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RICHARD AUSTIN ALLOYS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2006

Milne Craig
Abercorn House
79 Renfrew Road
Paisley
PA3 4DA



RICHARD AUSTIN ALLOYS LIMITED

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FOR THE YEAR ENDED 31ST MARCH 2006**

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RICHARD AUSTIN ALLOYS LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31ST MARCH 2006

DIRECTORS: S T Kelly
W S Wright
J R Johnston
A J McHale
T J Kelly (appointed 1 April 2005)

SECRETARY: W S Wright

REGISTERED OFFICE: Dunivaig Road
Easter Queenslie Industrial Estate
Glasgow
G33 4TP

REGISTERED NUMBER: SC074125

AUDITORS: Milne Craig
Abercorn House
79 Renfrew Road
Paisley
PA3 4DA

BANKERS: Royal Bank of Scotland
Glasgow City Branch
10 Gordon Street
Glasgow
G1 3PL

RICHARD AUSTIN ALLOYS LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST MARCH 2006

The directors present their report with the financial statements of the company and the group for the year ended 31st March 2006

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of stockholders of non-ferrous metals.

REVIEW OF BUSINESS

The results for the year and financial position of the company and the group are as shown in the annexed financial statements

DIVIDENDS

No dividends will be distributed for the year ended 31st March 2006

The company paid dividends in April 2006 amounting to £405,639

FUTURE DEVELOPMENTS

The directors aim to maintain the management policies adopted during the year to 31 March 2006 and consider the company is well placed to take advantage of opportunities which may arise in the current year

DIRECTORS

The directors during the year under review were

S T Kelly	
W S Wright	
J R Johnston	
M S Carruthers	- resigned 7 11.2005
A J McHale	
T J Kelly	- appointed 1.4 2005

The beneficial interests of the directors holding office on 31st March 2006 in the issued share capital of the company were as follows

	31.3 06	1 4.05
Ordinary £1 shares		
S T Kelly	16,511	20,000
W S Wright	930	930
J R Johnston	930	930
A J McHale	-	-
T J Kelly	2,326	-

PURCHASE OF OWN SHARES

During the year the group repurchased 233 Ordinary £1 shares from M S Carruthers for a consideration of £20,000.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

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 the group 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

RICHARD AUSTIN ALLOYS LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST MARCH 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the group's auditors are unaware, and each 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 group's auditors are aware of that information

AUDITORS

The auditors, Milne Craig, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:


.....
W S Wright - Secretary

Date. 8th August 2006

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
RICHARD AUSTIN ALLOYS LIMITED**

We have audited the financial statements of Richard Austin Alloys Limited for the year ended 31st March 2006 on pages five to twenty five. 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

As described on pages two and three the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 if, in our opinion, the Report of the Directors is 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 other transactions is not disclosed.

We read the Report of the Directors 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.

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 affairs of the company and the group as at 31st March 2006 and of the profit of the group for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.


Milne Craig
Abercorn House
79 Renfrew Road
Paisley
PA3 4DA

Date: 8th August 2006

RICHARD AUSTIN ALLOYS LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2006

	Notes	2006 £	2005 £
TURNOVER		50,483,206	44,599,529
Cost of sales		<u>40,989,543</u>	<u>36,358,020</u>
GROSS PROFIT		9,493,663	8,241,509
Distribution costs		5,791,696	4,645,538
Administrative expenses		<u>1,696,135</u>	<u>2,063,648</u>
		7,487,831	6,709,186
OPERATING PROFIT	3	2,005,832	1,532,323
Profit on sale of investments		<u>-</u>	<u>30,438</u>
		2,005,832	1,562,761
Income from shares in group undertakings		-	3,980
Interest receivable and similar income		<u>36,528</u>	<u>26,459</u>
		36,528	30,439
		2,042,360	1,593,200
Interest payable and similar charges	4	<u>557,566</u>	<u>429,495</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,484,794	1,163,705
Tax on profit on ordinary activities	5	<u>430,670</u>	<u>378,455</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		1,054,124	785,250
Minority interest - equity		<u>128,106</u>	<u>54,178</u>
RETAINED PROFIT CARRIED FORWARD FOR THE GROUP		<u>926,018</u>	<u>731,072</u>

CONTINUING OPERATIONS

None of the group's activities were acquired or discontinued during the current year or previous year.

TOTAL RECOGNISED GAINS AND LOSSES

The group has no recognised gains or losses other than the profits for the current year or previous year

RICHARD AUSTIN ALLOYS LIMITED

**NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31ST MARCH 2006**

	2006 £	2005 £
REPORTED PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1,484,794	1,163,698
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	<u>24,340</u>	<u>24,340</u>
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>1,509,134</u>	<u>1,188,038</u>
HISTORICAL COST PROFIT FOR THE YEAR RETAINED AFTER TAXATION, MINORITY INTERESTS AND DIVIDENDS	<u>950,358</u>	<u>461,905</u>

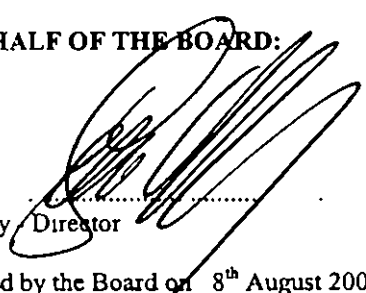
The notes form part of these financial statements

RICHARD AUSTIN ALLOYS LIMITED

**CONSOLIDATED BALANCE SHEET
31ST MARCH 2006**

	Notes	2006 £	2005 £
FIXED ASSETS			
Tangible assets	8	5,968,905	6,030,746
CURRENT ASSETS			
Stocks	10	9,015,426	9,161,217
Debtors	11	14,733,280	11,512,312
Cash at bank and in hand		<u>102,493</u>	<u>199,557</u>
		23,851,199	20,873,086
CREDITORS			
Amounts falling due within one year	12	<u>21,913,397</u>	<u>19,132,538</u>
NET CURRENT ASSETS		<u>1,937,802</u>	<u>1,740,548</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		7,906,707	7,771,294
CREDITORS			
Amounts falling due after more than one year	13	(2,487,096)	(3,157,911)
PROVISIONS FOR LIABILITIES	17	(7,054)	(19,130)
MINORITY INTERESTS	18	<u>(569,833)</u>	<u>(606,040)</u>
NET ASSETS		<u>4,842,724</u>	<u>3,988,213</u>
CAPITAL AND RESERVES			
Called up share capital	19	23,022	23,255
Revaluation reserve	20	880,805	880,805
Capital redemption reserve	20	22,733	22,500
Profit and loss account		<u>3,916,164</u>	<u>3,061,653</u>
SHAREHOLDERS' FUNDS	26	<u>4,842,724</u>	<u>3,988,213</u>

ON BEHALF OF THE BOARD:


S T Kelly, Director

Approved by the Board on 8th August 2006

RICHARD AUSTIN ALLOYS LIMITED

**COMPANY BALANCE SHEET
31ST MARCH 2006**

	Notes	2006 £	£	2005 £	£
FIXED ASSETS					
Tangible assets	8		4,349,349		3,344,712
Investments	9		<u>647,214</u>		<u>482,901</u>
			4,996,563		3,827,613
CURRENT ASSETS					
Debtors	11	127,062		493,471	
Cash at bank		<u>100,621</u>		<u>197,181</u>	
		227,683		690,652	
CREDITORS					
Amounts falling due within one year	12	<u>2,343,484</u>		<u>1,214,954</u>	
NET CURRENT LIABILITIES			<u>(2,115,801)</u>		<u>(524,302)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			2,880,762		3,303,311
CREDITORS					
Amounts falling due after more than one year	13		(2,123,814)		(2,515,263)
PROVISIONS FOR LIABILITIES	17		<u>(15,884)</u>		<u>-</u>
NET ASSETS			<u>741,064</u>		<u>788,048</u>
CAPITAL AND RESERVES					
Called up share capital	19		23,022		23,255
Revaluation reserve	20		264,262		264,262
Capital redemption reserve	20		22,733		22,500
Profit and loss account			<u>431,047</u>		<u>478,031</u>
SHAREHOLDERS' FUNDS	26		<u>741,064</u>		<u>788,048</u>

ON BEHALF OF THE BOARD:

S T Kelly - Director

Approved by the Board on 8th August 2006

The notes form part of these financial statements

RICHARD AUSTIN ALLOYS LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2006**

	Notes	2006 £	2005 £
Net cash inflow/(outflow) from operating activities	1	1,992,708	(338,171)
Returns on investments and servicing of finance	2	(572,545)	(399,056)
Taxation		(308,035)	(375,430)
Capital expenditure and financial investment	2	(303,012)	(2,816,344)
Acquisitions and disposals	2	(164,313)	(34,600)
Equity dividends paid		<u>(293,500)</u>	<u>-</u>
		351,303	(3,963,601)
Financing	2	<u>(391,240)</u>	<u>2,339,946</u>
Decrease in cash in the period		<u><u>(39,937)</u></u>	<u><u>(1,623,655)</u></u>
<hr/>			
Reconciliation of net cash flow to movement in net debt	3		
Decrease in cash in the period		(39,937)	(1,623,655)
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing		<u>598,761</u>	<u>(1,795,780)</u>
Change in net debt resulting from cash flows		558,824	(3,419,435)
New finance leases		<u>(227,521)</u>	<u>(544,165)</u>
Movement in net debt in the period		331,303	(3,963,600)
Net debt at 1st April		<u>(10,241,081)</u>	<u>(6,277,481)</u>
Net debt at 31st March		<u><u>(9,909,778)</u></u>	<u><u>(10,241,081)</u></u>

The notes form part of these financial statements

RICHARD AUSTIN ALLOYS LIMITED

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2006**

1 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2006 £	2005 £
Operating profit	2,005,832	1,532,323
Depreciation charges	368,854	324,363
Profit on disposal of fixed assets	(4,000)	(22,404)
Government grant release	(2,088)	(2,088)
Decrease/(Increase) in stocks	145,791	(2,555,007)
Increase in debtors	(3,220,968)	(1,383,349)
Increase in creditors	<u>2,699,287</u>	<u>1,767,991</u>
Net cash inflow/(outflow) from operating activities	<u>1,992,708</u>	<u>(338,171)</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2006 £	2005 £
Returns on investments and servicing of finance		
Interest received	36,528	26,459
Interest paid	(528,828)	(423,222)
Interest element of hire purchase payments	(28,738)	(6,273)
Dividends received	-	3,980
Minority interest dividends	<u>(51,507)</u>	<u>-</u>
Net cash outflow for returns on investments and servicing of finance	<u>(572,545)</u>	<u>(399,056)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(320,132)	(2,876,748)
Sale of tangible fixed assets	17,120	22,404
Sale of fixed asset investments	<u>-</u>	<u>38,000</u>
Net cash outflow for capital expenditure and financial investment	<u>(303,012)</u>	<u>(2,816,344)</u>
Acquisitions and disposals		
Purchase minority interest shareholding	<u>(164,313)</u>	<u>(34,600)</u>
Net cash outflow for acquisitions and disposals	<u>(164,313)</u>	<u>(34,600)</u>
Financing		
New loans in year	-	2,423,707
Loan repayments in year	(393,215)	(492,589)
New hire purchase financing	227,521	544,165
Capital repayments on hire purchase	(205,546)	(135,337)
Share buyback	<u>(20,000)</u>	<u>-</u>
Net cash (outflow)/inflow from financing	<u>(391,240)</u>	<u>2,339,946</u>

The notes form part of these financial statements

RICHARD AUSTIN ALLOYS LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2006

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1 4 05 £	Cash flow £	Other non cash changes £	At 31.3.06 £
Net cash:				
Cash at bank and in hand	199,557	(97,064)		102,493
Bank overdraft	<u>(6,857,299)</u>	<u>57,127</u>		<u>(6,800,172)</u>
	<u>(6,657,742)</u>	<u>(39,937)</u>		<u>(6,697,679)</u>
Debt:				
Hire purchase	(492,235)	205,546	(227,521)	(514,210)
Debts falling due within one year	(267,121)	(289,426)	-	(556,547)
Debts falling due after one year	<u>(2,823,983)</u>	<u>682,641</u>	<u>-</u>	<u>(2,141,342)</u>
	<u>(3,583,339)</u>	<u>598,761</u>	<u>(227,521)</u>	<u>(3,212,099)</u>
Total	<u>(10,241,081)</u>	<u>558,824</u>	<u>(227,521)</u>	<u>(9,909,778)</u>

RICHARD AUSTIN ALLOYS LIMITED

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

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

Basis of consolidation

The group accounts consolidate the accounts of Richard Austin Alloys Limited and its subsidiaries, Richard Austin Alloys (Scotland) Limited, Richard Austin Alloys (Northern) Limited, Richard Austin Alloys (North West) Limited and Richard Austin Alloys (Midlands) Limited

No profit or loss account is presented for Richard Austin Alloys Limited as permitted by section 230 of the Companies Act 1985.

Companies, other than subsidiary companies, in which the group has an investment and over which it is in a position to exercise a significant influence are treated as associated undertakings. The group accounts include the appropriate share of these undertakings' results and reserves based on audited accounts to 31 March 2006.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	-	over 50 years
Plant and machinery	-	over 5 years
Fixtures and fittings	-	over 5 years
Motor vehicles	-	over 4 years
Computer equipment	-	over 3 years

Stocks

Stocks are stated at the lower of cost and net realisable value where cost is defined as the cost incurred in bringing each product to its present location and condition.

Net realisable value is based on estimated selling price less further costs expected to be incurred to disposal.

Deferred tax

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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, or a right to pay less, tax in the future have occurred at the balance sheet date.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

RICHARD AUSTIN ALLOYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31ST MARCH 2006

1 ACCOUNTING POLICIES - continued

Hire purchase and leasing commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives

The corresponding lease or hire purchase obligation is capitalised in the balance sheet as a liability. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of the capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

2. STAFF COSTS

	2006 £	2005 £
Wages and salaries	3,450,011	2,970,642
Social security costs	357,993	316,971
Other pension costs	<u>233,059</u>	<u>229,429</u>
	<u>4,041,063</u>	<u>3,517,042</u>

The average monthly number of employees during the year was as follows.

	2006	2005
Sales and administration	55	52
Warehouse and drivers	<u>79</u>	<u>70</u>
	<u>134</u>	<u>122</u>

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	2006 £	2005 £
Other operating leases	-	69,804
Depreciation - owned assets	245,380	249,439
Depreciation - assets on hire purchase contracts	123,474	74,924
Profit on disposal of fixed assets	(4,000)	(22,404)
Auditors' remuneration	14,000	13,500
Auditors' remuneration for non audit work	<u>28,950</u>	<u>9,100</u>
Directors' emoluments	803,853	618,132
Directors' pension contributions to money purchase schemes	<u>52,391</u>	<u>61,388</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>10</u>	<u>5</u>
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RICHARD AUSTIN ALLOYS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2006**

3 OPERATING PROFIT - continued

Information regarding the highest paid director is as follows:

	2006	2005
	£	£
Emoluments etc	220,376	204,931
Pension contributions to money purchase schemes	<u>8,246</u>	<u>29,336</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005
	£	£
Term loan interest	168,395	122,990
Bank overdraft interest	360,433	300,232
Hire purchase interest	<u>28,738</u>	<u>6,273</u>
	<u>557,566</u>	<u>429,495</u>

5. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2006	2005
	£	£
Current tax:		
UK corporation tax	442,494	295,062
Adjustments in respect of previous years	<u>252</u>	<u>(445)</u>
Total current tax	<u>442,746</u>	<u>294,617</u>
Deferred tax:		
Deferred tax	(8,034)	83,838
Effect on changes in tax rates on opening liability	<u>(4,042)</u>	<u>-</u>
Total deferred tax	<u>(12,076)</u>	<u>83,838</u>
Tax on profit on ordinary activities	<u>430,670</u>	<u>378,455</u>

RICHARD AUSTIN ALLOYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued **FOR THE YEAR ENDED 31ST MARCH 2006**

5. TAXATION - continued

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below.

	2006 £	2005 £
Profit on ordinary activities before tax	<u>1,484,794</u>	<u>1,163,705</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 - 30%)	445,438	349,111
Effects of		
Disallowed expenses and non taxable income	5,113	39,737
Capital allowances in excess of depreciation	6,035	(80,352)
Other timing differences	(1,927)	(1,986)
Adjustments in respect of previous year	251	(445)
Others	<u>(12,164)</u>	<u>(11,448)</u>
Current tax charge	<u>442,746</u>	<u>294,617</u>

Factors that may affect future tax charges

No provision has been made for deferred tax on gains recognised on revaluing properties to their market values. Such tax would become payable only if the properties were sold without it being possible to claim rollover relief. The total amount unprovided for the year is £72,977. At present it is not envisaged that any tax will become payable in the foreseeable future.

6 LOSS OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £(26,984) (2005 - £281,979 profit).

7 DIVIDENDS

	2006 £	2005 £
Equity shares		
Interim	<u>-</u>	<u>293,500</u>

RICHARD AUSTIN ALLOYS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2006**

8 TANGIBLE FIXED ASSETS

Group	Freehold property £	Plant and machinery £	Motor vehicles £	Computer equipment £	Totals £
COST OR VALUATION					
At 1st April 2005	5,338,883	1,411,028	784,469	320,592	7,854,972
Additions	-	28,179	291,953	-	320,132
Disposals	-	(15,200)	(74,150)	-	(89,350)
At 31st March 2006	<u>5,338,883</u>	<u>1,424,007</u>	<u>1,002,272</u>	<u>320,592</u>	<u>8,085,754</u>
DEPRECIATION					
At 1st April 2005	82,031	1,065,053	374,092	303,049	1,824,225
Charge for year	114,114	89,621	147,576	17,543	368,854
Eliminated on disposal	-	(15,200)	(61,030)	-	(76,230)
At 31st March 2006	<u>196,145</u>	<u>1,139,474</u>	<u>460,638</u>	<u>320,592</u>	<u>2,116,849</u>
NET BOOK VALUE					
At 31st March 2006	<u>5,142,738</u>	<u>284,533</u>	<u>541,634</u>	<u>-</u>	<u>5,968,905</u>
At 31st March 2005	<u>5,256,852</u>	<u>345,975</u>	<u>410,377</u>	<u>17,543</u>	<u>6,030,746</u>

Cost or valuation at 31st March 2006 is represented by:

	Freehold property £	Plant and machinery £	Motor vehicles £	Computer equipment £	Totals £
Valuation in 2004	393,044	-	-	-	393,044
Cost	<u>4,945,839</u>	<u>1,424,007</u>	<u>1,002,272</u>	<u>320,592</u>	<u>7,692,710</u>
	<u>5,338,883</u>	<u>1,424,007</u>	<u>1,002,272</u>	<u>320,592</u>	<u>8,085,754</u>

If freehold land and buildings had not been revalued they would have been included at the following historical cost:

	2006 £	2005 £
Cost	<u>2,621,638</u>	<u>2,621,638</u>
Aggregate depreciation	<u>396,438</u>	<u>349,442</u>

The freehold property was valued by FPD Savills Commercial Ltd as at 26 March 2004 on the basis of open market value in accordance with the Practice Statements of the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual

The net book value of tangible fixed assets includes £541,363 (2005 - £471,203) in respect of assets held under hire purchase contracts

RICHARD AUSTIN ALLOYS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2006**

8 TANGIBLE FIXED ASSETS - continued

Company	Freehold property £	Motor vehicles £	Computer equipment £	Totals £
COST OR VALUATION				
At 1st April 2005	3,338,883	29,740	320,592	3,689,215
Group transfer	<u>1,150,000</u>	<u>-</u>	<u>-</u>	<u>1,150,000</u>
At 31st March 2006	<u>4,488,883</u>	<u>29,740</u>	<u>320,592</u>	<u>4,839,215</u>
DEPRECIATION				
At 1st April 2005	36,226	5,228	303,049	344,503
Charge for year	72,649	7,435	17,543	97,627
Group transfer	<u>47,736</u>	<u>-</u>	<u>-</u>	<u>47,736</u>
At 31st March 2006	<u>156,611</u>	<u>12,663</u>	<u>320,592</u>	<u>489,866</u>
NET BOOK VALUE				
At 31st March 2006	<u>4,332,272</u>	<u>17,077</u>	<u>-</u>	<u>4,349,349</u>
At 31st March 2005	<u>3,302,657</u>	<u>24,512</u>	<u>17,543</u>	<u>3,344,712</u>

Cost or valuation at 31st March 2006 is represented by.

	Freehold property £	Motor vehicles £	Computer equipment £	Totals £
Valuation in 2004	121,569	-	-	121,569
Cost	<u>4,367,314</u>	<u>29,740</u>	<u>320,592</u>	<u>4,717,646</u>
	<u>4,488,883</u>	<u>29,740</u>	<u>320,592</u>	<u>4,839,215</u>

If freehold property had not been revalued it would have been included at the following historical cost:

	2006 £	2005 £
Cost	<u>1,078,431</u>	<u>1,078,431</u>
Aggregate depreciation	<u>185,832</u>	<u>164,263</u>

The net book value of tangible fixed assets includes £nil (2005 - £9,362) in respect of assets held under hire purchase contracts.

RICHARD AUSTIN ALLOYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued **FOR THE YEAR ENDED 31ST MARCH 2006**

9. FIXED ASSET INVESTMENTS

Company	Shares in group undertakings £
COST	
At 1st April 2005	482,901
Additions	<u>164,313</u>
At 31st March 2006	<u>647,214</u>
NET BOOK VALUE	
At 31st March 2006	<u>647,214</u>
At 31st March 2005	<u>482,901</u>

The group or the company's investments at the balance sheet date in the share capital of companies include the following

Subsidiaries

Richard Austin Alloys (Scotland) Limited

Country of incorporation: Scotland

Nature of business: Stockholders of non-ferrous metals

	% holding	2006 £	2005 £
Class of shares:			
Ordinary	80.00		
Aggregate capital and reserves		1,432,785	1,024,254
Profit for the year		<u>408,531</u>	<u>184,747</u>

Richard Austin Alloys (Northern) Limited

Country of incorporation: Scotland

Nature of business: Stockholders of non-ferrous metals.

	% holding	2006 £	2005 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		1,615,887	1,202,364
Profit for the year		<u>690,254</u>	<u>122,897</u>

RICHARD AUSTIN ALLOYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31ST MARCH 2006

9. FIXED ASSET INVESTMENTS - continued

Richard Austin Alloys (North West) Limited

Country of incorporation: Scotland

Nature of business: Stockholders of non-ferrous metals

	%		
Class of shares	holding		
Ordinary	87.50	2006	2005
		£	£
Aggregate capital and reserves		1,751,860	1,529,628
Profit for the year		<u>222,232</u>	<u>141,929</u>

Richard Austin Alloys (Midlands) Limited

Country of incorporation: Scotland

Nature of business: Stockholders of non-ferrous metals

	%		
Class of shares:	holding		
Ordinary	87.50	2006	2005
		£	£
Aggregate capital and reserves		514,342	477,520
Profit for the year		<u>36,822</u>	<u>2,193</u>

10. STOCKS

	Group	
	2006	2005
	£	£
Stocks	<u>9,015,426</u>	<u>9,161,217</u>

The difference between the purchase price of stocks and their replacement cost is not material.

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Trade debtors	14,247,732	11,308,986	-	-
Other debtors and prepayments	485,548	203,326	11,560	54,718
Amounts due by group companies	-	-	115,502	173,133
Dividends receivable	-	-	-	258,500
Deferred tax asset (see note 17)	-	-	-	7,120
	<u>14,733,280</u>	<u>11,512,312</u>	<u>127,062</u>	<u>493,471</u>

RICHARD AUSTIN ALLOYS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2006**

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Bank loans and overdrafts (see note 14)	7,356,719	7,124,420	459,047	79,621
Hire purchase contracts (see note 15)	168,456	158,307	6,416	38,496
Trade creditors	12,750,091	10,188,298	-	-
Amounts due to group companies	-	-	1,659,148	600,000
Tax	358,216	223,504	9,105	12,937
Social security and other taxes	743,891	615,547	43,727	34,645
Proposed dividends	-	293,500	-	293,500
Accrued expenses	442,075	432,925	72,092	59,718
Deferred government grants	93,949	96,037	93,949	96,037
	<u>21,913,397</u>	<u>19,132,538</u>	<u>2,343,484</u>	<u>1,214,954</u>

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Bank loans (see note 14)	2,141,342	2,823,983	2,123,814	2,508,847
Hire purchase contracts (see note 15)	345,754	333,928	-	6,416
	<u>2,487,096</u>	<u>3,157,911</u>	<u>2,123,814</u>	<u>2,515,263</u>

14. LOANS

An analysis of the maturity of loans is given below:

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Amounts falling due within one year or on demand				
Bank overdrafts	6,800,172	6,857,299	-	-
Bank loans	556,547	267,121	459,047	79,621
	<u>7,356,719</u>	<u>7,124,420</u>	<u>459,047</u>	<u>79,621</u>
Amounts falling due between one and two years:				
Bank loans - 1-2 years	476,575	267,121	459,047	79,621
Amounts falling due between two and five years:				
Bank loans - 2-5 years	1,067,323	366,499	1,067,323	238,863
Amounts falling due in more than five years:				
Repayable by instalments				
Bank loans more 5 yr by instal	597,444	2,190,363	597,444	2,190,363

Company loans not wholly repayable within five years bear interest at rates of 1.25% to 1.5% over the base rate and are repayable in monthly instalments.

RICHARD AUSTIN ALLOYS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2006**

15. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

Group	2006	2005
	£	£
Gross obligations repayable:		
Within one year	181,257	170,659
Between one and five years	<u>375,441</u>	<u>354,405</u>
	<u>556,698</u>	<u>525,064</u>
 Finance charges repayable:		
Within one year	12,801	12,352
Between one and five years	<u>29,687</u>	<u>20,477</u>
	<u>42,488</u>	<u>32,829</u>
 Net obligations repayable:		
Within one year	168,456	158,307
Between one and five years	<u>345,754</u>	<u>333,928</u>
	<u>514,210</u>	<u>492,235</u>
 Company	2006	2006
	£	£
Gross obligations repayable:		
Within one year	7,461	44,769
Between one and five years	<u>-</u>	<u>7,461</u>
	<u>7,461</u>	<u>52,230</u>
 Finance charges repayable:		
Within one year	1,045	6,273
Between one and five years	<u>-</u>	<u>1,045</u>
	<u>1,045</u>	<u>7,318</u>
 Net obligations repayable:		
Within one year	6,416	38,496
Between one and five years	<u>-</u>	<u>6,416</u>
	<u>6,416</u>	<u>44,912</u>

RICHARD AUSTIN ALLOYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31ST MARCH 2006

16. SECURED DEBTS

The following secured debts are included within creditors.

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Bank overdraft	6,800,172	6,857,299	-	-
Bank loans	2,697,889	3,091,104	2,582,861	2,588,468
Hire purchase contracts	514,210	492,235	6,416	44,912
	<u>10,012,271</u>	<u>10,440,638</u>	<u>2,589,277</u>	<u>2,633,380</u>

The bank overdrafts and bank loans are secured by a bond and floating charge and standard securities over the freehold land and buildings, in favour of the Royal Bank of Scotland Group.

Hire purchase contracts are secured over the assets to which they relate.

17. PROVISIONS FOR LIABILITIES

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Deferred tax	<u>7,054</u>	<u>19,130</u>	<u>15,884</u>	-
Group				
				Deferred tax liability
				£
Balance at 1st April 2005				19,130
Profit and loss account				(4,109)
Adjustment in respect of prior year				<u>(7,967)</u>
Balance at 31st March 2006				<u>7,054</u>
Company				
				Deferred tax liability
				£
Balance at 1st April 2005				(7,120)
Profit and loss account				<u>23,004</u>
Balance at 31st March 2006				<u>15,884</u>

18. MINORITY INTERESTS

All of the amounts are attributable to equity minority interests.

RICHARD AUSTIN ALLOYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31ST MARCH 2006

19 CALLED UP SHARE CAPITAL

Authorised: Number.	Class	Nominal value: £1	2006 £	2005 £
42,500	Ordinary		<u>42,500</u>	<u>42,500</u>

Allotted, issued and fully paid: Number	Class	Nominal value: £1	2006 £	2005 £
23,022 (31 3 05 - 23,255)	Ordinary		<u>23,022</u>	<u>23,255</u>

233 ordinary shares were repurchased by the company for a consideration of £20,000.

20 RESERVES

Group

	Profit and loss account £	Revaluation reserve £	Capital redemption reserve £	Totals £
At 1st April 2005	3,061,653	880,805	22,500	3,964,958
Retained profit for the year	926,018			926,018
Purchase of own shares	(20,000)	-	233	(19,767)
Minority interest dividends	<u>(51,507)</u>	<u>-</u>	<u>-</u>	<u>(51,507)</u>
At 31st March 2006	<u>3,916,164</u>	<u>880,805</u>	<u>22,733</u>	<u>4,819,702</u>

Company

	Profit and loss account £	Revaluation reserve £	Capital Redemption reserve £	Totals £
At 1st April 2005	478,031	264,262	22,500	764,793
Deficit for the year	(26,984)			(26,984)
Purchase of own shares	<u>(20,000)</u>	<u>-</u>	<u>233</u>	<u>(19,767)</u>
At 31st March 2006	<u>431,047</u>	<u>264,262</u>	<u>22,733</u>	<u>718,042</u>

21 PENSION COMMITMENTS

The company operates a defined contribution scheme of the group in an independently administered fund. The assets of the scheme are held separately from those of the group. The outstanding contributions at 31 March 2006 were £54,557 (2005 - £52,613).

22. ULTIMATE PARENT COMPANY

The ultimate parent company is Richard Austin Alloys Limited, a company registered in Scotland.

RICHARD AUSTIN ALLOYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31ST MARCH 2006

23 CONTINGENT LIABILITIES

Cross guarantees exist between all group companies in favour of the group bankers. At 31 March 2006, the group companies' combined bank borrowings amounted to £9,397,440 (2005 - £9,751,223).

Cross guarantees exist between all group companies in favour of one group supplier. At 31 March 2006, the group companies' combined liabilities to this supplier amounted to £563,930 (2005 - £1,219,262).

24 RELATED PARTY DISCLOSURES

During the year the company received rent of £195,000 (2005 - £97,500) from two of its subsidiary companies in the normal course of business. It also received management charges from four of its subsidiaries totalling £808,500 (2005 - £876,000)

25 ULTIMATE CONTROLLING PARTY

By virtue of his interests in the share capital of Richard Austin Alloys Limited, the parent company, Mr S T Kelly, a director, controls the majority of the voting rights and thus has ultimate control of the group

26. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group	2006	2005
	£	£
Profit for the financial year	926,018	731,072
Dividends	-	(293,500)
	926,018	437,572
Minority interest in previous year dividend	(51,507)	-
Purchase of own shares	(20,000)	-
	854,511	437,572
Net addition to shareholders' funds	3,988,213	3,550,641
Opening shareholders' funds	4,842,724	3,988,213
Closing shareholders' funds	4,842,724	3,988,213
Equity interests	4,842,724	3,988,213

RICHARD AUSTIN ALLOYS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2006**

26 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS - continued

Company	2006	2005
	£	£
(Loss)/Profit for the financial year	(26,984)	281,979
Dividends	<u>-</u>	<u>(293,500)</u>
	(26,984)	(11,521)
Purchase of own shares	<u>(20,000)</u>	<u>-</u>
Net reduction of shareholders' funds	(46,984)	(11,521)
Opening shareholders' funds	<u>788,048</u>	<u>799,569</u>
Closing shareholders' funds	<u>741,064</u>	<u>788,048</u>
 Equity interests	 <u>741,064</u>	 <u>788,048</u>