



Report and Financial Statements

For the year ended

31 December 2007

REPORT AND FINANCIAL STATEMENTS 2007

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OFFICERS AND PROFESSIONAL ADVISERS

BOARD OF DIRECTORS

The Rt Hon The Lord Owen, CH *Non-Executive Chairman*
P J Kevans, *Non-Executive Deputy Chairman*
J M Maguire, *Chief Executive & Finance Director*
A Varichev, *Non-Executive Director*

SECRETARY

J M Maguire

REGISTERED OFFICE

4 Curzon Square
London
W1J 7FW

CORPORATE ADVISER

Hichens, Harrison & Co. plc
Bell Court House
11 Blomfield Street
London EC2M 1LB

AUDITORS

Mazars LLP
Tower Bridge House
St Katharine's Way
London E1W 1DD

BANKERS

BNP Paribas (SUISSE) SA
Place de Hollande 2
Geneva
Switzerland

REGISTRARS

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0LA

COMPANY REGISTRATION NO: 3922842

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITY

The principal activity of the Company during the year was the sale of steel products to international customers.

RESULTS AND DIVIDEND

The Company made a profit after tax of £688,541 (2006: £684,850) for the year. The Directors do not recommend the payment of a dividend. The retained profit for the year of £688,541 (2006: £684,850) has been credited to reserves.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The Company achieved a considerable increase in turnover during the year albeit at a reduced gross profit margin resulting in a profit for the year in line with 2006. Trading conditions remain buoyant in the first quarter of 2008 with continued pressure on gross margins.

The Company opened a Representative office in Moscow on 1 July 2007. The costs of operating this office during 2007 is set out in Note 4 to the accounts.

KEY PERFORMANCE INDICATORS

For the year to 31 December 2007 the Company set the following key performance indicators:

- Net assets per share increased by 33%
- Earning per share increased by 1%
- Total shareholders' funds increased by 33%

The Directors consider the above key performance indicators to continue to be fundamental for 2008.

DIRECTORS

The Directors of the Company, who served throughout 2007 were:

The Rt Hon The Lord Owen, CH *Non-Executive Chairman*

A F Moshiri, *Chief Executive*

J M Maguire, *Finance Director*

A Varichev, *Non-Executive Director*

A F Moshiri resigned as Chief Executive and an Executive Director on 7 March 2008.

J M Maguire was appointed Chief Executive on 7 March 2008.

P J Kevans was appointed Non Executive Deputy Chairman on 7 March 2008.

M V Komissar resigned as a Non Executive Director on 7 August 2007.

In accordance with the Articles of Association, The Rt Hon The Lord Owen and P J Kevans retire at the forthcoming Annual General Meeting and offer themselves for re-election.

None of the Directors have a Service Agreement or are engaged under a fixed term appointment.

Non-Executive Directors

The Rt Hon The Lord Owen, P J Kevans and A Varichev are the non-executive directors, with The Rt Hon The Lord Owen as the senior non-executive director.

DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS

The beneficial interests of the Directors including, where applicable, their respective spouses and minor children, as at 31 December 2007 and at 31 December 2006 in the ordinary shares of the Company were as follows:

Director	Number of shares 2007	Number of shares 2006	Percentage of issued share capital
Lord Owen	22,500	22,500	0.2
A F Moshiri (<i>resigned 07/03/08</i>)	22,500	22,500	0.2
M V Komissar (<i>resigned 07/08/07</i>)	–	20,000	0.2

SHARE OPTIONS

No options over ordinary shares were granted during the year. Directors' interests in options over ordinary shares outstanding at 31 December 2007 and 2006 under the Executive Share Option Scheme were as follows:

Director	Outstanding at 31 December 2007	Outstanding 31 December 2006	Exercise price	Exercisable	
				From	To
Lord Owen	–	40,000	50.0p	15.03.03	14.03.07
A F Moshiri (<i>resigned 07/03/08</i>)	–	75,000	50.0p	15.03.03	14.03.07
J M Maguire	50,000	50,000	60.5p	05.01.04	04.01.08
M V Komissar (<i>resigned 07/08/07</i>)	–	50,000	50.0p	15.03.03	14.03.07

TRANSACTIONS WITH RELATED PARTIES

Details of transactions with related parties are set out in note 21 to the financial statements.

DONATIONS

During the year the Company made no charitable donations (2006: £nil).

CREDITOR PAYMENT POLICY

The Company's policy is normally to pay trade creditors according to agreed terms of business. These terms are usually agreed with the trade creditors before they provide the goods or services. The Company's policy is to adhere to the payment terms provided the relevant goods or services have been supplied in accordance with the agreements. The Company's principal creditor is its steel supplier, which accounted for over 95% by value of the goods and services purchased in 2007. This creditor is paid in accordance with the supplier's terms and the Security Agreement with the Company's bankers (see Note 17 to the accounts).

The number of days of purchases outstanding for the Company at the 31 December 2007 was 23 days (2006: 1 day).

FINANCIAL INSTRUMENTS

The Company's management programme in relation to financial risk is set out in Note 17 to the financial statements.

SUBSTANTIAL SHAREHOLDINGS

On 17 March 2008, the Company was aware of the following interests in 3% or more in the ordinary share capital:

	Number of ordinary shares	%
Vaimed Enterprises Limited	3,800,000	29.85
Vorsatel Holdings (BVI) Limited	3,000,000	23.56
Bricklane Holdings Limited	2,000,000	15.71
Sigma International II LP	1,293,000	10.15
Emerging Markets Economic Research Limited	1,200,000	9.43

STATEMENT OF DISCLOSURE TO AUDITORS

The directors confirm that:

- there is no relevant audit information of which the Company's auditors are unaware; and
- each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

AUDITORS

With effect from 16 April 2007, MRI Moores Rowland LLP merged its business with that of Mazars LLP, following which MRI Moores Rowland LLP resigned as auditors to the Company. The directors appointed Mazars LLP to fill the casual vacancy caused by their resignation and, in accordance with section 385 of the Companies Act 1985, a resolution to reappoint Mazars LLP will be put to the Annual General Meeting.

ANNUAL GENERAL MEETING

Enclosed with this Report and Accounts is a Notice convening an Annual General Meeting of the Company for 16 May 2008.

Approved by the Board of Directors and signed on behalf of the Board.

J M Maguire
Director and Secretary
4 Curzon Square
London W1J 7FW

28 March 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts 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 accounts, 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 accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF EUROPE STEEL PLC

We have audited the financial statements of Europe Steel plc for the year ended 31 December 2007 which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement, and the related notes 1 to 21. 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 in the Statement of Directors' Responsibilities on page 6 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, whether the financial statements are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 misstatement.

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 the company's affairs as at 31 December 2007 and of its 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.

Mazars LLP
Chartered Accountants
Registered Auditors
Tower Bridge House
St Katharine's Way
London E1W 1DD

28 March 2008

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2007

		2007	2006
	<i>Note</i>	£	£
TURNOVER	2	71,236,569	51,702,713
Cost of sales		(69,261,916)	(49,653,521)
GROSS PROFIT		1,974,653	2,049,192
Operating expenses		(1,059,213)	(1,102,943)
OPERATING PROFIT	4	915,440	946,249
Interest paid and similar charges	5	(9,715)	(39,543)
Interest received and similar income		61,462	51,351
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		967,187	958,057
Tax on profit on ordinary activities	6	(278,646)	(273,207)
PROFIT FOR THE FINANCIAL YEAR		688,541	684,850
Earnings per ordinary share – basic and diluted	13	5.41p	5.38p

All amounts derive from continuing operations.

There are no recognised gains or losses for the year other than as stated above. Accordingly, no statement of total recognised gains and losses has been prepared.

BALANCE SHEET
31 December 2007

	<i>Note</i>	2007 £	2006 £
FIXED ASSETS			
Tangible assets	8	5,323	13,690
Investment	9	2	2
		<u>5,325</u>	<u>13,692</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	10	4,718,039	328,453
Debtors: amounts falling due after more than one year	10	452,397	452,397
Cash at bank and in hand		2,433,582	1,797,459
		<u>7,604,018</u>	<u>2,578,309</u>
CREDITORS: amounts falling due within one year	11	(4,863,733)	(534,932)
		<u>2,740,285</u>	<u>2,043,377</u>
NET CURRENT ASSETS		2,740,285	2,043,377
NET ASSETS		2,745,610	2,057,069
CAPITAL AND RESERVES			
Called up share capital	12	127,297	127,297
Share premium account		1,168,080	1,168,080
Profit and loss account	14	1,450,233	761,692
		<u>2,745,610</u>	<u>2,057,069</u>
TOTAL SHAREHOLDERS' FUNDS		2,745,610	2,057,069
– EQUITY INTERESTS	15	<u>2,745,610</u>	<u>2,057,069</u>

These financial statements were approved by the Board of Directors on 28 March 2008.

Signed on behalf of the Board of Directors.

J M Maguire

CASH FLOW STATEMENT**Year ended 31 December 2007**

	<i>Note</i>	2007 £	2006 £
Net cash inflow			
from operating activities	16	855,123	823,903
Returns on investments and servicing of finance			
Interest received and similar income		61,462	51,351
Interest paid and similar charges	5	(9,715)	(39,543)
Taxation paid		(270,747)	(2,560)
Net cash inflow before investing		<u>636,123</u>	<u>833,151</u>
Capital expenditure			
Purchase of tangible assets		–	(9,675)
Net cash inflow and increase in cash		<u><u>636,123</u></u>	<u><u>823,476</u></u>

RECONCILIATION OF CASH FLOW MOVEMENTS

	2007 £	2006 £
Increase in cash in the year	636,123	823,476
Opening net position	1,797,459	973,983
Closing net cash	<u><u>2,433,582</u></u>	<u><u>1,797,459</u></u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared under the historical cost convention. The Company has a subsidiary undertaking, Europe-Steel Services Limited, which has an issued share capital of £2 and has not traded since its incorporation in 2000. Consolidated financial statements have not been prepared as the subsidiary undertaking is considered to be immaterial to the Group.

Accounting policies

The financial statements are prepared in accordance with applicable UK accounting standards. The particular accounting policies adopted are described below.

Turnover

Turnover represents sales of steel products invoiced to external customers, excluding value added tax.

Tangible fixed assets

Depreciation is provided on an equal annual instalment basis over the anticipated useful working lives of the assets at the following rate:

Office equipment - at 33% on cost.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment to their carrying value.

Stocks

Stocks are stated at the lower of cost incurred in bringing products to their present location and condition and net realisable value.

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. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more than likely that there will be taxable profits to recover them against in the future.

Foreign Exchange

Transactions denominated in foreign currencies are translated into sterling at average rates of exchange ruling during the periods in which the transactions occurred.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date.

Liquid Resources

For the purposes of the Cash Flow Statement liquid resources are defined as cash at bank and bank overdrafts.

Leases

Rentals payable under operating leases are charged to income on a straightline basis over the term of the relevant lease.

Lease incentives are recognised in the income statement as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

Pensions

The Company contributes to defined contribution pensions policies individually held by directors and staff. Contributions to these funds are charged to the profit and loss account as and when they are due.

NOTES TO THE ACCOUNTS (continued)

Year ended 31 December 2007

2. TURNOVER

by destination	2007	2006
	£	£
Middle East	52,178,700	18,335,587
European Union	14,622,282	27,903,382
Africa	4,435,587	5,463,744
	<u>71,236,569</u>	<u>51,702,713</u>

The total turnover of the Company for the year has been derived from its principal activity of sales of steel products sourced from Russia.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2007	2006
	£	£
Directors' emoluments	<u>237,836</u>	<u>216,311</u>
Emoluments of the chairman	25,992	20,000
Emoluments of the highest paid director	<u>124,832</u>	<u>109,635</u>
Average number of people employed	No.	No.
Management	6	6
Administration	1	2
	<u>7</u>	<u>8</u>
Staff costs during the year (including directors)	£	£
Wages and salaries	361,888	443,023
Social Security costs	45,589	51,787
Pension cost - defined contribution scheme	902	-
	<u>408,379</u>	<u>494,810</u>

4. OPERATING PROFIT

	2007	2006
	£	£
Operating profit is after charging:		
Depreciation of owned tangible fixed assets	8,367	8,009
Auditors' remuneration - audit services	11,000	8,750
Loss on foreign currency	18,217	92,386
Operating lease - rent	71,750	115,314
Moscow representative office costs	113,432	-
	<u>222,766</u>	<u>314,459</u>

5. INTEREST PAID

	2007	2006
	£	£
Interest paid and similar charges	<u>9,715</u>	<u>39,543</u>

Interest paid and similar charges comprise bank interest, discount costs and related charges.

NOTES TO THE ACCOUNTS (continued)

Year ended 31 December 2007

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2007	2006
	£	£
United Kingdom corporation tax at 30% (2006: 30%)	279,604	270,746
Deferred tax	(958)	2,461
Current tax charge	<u>278,646</u>	<u>273,207</u>

Factors affecting the tax charge for the year

The tax assessed for the year differs to the effective rate of corporation tax in the UK.

The differences are explained below:

Profit on ordinary activities before taxation	<u>967,187</u>	<u>958,057</u>
Profit on ordinary activities multiplied by the applicable rate of corporation tax in the UK of 30% (2006: 30%)	290,156	287,418
Effect of:		
Capital allowances in excess of depreciation	958	(247)
Tax losses utilised	-	(2,155)
Other adjustments - disallowed items	1,899	783
Marginal relief	(13,409)	(15,053)
Current tax charge for the year	<u>279,604</u>	<u>270,746</u>

Factors that may affect future tax charges

The Company has unrelieved tax losses of £nil (2006 - £nil), accelerated capital allowances of £15,517 (2006 - £20,690) that are available for offset against future suitable trading profits of the company.

7. DEFERRED TAX

	2007	2006
	£	£
The deferred tax asset is as follows:		
Accelerated capital allowances	<u>3,058</u>	<u>2,100</u>

At 31 December 2007 a deferred tax asset has been recognised to the extent that it is regarded as recoverable on the basis that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

NOTES TO THE ACCOUNTS (continued)

Year ended 31 December 2007

8. TANGIBLE FIXED ASSETS

	Office equipment £
Cost:	
At 1 January 2007	28,525
Additions	–
At 31 December 2007	<u>28,525</u>
Accumulated depreciation:	
At 1 January 2007	14,835
Charge for the year	8,367
At 31 December 2007	<u>23,202</u>
Net book value:	
At 31 December 2007	<u>5,323</u>
At 31 December 2006	<u>13,690</u>

9. INVESTMENT

	2007	2006
	£	£
Shares in subsidiary undertaking:		
At 31 December	<u>2</u>	<u>2</u>

The shares in subsidiary undertaking relates to 100% of the ordinary shares issued and voting rights of Europe-Steel Services Limited, a company which is registered in England and Wales and has yet to commence trading.

10. DEBTORS

	2007	2006
	£	£
Amounts falling due within one year:		
Trade debtors	4,561,510	104,688
Deferred tax (Note 7)	3,058	2,100
Other debtors	148,508	163,758
Prepayments	4,963	57,907
	<u>4,718,039</u>	<u>328,453</u>
Amounts falling due after more than one year:		
Other debtors	<u>452,397</u>	<u>452,397</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007	2006
	£	£
Trade creditors	4,471,572	161,076
Amounts owing to subsidiary undertaking	2	2
Other creditors	–	4,811
Other taxation and social security	57,074	29,016
Corporation tax	279,604	270,747
Accruals and deferred income	55,481	69,280
	<u>4,863,733</u>	<u>534,932</u>

NOTES TO THE ACCOUNTS (continued)

Year ended 31 December 2007

12. CALLED UP SHARE CAPITAL

	2007 and 2006 Number	2007 and 2006 £
Authorised:		
Ordinary shares of 1p each	<u>100,000,000</u>	<u>1,000,000</u>
Issued:		
Called up, allotted and fully paid:		
Ordinary shares of 1p each	<u>12,729,700</u>	<u>127,297</u>

By an Ordinary Resolution passed on 22 June 2004, the Directors are generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 to allot relevant securities up to an aggregate nominal amount of £200,000, such authority to expire on the conclusion of the Annual General Meeting of the Company to be held in 2009 except that the Company may at any time prior to the expiry of such authority make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such period and the Directors may allot relevant securities in pursuance of any such offer or agreement as if such authority had not expired.

By a Special Resolution passed on 22 June 2004, the Directors are empowered pursuant to section 95(1) of the Act to allot equity securities (as defined by section 94 of the Act), pursuant to the authority referred to in the preceding paragraph as if section 89(1) of the Act did not apply to any such allotment.

By a Special Resolution passed on 3 September 2007, the Directors were granted authority to make market purchases of up to 1,500,000 ordinary shares of the Company at a maximum price of 105% of the average of the middle market closing prices as derived from the Plus market quoted price service for the five business days immediately preceding the date on which the ordinary share is purchased. No such purchases had been made to date.

SHARE OPTIONS

The following options to subscribe for ordinary shares granted under the Executive Share Option Scheme to one employee were outstanding at 31 December 2007:

Year of grant	Exercise period	Exercise price per share	2007 Number
2002	05.01.04 – 04.01.08	60.5p	50,000

Since 31 December 2007, no new options have been granted.

13. EARNINGS PER ORDINARY SHARE

	2007	2006
Earnings per ordinary share – basic and diluted	<u>5.41p</u>	<u>5.38p</u>

For the year to 31 December 2007 the calculation of basic earnings per share is based on the profit after taxation of £688,541 (2006: £684,850) and on 12,729,700 (2006: 12,729,700) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

14. STATEMENT OF MOVEMENTS ON RESERVES

	2007 £	2006 £
Profit retained for the year	688,541	684,850
Profit and loss account brought forward	<u>761,692</u>	<u>76,842</u>
At 31 December	<u>1,450,233</u>	<u>761,692</u>

NOTES TO THE ACCOUNTS (continued)
Year ended 31 December 2007
15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007	2006
	£	£
Opening shareholders' funds	2,057,069	1,372,219
Profit for the financial year	688,541	684,850
Closing shareholders' funds	<u>2,745,610</u>	<u>2,057,069</u>

16. CASH FLOW STATEMENT
Reconciliation of operating profit to net cash flow from operating activities

	2007	2006
	£	£
Operating profit	915,440	946,249
Depreciation charge	8,367	8,009
Decrease in stock	–	451,204
Increase in debtors	(4,388,628)	(86,796)
Increase/(decrease) in creditors	<u>4,319,944</u>	<u>(494,763)</u>
Net cash inflow from operating activities	<u>855,123</u>	<u>823,903</u>

17. FINANCIAL INSTRUMENTS

The Company's trading activities are funded by shareholders' funds and bank financing. The Company does not trade in financial instruments.

The Company's treasury policies and debt financing operations are:

- (i) Funds generated by trading activities, surplus to immediate financing requirements, are held on either current accounts or short term deposit accounts until required to settle liabilities;
- (ii) A Security Agreement with its principal banker, entered into on 10 April 2003, under which, in consideration for the bank agreeing to finance, at its complete discretion, the purchase and sale of goods by the Company from time to time, the Company has assigned all its monies, receivables and insurances and pledged all its goods and other instruments of value in respect of any indebtedness of the Company to the bank.

The Company's maximum level of indebtedness to its banker under this security arrangement during 2007 was £3,551,336 (2006: £4,648,598) and at 31 December 2007 it was £nil (2006: £nil).

(a) Currency and interest rate risk

The Company publishes its financial statements in sterling, which is also the currency in which the majority of its administrative expenses are denominated. The Company has an exposure to currency risk, as its trading operations to gross profit level, together with the related current assets and liabilities, are principally denominated in US dollars, with some transactions denominated in Euros. The Company's bank accounts are denominated in sterling, US dollars and Euros. As a result, the Company was subject to foreign currency gains and losses due to exchange rate movements between these currencies that affected transaction costs and the translation of the results and underlying net assets of the Company.

In preparing the financial statements, US dollar transactions have been translated into sterling at average rates of exchange ruling during the periods in which the transactions occurred; in 2007, these ranged from \$1.94 to \$2.07 (2006: \$1.75 – \$1.96). The exchange rate ruling at the balance sheet date was US\$2.00 (2006: \$1.96).

The sterling/Euro exchange rate used during the year was €0.68; (2006: €0.67). The exchange rate ruling at the balance sheet date was €0.74 (2006: €0.67).

NOTES TO THE ACCOUNTS (continued)

Year ended 31 December 2007

17. FINANCIAL INSTRUMENTS (continued)

At 31 December 2007, the currency and interest rate profile of the financial assets and liabilities of the Company were as follows:

	2007 Floating Rate £	2006 Floating Rate £
Financial Assets		
Sterling	909,520	131,777
Euro	30,445	746
US dollar	1,486,077	1,664,936
Russian Rubles	7,540	–
	<u>2,433,582</u>	<u>1,797,459</u>
Financial Liabilities		
Sterling	34,965	–
US dollar	4,436,607	–
	<u>4,471,572</u>	<u>–</u>

Interest rates on floating rate bank deposits and liabilities are based on the relevant national inter bank offered rates. The Company has no fixed interest rate assets and liabilities.

(b) Fair value of financial assets and liabilities

The estimated fair values of the Company's financial assets and liabilities have been calculated and presented in the financial statements on the basis that the cash and bank overdrafts are all cash items.

(c) Undrawn borrowing facilities

The Company has no committed bank borrowing facilities. Trade finance is negotiated on a transaction by transaction basis under the terms and conditions of the trade finance security debt instrument described in paragraph (ii) above.

(d) Maturity of financial liabilities

The Company's financial liabilities are repayable on demand.

18. CAPITAL COMMITMENTS

At 31 December 2007, the Company had no capital commitments.

19. CONTINGENT LIABILITIES

At 31 December 2007, the Company had no contingent liabilities.

20. FINANCIAL COMMITMENTS

At 31 December 2007, the Company was committed to making the following payments under non-cancellable operating leases.

	2007 £	Land and Building 2006 £
Operating leases which expire:		
In over five years		
2007 – 2017 (per annum)	<u>385,000</u>	<u>385,000</u>

NOTES TO THE ACCOUNTS (continued)

Year ended 31 December 2007

21. RELATED PARTY TRANSACTIONS

During the year the following related party transactions took place:

The Company has included in these financial statements £7,630 (2006: £39,266) paid to GNE Group plc, a former shareholder in the Company, for the provision of management and related services.

The Company's sole source of steel supplies is Ural Steel, a Russian steel entity controlled by Mr. Alisher Usmanov, a beneficial shareholder of GNE Group plc. Mr Usmanov was a director of GNE Group plc until 31 March 2006. Europe Steel plc was an associated undertaking of GNE Group plc until 18 December 2006.

A F Moshiri, chief executive of Europe Steel plc until 7 March 2008, is a director of Gallagher Holdings Ltd, a Cyprus registered company which holds a controlling interest in the Company's steel supplier Ural Steel.

During the year, the Company invoiced Klaret Services (UK) Limited, a company controlled by Mr Usmanov, with property costs amounting to £500,445 (2006: £135,252) pursuant to an agreement between the parties to share costs. The amount outstanding in this respect at 31 December 2007 was £50,446 (2006: £99,536).

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 4 Curzon Square, London W1J 7FW at 11 a.m. on 16 May 2008 for the purposes of considering and, if thought fit, passing the following Ordinary and Special Resolutions:

Ordinary Business

1. To receive and adopt the Report of the Directors and the Financial Statements for the year ended 31 December 2007.
2. To re-elect The Rt Hon The Lord Owen as a Director of the Company.
3. To re-elect P J Kevans as a Director of the Company.
4. To re-appoint Mazars LLP as Auditors and to authorise the Directors to agree their remuneration.

Special business

5. That the Company is hereby granted general and unconditional authority pursuant to Section 166 of the Companies Act 1985 (as amended) (the "Act") to make one or more market purchases (as defined in Section 163 (3) of the Act) of any of its ordinary shares on such terms and in such manner as the Board of Directors of the Company may from time to time determine, provided that:
 - (i) unless previously revoked, varied or renewed, such authority shall expire, at whichever is earlier of the conclusion of the Annual General Meeting of the Company to be held in 2009 and 3 September 2009, provided that the Company may before the expiry of this authority enter into any contract for the purchase of its own ordinary shares which would or might be executed wholly or partly after the expiry of such authority and in any such case the Company may make purchases of its own shares under any such contract after the expiry of this authority as if such authority had not expired;
 - (ii) the maximum aggregate number of such ordinary shares which may be purchased under this authority is 1,500,000;
 - (iii) the minimum price which may be paid for an ordinary share shall be 1p and the maximum price which may be paid for an ordinary share shall be an amount equal to 105% of the average of the middle market closing prices for an ordinary share in the Company as derived from the PLUS Market quoted price service for the five business days immediately preceding the day on which the ordinary share is purchased (in each case exclusive of expenses payable by the Company); and
 - (iv) this authority shall only be capable of variation, revocation or renewal by the Company in General Meeting by Special Resolution.

On behalf of the Board

J M Maguire
Director and Secretary
4 Curzon Square
London W1J 7FW
28 March 2008

Notes:

1. As a shareholder of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at an annual general meeting of the Company. A proxy need not be a member of the Company.

- 2 In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any joint holders. For these purposes, seniority shall be determined by the order of the names appearing in the register of members in respect of the joint holding.
- 3 In the case of a corporation, the form of proxy must be executed under its common seal or signed on its behalf by a duly authorised attorney or duly authorised officer of the corporation.
- 4 To be valid, such proxy card and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney must be deposited with the registrars of the Company, Capita Registrars, The Proxy Department, PO BOX 25, Beckenham, Kent BR3 4TU, in accordance with the instructions printed thereon, so as to be received no later than 48 hours before the time of the meeting, or any adjournment thereof.
- 5 The completion and return of a proxy card will not affect the right of a member to attend, speak and vote in person at the meeting convened by this notice.
- 6 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the registrars of the Company, Capita Registrars, The Proxy Department, PO BOX 25, Beckenham, Kent BR3 4TU.
- 7 To direct your proxy how to vote on the resolutions mark the appropriate box with an “X”. To abstain from voting on a resolution, select the relevant “withheld” box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
- 8 Pursuant to regulation 41 of The Uncertificated Securities Regulations 2001, members will be entitled to attend and vote at the meeting if they are registered on the Company’s register of members 48 hours before the time appointed for the meeting or any adjournment thereof.