	217
(Profit)/loss on disposal of fixed assets	(2)	9
Research and development expenditure	-	22
Group audit fees and expenses (of which the parent company was $60,000 (2006 - $152,000)	77	177
Foreign exchange gains	974	2,111

Fees paid to auditors for non-audit services were $nil (2006 - $nil)

10. Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2007 $'000	2006 $'000
Current tax:		
UK Corporation tax on profits of the period	1,175	64
Adjustment in respect of prior periods	(148)	-
Total current tax charge	1,027	64
Deferred tax:		
Origination and reversal of timing differences		
Accelerated capital allowances and other timing differences in the year	236	4,172
Adjustment in respect of prior periods	(131)	-
In respect of pension liability	-	13
Total deferred tax	105	4,185
Group's share of foreign associate's tax	150	15
Tax on profit on ordinary activities	1,282	4,264

Notes to the financial statements

at 31 December 2007

10. Tax on profit on ordinary activities (continued)

(b) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2006 – 30%) The differences are reconciled below

	2007	*2006*
	$'000	*$'000*
Profit on ordinary activities before tax	**5,836**	12,140
Profit on ordinary activities multiplied by standard rate in the UK 30% (2006 - 30%)	**1,751**	3,642
Effects of:		
Accelerated capital allowances and other timing differences	**303**	(4,172)
Expenses not deductible for tax purposes	**331**	609
Adjustments to tax charge in respect of previous periods	**(148)**	-
Industrial buildings allowance – effect of corporation tax rate change	**(502)**	-
Pensions – deferred tax adjustments	**(562)**	-
Group's share of foreign associate's tax	**(150)**	(15)
Current tax charge for the period	**1,023**	64

(c) Factors affecting future tax charges

With effect from 1 April 2008 the main rate of corporation tax will be reduced from 30% to 28% The lower rate of corporation tax increased from 19% to 20% as of 1 April 2007, there will be further increases to 21% on 1 April 2008 and 22% on 1 April 2009

11. Dividends

There were no dividends paid during the year on the equity shares (2006 - $2,000,000)

12. Result for the financial year

As permitted by Section 230 of the Companies Act 1985, the company's profit and loss account has not been included in these financial statements The profit after taxation for the financial year dealt with in the accounts of London & Scandinavian Metallurgical Co Limited is $1,304,000 (2006 – loss of $2,269,000)

Notes to the financial statements

at 31 December 2007

13. Intangible assets

Group

	Associates *$'000*	*Purchased goodwill Group undertakings* *$'000*	*Purchased know-how Group undertakings* *$'000*	*Total* *$'000*
Cost:				
At 1 January 2007 and at 31 December 2007	**739**	**1,734**	**480**	**2,953**
Amortisation:				
At 1 January 2007	739	1,087	480	2,306
Charge for the year	-	172	-	172
At 31 December 2007	**739**	**1,259**	**480**	**2,478**
Net book value:				
At 31 December 2007	**-**	**475**	**-**	**475**
At 31 December 2006	-	647	-	647

Company

	Purchased goodwill *$'000*	*Purchased know-how* *$'000*	*Total* *$'000*
Cost:			
At 1 January 2007 and at 31 December 2007	**1,740**	**480**	**2,220**
Amortisation:			
At 1 January 2007	1,093	480	1,573
Charge for the year	172	-	172
At 31 December 2007	**1,265**	**480**	**1,745**
Net book value:			
At 31 December 2007	**475**	**-**	**475**
At 31 December 2006	647	-	647

Notes to the financial statements

at 31 December 2007

14. Tangible assets

Group

	Freehold land and buildings $'000	*Plant, machinery and motor vehicles $'000*	*Total $'000*
Cost or valuation:			
At 1 January 2007	29,290	64,272	93,562
Additions	-	869	869
Exchange rate adjustments	146	240	386
Disposals	(34)	(269)	(303)
At 31 December 2007	**29,402**	**65,112**	**94,514**
Depreciation:			
At 1 January 2007	13,989	52,863	66,852
Charge for the year	865	3,028	3,893
Exchange rate adjustments	103	138	241
Disposals	(34)	(267)	(301)
At 31 December 2007	**14,923**	**55,762**	**70,685**
Net book amount:			
At 31 December 2007	**14,479**	**9,350**	**23,829**
At 31 December 2006	15,301	11,409	26,710
Cost or valuation at 31 December 2007 is represented by:			
Valuation in 1991	17,774	-	17,774
Cost	11,628	65,112	76,740
	29,402	65,112	94,514

Notes to the financial statements

at 31 December 2007

14. Tangible assets (continued)

Company

	Freehold land and buildings $'000	*Plant, machinery and motor vehicles $'000*	*Total $'000*
Cost or valuation:			
At 1 January 2007	24,850	51,582	76,432
Additions	-	703	703
Disposals	(34)	(253)	(287)
At 31 December 2007	**24,816**	**52,032**	**76,848**
Depreciation:			
At 1 January 2007	11,390	44,172	55,562
Charge for the year	720	2,128	2,848
Disposals	(34)	(252)	(286)
At 31 December 2007	**12,076**	**46,048**	**58,124**
Net book amount:			
At 31 December 2007	**12,740**	**5,984**	**18,724**
At 31 December 2006	13,460	7,410	20,870
Cost or valuation at 31 December 2007 is represented by:			
Valuation in 1991	17,774	-	17,774
Cost	7,042	52,032	59,074
	24,816	52,032	76,848

At 31 December 1991, the works and premises at Rotherham were valued on the basis of depreciated replacement cost because their specialist nature makes the use of open market value inappropriate

If land and buildings had not been revalued, they would have been included at the following amounts

		Group		*Company*
	2007 $'000	*2006 $'000*	***2007 $'000***	*2006 $'000*
Cost	**18,322**	18,210	**13,739**	13,773
Aggregate depreciation based on cost	**10,375**	9,918	**8,327**	8,119

Notes to the financial statements

at 31 December 2007

15. Fixed asset investments

Group

	Associate $'000	Total $'000
At 1 January 2007	1,344	1,344
Share of retained profit for the financial year	323	323
At 31 December 2007	**1,667**	**1,667**

Company

	Associate $'000	Group undertakings $'000	Total $'000
Cost and net book value:			
At 1 January 2007 and at 31 December 2007	**1,268**	**2,529**	**3,797**

Principal subsidiaries, joint ventures and associates

Name	*Country of incorporation or registration*	*Description of shares held*	*Proportion of nominal value of issued shares held by Group* %	*Company* %
Subsidiary undertakings:				
The Aluminium Powder Company Limited	England and Wales	Ordinary £1 shares	100	100
Benda-Lutz-Alpoco Sp zo o	Poland	Ordinary Pln 25,000 shares	51	-
M&A Powders Limited*	England and Wales	Ordinary £1 shares	100	100
Metalloys Limited*	England and Wales	Ordinary £1 shares	100	100
Alpoco Developments Limited*	England and Wales	Ordinary £1 shares	100	-
Metal Alloys (South Wales) Limited*	England and Wales	Ordinary £1 shares	100	100
S A Vickers Limited*	England and Wales	Ordinary £1 shares	100	100
HMI Limited*	England and Wales	Ordinary £1 shares	100	100
Castle Crushing Limited*	England and Wales	Ordinary £1 shares	100	100
Associate				
Bostlan SA	Spain	Ordinary 64 52 Euro shares	25	25

* indicates non-trading

Notes to the financial statements

at 31 December 2007

15. Fixed asset investments (continued)

The Aluminium Powder Company Limited is involved in manufacturing and trading aluminium powder, together with the provision of expertise in this field Benda-Lutz-Alpoco Sp zo o is involved in manufacturing aluminium powder Bostlan SA is involved in manufacturing and trading aluminium tablets

16. Stocks

		Group		*Company*
	2007	*2006*	***2007***	*2006*
	$'000	*$'000*	***$'000***	*$'000*
Raw materials and consumables	**16,594**	9,230	**15,480**	8,335
Finished goods and work in progress	**18,520**	19,373	**14,024**	15,264
Merchanting stock	**1,750**	1,831	**1,750**	1,831
	36,864	30,434	**31,254**	25,430

The group has consignment stock arrangements with suppliers in the ordinary course of business The value of such stock at cost, which has been excluded from the balance sheet in accordance with the application notes included in FRS 5, amounted to $586,500 (2006 $559,295)

17. Debtors

		Group		*Company*
	2007	*2006*	***2007***	*2006*
	$'000	*$'000*	***$'000***	*$'000*
Trade debtors	**37,792**	32,688	**28,301**	24,666
Amounts owed by group undertakings	**10,233**	13,101	**14,183**	16,198
Other debtors	**1,177**	152	**878**	92
Prepayments and accrued income	**529**	417	**529**	370
	49,731	46,358	**43,891**	41,326

18. Creditors: amounts falling due within one year

		Group		*Company*
	2007	*2006*	***2007***	*2006*
	$'000	*$'000*	***$'000***	*$'000*
Bank loans and overdrafts (note 19)	**-**	16,209	**-**	16,209
Trade creditors	**29,576**	25,892	**27,408**	24,284
Amounts owed to group undertakings	**5,513**	663	**7,293**	3,106
Corporation tax payable	**921**	1,667	**-**	724
Other taxation and social security	**646**	896	**632**	882
Other creditors	**10**	14	**10**	323
Accruals and deferred income	**3,116**	2,234	**2,856**	1,976
	39,782	47,575	**38,199**	47,504

Notes to the financial statements

at 31 December 2007

18. Creditors: amounts falling due within one year (continued)

Amounts owed to group undertakings include a $5,000,000 loan from the group's ultimate parent company AMG Advanced Metallurgical Group N V The loan was repaid on 7 March 2008

19. Creditors: amounts falling due after more than one year

	Group		Company	
	2007	*2006*	*2007*	*2006*
	$'000	*$'000*	*$'000*	*$'000*
Bank loans	-	6,112	-	6,112

The maturity profile of bank loans is as follows

	2007	*2006*
	$'000	*$'000*
Within one year	-	9,693
Between one and two years	-	1,458
Between two and five years	-	4,654
	-	15,805

On 26th September 2007 the bank loans were repaid in full

The bank loans and overdrafts were secured by debentures creating fixed and floating charges over all the assets of London & Scandinavian Metallurgical Co Limited and The Aluminium Powder Company Limited together with a specific legal charge granted by London & Scandinavian Metallurgical Co Limited over land and buildings at Rotherham

20. Provisions for liabilities and charges

Group

	Restructuring	*Deferred taxation**	*Total*
	$'000	*$'000*	*$'000*
At 1 January 2007	**162**	**1,757**	**1,919**
Credit to profit and loss account	(123)	(966)	(1,089)
Utilised in period	(39)	-	(39)
At 31 December 2007	**-**	**791**	**791**

* excluding deferred tax on FRS 17 pension liability

Notes to the financial statements

at 31 December 2007

20. Provisions for liabilities and charges (continued)

Company

	Restructuring	*Deferred taxation**	*Total*
	$'000	*$'000*	*$'000*
At 1 January 2007	**162**	**1,300**	**1,462**
Credit to profit and loss account	**(123)**	**(840)**	**(963)**
Utilised in period	**(39)**	**-**	**(39)**
At 31 December 2007	**-**	**460**	**460**

Deferred tax

Group

	2007	*2006*
	$'000	*$'000*
Tax effect of timing differences because of		
Excess of tax allowances over depreciation	**904**	1,765
Other timing differences	**(113)**	(8)
Deferred tax excluding that relating to pension liability	**791**	1,757
Pension liability (note 21)	**-**	(547)
Total provision for deferred tax	**791**	1,210
At 1 January 2007	**1,210**	(8,217)
Deferred tax charge in profit and loss account (note 10)	**105**	4,185
Deferred tax credited to the statement of total recognised gains and losses	**(524)**	5,242
At 31 December 2007	**791**	1,210

*The pension liability included in the group balance sheet is stated net of deferred tax Other deferred tax is included within provisions

Notes to the financial statements

at 31 December 2007

20. Provisions for liabilities and charges (continued)

Company

	2007 $'000	2006 $'000
Tax effect of timing differences over depreciation		
Excess of tax allowances over depreciation	**562**	1,308
Other timing differences	**(102)**	(8)
	460	1,300

The potential amount of deferred tax on a capital gain of $1,017,000 made by the company on the sale of certain premises in prior years does not constitute a timing difference to rollover relief and existing capital leases

If the land and buildings were sold at the revalued amounts shown in the statutory accounts, tax on a capital gain of $2,122,000 would arise The group or company has no intention of selling the properties concerned and therefore deferred tax in respect of this amount has not been provided in these financial statements

21. Pension commitments

The group operates funded pension schemes for its staff including the main scheme which comprises a defined benefit section (the "RBP") and a defined contribution section (the "CAP") The assets of the schemes are held separately from those of the group On 31 May 2006 the group's defined benefit section was closed for new entrants and for future service of all members The group has set up a new defined contribution plan (the "MRA") for current and future employees as from 1 June 2006

The group and company have adopted FRS 17 as the basis for accounting for pension costs in respect of pension plans and the costs in respect thereof have been assessed in accordance with the advice of independent professionally qualified actuaries As the company is unable to identify its share of the underlying assets and liabilities of the group scheme, the defined benefit scheme is accounted for by the company as a defined contribution scheme under FRS 17

The total pension cost for the group was $566,000 (2006 – credit of $11,567,000) of which $1,311,000 (2006 - $834,000) relates to the defined contribution plan The pension credit for the year includes a $14,144,000 curtailment gain which was realised upon the closure of the RBP scheme The pension cost relating to the RBP is assessed in accordance with the advice of an independent qualified actuary using the Projected Unit method Following the closure of the RBP to new entrants, as the current membership approaches retirement the service cost will increase.

The latest actuarial valuation of the scheme was at 31 December 2006

The group accounts for the CAP and MRA on the basis of the contributions actually made by the members and the group

Amounts for the group as a whole are set out in section (a) of this note

Notes to the financial statements

at 31 December 2007

21. Pension commitments (continued)

(a) Group pension commitments

The assets of the defined benefit pension schemes are valued at market value and the liabilities have been calculated using the following principal actuarial assumptions

	31 Dec 2007	*31 Dec 2006*	*31 Dec 2005*
Inflation rates	**3.3%**	3 0%	2 70%
Salary increases	**N/A**	N/A	3 95%
Discount rate	**6.0%**	5 3%	4 80%
Rate of increase in pensions in payment	**3.2%**	2 9%	2 60%
Revaluation rate for deferred pensioners	**3.3%**	3 0%	2 70%

The assets of the schemes and the expected rate of return were:

Assets	***Long term expected rate of return 31 Dec 2007 %***	***Value as at 31 Dec 2007 $'000***	*Long term expected rate of return 31 Dec 2006 %*	*Value as at 31 Dec 2006 $'000*	*Long term expected rate of return 31 Dec 2005 %*	*Value as at 31 Dec 2005 $'000*
Equities	**8.3**	**84,395**	7 75	81,368	7 75	66,051
Bonds	**6.0**	**34,618**	4 8	32,457	4 5	28,479
Other	**4.5**	**4,705**	4 3	4,248	3 5	4,002
		123,718		118,073		98,532

The following amounts at 31 December 2007 were measured in accordance with the requirements of FRS 17

Pension liability:

	2007 $'000	*2006 $'000*	*2005 $'000*
Total market value of assets	**123,718**	118,073	98,532
Present value of scheme liabilities	**(112,530)**	(119,896)	(133,101)
Net deficit in the scheme	**11,188**	(1,823)	(34,569)
Unrecoverable surplus	**(11,188)**	-	-
Related deferred tax asset	-	547	10,371
Net pension liability	-	(1,276)	(24,198)
Unfunded pension liability	-	-	(139)
Group pension liability	-	(1,276)	(24,337)

The company pension liability relates to the unfunded pension liability

Notes to the financial statements

at 31 December 2007

21. Pension commitments (continued)

Analysis of the amount charged to operating profit:

	2007 $'000	2006 $'000
Current service cost	**1,503**	1,778
Past service cost	**(500)**	609
Total operating charge	**1,003**	2,387

Analysis of the amount charged to other finance charges:

	2007 $'000	2006 $'000
Expected return on pension scheme assets	**(7,957)**	(6,359)
Interest on pension scheme liabilities	**6,184**	5,906
Net finance credit	**(1,773)**	(453)

Analysis of the amount recognised in statement of total recognised gains and losses:

	2007 $'000	2006 $'000
Actual return less expected return on pension scheme assets	**(477)**	3,624
Experience gains and losses arising on the scheme liabilities	**-**	8,819
Changes in assumptions underlying the present value of the scheme liabilities	**9,883**	8,704
Effect of limit on amount of surplus recognised due to surplus not being recoverable	**(11,153)**	-
Actuarial gain/(loss) recognised	**(1,747)**	21,147

Movement in deficit during the year:

	2007 $'000	2006 $'000
Deficit at the beginning of the year	**(1,823)**	(34,569)
Movement in the year		
Current service cost	**(1,503)**	(1,778)
Past service cost	**500**	13,535
Other finance income	**1,773**	453
Contributions	**2,926**	3,061
Actuarial (loss)/gain	**(1,747)**	21,147
Foreign exchange movements	**(126)**	(3,672)
Deficit in scheme at end of the year	**-**	(1,823)
Unfunded pension liability at the beginning of the year	**-**	(139)
Movement on unfunded pension liability	**-**	139
Total group pension deficit	**-**	(1,823)

Notes to the financial statements

at 31 December 2007

21. Pension commitments (continued)

History of experience gains and losses:

	2007	*2006*	*2005*	*2004*
Difference between the expected and actual return on scheme assets				
Amount ($'000)	**(477)**	3,624	9,627	2,880
Percentage of scheme assets	**0.4%**	3 1%	9 8%	3 1%
Experience gains and losses on scheme liabilities				
Amount ($'000)	**-**	8,819	(2,465)	187
Percentage of the present value of the scheme liabilities	**0%**	7 4%	1 9%	0 2%
Changes in assumptions underlying the liabilities				
Amount ($'000)	**9,893**	8,704	(14,474)	-
Percentage of the present value of the scheme liabilities	**8.8%**	7 3%	10 9%	-
Limit on amount of surplus recognised due to some of the surplus not being recoverable	**(11,153)**	-	-	-
Total amount recognised in statement of total recognised gains and losses				
Amount ($'000)	**(1,747)**	21,147	(7,312)	3,067
Percentage of the present value of the scheme liabilities	**1.6%**	17 6%	5 5%	2 4%

22. Share-based payments

On June 26, 2007, the Management Board of AMG Advanced Metallurgical Co N V , the parent company of London & Scandinavian Metallurgical Co Limited, established the AMG Option Plan (the "Plan") The plan is eligible to members of the Management Board, Supervisory Board, and Directors of the Company

Each option issued under the plan entitles the holder to acquire shares at a future date at a price equal to the fair market value of the share at the date on which the option was granted One quarter of the options granted to each option holder on any date will vest on each of the first four anniversaries of the grant date This vesting is not subject to any performance conditions The options expire on the tenth anniversary of their grant date

All options under the Plan are equity settled, in accordance with FRS20, by award of options to acquire ordinary shares or award of ordinary shares The expense recognised for share-based payments in respect of employee services during the year to 31 December 2007 is $165,639

The following table illustrates the number and weighted average prices (WAEP) of movements in share options during the year

	2007 *No*	*2007* *WAEP*	*2006* *No*	*2007* *WAEP*
Granted during the year	**70,000**	**EUR24**	-	-
Forfeited during the year	**(10,000)**	**EUR24**	-	-
Outstanding at 31 December	**60,000**	**EUR24**	-	-
Exercisable at 31 December	**-**		-	

Notes to the financial statements
at 31 December 2007

22. Share-based payments (continued)

The following table lists the inputs into the binomial model used to calculate the fair value of the share-based payment options

	2007
Exercise Price	**EUR24.00**
Share price at date of grant	**EUR29.50**
Contractual life (years)	**10**
Dividend yield	**Nil**
Expected volatility	**70.40%**
Risk-free interest rate	**4.26% - 4.54%**
Expected life of option (years)	**4**
Weighted Average Share Price	**EUR38.76**
Expected departures	**4.0%**

The expected volatility was calculated using the average historical share volatility of our peers (over a period equal to our expected term) The expected volatility reflects the assumption that the calculated volatility of our peers would be indicative of future trends, which may not be the actual outcome The expected life is the time at which options are expected to vest, however this also may not be indicative of exercise patterns that may occur The options vest in four equal tranches on the first, second, third and fourth anniversaries of the grant date, and therefore continued employment is a non-market condition for options to vest The risk free rate of return is the yield on zero coupon three and five-year Dutch government bonds

23. Authorised and issued share capital

Authorised

	2007	*2006*
	$'000	*$'000*
25,000,000 ordinary A shares $1 each	**25,000**	-
16,000,000 ordinary shares £1 each	**30,698**	30,698

Called up, allotted and fully paid equity shares

	2007	*2006*
	$'000	*$'000*
16,000,000 ordinary shares £1 each	**30,698**	30,698

On 1 November 2007 London & Scandinavian Metallurgical Co Limited's parent company Metallurg Europe Limited resolved to offer a capital contribution of $25,000,000 to London & Scandinavian Metallurgical Co Limited The $25,000,000 has been credited to the capital reserve and is not distributable

Notes to the financial statements
at 31 December 2007

24. Reserves

Group	***Share based payment reserve $'000***	***Revaluation reserve $'000***	***Profit and loss account $'000***
At 1 January 2007	-	7,810	9,858
Transfer of amount equivalent to additional depreciation on revalued assets	-	(478)	478
Foreign exchange movements	-	-	147
Profit for the financial year	-	-	4,385
Dividend for the year	-	-	-
Actuarial loss on pension schemes	-	-	(1,747)
Foreign exchange movements on pension schemes	-	-	(126)
Movement on deferred tax relating to pension liability	-	-	524
Credit to share based payments reserve	166	-	-
At 31 December 2007	**166**	**7,332**	**13,519**

Company	***Share based payment reserve $'000***	***Revaluation reserve $'000***	***Profit and loss account $'000***
At 1 January 2007	-	7,810	(1,516)
Transfer of amount equivalent to additional depreciation on revalued assets	-	(478)	478
Profit for the financial year	-	-	1,304
Credit to share based payments reserve	166	-	-
At 31 December 2007	**166**	**7,332**	**266**

Notes to the financial statements

at 31 December 2007

25. Reconciliation of movements in shareholders' funds

	2007	*2006*
	$'000	*$'000*
Profit for the financial year	**4,385**	7,846
Dividends	**-**	(2,000)
	4,385	5,846
Capital contribution	**25,000**	-
Actuarial (loss)/gain on pension schemes	**(1,747)**	21,147
Foreign exchange movements on pension schemes	**(126)**	(3,672)
Movement on deferred tax relating to pension liability	**524**	(5,242)
Foreign exchange movements	**147**	77
Net movement in equity shareholders' funds	**28,183**	18,156
Equity shareholders' funds at 1 January	**48,366**	30,210
Equity shareholders' funds at 31 December	**76,549**	48,366

26. Financial commitments

Capital commitments

There are $82,574 of capital commitments as at 31 December 2007 (2006 - $nil)

Operating lease commitments

At 31 December 2007 the group was committed to making the following payments during the next year in respect of operating leases

	Land and buildings			*Other*
	2007	*2006*	*2007*	*2006*
	$'000	*$'000*	*$'000*	*$'000*
Leases which expire:				
Within one year	**49**	23	**2**	4
Within two to five years	**143**	-	**-**	3
In more than five years	**-**	141	**-**	-
	192	164	**2**	7

Notes to the financial statements

at 31 December 2007

27. Related party transactions

Durıng the year London & Scandınavıan Metallurgıcal Co Lımıted and The Alumınıum Powder Company Lımıted made sales to and purchases from Bostlan SA, an associate company and Benda-Lutz-Alpoco Sp zo o, a 51% subsıdıary The balance for the year and the balance outstandıng as at 31 December 2007 are summarısed below

		Sales		*Debtors*
	2007	*2006*	***2007***	*2006*
	$'000	*$'000*	***$'000***	*$'000*
Bostlan SA	**715**	475	**296**	-

		Purchases		*Creditors*
	2007	*2006*	***2007***	*2006*
	$'000	*$'000*	***$'000***	*$'000*
Benda-Lutz-Alpoco Sp zo o	**1,111**	382	**-**	87

All the above transactıons are undertaken on normal commercıal terms

28. Contingent liabilities

The group has gıven guarantees to HM Revenue and Customs ın respect of VAT and deferment duty At 31 December 2007 the guarantee amounted to $199,060 (2006 - $195,730)

The group has gıven guarantees to supplıers ın respect of raw materıal purchases At 31 December 2007 the guarantee amounted to $nıl (2006 - $6,515,495)

At 31 December 2007 documentary letters of credıt totalled $82,368 (2006 - $521,184)

The company has gıven fixed and floatıng charges over all assets to secure the euro loans of ıts ultımate parent company

In the opınıon of the dırectors no loss ıs expected to arıse as a result of these matters

29. Ultimate parent company

The ımmedıate parent undertakıng ıs Metallurg Europe Lımıted, a company regıstered ın England and Wales

The largest group ın whıch the results of the company are consolıdated, and the ultımate controllıng party, ıs AMG Advanced Metallurgıcal Group N V , whose prıncıpal address ıs Prıns Bernhardpleın 200, 1097 JB Amsterdam, Netherlands Copıes of the financıal statements of AMG Advanced Metallurgıcal Group N V can be obtaıned from the prıncıpal address