

Company Registration No. 03124254 (England and Wales)

TRANSAL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

Saffery Champness

CHARTERED ACCOUNTANTS



TRANSAL LIMITED

COMPANY INFORMATION

Directors Vladimir Erokhin
Amon Aslanov
Azam Aslanov

Secretary Robert Cohen

Company number 03124254

Registered office 37 Haven Green
Ealing
London
W5 2NX

Auditors Saffery Champness
Lion House
Red Lion Street
London
WC1R 4GB

TRANSAL LIMITED

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TRANSAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2005

The directors present their report and financial statements for the year ended 31 March 2005.

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 2004:

Vladimir Erokhin
Amon Aslanov
Azam Aslanov

Directors' interests

None of the directors holding office at 1 April 2004 or 31 March 2005 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 2005**

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

.....
24.10.05

TRANSAL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRANSAL LIMITED

We have audited the financial statements of Transal Limited on pages 5 to 12 for the year ended 31 March 2005. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 1 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 auditor's 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.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 of the state of the company's affairs as at 31 March 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Saffery Champness

Chartered Accountants
Registered Auditors


.....

Lion House
Red Lion Street
London
WC1R 4GB

TRANSAL LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2005**

	Notes	2005 \$	2004 \$
Administrative expenses		(151,678)	(245,656)
Operating loss	2	(151,678)	(245,656)
Loss on disposal of investment	3	-	(102,200)
Amounts written off investments	4	(5,363,448)	(179,885)
Interest payable and similar charges		(11)	(2)
Loss on ordinary activities before taxation		(5,515,137)	(527,743)
Tax on loss on ordinary activities	5	-	-
Loss on ordinary activities after taxation	11	(5,515,137)	(527,743)

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

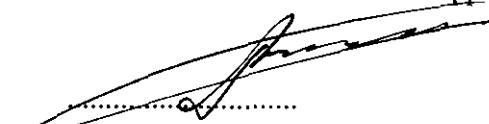
**BALANCE SHEET
AS AT 31 MARCH 2005**

	Notes	2005 \$	\$	2004 \$	\$
Fixed assets					
Investments	6	527,622		5,891,070	
Current assets					
Debtors	7	-		56,011	
Cash at bank and in hand		14,903		5,697	
		<u>14,903</u>		<u>61,708</u>	
Creditors: amounts falling due within one year	8	<u>(446,373)</u>		<u>(341,489)</u>	
Net current liabilities		<u>(431,470)</u>		<u>(279,781)</u>	
Total assets less current liabilities		<u>96,152</u>		<u>5,611,289</u>	
Capital and reserves					
Called up share capital	10	11,475,400		11,475,400	
Profit and loss account	11	<u>(11,379,248)</u>		<u>(5,864,111)</u>	
Shareholders' funds - equity interests	12	<u>96,152</u>		<u>5,611,289</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 24.10.2005


.....
Vladimir Erokhin
Director

TRANSAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

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 was due \$nil (2003: \$3,621,660) in abortive costs.

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 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.3 Investments

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

1.4 Pensions

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

1.5 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.

TRANSAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2005****1 Accounting policies****(continued)****1.6 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.

1.7 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	2005	2004
	\$	\$
Operating loss is stated after charging:		
Operating lease rentals	-	11,943
Auditors' remuneration	7,351	7,351
Directors' emoluments	59,265	118,500
and after crediting:		
Profit on foreign exchange transactions	(284)	(1,487)
	<u> </u>	<u> </u>
3 Loss on disposal of investment	2005	2004
	\$	\$
Loss on disposal of unlisted investments	-	(102,200)
	<u> </u>	<u> </u>
4 Amounts written off investments	2005	2004
	\$	\$
Amounts written off fixed asset investments:		
- temporary diminution in value	5,363,448	179,885
	<u> </u>	<u> </u>

TRANSAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2005**

5 Taxation	2005	2004
	\$	\$
Current tax charge	<u>-</u>	<u>-</u>
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	<u>(5,515,137)</u>	<u>(527,743)</u>
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2004: 30.00%)	<u>(1,654,541)</u>	<u>(158,323)</u>
Effects of:		
Non deductible expenses	7,445	56,922
Tax losses not recognised	43,752	101,401
Other tax adjustments	<u>1,603,344</u>	<u>-</u>
	<u>1,654,541</u>	<u>158,323</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 \$ 43,753 (2004: \$ 101,401).

The company has estimated losses of \$ 1,622,049 (2004: \$ 1,476,892) available for carry forward against future trading profits.

TRANSAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2005

6 Fixed asset investments

	Shares in group undertakings and participating interests \$
Cost	
At 1 April 2004 & at 31 March 2005	9,402,013
Provisions for diminution in value	
At 1 April 2004	3,510,943
Charge for the year	5,363,448
At 31 March 2005	8,874,391
Net book value	
At 31 March 2005	527,622
At 31 March 2004	5,891,070

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
Atlansal hf	Iceland	Ordinary	80
Sub-Cranes a.s	Czech Republic	Ordinary	50
Grasneco Limited	Cyprus	Ordinary	100

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 2005 \$	Profit for the year 2005 \$
Transal Industries B.V.	5,344,482	(18,966)
Atlansal hf	(444,147)	(268,466)
Sub-Cranes a.s	79,741	(2,808)
Grasneco Limited	-	-

TRANSAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2005**

7 Debtors	2005	2004
	\$	\$
Amounts due from group undertakings	-	56,011

8 Creditors: amounts falling due within one year	2005	2004
	\$	\$
Bank overdraft	9	1
Amounts due to fellow group undertakings	429,463	328,624
Taxation and social security	2,063	-
Other creditors	14,838	12,864
	<u>446,373</u>	<u>341,489</u>

9 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.

	2005	2004
	\$	\$
Contributions payable by the company for the year	<u>3,354</u>	<u>17,046</u>

10 Share capital	2005	2004
	\$	\$
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>

TRANSAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2005

11 Statement of movements on profit and loss account

	Profit and loss account \$
Balance at 1 April 2004	(5,864,111)
Retained loss for the year	(5,515,137)
	<u> </u>
Balance at 31 March 2005	<u>(11,379,248)</u>

12 Reconciliation of movements in shareholders' funds

	2005 \$	2004 \$
Loss for the financial year	(5,515,137)	(527,743)
Opening shareholders' funds	5,611,289	6,139,032
	<u> </u>	<u> </u>
Closing shareholders' funds	<u>96,152</u>	<u>5,611,289</u>

13 Financial commitments

At 31 March 2005 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2005 \$	2004 \$
Expiry date:		
Within one year	-	25,196
	<u> </u>	<u> </u>

14 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.

15 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 (2004: \$328,624) due to Transal Industries BV; and
\$100,839 due to Transal Corporation (2004: \$56,011 due from Transal Corporation).