

STEEL & ALLOY HOLDINGS LIMITED
REPORT OF THE DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2011

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COMPANIES HOUSE

Worton Rock Limited
Chartered Accountants
Statutory Auditor
Churchfield House
36 Vicar Street
Dudley
West Midlands
DY2 8RG

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FOR THE YEAR ENDED 31ST MARCH 2011**

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STEEL & ALLOY HOLDINGS LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31ST MARCH 2011

DIRECTORS:	M T Cooper J A Ashwell M D Ashwell Dr S G Ashwell P J Whitehouse Dr G K Ashwell M Green
SECRETARY:	P J Whitehouse
REGISTERED OFFICE:	Trafalgar Works Union Street West Bromwich West Midlands B70 6BZ
REGISTERED NUMBER:	3326521 (England and Wales)
AUDITORS:	Worton Rock Limited Chartered Accountants Statutory Auditor Churchfield House 36 Vicar Street Dudley West Midlands DY2 8RG
BANKERS:	Barclays Bank P0 Box 3333 15 Colmore Row Birmingham B3 2WN

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST MARCH 2011**

The directors present their report with the financial statements of the company and the group for the year ended 31st March 2011

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of processing and distribution of steel strip mill products for the supply mainly to the automotive industry in the United Kingdom and Turkey through its subsidiaries, Steel & Alloy Processing Limited (100%) and Steel Alloy Celik Isleme San Ve Tic A S ("S&A Türkiye") (80%)

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

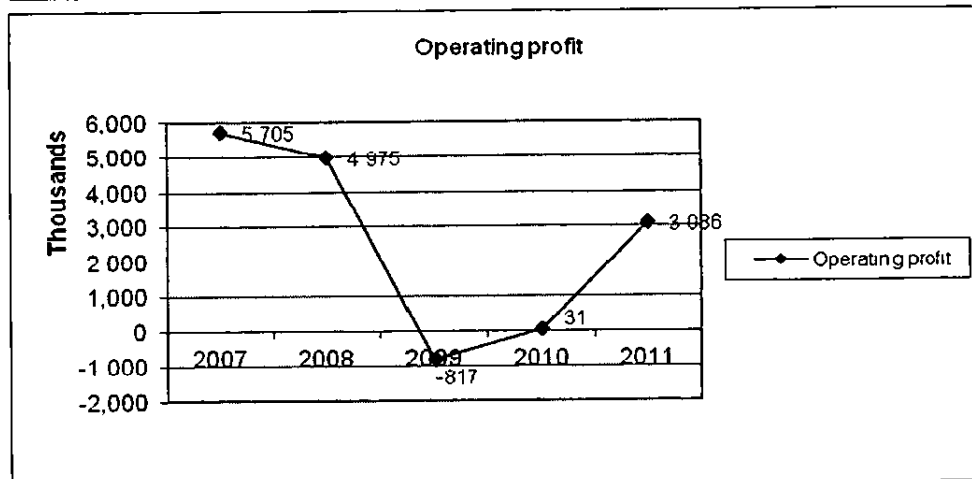
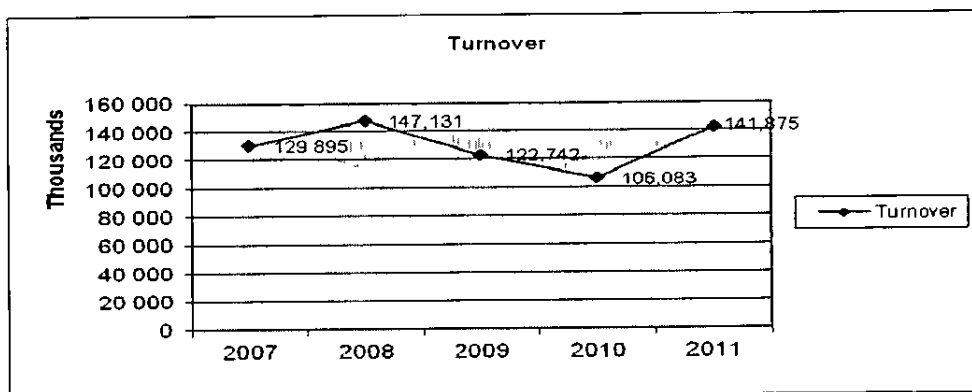
The intention of this review is to portray a balanced and comprehensive summary of the development and performance of Steel & Alloy Holdings Limited, consistent with the size and relatively uncomplicated nature of the business against the background of any risks and uncertainties that may exist. In doing so, the Directors have taken into account only such facts and circumstances of which we are aware at the date of this report

There has been no fundamental change in the principal activity of the Group and no significant shifts in the customer base and sources of supply of the Group

The Group operates out of five main sites, three in the West Midlands, one in the North East of England plus the facility in Turkey. There is also a distribution centre that Steel & Alloy Processing operates on customer premises in the West Midlands

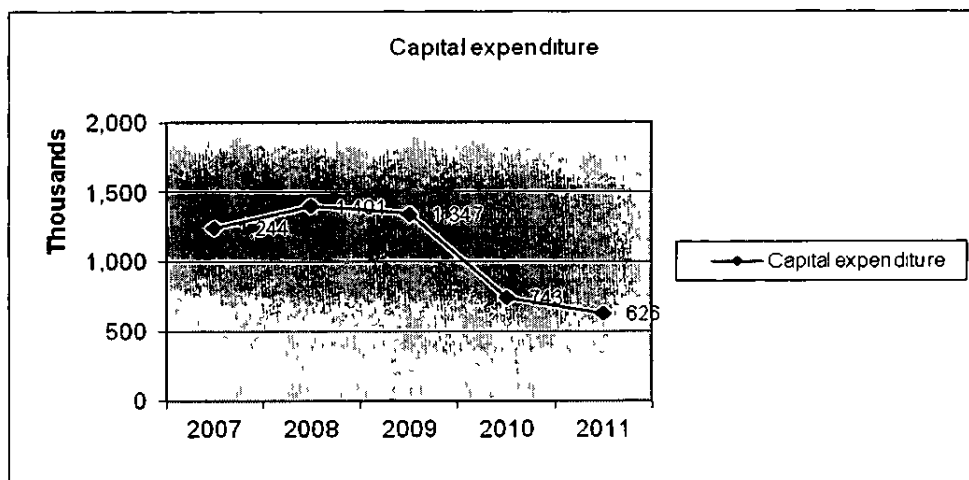
The primary processing activities comprise slitting, multi-strand blanking, press blanking and shearing. The business capability also lies in supply chain management, enabling the delivery of product to customers on a just in time basis

PERFORMANCE



**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST MARCH 2011**

It is the key objective of the Group to achieve growth in Turnover and Operating Profit through mutually successful long term partnerships with both customers and suppliers. The Group is committed to delivering the highest standards of customer service and satisfaction and to continuous improvement in all aspects of the business.



Capital Expenditure is targeted towards keeping the Group at the leading edge of processing capability, maintaining effective capacity to meet demand and ensuring the safe operation of our facilities.

The key financial performance indicators are Turnover, Operating Profit, Cash Flow and Return on Net Assets (Operating Profit as a percentage of Net Assets as at the Balance Sheet date). The results for the year are the consequence of a steady improvement in trading conditions following the worst recession in living memory. Trading levels have shown steady recovery of the automotive industry throughout the year from the depths of the financial crisis. This has created good year on year improvement which we seek to continue. Decisive actions in 2009 which were continued in 2010 promoted by Management and carried through by the whole team have contributed to the business being in a much better position to take advantage of recovery in the industry. The Directors would like to record their thanks to all our colleagues for their efforts, support and loyalty to the Group during this challenging period and we look forward to their on-going future support of the business. In Turkey as we develop the business with new customers, volume continues to grow, but volatility in exchange rate and the steel market price has meant that Turkey made a small loss during the year.

	2011 £	2010 £	Net change
Turnover	141,875,274	106,083,029	33.7%
Operating profit	3,086,398	30,683	9958.9%
Cash flow	(5,795,336)	(1,751,684)	-230.8%
Return on net assets	11.79%	0.1%	11.69%

Turnover is the product of two main variables: volume of goods supplied and price. In the year under review, sales increased by 33.7% an excellent result while average prices increased mainly as a consequence of rising raw material costs being passed through to customers.

Operating Profit improved by 9958.9% as a result of increased volumes, cost reductions and internal efficiencies although there is still pressure on margins caused by increasing material prices suffered during the year and volatile market price conditions in Turkey.

The Directors give the highest priority to the safety and welfare of our colleagues and the Group has achieved on-going reduction in accidents and the severity of those incidents through the promotion of safe working practices and awareness.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST MARCH 2011**

The working capital requirement of the Group has grown in line with volume growth seen during the year, this created a considerable net cash outflow. The net cash position at the year end is adequate for the future requirements of the Group, including projected working capital requirements and the financial strength of the Balance Sheet remains fundamentally sound.

The change in the Return on Net Assets reflects both the profit performance of the Group and the improved efficiency of Net Asset utilisation.

RISK AND UNCERTAINTIES

The level of demand for motor vehicles and steel strip mill products to build them remains a concern for the immediate future although the recovery in the UK has been maintained so far in 2011. It is to be hoped that expenditure cuts in the public sector and unfounded comments in the media do not bring about the "double-dip" recession in the automotive industry. Current and predicted levels of demand for steel and for the constituent raw materials in the global market make it seem likely that prices will continue to rise in the short term. Trading results in Turkey remain disappointing but we continue to introduce new customers and grow volumes. The strong Balance Sheet and lean operating base will enable the Group to take advantage of market recovery and to seek further opportunities to grow the business in both territories.

The success of the business is partly dependent on developments in the UK and European Automotive industry, the global steel producing sector as well as the general economic situation. The Directors and Senior Management aim to keep informed of market conditions and trends, adapting business strategies to reflect changes in circumstances. Swift and decisive actions were taken in the previous financial year to reduce the operating costs and structures as appropriate while retaining fundamental capabilities and tight control of cost has been maintained since that time.

Consolidation within the steel industry has changed the dynamics of the market place with the main producers able to exert greater influence on supply and demand than was once the case. Availability of material to meet the requirements of our UK automotive customers will continue to be a further significant factor in the future performance of the Group, given the competing demands from other sectors (e.g. building products) and regions (e.g. China and India). This situation is also influenced by the pressure exerted by suppliers of the constituent raw materials and services involved in steel making.

The Group undertakes regular reviews of the principal risks facing the business and wherever possible processes are in place to monitor and mitigate such risks. Note 18 to the financial statements gives details of the risks and management practices that apply to mitigate those risks. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully given the current economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue successful operations for the foreseeable future. Accordingly, as in previous years they have adopted the going concern basis in preparing the annual report and accounts.

CONCLUSION

Although there is some degree of uncertainty surrounding the strength of the economic recovery in general the UK automotive sector in particular has shown good recovery, the Directors remain optimistic about the prospects for the future and are confident that the Group is in good shape to take advantage of any opportunities as they arise. The Group has maintained its industry approvals in respect of the UK operations, TS16949 and ISO 9001 Quality standards, ISO 14001 Environmental standard, Investors in People award, and certification to OHSAS 18001 for Health & Safety. TS16949 Quality standard has also been achieved by S&A Türkiye.

In summary, the Directors believe that the Group is more than capable of coping with present market conditions, is well placed in terms of its trading partnerships with both customers and suppliers and has a sound financial and operational structure to achieve future success.

DIVIDENDS

An interim dividend of 1.19p per share was paid on the C Ordinary Shares 26p shares on 30th June 2010. No dividends were paid on any other classes of shares.

The total distribution of dividends for the year ended 31st March 2011 will be £5,000.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST MARCH 2011**

FIXED ASSETS

In the opinion of the directors there is no significant difference between the present market value of the Group's properties and the amounts at which they are stated in the accounts. Details are set out in note 10.

FUTURE DEVELOPMENTS

Market conditions in the UK automotive components sector remain generally depressed although the worst impacts in terms of demand for steel appear to have passed. The Directors are reasonably optimistic about prospects for improved sales volumes in the short and medium term.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1st April 2010 to the date of this report.

M T Cooper
J A Ashwell
M D Ashwell
Dr S G Ashwell

Other changes in directors holding office are as follows:

A Roberts - resigned 14th October 2010
P J Whitehouse - appointed 31st March 2011
Dr G K Ashwell - appointed 10th January 2011
M Green - appointed 10th January 2011

D R Johnson ceased to be a director after 31st March 2011 but prior to the date of this report.

GROUP'S POLICY ON PAYMENT OF CREDITORS

The Group agrees payment terms with its suppliers at the time it enters into binding purchasing contracts for the supply of goods and services. Its suppliers are, in that way, made aware of these terms. The group seeks to abide by these payment terms whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST MARCH 2011**

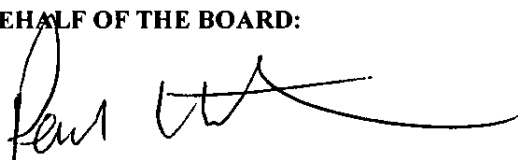
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information

AUDITORS

The auditors, Worton Rock Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to read 'P J Whitehouse', with a long horizontal flourish extending to the right.

P J Whitehouse - Director

18th January 2012

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF STEEL & ALLOY HOLDINGS LIMITED

We have audited the financial statements of Steel & Alloy Holdings Limited for the year ended 31st March 2011 on pages eight to thirty one. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 a Report of the Auditors 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 explained more fully in the Statement of Directors' Responsibilities set out on page five, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31st March 2011 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Worton Rock Limited

Peter Trinham (Senior Statutory Auditor)
for and on behalf of Worton Rock Limited
Chartered Accountants
Statutory Auditor
Churchfield House
36 Vicar Street
Dudley
West Midlands
DY2 8RG

18th January 2012

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER: 3326521)

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2011**

	Notes	2011 £	2010 £
TURNOVER	2	141,875,274	106,083,029
Cost of sales		<u>132,787,704</u>	<u>99,945,918</u>
GROSS PROFIT		9,087,570	6,137,111
Administrative expenses		<u>6,163,896</u>	<u>6,332,510</u>
		2,923,674	(195,399)
Other operating income		<u>162,724</u>	<u>226,082</u>
OPERATING PROFIT	4	3,086,398	30,683
Interest receivable and similar income	5	<u>15,611</u>	<u>290,313</u>
		3,102,009	320,996
Interest payable and similar charges	6	<u>626,630</u>	<u>245,999</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,475,379	74,997
Tax on profit on ordinary activities	7	<u>1,157,634</u>	<u>147,501</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION		1,317,745	(72,504)
Minority interest - equity		<u>(153,836)</u>	<u>(113,979)</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR FOR THE GROUP		<u>1,471,581</u>	<u>41,475</u>

CONTINUING OPERATIONS

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

The notes form part of these financial statements

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER: 3326521)
CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31ST MARCH 2011

	2011 £	2010 £
PROFIT FOR THE FINANCIAL YEAR	1,471,581	41,475
Currency translation differences	<u>72,020</u>	<u>(14,752)</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u><u>1,543,601</u></u>	<u><u>26,723</u></u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

The difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis is not material

The notes form part of these financial statements

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER: 3326521)

**CONSOLIDATED BALANCE SHEET
31ST MARCH 2011**

	Notes	2011 £	2010 £
FIXED ASSETS			
Tangible assets	10	8,126,973	8,961,966
Investments	11	<u>-</u>	<u>-</u>
		8,126,973	8,961,966
CURRENT ASSETS			
Stocks	12	13,588,295	11,177,141
Debtors	13	32,052,858	16,767,367
Investments	14	-	11,000
Cash at bank and in hand		<u>2,439,344</u>	<u>8,223,680</u>
		48,080,497	36,179,188
CREDITORS			
Amounts falling due within one year	15	<u>29,852,134</u>	<u>20,232,049</u>
NET CURRENT ASSETS		<u>18,228,363</u>	<u>15,947,139</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		26,355,336	24,909,105
CREDITORS			
Amounts falling due after more than one year	16	(141,896)	-
PROVISIONS FOR LIABILITIES	19	(381,048)	(461,478)
MINORITY INTERESTS	20	<u>334,994</u>	<u>181,158</u>
NET ASSETS		<u>26,167,386</u>	<u>24,628,785</u>
CAPITAL AND RESERVES			
Called up share capital	21	194,971	194,971
Revaluation reserve	22	760,916	760,916
Other reserves	22	48,674	(23,346)
Profit and loss account	22	<u>25,162,825</u>	<u>23,696,244</u>
SHAREHOLDERS' FUNDS	27	<u>26,167,386</u>	<u>24,628,785</u>

The financial statements were approved by the Board of Directors on 18th January 2012 and were signed on its behalf by



M T Cooper - Director

The notes form part of these financial statements

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER: 3326521)

**COMPANY BALANCE SHEET
31ST MARCH 2011**

	Notes	2011 £	2010 £
FIXED ASSETS			
Tangible assets	10	959,138	1,017,264
Investments	11	<u>210,000</u>	<u>210,000</u>
		1,169,138	1,227,264
CURRENT ASSETS			
Debtors	13	-	5,963,025
Investments	14	-	11,000
Cash at bank		<u>1,167,400</u>	<u>1,334,832</u>
		1,167,400	7,308,857
CREDITORS			
Amounts falling due within one year	15	<u>1,125,437</u>	<u>7,115,819</u>
NET CURRENT ASSETS		<u>41,963</u>	<u>193,038</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,211,101	1,420,302
PROVISIONS FOR LIABILITIES	19	<u>124</u>	<u>918</u>
NET ASSETS		<u><u>1,210,977</u></u>	<u><u>1,419,384</u></u>
CAPITAL AND RESERVES			
Called up share capital	21	194,971	194,971
Profit and loss account	22	<u>1,016,006</u>	<u>1,224,413</u>
SHAREHOLDERS' FUNDS	27	<u><u>1,210,977</u></u>	<u><u>1,419,384</u></u>

The financial statements were approved by the Board of Directors on 18th January 2012 and were signed on its behalf by



M T Cooper - Director

The notes form part of these financial statements

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER 3326521)

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2011**

	Notes	2011 £	2010 £
Net cash (outflow)/inflow from operating activities	1	(4,929,765)	14,716,720
Returns on investments and servicing of finance	2	(32,065)	(271,802)
Taxation		(380,319)	(470,151)
Capital expenditure and financial investment	2	(520,207)	(711,699)
Acquisitions and disposals	2	72,020	(14,752)
Equity dividends paid		<u>(5,000)</u>	<u>-</u>
		(5,795,336)	13,248,316
Management of liquid resources	2	11,000	(11,000)
Financing	2	<u>-</u>	<u>(15,000,000)</u>
Decrease in cash in the period		<u><u>(5,784,336)</u></u>	<u><u>(1,762,684)</u></u>
Reconciliation of net cash flow to movement in net funds	3		
Decrease in cash in the period		(5,784,336)	(1,762,684)
Cash (inflow)/outflow from (decrease)/increase in liquid resources		<u>(11,000)</u>	<u>11,000</u>
Change in net funds resulting from cash flows		<u>(5,795,336)</u>	<u>(1,751,684)</u>
Movement in net funds in the period		(5,795,336)	(1,751,684)
Net funds at 1st April		<u>8,234,680</u>	<u>9,986,364</u>
Net funds at 31st March		<u><u>2,439,344</u></u>	<u><u>8,234,680</u></u>

The notes form part of these financial statements

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER 3326521)

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2011**

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

	2011 £	2010 £
Operating profit	3,086,398	30,683
Depreciation charges	1,364,429	1,413,640
Profit on disposal of fixed assets	(9,229)	(3,919)
Exchange difference on consolidation	(578,954)	316,116
(Increase)/Decrease in stocks	(2,411,154)	3,186,482
Increase in debtors	(15,352,999)	(1,444,191)
Increase in creditors	<u>8,971,744</u>	<u>11,217,909</u>
Net cash (outflow)/inflow from operating activities	<u>(4,929,765)</u>	<u>14,716,720</u>

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

	2011 £	2010 £
Returns on investments and servicing of finance		
Interest received	15,611	45,448
Interest paid	(89,983)	(245,999)
Exchange gain on investments	<u>42,307</u>	<u>(71,251)</u>
Net cash outflow for returns on investments and servicing of finance	<u>(32,065)</u>	<u>(271,802)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(626,305)	(744,112)
Sale of tangible fixed assets	21,315	63,084
Exchange differences on fixed assets	<u>84,783</u>	<u>(30,671)</u>
Net cash outflow for capital expenditure and financial investment	<u>(520,207)</u>	<u>(711,699)</u>
Acquisitions and disposals		
Sale of fixed asset investments		
Exchange difference re subsidiary	<u>72,020</u>	<u>(14,752)</u>
Net cash inflow/(outflow) for acquisitions and disposals	<u>72,020</u>	<u>(14,752)</u>
Management of liquid resources		
Current asset investment	<u>11,000</u>	<u>(11,000)</u>
Net cash inflow/(outflow) from management of liquid resources	<u>11,000</u>	<u>(11,000)</u>
Financing		
Share buyback	<u>-</u>	<u>(15,000,000)</u>
Net cash outflow from financing	<u>-</u>	<u>(15,000,000)</u>

The notes form part of these financial statements

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER: 3326521)

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2011**

3 ANALYSIS OF CHANGES IN NET FUNDS

	At 1/4/10 £	Cash flow £	At 31/3/11 £
Net cash			
Cash at bank and in hand	<u>8,223,680</u>	<u>(5,784,336)</u>	<u>2,439,344</u>
	<u>8,223,680</u>	<u>(5,784,336)</u>	<u>2,439,344</u>
Liquid resources			
Current asset investments	<u>11,000</u>	<u>(11,000)</u>	<u>-</u>
	<u>11,000</u>	<u>(11,000)</u>	<u>-</u>
Total	<u>8,234,680</u>	<u>(5,795,336)</u>	<u>2,439,344</u>

The notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2011

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and are in accordance with applicable accounting standards

Basis of consolidation

The group's financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31st March each year. The results of the subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passes. Acquisitions are accounted for under the acquisition method.

The profit and loss account of the parent company is not separately shown in these financial statements in accordance with the concession granted under section 230 of the Companies Act 1985.

Turnover

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

Tangible fixed assets

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Freehold land	No depreciation is provided
Freehold buildings	4% straight line basis
Leasehold land and buildings	Over the term of the lease
Plant and machinery	10%, 15% and 33% straight line
Motor vehicles	20% straight line
Fixtures and fittings	15%, 20% and 33% straight line

Plant and machinery includes tooling which has been depreciated at 33% straight line.

The group's policy is to carry all assets at historical cost, except land and buildings which have been included in the balance sheet at a valuation existing on 31st March 2000 when the group implemented FRS 15 for the first time.

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

Deferred tax

Deferred tax arises as a result of including items of income and expenditure in taxation computations in periods different from those in which they are included in the group's accounts. Deferred tax is provided in full on timing differences which result in an obligation to pay more (or less) tax at a future date, at the average tax rates that are expected to apply when the timing differences reverse, based on current tax rates and laws.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax provisions relating to industrial buildings have been reversed in the financial year end 31st March 2008, on the basis that following the phasing out of IBA's, any allowances claimed to date will be unrepayable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2011

1 ACCOUNTING POLICIES - continued

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction, or if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

The results of overseas operations are translated at the closing rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on consolidation of inter-company foreign currency loans are included in the profit and loss account. The exchange difference arising on the re-translation of opening net assets is taken directly to reserves.

Hire purchase and leasing commitments

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

Pension costs and other post-retirement benefits

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to the profit and loss account in the period to which they relate.

2 TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the group.

An analysis of turnover by geographical market is given below.

	2011 £	2010 £
United Kingdom	127,992,385	93,054,256
E C	2,613,091	1,787,169
Turkey	<u>11,269,798</u>	<u>11,241,604</u>
	<u>141,875,274</u>	<u>106,083,029</u>

3 STAFF COSTS

	2011 £	2010 £
Wages and salaries	5,409,065	5,835,282
Social security costs	498,037	574,349
Other pension costs	<u>135,430</u>	<u>106,268</u>
	<u>6,042,532</u>	<u>6,515,899</u>

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

	2011	2010
Production staff	113	101
Administration staff and directors	<u>59</u>	<u>59</u>
	<u>172</u>	<u>160</u>

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER 3326521)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2011**

4 OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	2011	2010
	£	£
Hire of plant and machinery	89,787	53,853
Depreciation - owned assets	1,364,429	1,413,640
Profit on disposal of fixed assets	(9,229)	(3,919)
Auditors' remuneration	38,279	44,326
Other fees paid to auditors	8,899	5,000
Included in auditors remuneration - fees paid to auditors for taxation services	4,000	4,000
Included in auditors remuneration - fees payable to company auditor for audit of parent company and group accounts	5,750	7,000
Included in auditors remuneration - fees payable to company auditor for the audit of company subsidiaries	28,529	33,326
Consideration paid to third parties for making available the services of non-executive director	<u>95,125</u>	<u>44,220</u>
 Directors' remuneration	 674,515	 1,176,009
Directors' pension contributions to money purchase schemes	<u>20,790</u>	<u>18,540</u>

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

Money purchase schemes	<u>2</u>	<u>2</u>
------------------------	----------	----------

Information regarding the highest paid director is as follows

	2011	2010
	£	£
Emoluments etc	365,025	614,031
Pension contributions to money purchase schemes	<u>9,270</u>	<u>9,270</u>

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	2011	2010
	£	£
Deposit account interest	13,433	40,050
Other interest received	2,178	5,398
Foreign exchange gains	<u>-</u>	<u>244,865</u>
	<u>15,611</u>	<u>290,313</u>

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2011	2010
	£	£
Bank and other interest	89,983	142,163
Bank loan interest	-	103,836
Foreign exchange differences	<u>536,647</u>	<u>-</u>
	<u>626,630</u>	<u>245,999</u>

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER· 3326521)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2011**

7 TAXATION

Analysis of the tax charge

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

	2011 £	2010 £
Current tax		
UK corporation tax	1,315,783	230,801
Under/over provision	<u>(77,719)</u>	<u>(2)</u>
Total current tax	1,238,064	230,799
Deferred tax	<u>(80,430)</u>	<u>(83,298)</u>
Tax on profit on ordinary activities	<u><u>1,157,634</u></u>	<u><u>147,501</u></u>

Factors affecting the tax charge

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

	2011 £	2010 £
Profit on ordinary activities before tax	<u><u>2,475,379</u></u>	<u><u>74,997</u></u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 27.875% (2010 - 28%)	690,012	20,999
Effects of		
Timing difference in respect of bank interest received	(3)	2,662
Expenses not deductible for tax purposes	80,467	14,228
Depreciation of non industrial buildings	12,664	12,720
Capital allowances for period less than/(in excess of) depreciation	117,300	106,572
Timing difference in respect of remuneration	39,551	-
Capital loss on sale of land	-	2,560
Exchange rate difference on consolidation	161,383	(88,512)
Losses in respect of overseas subsidiary	214,409	159,570
Overprovision in respect of previous years	<u>(77,719)</u>	<u>-</u>
Current tax charge	<u><u>1,238,064</u></u>	<u><u>230,799</u></u>

8 LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, 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 £(203,407) (2010 - £12,864,766 profit)

9 DIVIDENDS

	2011 £	2010 £
C Ordinary Shares shares of 26p each		
Interim	<u><u>5,000</u></u>	<u><u>-</u></u>

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER 3326521)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2011**

10 TANGIBLE FIXED ASSETS

Group

	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
COST OR VALUATION					
At 1st April 2010	6,603,467	15,560,314	1,254,750	433,405	23,851,936
Additions	10,586	421,316	109,447	84,956	626,305
Disposals	-	(5,462)	-	(116,476)	(121,938)
Exchange differences	(4,808)	(92,379)	(6,050)	-	(103,237)
At 31st March 2011	<u>6,609,245</u>	<u>15,883,789</u>	<u>1,358,147</u>	<u>401,885</u>	<u>24,253,066</u>
DEPRECIATION					
At 1st April 2010	2,772,632	10,737,078	1,119,861	260,399	14,889,970
Charge for year	231,902	993,915	59,894	78,718	1,364,429
Eliminated on disposal	-	(1,320)	-	(108,532)	(109,852)
Exchange differences	(796)	(15,062)	(2,596)	-	(18,454)
At 31st March 2011	<u>3,003,738</u>	<u>11,714,611</u>	<u>1,177,159</u>	<u>230,585</u>	<u>16,126,093</u>
NET BOOK VALUE					
At 31st March 2011	<u>3,605,507</u>	<u>4,169,178</u>	<u>180,988</u>	<u>171,300</u>	<u>8,126,973</u>
At 31st March 2010	<u>3,830,835</u>	<u>4,823,236</u>	<u>134,889</u>	<u>173,006</u>	<u>8,961,966</u>

Included in cost or valuation of land and buildings is freehold land of £939,865 (2010 - £939,865) which is not depreciated

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER: 3326521)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2011**

10 TANGIBLE FIXED ASSETS - continued

Group

	Freehold land and buildings £	Short leasehold property £	Total land and buildings £
COST OR VALUATION:			
At 1st April 2010	6,410,622	192,845	6,603,467
Additions	10,586	-	10,586
Exchange differences	-	(4,808)	(4,808)
At 31st March 2011	<u>6,421,208</u>	<u>188,037</u>	<u>6,609,245</u>
DEPRECIATION:			
At 1st April 2010	2,658,838	113,794	2,772,632
Charge for year	218,823	13,079	231,902
Exchange differences	-	(796)	(796)
At 31st March 2011	<u>2,877,661</u>	<u>126,077</u>	<u>3,003,738</u>
NET BOOK VALUE:			
At 31st March 2011	<u>3,543,547</u>	<u>61,960</u>	<u>3,605,507</u>
At 31st March 2010	<u>3,751,784</u>	<u>79,051</u>	<u>3,830,835</u>

At 31st March 2011 the carrying amount of tangible fixed assets reflects previous revaluations. The group is following the transitional provisions of FRS15 and the valuation has therefore not been updated. The date of the last valuation was 31st March 1989.

Cost or valuation at 31st March 2011 is represented by

	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
Valuation in 1989	950,000	-	-	-	950,000
Cost	<u>5,659,245</u>	<u>15,883,789</u>	<u>1,358,147</u>	<u>401,885</u>	<u>23,303,066</u>
	<u>6,609,245</u>	<u>15,883,789</u>	<u>1,358,147</u>	<u>401,885</u>	<u>24,253,066</u>

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER: 3326521)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2011**

10 TANGIBLE FIXED ASSETS - continued

Group

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

	2011 £	2010 £
Cost	<u>5,848,329</u>	<u>5,842,551</u>
Aggregate depreciation	<u>3,159,461</u>	<u>2,943,772</u>
Value of land in freehold land and buildings	<u>939,865</u>	<u>939,865</u>

Land and buildings were valued on an open market value basis on 31st March 1989 by Allsopp Cotton

Company

	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Totals £
COST				
At 1st April 2010 and 31st March 2011	<u>1,436,168</u>	<u>81,149</u>	<u>9,812</u>	<u>1,527,129</u>
DEPRECIATION				
At 1st April 2010	451,433	49,194	9,238	509,865
Charge for year	<u>49,440</u>	<u>8,112</u>	<u>574</u>	<u>58,126</u>
At 31st March 2011	<u>500,873</u>	<u>57,306</u>	<u>9,812</u>	<u>567,991</u>
NET BOOK VALUE				
At 31st March 2011	<u>935,295</u>	<u>23,843</u>	<u>-</u>	<u>959,138</u>
At 31st March 2010	<u>984,735</u>	<u>31,955</u>	<u>574</u>	<u>1,017,264</u>

Included in cost of land and buildings is freehold land of £200,000 (2010 - £200,000) which is not depreciated

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER: 3326521)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2011**

11 FIXED ASSET INVESTMENTS

Company	2011 £	2010 £
210,000 ordinary shares in Steel & Alloy Processing Limited, a wholly owned subsidiary registered in England	210,000	210,000
320,000 ordinary shares in Steel Alloy Celik, a wholly owned subsidiary registered in Turkey	-	-
	<u>210,000</u>	<u>210,000</u>

On 17th August 2007 the parent company acquired 100% of the issued share capital of Steel Alloy Celik for a consideration of £21,882. This comprised the issue of 5,000 ordinary shares of 10YTL each in the company. On 16th June 2008 Steel & Alloy Holdings Ltd sold 20% of their investment for a cash consideration of £4,376. On 21st July 2008 additional shares were issued in Steel Alloy Celik, increasing the total issued share capital to 400,000 ordinary shares of 10YTL each, and Steel & Alloy Holdings acquired 316,000 ordinary shares for £1,319,141. At the year end Steel & Alloy Holdings owned 80% of Steel Alloy Celik. A subsequent impairment review has been carried out reducing the investment in Steel Alloy Celik as the carrying amount is considered to be higher than the recoverable amount by £1,336,647.

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

Subsidiary

Steel & Alloy Processing Ltd

Nature of Business Process of strip metal products

Class of shares Ordinary

Holding 100%

Ensco 784 Ltd

Nature of Business In liquidation

Class of shares Ordinary

Holding 100%

Ensco 784 Ltd was owned by Steel & Alloy Processing Ltd, please refer to note 25 for further details regarding this investment

Steel & Alloy Celik

Nature of Business Process of strip metal products

Class of shares Ordinary

Holding 80%

12 STOCKS

	Group 2011 £	2010 £
Raw materials	8,809,937	7,250,365
Finished goods	4,778,358	3,926,776
	<u>13,588,295</u>	<u>11,177,141</u>

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER: 3326521)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2011**

13 DEBTORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Trade debtors	31,255,408	15,803,827	-	-
Amounts owed by group undertakings	-	-	-	5,963,025
Other debtors	76,071	39,386	-	-
Social security and other tax	657,819	697,491	-	-
Taxation recoverable	-	67,508	-	-
Prepayments and accrued income	63,560	159,155	-	-
	<u>32,052,858</u>	<u>16,767,367</u>	<u>-</u>	<u>5,963,025</u>

14 CURRENT ASSET INVESTMENTS

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Unlisted investments	<u>-</u>	<u>11,000</u>	<u>-</u>	<u>11,000</u>

The above investment is shown at cost and relates to a 1% holding in an unlisted company. The other 99% is controlled by Mr J Ashwell and Mr M Ashwell who are directors and shareholders of the parent company.

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Trade creditors	24,998,383	16,249,490	7,002	11,426
Amounts owed to group undertakings	-	-	1,055,057	5,294,595
Tax	813,746	23,509	17,712	-
Social security and other taxes	1,856,798	1,883,168	3,576	820,449
Other creditors	828,186	1,743,766	-	899,751
Accruals and deferred income	1,355,021	332,116	42,090	89,598
	<u>29,852,134</u>	<u>20,232,049</u>	<u>1,125,437</u>	<u>7,115,819</u>

16 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group	
	2011	2010
	£	£
Social security and other taxes	55,186	-
Accruals and deferred income	86,710	-
	<u>141,896</u>	<u>-</u>

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER: 3326521)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2011**

17 OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year

Group

	Land and buildings		Other operating leases	
	2011 £	2010 £	2011 £	2010 £
Expiring Between one and five years	<u>90,000</u>	<u>90,000</u>	<u>5,215</u>	<u>5,215</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2011**

18 FINANCIAL INSTRUMENTS

Financial risk factors

The Group is exposed to a variety of financial risks and undertakes regular reviews to identify such risks and wherever possible put processes in place to mitigate such risks

Capital risk management

The risk related with each of the capital class and group capital cost is considered by the senior management of the Group

The primary objective of the Group's capital management objectives is to ensure that it maintains a healthy capital structure in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions

To maintain or adjust the capital structure, the Group may obtain new loans, repay existing loans, make cash and non cash (bonus shares) dividend payments to shareholders, issue new shares based on management's evaluation

The Group manages the capital structure so as to ensure the Group's ability to continue as a going concern, and maximise its profitability by maintaining an adequate capital to overall financing structure ratio

Foreign currency risk

The Group has limited exposure to foreign exchange rate fluctuations, mainly in respect of its trading in Euros with a growing involvement in US Dollars and in the overseas market Turkish Lira. It is the policy of the Group to use natural hedging wherever possible, matching receivables and payables and to fix exchange rates for any imbalance by the use of Forward Contracts or similar instruments

Interest rate risk management

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities. Certain parts of the interest rates related to borrowings are based on market interest rates, therefore the Group is exposed to interest rate fluctuations on domestic and international markets. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's debt obligations

Price risk

The Group may be exposed to price risk arising from movements in material pricing. This is a combination of currency, interest and market risks which the Group manages through natural hedges that arise from offsetting the same currency receivables and payables, interest bearing assets and liabilities. Export sales invoices are issued in USD and EURO and sales prices are fixed in foreign currencies. Market risk is closely monitored by the management using the available market information and appropriate valuation methods

Credit risk

The Group manages credit risk to customers by selecting and working with credit worthy customers and having close control and follow up of payment terms. The Group has a number of long-term trading relationships and contracts in place with a number of key customers and suppliers. Adequate credit insurance arrangements are also entered into in respect of UK Trade Debtors and Turkey Trade Debtors

Liquidity risk management

The Group manages liquidity risk by maintaining sufficient funds in hand and organising borrowing facilities after matching the maturities of its financial assets and liabilities

Cash is held on deposit with Barclays Bank and Handelsbanken, both parties receiving exceptionally good credit ratings from the leading financial analysts

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER: 3326521)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2011**

Other risks

The Group maintains appropriate insurance cover for its critical business resource, for Business Interruption and associated events and as a robust Business Continuity Plan to deal with the circumstances of such contingencies

19 PROVISIONS FOR LIABILITIES

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Deferred tax Capital allowances in excess of depreciation	<u>381,048</u>	<u>461,478</u>	<u>124</u>	<u>918</u>
Group				
				Deferred tax
				£
Balance at 1st April 2010				461,478
Transfer to profit & loss				<u>(80,430)</u>
Balance at 31st March 2011				<u>381,048</u>
Company				
				Deferred tax
				£
Balance at 1st April 2010				918
Accelerated capital allowances				<u>(794)</u>
Balance at 31st March 2011				<u>124</u>

20 MINORITY INTERESTS

The minority interest represents 20% of the share capital of Steel Alloy Celik

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER: 3326521)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2011**

21 CALLED UP SHARE CAPITAL

Allotted and issued Number	Class	Nominal Value	2011	2010
130,900	Ordinary A shares	19p	24,871	24,871
210,000	Ordinary B shares	29p	60,900	60,900
420,000	Ordinary C shares	26p	<u>109,200</u>	<u>109,200</u>
			<u>194,971</u>	<u>194,971</u>

On 17th April 2009 the Company cancelled the 210,000 Ordinary Share Capital and replaced its Ordinary Share Capital as follows

210,000 Ordinary A Shares at 19p
210,000 Ordinary B Shares at 29p
210,000 Ordinary C Shares at 26p
210,000 Ordinary C Shares at 26p

Repurchase of own shares

On the 27th April 2009 the company re-purchased 79,100 ordinary 'A' shares. At the time of purchase these shares had a nominal value of £15,029. The consideration paid for these shares was £15,000,000, these shares represented 9% of the issued share capital. The purpose of the repurchase was to adapt the Groups capital structure.

The shares had the following rights

Dividend rights

The A Ordinary Shares and the C Ordinary Shares shall be entitled to receive dividends. The A Ordinary Shares shall have the right to a fixed dividend and the C Ordinary Shares shall on aggregate have the right to a preferential fixed cumulative dividend, accruing from 17th April 2009.

Each dividend shall be distributed to the appropriate Shareholders pro rata according to the number of Shares of the relevant class held by them respectively.

The C Dividend shall be paid in preference to either before or at the same time as the A Dividend.

To the extent that there are profits of the Company available for distribution after the payment of the C Dividend and the A Dividend they shall be paid to the holders of the B Ordinary Shares as declared by the Board from time to time.

Capital

On return of assets on liquidation or otherwise the surplus assets of the Company remaining after the payment of its liabilities and available for distribution amongst the Shareholders shall belong to and be distributed in the following manner and order of priority:

firstly, in paying the A Ordinary Shareholders an amount equal to £189 63337 per A Ordinary Share,

secondly, in paying the C Ordinary Shareholders an amount equal to £0 26 per C Ordinary Share and

thirdly, in paying any remaining assets to the B shareholders pro rata to the number of B Ordinary Shares held.

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER: 3326521)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2011**

Voting

On a resolution proposed at a general meeting of the Company on a show of hands and on a poll any holder of the B Ordinary Shares who (being an individual) is present in person or by proxy or (if a corporation) is present and duly authorised representative or by proxy shall have one hundred votes in respect of each fully paid B Ordinary Share of which he is the holder

On a resolution proposed at a general meeting of the Company on a show of hands and on a poll every holder of C Ordinary Shares who (being an individual) is present in person or by proxy of (if a corporation) is present by duly authorised representative or by proxy shall have one vote in respect of each fully paid C Ordinary Share of which he is the holder

The holders of the A Ordinary Shares shall not be entitled to receive notice of, attend or vote at a general meeting of the Company or to vote for the purposes of a written resolution of the Shareholders or a class of the Shareholders (other than as provided in Article 7)

Variation of Class Rights

The special rights attaching to any class of Shares may only be varied or abrogated, either whilst the company is a going concern, or during or in contemplation of a winding up, with the consent in writing of the holders of 75% of the holders of Shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of that class, but not otherwise

22 RESERVES

Group

	Profit and loss account £	Revaluation reserve £	Other reserves £	Totals £
At 1st April 2010	23,696,244	760,916	(23,346)	24,433,814
Profit for the year	1,471,581			1,471,581
Dividends	(5,000)			(5,000)
Translation reserve	-	-	72,020	72,020
At 31st March 2011	<u>25,162,825</u>	<u>760,916</u>	<u>48,674</u>	<u>25,972,415</u>

Company

	Profit and loss account £
At 1st April 2010	1,224,413
Deficit for the year	(203,407)
Dividends	(5,000)
At 31st March 2011	<u>1,016,006</u>

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER: 3326521)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2011**

23 CAPITAL COMMITMENTS

	2011	2010
	£	£
Contracted but not provided for in the financial statements	<u>178,986</u>	<u>51,080</u>

24 RELATED PARTY DISCLOSURES

Steel & Alloy Holdings Limited own 80% of the subsidiary Steel & Alloy Celik Iseleme. During the year the company has received interest from the subsidiary company of £341,828 (2010 - £261,812). The parent company has made capital advances net of repayments, prior to and including the year ended 31st March 2011 to the subsidiary company of £6,120,069. An amount of £7,000,000 originally outstanding to the Parent company has been transferred as repayable to Steel & Alloy Processing Limited, a subsidiary company. At the 31st March 2011 Steel & Alloy Holdings Limited owe £12,024 to Steel Alloy Celik Iseleme (2010 - Debtor £5,963,025). This is comprised of unpaid interest £867,907 (debtor) and net capital advances following the transfer to the subsidiary company of £879,931 (creditor).

Steel & Alloy Processing Limited, a fellow subsidiary of company of Steel & Alloy Holdings Ltd, charged management charges of £36,000 (2010 - £36,000) to Steel & Alloy Celik. The company also paid credit card bills and purchases on behalf of Steel & Alloy Celik. At the 31st March 2011 Steel & Alloy Celik owe £7,721,559 (2010 - £640,100 creditor) to Steel & Alloy Processing Limited. This is comprised of credit card bills not reimbursed £674 (2010 - £240), purchases of £684,885 (2010 - £163,968), management charges £36,000 (2010 - £72,000) and capital advances of £7,000,000 (2010 - £876,308 creditor).

In the year to 31st March 2010 Steel & Alloy Processing Limited has sold plant and machinery to Steel & Alloy Celik. The plant and machinery proceeds were £6,000.

During the year Steel & Alloy Holdings Limited have sold its investment in a company to the BD Ashwell Discretionary Trust for £11,000 (2010 - £nil). The BD Ashwell Discretionary Trust is a shareholder of Steel & Alloy Holdings Limited.

During the year to 31st March 2010 Mr J Ashwell, a director and shareholder of the parent company, purchased a vehicle from the group at market value of £7,430. Mr J Ashwell also purchased computer equipment from the group at market value of £1,304.

During the year to 31st March 2010 Mr J Ashwell and Mr M Ashwell, directors and shareholders of the parent company together with other connected individuals purchased land from the group at market value of £12,000.

Exemption has been claimed under Financial Reporting Standard number 8 requiring the disclosure of group transactions where the subsidiary is wholly owned.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2011**

25 POST BALANCE SHEET EVENTS

On 7th October 2011 5,340,672 D ordinary £1 shares were subscribed for by way of a rights issue to the current holders of B ordinary shares in the company

The shares had the following rights

1 A fixed dividend of £0.015 per share per annum

2 In the event there are distributable profits following the payment of the fixed dividends on the C, A and D shares, a discretionary dividend entitlement. The entitlement to this dividend will rank *pari passu* with the B shares, save that any such dividend will be paid at a ratio of 1:25 (for example, for every £26 of dividend paid, £1 shall be paid to the D shares as a class and £25 to the B shares as a class)

3 On a resolution proposed at a general meeting of the Company on a show of hands and on a poll any holder of the D ordinary shares who (being an individual) is present in person or by proxy or (if a corporation) is present by duly authorised representative or by proxy shall have four votes in respect of each fully paid D ordinary share of which he is the holder

4 On a return of assets on liquidation or otherwise (including, for the avoidance of doubt, on a sale) an entitlement to an amount equal to £1 per share of the surplus assets of the company remaining after the payment of its liabilities and available for distribution amongst the shareholders in advance of any payments made to other shareholders

5 On a return of assets on liquidation or otherwise (including, for the avoidance of doubt, on a sale), following the payment of the fixed entitlement due to the D, A, C and B shareholders, an entitlement to the remaining assets of the company. This capital entitlement will rank *pari passu* with the B shares, save that any such capital entitlement will be paid at a ratio of 1:25 (for example, for every £26 of surplus assets distributed, £1 shall be paid to the D shares as a class and £25 to the B shares as a class)

On 7th October 2011 the company purchased 7,200,001 ordinary £1 shares in Ensco 784 Limited for £200,000 from its subsidiary Steel and Alloy Processing Limited. The purpose of the transaction was for the movement of reserves between the group companies. The parent company subsequently liquidated Ensco 784 Limited and realised their investment with a net profit of £7,000,001. The transaction did not result in any profit or loss to the Steel & Alloy Holdings Group.

On 19th October 2011 the company re-purchased 36,021 ordinary A shares. At the time of the purchase these shares had a nominal value of £6,844. The consideration paid for these shares was £6,830,782.

On the 25th October 2011 a dividend of £3.03506 was paid to the holders of the A ordinary shares.

26 ULTIMATE CONTROLLING PARTY

The ultimate controlling parties are James Ashwell and Mark Ashwell by virtue of them controlling the voting rights of the issued share capital.

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER: 3326521)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2011**

27 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2011 £	2010 £
Profit for the financial year	1,471,581	41,475
Dividends	<u>(5,000)</u>	<u>-</u>
	1,466,581	41,475
Other recognised gains and losses relating to the year (net)	72,020	(14,752)
Purchase of own shares	<u>-</u>	<u>(15,000,000)</u>
Net addition/(reduction) to shareholders' funds	1,538,601	(14,973,277)
Opening shareholders' funds	<u>24,628,785</u>	<u>39,602,062</u>
Closing shareholders' funds	<u><u>26,167,386</u></u>	<u><u>24,628,785</u></u>

Company

	2011 £	2010 £
(Loss)/Profit for the financial year	(203,407)	12,864,766
Dividends	<u>(5,000)</u>	<u>-</u>
	(208,407)	12,864,766
Purchase of own shares	<u>-</u>	<u>(15,000,000)</u>
Net reduction of shareholders' funds	(208,407)	(2,135,234)
Opening shareholders' funds	<u>1,419,384</u>	<u>3,554,618</u>
Closing shareholders' funds	<u><u>1,210,977</u></u>	<u><u>1,419,384</u></u>

28 FORWARD EXCHANGE RATE CONTRACTS

Steel & Alloy Processing Limited, a subsidiary company of Steel & Alloy Holdings Limited has entered into forward rate exchange contracts for the purchase of £1,500,000 Euros at a rate of 1 191382 and £1,000,000 Euros at a rate of 1 177433 These contracts complete on the 28th June 2011 and 30th June 2011 respectively

29 COMMITMENTS AND CONTINGENCIES

At the 31st March 2011, Steel & Alloy Celik, a subsidiary company of Steel & Alloy Holdings Limited, has letters of guarantee given amounted to TL 494,000 and USD 105,000 which are mainly comprised of letters given to suppliers