

Company Registration No. 03124254 (England and Wales)

TRANSAL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006



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COMPANIES HOUSE 07/09/2006

Saffery Champness

CHARTERED ACCOUNTANTS

TRANSAL LIMITED

COMPANY INFORMATION

Directors	Vladimir Erokhin Amon Aslanov Azam Aslanov
Secretary	Vladimir Erokhin
Company number	03124254
Registered office	Lion House Red Lion Street London WC1R 4GB
Auditors	Saffery Champness Lion House Red Lion Street London WC1R 4GB

TRANSAL LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Independent auditors' report	3 - 4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 12

TRANSAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2006

The directors present their report and financial statements for the year ended 31 March 2006.

Principal activities

The principal activity of the company is that of facilitating worldwide projects in the aluminium industry.

Directors

The following directors have held office since 1 April 2005:

Vladimir Erokhin
Amon Aslanov
Azam Aslanov

Directors' interests

None of the directors holding office at 1 April 2005 or 31 March 2006 had any beneficial interests in the shares of the company. The company is a wholly owned subsidiary of Transal Corporation a company incorporated in the British Virgin Islands. As detailed in note 14 of the financial statements Mr Amon Aslanov and Mr Furkat Aslanov are the ultimate controlling parties.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Saffery Champness be reappointed as auditors to the company will be put to the Annual General Meeting.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

TRANSAL LIMITED

**DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2006**

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the board



.....
Vladimir Erokhin

Director

18.08.2006
.....

TRANSAL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRANSAL LIMITED

We have audited the financial statements on pages 5 to 12. These financial statements have been prepared in accordance with the accounting policies set out therein.

Respective responsibilities of the directors and auditors

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.

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.

TRANSAL LIMITED

**INDEPENDENT AUDITORS' REPORT (continued)
TO THE MEMBERS OF TRANSAL LIMITED**

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 2006 and of its loss for the year then ended; and

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.


Saffery Champness

Chartered Accountants
Registered Auditors

18 August 2007

Lion House
Red Lion Street
London
WC1R 4GB

TRANSAL LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2006**

	Notes	2006 \$	2005 \$
Administrative expenses		(124,080)	(151,678)
Operating loss	2	(124,080)	(151,678)
Interest receivable		14	-
Amounts written off investments	3	(520,000)	(5,363,448)
Interest payable and similar charges		(11)	(11)
Loss on ordinary activities before taxation		(644,077)	(5,515,137)
Tax on loss on ordinary activities	4	-	-
Loss on ordinary activities after taxation	9	(644,077)	(5,515,137)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

The notes on pages 7 to 12 form part of these financial statements.

TRANSAL LIMITED

**BALANCE SHEET
AS AT 31 MARCH 2006**

	Notes	2006 \$	\$	2005 \$	\$
Fixed assets					
Investments	5		7,622		527,622
Current assets					
Cash at bank and in hand		8,860		14,903	
Creditors: amounts falling due within one year	6	<u>(564,407)</u>		<u>(446,373)</u>	
Net current liabilities			<u>(555,547)</u>		<u>(431,470)</u>
Total assets less current liabilities			<u>(547,925)</u>		<u>96,152</u>
Capital and reserves					
Called up share capital	8	11,475,400		11,475,400	
Profit and loss account	9	<u>(12,023,325)</u>		<u>(11,379,248)</u>	
Shareholders' funds - equity interests	10		<u>(547,925)</u>		<u>96,152</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The notes on pages 7 to 12 form part of these financial statements.

The financial statements were approved by the board on 18.08.2006


Vladimir Erokhin
Director

TRANSAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention. The company trades in United States Dollars and therefore has chosen to prepare its accounts in that currency.

Going concern

The company is an intermediate holding company for the Transal group of companies whose principal activity is the development of Aluminium smelters in Iceland and Australia and its ability to continue as a going concern is dependent upon those projects being successful. These projects are at an early stage of development and it is not possible to determine their ultimate outcome. Should these projects be unsuccessful, adjustments would have to be made to the carrying value of the company's investments.

In addition, the company's principal investment is in Transal Industries BV whose principal activity was the development of an aluminium smelter in Azerbaijan. As a result of changes in the Azeri Government this project was not successful and Transal Industries BV wrote off \$3,621,660 in abortive costs in 2003.

As a result of the above, the company is dependent upon the continued support of its parent. The directors have received indications that this support will be forthcoming for the foreseeable future and therefore have continued to adopt the going concern basis.

1.2 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.3 Pensions

Payments are made into a director's personal pension plan on a defined contribution basis.

1.4 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that result from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

1.5 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

TRANSAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2006****1 Accounting policies (continued)****1.6 Group accounts**

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertaking comprise a small-sized group. The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts.

2 Operating loss	2006	2005
	\$	\$
Operating loss is stated after charging:		
Loss on foreign exchange transactions	1,049	-
Auditors' remuneration	7,351	7,351
Directors' emoluments	52,838	59,265
and after crediting:		
Profit on foreign exchange transactions	-	(284)

3 Amounts written off investments	2006	2005
	\$	\$
Amounts written off fixed asset investments:		
Provision for diminution in value	520,000	5,363,448

TRANSAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2006**

4 Taxation	2006	2005
	\$	\$
Current tax charge	<u>-</u>	<u>-</u>
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	<u>(644,077)</u>	<u>(5,515,137)</u>
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2005: 30.00%)	<u>(193,223)</u>	<u>(1,654,541)</u>
Effects of:		
Non deductible expenses	1,231	7,445
Tax losses not recognised	35,993	43,752
Other tax adjustments	<u>155,999</u>	<u>1,603,344</u>
	<u>193,223</u>	<u>1,654,540</u>
Current tax charge	<u>-</u>	<u>-</u>

If provision were to be made for deferred taxation on the basis of the full potential liability, the tax charge for the year would decrease by \$ 35,993 (2005: \$ 43,753).

The company has estimated losses of \$ 1,742,025 (2005: \$ 1,622,049) available for carry forward against future trading profits.

TRANSAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2006**

5 Fixed asset investments

	Shares in group undertakings and participating interests \$
Cost	
At 1 April 2005 & at 31 March 2006	9,402,013
Provisions for diminution in value	
At 1 April 2005	8,874,391
Charge for the year	520,000
At 31 March 2006	9,394,391
Net book value	
At 31 March 2006	7,622
At 31 March 2005	527,622

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings			
Transal Industries B.V.	Netherlands	Ordinary	98
Grasneco Limited	Cyprus	Ordinary	100
Atlansal hf	Iceland	Ordinary	80
Sub-Cranes a.s	Czech Republic	Ordinary	50

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves 2006 \$	Profit for the year 2006 \$
Transal Industries B.V.	5,337,705	(9,808)
Grasneco Limited	-	-
Atlansal hf	(1,447,564)	(23,173)
Sub-Cranes a.s	77,204	(974)

TRANSAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2006**

6 Creditors: amounts falling due within one year	2006	2005
	\$	\$
Bank overdraft	20	9
Amounts due to fellow group undertakings	550,275	429,463
Taxation and social security	-	2,063
Other creditors	14,112	14,838
	<u>564,407</u>	<u>446,373</u>

7 Pension costs

Defined contribution

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

	2006	2005
	\$	\$
Contributions payable by the company for the year	<u>-</u>	<u>3,354</u>

8 Share capital	2006	2005
	\$	\$
Authorised		
100,000 Ordinary shares of £100 each	<u>14,517,890</u>	<u>14,517,890</u>
Allotted, called up and fully paid		
78,599 Ordinary shares of £100 each	<u>11,475,400</u>	<u>11,475,400</u>

9 Statement of movements on profit and loss account

	Profit and loss account \$
Balance at 1 April 2005	(11,379,248)
Retained loss for the year	<u>(644,077)</u>
Balance at 31 March 2006	<u>(12,023,325)</u>

TRANSAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2006

10 Reconciliation of movements in shareholders' funds	2006 \$	2005 \$
Loss for the financial year	(644,077)	(5,515,137)
Opening shareholders' funds	96,152	5,611,289
	<hr/>	<hr/>
Closing shareholders' funds	(547,925)	96,152
	<hr/>	<hr/>

11 Control

The ultimate parent company is Transal Corporation, a company incorporated in the British Virgin Islands. Transal Corporation is controlled by Amon and Furkat Aslanov.

12 Related party transactions

The company has not traded with group companies although its operations are funded by advances from fellow group entities. Included within amounts due to group companies are the following:

\$328,624 (2005: \$328,624) due to Transal Industries BV; and \$221,651 due to Transal Corporation (2005: \$100,839).