

REGISTERED NUMBER: 3326521 (England and Wales)

STEEL & ALLOY HOLDINGS LIMITED
REPORT OF THE DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

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FOR THE YEAR ENDED 31 MARCH 2012**

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STEEL & ALLOY HOLDINGS LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2012

DIRECTORS:	M T Cooper P J Whitehouse J C Moreira J M Riberas M R Escribano
SECRETARY:	M R Escribano
REGISTERED OFFICE:	Trafalgar Works Union Street West Bromwich West Midlands B70 6BZ
REGISTERED NUMBER:	3326521 (England and Wales)
INDEPENDENT AUDITORS:	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Cornwall Court 19 Cornwall Street Birmingham B3 2DT
BANKERS:	Barclays Bank One Snowhill Snowhill Hill Queensway Birmingham B4 6GN

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2012**

The directors present their report with the financial statements of the company and the group for the year ended 31 March 2012

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. During the year the company was sold by its shareholders to Gonvarri Steel Services SA a company based in Madrid, Spain. Gonvarri are specialists in operating steel services centres, and operate a number of steel service centres throughout the world. The Directors believe the sale of Steel & Alloy Holdings Limited to Gonvarri will secure the long term future of the Group and will help with the future development of the business by providing expertise and the required resources to grow and develop.

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 Limited 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

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). 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 in turnover which we seek to continue. 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 loss during the year. During the year the business in Turkey has won a volume contract with Ford, which should see the business making a small profit in 2013.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2012**

	2012 £	2011 £	Net change
Turnover	171,600,850	141,875,274	29,725,576
Operating profit	1,458,698	3,086,398	(1,662,353)
Cash flow	(106,892)	(5,837,643)	5,960,846
Return on net assets	5.70%	11.79%	(6.09%)

Turnover is the product of two main variables volume of goods supplied and price. In the year under review, sales increased by 20.9% an excellent result while average prices increased mainly as a consequence of rising raw material costs being passed through to customers.

Operating Profit reduced by 54% as a result of increasing material prices suffered during the year, foreign exchange movements 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.

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 2012. 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 17 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 financial statements.

**REPORT OF THE DIRECTORS - Continued
FOR THE YEAR ENDED 31 MARCH 2012**

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 Turkey.

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

A dividend of £3.03506 per share was paid on the A ordinary shares on 25th October 2011, this dividend represented a full dividend for 2011 and an interim dividend for 2012 (2011 Nil). No dividends were paid on any other classes of shares (2011 119p per share on the C ordinary shares).

The total distribution of dividends for the year ended 31 March 2012 will be £587,094 (2011 £5,000).

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 financial statements. 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 2011 to the date of signing the financial statements.

M T Cooper
P J Whitehouse

Other changes in directors holding office are as follows:

J C Moreira	Appointed 31 st March 2012
J M Riberas	Appointed 31 st March 2012
M R Escribano	Appointed 31 st March 2012
J A Ashwell	Resigned 30 th March 2012
M D Ashwell	Resigned 30 th March 2012
Dr S G Ashwell	Resigned 30 th March 2012
Dr G K Ashwell	Resigned 30 th March 2012
M Green	Resigned 30 th March 2012

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.

**REPORT OF THE DIRECTORS - Continued
FOR THE YEAR ENDED 31 MARCH 2012**

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.

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.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



P J Whitehouse - Director

Date 21 12 2012

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

We have audited the group and parent company financial statements (the "financial statements") of Steel & Alloy Holdings Limited for the year ended 31 March 2012 which the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Group and Parent Company Reconciliation of Movements in Shareholders' Funds, the Accounting Policies and the related notes. 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).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 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 [describe the annual report] 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.

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2012 and of the group's profit and cash flows 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 Directors' Report 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.



Neil Philpott (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

21 December 2012.

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER: 3326521)

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2012**

	Notes	2012 £	2011 £
TURNOVER	2	171,600,850	141,875,274
Cost of sales		<u>(163,745,674)</u>	<u>(132,787,704)</u>
GROSS PROFIT		7,855,176	9,087,570
Administrative expenses		<u>(6,556,454)</u>	<u>(6,163,896)</u>
		1,298,722	2,923,674
Other operating income		<u>159,976</u>	<u>162,724</u>
OPERATING PROFIT	4	1,458,698	3,086,398
Interest receivable and similar income	5	<u>283,330</u>	<u>15,611</u>
		1,742,028	3,102,009
Interest payable and similar charges	6	<u>(213,910)</u>	<u>(626,630)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,528,118	2,475,379
Tax on profit on ordinary activities	7	<u>(509,076)</u>	<u>(1,157,634)</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION		1,019,042	1,317,745
Minority interest - equity	19	<u>45,773</u>	<u>153,836</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR FOR THE GROUP		<u>1,064,815</u>	<u>1,471,581</u>

CONTINUING OPERATIONS

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

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER: 3326521)

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2012**

	2012 £	2011 £
PROFIT FOR THE FINANCIAL YEAR	1,064,815	1,471,581
Currency translation differences	<u>(113,265)</u>	<u>72,020</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>951,550</u>	<u>1,543,601</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

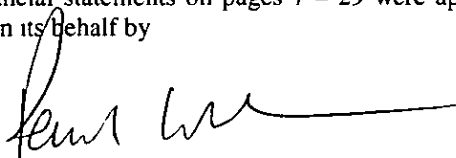
The difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis is not material

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER: 3326521)

**CONSOLIDATED BALANCE SHEET
31 MARCH 2012**

	Notes	2012 £	2011 £
FIXED ASSETS			
Tangible assets	10	7,211,338	8,126,973
Investments	11	-	-
		<u>7,211,338</u>	<u>8,126,973</u>
CURRENT ASSETS			
Stocks	12	12,565,648	13,588,295
Debtors	13	32,301,291	32,052,858
Investments	14	-	-
Cash at bank and in hand		<u>2,604,854</u>	<u>2,439,344</u>
		47,471,793	48,080,497
CREDITORS			
Amounts falling due within one year	14	<u>(29,293,786)</u>	<u>(29,852,134)</u>
NET CURRENT ASSETS		<u>18,178,007</u>	<u>18,228,363</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>25,389,345</u>	<u>26,355,336</u>
CREDITORS			
Amounts falling due after more than one year	15	-	(141,896)
PROVISIONS FOR LIABILITIES	18	(210,422)	(381,048)
MINORITY INTERESTS	19	<u>(137,190)</u>	<u>334,994</u>
NET ASSETS		<u>25,041,733</u>	<u>26,167,386</u>
CAPITAL AND RESERVES			
Called up share capital	20	5,528,799	4,194,971
Revaluation reserve	21	760,916	760,916
Other reserves	21	(64,591)	48,674
Profit and loss account	21	<u>18,816,609</u>	<u>25,162,825</u>
TOTAL SHAREHOLDERS' FUNDS	26	<u>25,041,733</u>	<u>26,167,386</u>

The financial statements on pages 7 – 29 were approved by the Board of Directors on 21 December 2012 and were signed on its behalf by



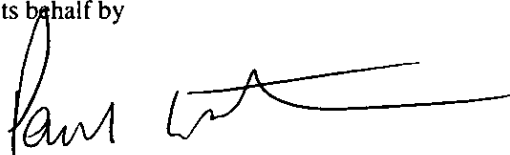
P J Whitehouse - Director

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER: 3326521)

**COMPANY BALANCE SHEET
31 MARCH 2012**

	Notes	2012		2011	
		£	£	£	£
FIXED ASSETS					
Tangible assets	10		901,702		959,138
Investments	11		<u>3,798,152</u>		<u>210,000</u>
			4,699,854		1,169,138
CURRENT ASSETS					
Debtors	13	8,040,310		<u>1,167,400</u>	
Cash at bank and in hand			<u>250,553</u>		
			8,290,863		<u>1,167,400</u>
CREDITORS					
Amounts falling due within one year	14	<u>(7,088,736)</u>		<u>(1,125,437)</u>	
NET CURRENT ASSETS			<u>1,202,127</u>		<u>41,963</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			5,901,981		1,211,101
PROVISIONS FOR LIABILITIES	18		<u>(124)</u>		<u>(124)</u>
NET ASSETS			<u>5,901,857</u>		<u>1,210,977</u>
CAPITAL AND RESERVES					
Called up share capital	20		5,528,799		194,971
Profit and loss account	21		<u>373,058</u>		<u>1,016,006</u>
TOTAL SHAREHOLDERS' FUNDS	26		<u>5,901,857</u>		<u>1,210,977</u>

The financial statements on pages 7 –29 were approved by the Board of Directors on 21 December 2012 and were signed on its behalf by



P J Whitehouse - Director

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER: 3326521)

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012**

	Notes	2012		2011	
		£	£	£	£
Net cash inflow/(outflow) from operating activities	1		3,303,870	(4,772,962)	
Returns on investments and servicing of finance	2		(140,141)	(74,372)	
Taxation			(1,373,776)	(380,319)	
Capital expenditure and financial investment	2		(340,350)	(604,990)	
Equity dividends paid			<u>(587,094)</u>	<u>(5,000)</u>	
			862,509	(5,837,643)	
Financing	2		<u>(969,401)</u>		
Increase/(Decrease) in cash in the year			(106,892)	(5,837,643)	
Reconciliation of net cash flow to movement in net funds	3				
Increase / (decrease) in cash in the year			<u>(106,892)</u>	<u>(5,837,643)</u>	
Change in net funds resulting from cash flows			(106,892)	(5,837,643)	
Non cash movements			<u>272,402</u>	<u>42,307</u>	
Movement in net funds in the year			165,510	(5,795,336)	
Net funds at 1st April			<u>2,439,344</u>	<u>8,234,680</u>	
Net funds at 31st March			<u>2,604,854</u>	<u>2,439,344</u>	

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012

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

	2012 £	2011 £
Operating profit	1,458,698	3,036,398
Depreciation charges	1,250,489	1,364,429
Profit on disposal of fixed assets	(38,955)	(9,229)
Exchange difference on consolidation	(134,655)	(578,954)
Decrease/(Increase) in stocks	1,022,647	(2,411,154)
Increase in debtors	(248,433)	(15,352,999)
(Increase)/Decrease in creditors	(5,921)	8,971,744
Net cash (outflow)/inflow from operating activities	3,303,870	(4,929,765)

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

	2012 £	2011 £
Returns on investments and servicing of finance		
Interest received	10,928	15,611
Interest paid	(151,069)	(89,983)
Net cash outflow for returns on investments and servicing of finance	(140,141)	(74,372)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(405,850)	(626,305)
Sale of tangible fixed assets	65,500	21,315
Net cash outflow for capital expenditure and financial investment	(340,350)	(604,990)
Financing		
Share buyback	(6,830,781)	
Issue of Shares	5,340,672	
Introduction of capital by minority investor	520,708	
Net cash outflow from financing	(969,401)	

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER: 3326521)

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012**

3 ANALYSIS OF CHANGES IN NET FUNDS

	At 1/4/2011 £	Cash flows £	Non- cash movements £	At 31/3/12 £
Net cash				
Cash at bank and in hand	2,439,344	(106,892)	272,402	2,604,854
	<u>2,439,344</u>	<u>(106,892)</u>	<u>272,402</u>	<u>2,604,854</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

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. These financial statements are prepared on the going concern basis under the historic cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies which have been correctly applied throughout the year as set out below.

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 408 of The Companies Act 2006.

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 financial statements. 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 ended 31st March 2008, on the basis that following the phasing out of IBA's, any allowances claimed to date will be non-repayable.

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER: 3326521)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2012**

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.

	2012	2011
	£	£
United Kingdom	154,612,400	127,992,385
E C	1,411,801	2,613,091
Turkey	15,576,649	11,269,798
	<u>171,600,850</u>	<u>141,875,274</u>

3 STAFF COSTS

	2012	2011
	£	£
Wages and salaries	6,376,338	5,409,065
Social security costs	691,452	498,037
Other pension costs	424,239	135,430
	<u>7,492,029</u>	<u>6,042,532</u>

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

	2012	2011
Production staff	122	113
Administration staff and directors	<u>73</u>	<u>59</u>
	<u>195</u>	<u>172</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2012

4 OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	2012	2011
	£	£
Hire of plant and machinery	32,241	89,787
Depreciation - owned assets	1,250,489	1,364,429
Profit on disposal of fixed assets	38,955	(9,229)
Auditors' remuneration	70,248	38,279
Other fees paid to auditors	12,312	8,899
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	6,000	5,750
Included in auditors remuneration - fees payable to company auditor for the audit of company subsidiaries	47,936	28,529
Consideration paid to third parties for making available the services of non-executive director	113,596	95,125
Exceptional bad debt charge	<u>448,000</u>	
Directors' remuneration	584,813	674,515
Directors' pension contributions to money purchase schemes	<u>138,938</u>	<u>20,790</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

	2012	2011
	£	£
Emoluments etc	277,604	365,025
Pension contributions to money purchase schemes	<u>126,048</u>	<u>9,270</u>

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	2012	2011
	£	£
Deposit account interest	10,928	13,433
Other interest received		2,178
Foreign exchange gains	<u>272,402</u>	
	<u>283,330</u>	<u>15,611</u>

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2012	2011
	£	£
Bank and other interest	151,069	89,983
Bank loan interest		
Foreign exchange differences	<u>62,841</u>	<u>536,647</u>
	<u>213,910</u>	<u>626,630</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2012

7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

Analysis of the tax charge

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

	2012 £	2011 £
Current tax		
UK corporation tax	825,069	1,315,783
Adjustments in respect of previous years	(145,367)	(77,719)
Total current tax	679,702	1,238,064
Deferred tax	(170,626)	(80,430)
Tax on profit on ordinary activities	509,076	1,157,634

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

	2012 £	2011 £
Profit on ordinary activities before tax	1,528,118	2,475,379
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 25.4% (2011 – 27.875%)	388,299	690,012
Effects of		
Timing difference in respect of bank interest received	-	(3)
Expenses not deductible for tax purposes	80,823	80,467
Depreciation of non industrial buildings	-	12,664
Capital allowances for period less than/(in excess of) depreciation	62,600	117,300
Timing difference in respect of remuneration	69,496	39,551
Capital loss on sale of land	-	-
Exchange rate difference on consolidation	-	161,383
Losses in respect of overseas subsidiary	223,850	214,409
Overprovision in respect of previous years	(145,366)	(77,719)
Current tax charge	679,702	1,238,064

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 profit for the financial year was £6,768,083 (2011 - £(203,407))

9 DIVIDENDS

	2012 £	2011 £
C ordinary shares of 119p	-	5,000
A ordinary shares of £3.03506p each full dividend for the year 2011	397,289	-
A ordinary shares of £3.03506p interim dividend 2012	189,805	-
Total	587,094	5,000

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER: 3326521)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2012**

10 TANGIBLE FIXED ASSETS

Group

	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
COST OR VALUATION					
At 1st April 2011	6,609,245	15,883,789	1,358,147	401,885	24,253,066
Additions	11,131	247,427	32,525	114,767	405,850
Disposals	-	(753,617)	(59,474)	(116,064)	(929,155)
Exchange differences	(4,387)	(84,276)	(5,520)	-	(94,183)
At 31 March 2012	<u>6,615,989</u>	<u>15,293,323</u>	<u>1,325,678</u>	<u>400,588</u>	<u>23,635,578</u>
ACCUMULATED DEPRECIATION					
At 1st April 2011	3,003,739	11,714,617	1,177,159	230,585	16,126,100
Charge for year	233,277	877,801	61,147	78,264	1,250,489
Eliminated on disposal	-	(738,286)	(59,474)	(104,850)	(902,610)
Exchange differences	(1,834)	(37,906)	(10,000)	-	(49,740)
At 31 March 2012	<u>3,235,182</u>	<u>11,816,226</u>	<u>1,168,832</u>	<u>204,000</u>	<u>16,424,240</u>
NET BOOK VALUE					
At 31 March 2012	<u>3,380,807</u>	<u>3,477,097</u>	<u>156,846</u>	<u>196,588</u>	<u>7,211,338</u>
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>

Included in cost or valuation of land and buildings is freehold land of £939,865 (2011 - £939,865) which is not depreciated

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER: 3326521)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2012**

10 TANGIBLE FIXED ASSETS - continued

Group

	Freehold land and buildings £	Short leasehold property £	Total land and buildings £
COST OR VALUATION:			
At 1st April 2011	6,421,208	188,037	6,609,245
Additions	-	11,131	11,131
Exchange differences	(4,177)	(210)	(4,387)
At 31 March 2012	<u>6,417,031</u>	<u>198,958</u>	<u>6,615,989</u>
ACCUMULATED DEPRECIATION			
At 1st April 2011	2,877,661	126,077	3,003,738
Charge for year	219,218	14,059	233,277
Exchange differences	(1,782)	(52)	(1,834)
At 31 March 2012	<u>3,095,097</u>	<u>140,084</u>	<u>3,235,181</u>
NET BOOK VALUE:			
At 31 March 2012	<u>3,321,934</u>	<u>58,874</u>	<u>3,380,807</u>
At 31st March 2011	<u>3,543,547</u>	<u>61,960</u>	<u>3,605,507</u>

At 31 March 2012 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 2012 is represented by

	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
Valuation in 1989	950,000	-	-	-	950,000
Cost	<u>5,665,989</u>	<u>15,293,323</u>	<u>1,235,678</u>	<u>400,588</u>	<u>21,685,578</u>
	<u>6,615,989</u>	<u>15,293,323</u>	<u>1,235,678</u>	<u>400,588</u>	<u>23,635,578</u>

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER: 3326521)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2012**

10 TANGIBLE FIXED ASSETS - continued

Group

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

	2012	2011
	£	£
Cost	<u>5,848,329</u>	<u>5,848,329</u>
Aggregate depreciation	<u>3,392,738</u>	<u>3,159,461</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 Ailsopp Cotton

Company

	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Totals £
COST				
At 1st April 2011 and 31 March 2012	<u>1,436,168</u>	<u>81,149</u>	<u>9,812</u>	<u>1,527,129</u>
DEPRECIATION				
At 1st April 2011	500,873	57,312	9,812	567,997
Charge for year	<u>49,446</u>	<u>7,984</u>	<u>-</u>	<u>57,430</u>
At 31 March 2012	<u>550,319</u>	<u>65,296</u>	<u>9,812</u>	<u>625,427</u>
NET BOOK VALUE				
At 31 March 2012	<u>885,849</u>	<u>15,853</u>	<u>-</u>	<u>901,702</u>
At 31st March 2011	<u>935,295</u>	<u>23,843</u>	<u>-</u>	<u>959,138</u>

Included in cost of land and buildings is freehold land of £200,000 (2011 - £200,000) which is not depreciated

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER: 3326521)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2012**

11 FIXED ASSET INVESTMENTS

	2012 £
COST	
At 1 April 2011	1,546,647
Additions	3,788,152
Disposal	<u>(200,000)</u>
At 31 March 2012	<u>5,134,799</u>
AMOUNTS WRITTEN OFF	
At 1 April 2011	1,336,647
Write off during the year	-
At 31 March	<u>1,336,647</u>
NET BOOK VALUE	
At 31 March 2012	<u>3,798,152</u>
At 31 March 2011	210,000

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 Limited 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 Limited acquired 316,000 ordinary shares for £1,319,141. During 2011 Steel & Alloy Holdings Limited purchases a further 660,000 ordinary shares of TL10 in Steel & Alloy Celik. At the year end Steel & Alloy Holdings Limited 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:

During the year additional shares were issued in Steel and Alloy Celik

Steel & Alloy Processing Limited

Nature of Business: Process of strip metal products

Class of shares: Ordinary

Holding: 100%

Ensco 784 Limited

Nature of Business: In liquidation

Class of shares: Ordinary

Holding: 100%

Ensco 784 Limited was owned by Steel & Alloy Processing Limited, please refer to note 23 for further details regarding this investment

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER: 3326521)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2012**

FIXED ASSET INVESTMENTS - Continued

Steel & Alloy Celik

Nature of Business Process of strip metal products

Class of shares Ordinary

Holding 80%

The Directors believe that the carrying value of investments is supported by their underlying net assets

12 STOCKS

	Group	
	2012	2011
	£	£
Raw materials	7,181,269	8,809,937
Finished goods	5,384,389	4,778,358
	<u>12,565,648</u>	<u>13,588,295</u>

13 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Trade debtors	31,225,697	31,255,408	-	-
Amounts owed by group undertakings	-	-	8,039,644	-
Other debtors	239,092	76,071	-	-
Other taxation and social security	581,691	657,819	-	-
Prepayments and accrued income	254,811	63,560	666	-
	<u>32,301,291</u>	<u>32,052,858</u>	<u>8,040,310</u>	<u>-</u>

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Trade creditors	25,667,305	24,998,383	74	7,002
Amounts owed to group undertakings	-	-	7,000,000	1,055,057
Tax	116,412	813,746	-	17,712
Other taxation and social security	2,819,670	1,856,798	-	3,576
Other creditors	546,198	828,186	71,511	-
Accruals and deferred income	144,201	1,355,021	17,151	42,090
	<u>29,293,786</u>	<u>29,852,134</u>	<u>7,088,736</u>	<u>1,125,437</u>

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group	
	2012	2011
	£	£
Social security and other taxes	-	55,186
Accruals and deferred income	-	86,710
	<u>-</u>	<u>141,896</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2012

16 OPERATING LEASE COMMITMENTS

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

Group

	Land and buildings		Other operating leases	
	2012 £	2011 £	2012 £	2011 £
Expiring				
Between one and five years	<u>90,000</u>	<u>90,000</u>	<u>19,601</u>	<u>5,215</u>

17 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2012

FINANCIAL INSTRUMENTS-Continued

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.

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.

18 **PROVISIONS FOR LIABILITIES**

	Group		Company	
	2012 £	2011 £	2012 £	2011 £
Deferred tax				
Capital allowances in excess of depreciation	<u>210,422</u>	<u>381,048</u>	<u>124</u>	<u>124</u>
Group				
			Deferred tax	
			£	
Balance at 1st April 2011			381,048	
Transfer to profit & loss			(170,626)	
Balance at 31 March 2012			<u>210,422</u>	
Company				
			Deferred tax	
			£	
Balance at 1st April 2011			124	
Accelerated capital allowances			-	
Balance at 31 March 2012			<u>124</u>	

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER: 3326521)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2012**

19 MINORITY INTERESTS

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

	2012	2011
	£	£
Balance at 1 st April 2011	334,994	181,158
Share of loss for the year	45,773	153,158
Capital introduced by joint venture partner	(517,957)	
	<u>(137,190)</u>	<u>334,994</u>
Balance at 31 st March 2012		

20 CALLED UP SHARE CAPITAL

Allotted and issued				2012	2011
Number		Class	Nominal Value		
94,879	(2011 130,900)	Ordinary A shares	19p	18,027	24,871
210,000	(2011 210,000)	Ordinary B shares	29p	60,900	60,900
420,000	(2011 420,000)	Ordinary C shares	26p	109,200	109,200
5,340,672		Ordinary D shares	100p	5,340,672	
				<u>5,528,799</u>	<u>194,971</u>

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

Repurchase of own shares

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 £6,830,781.

Dividend rights

The A Ordinary Shares, the C Ordinary Shares and the D ordinary shares shall be entitled to receive dividends. The A and D 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.

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).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2012**

CALLED UP SHARE CAPITAL - Continued

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 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 & D shareholders pro rata to the number of B & D Ordinary Shares held

Following the payment of the fixed entitlement due to the A and C shareholders the B & D shareholders will be entitled 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)

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 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

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 or (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

STEEL & ALLOY HOLDINGS LIMITED (REGISTERED NUMBER: 3326521)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2012**

21 RESERVES

Group

	Profit and loss account £	Revaluation reserve £	Other reserves £	Totals £
At 1st April 2011	25,162,825	760,916	48,674	25,972,415
Profit for the Year	1,064,815	-	-	1,064,815
Dividends	(587,094)	-	-	(587,094)
Translation reserve	-	-	(113,265)	(113,265)
Re purchase of own Shares	<u>(6,823,937)</u>	<u>-</u>	<u>-</u>	<u>(6,823,937)</u>
At 31 March 2012	<u>18,816,609</u>	<u>760,916</u>	<u>(64,591)</u>	<u>19,512,934</u>

Company

	Profit and loss account £
At 1st April 2011	1,016,006
Profit for the year	6,768,083
Dividends	(587,094)
Re purchase of own shares	<u>(6,823,937)</u>
At 31 March 2012	<u>373,058</u>

22 CAPITAL COMMITMENTS

	2012 £	2011 £
Contracted but not provided for in the financial statements	<u>-</u>	<u>178,986</u>

23 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 £ - (2011 - £341,828). The parent company has made capital advances net of repayments, prior to and including the year ended 31 March 2012 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 31 March 2012 Steel & Alloy Holdings Limited owe £12,024 to Steel Alloy Celik Iseleme (2011 - Debtor £12,024). 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 £- (2011 - £36,000) to Steel & Alloy Celik. The company also paid credit card bills and purchases on behalf of Steel & Alloy Celik. At the 31 March 2012 Steel & Alloy Celik owe £7,118,290 (2011 - £7,721,559 creditor) to Steel & Alloy Processing Limited. This is comprised of credit card bills not reimbursed 712 (2011 - £674), purchases of £117,578 (2011 - £684,885), management charges £nil (2011 - £36,000) and capital advances of £7,000,000 (2011 - £7,000,000 creditor).

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2012**

23 RELATED PARTY DISCLOSURES (continued)

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 to facilitate the repurchase of own shares as illustrated in Note 21. 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 Limited Group.

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

24 POST BALANCE SHEET EVENTS

During July 2012 a customer of Steel & Alloy Turkey went into liquidation. This resulted in a bad debt write off totalling £448,000.

25 ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Holding Gonvarri SL, by virtue of them controlling the voting rights of the issued share capital of the parent company. The consolidated financial statements can be obtained from, 3rd Floor Albia Building, 8 San Vicente, Bilbao, Vizcaya, Spain, B-95220992.

26 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2012 £	2011 £
Profit for the financial year	1,064,815	1,471,581
Dividends	(587,094)	(5,000)
	<u>477,721</u>	<u>1,466,581</u>
Other recognised gains and losses relating to the year (net)	(113,265)	72,020
Purchase of own shares	(6,830,781)	
Issue of shares	<u>5,340,672</u>	
Net addition/(reduction) to shareholders' funds	(1,125,653)	1,538,601
Opening shareholders' funds	<u>26,167,386</u>	<u>24,628,785</u>
Closing shareholders' funds	<u>25,041,733</u>	<u>26,167,386</u>

Company

	2012 £	2011 £
Profit/(Loss) for the financial year	6,768,083	(203,407)
Dividends	(587,094)	(5,000)
	<u>6,180,989</u>	<u>(208,407)</u>
Purchase of own shares	(6,830,781)	
Issue of shares	<u>5,340,672</u>	
Net addition / (reduction) to shareholders' funds	4,690,880	(208,407)
Opening shareholders' funds	<u>1,210,977</u>	<u>1,419,384</u>
Closing shareholders' funds	<u>5,901,857</u>	<u>1,210,977</u>

**CONSOLIDATED TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2012**

27 FORWARD EXCHANGE RATE CONTRACTS

The company has entered into forward rate exchange contracts for the purchase of

£750,000 Euros at a rate of 1 162531 completed on 27th April 2012
£750,000 Euros at a rate of 1 202660 completed on 27th April 2012
£750,000 Euros at a rate of 1 202053 completed on 25th May 2012
£750,000 Euros at a rate of 1 201430 completed on 22nd June 2012
£750,000 Euros at a rate of 1 200639 completed on 27th July 2012
£750,000 Euros at a rate of 1 200407 completed on 28th August 2012
£750,000 Euros at a rate of 1 199796 completed on 28th September 2012

28 COMMITMENTS AND CONTINGENCIES

At 31 March 2012, Steel & Alloy Celik, a subsidiary company of Steel & Alloy Holdings Limited, has letters of guarantee given amounted to TL 2,324,000, which are mainly comprised of letters given to suppliers