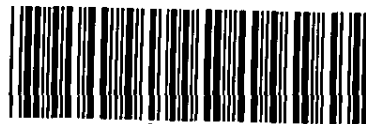


Tipton & Mill Steels Limited

Annual report and financial statements
for the period ended 30 June 2009

Registered number 00513077

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Directors' Report

For the period ended 30 June 2009

The directors present their annual report on the affairs of the company, together with the audited financial statements and independent auditors' report, for the 17 month period ended 30 June 2009

Principal activity and business review

The company's ultimate parent undertaking is Murray International Holdings Limited and it operates as part of the group's metals division

The company's principal activity is steel stockholding and steel processing. There have not been any significant changes in the company's principal activities during the period under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the current year.

Total turnover has increased by approximately 65%, though this increase reflects the increase in the reporting period to 17 months. Whilst the average monthly turnover also shows an increase of 16.5%, demand for steel in the market place has decreased consistently during the latter half of the period as demand for products produced by end users also fell. Selling prices have also decreased during the period, reflecting the oversupply of steel in the market at a time of volatile and low demand. The fall in selling prices has impacted on the overall gross margin which has fallen from 14.5% to 12.1%.

The current environment continues to be uncertain with recent increases in raw material and commodity costs having resulted in a number of published increases in steel prices over recent months. In addition, the UK market has not been particularly attractive to steel mills due to the relative strength of the Euro and lower prices charged. This has led to longer lead times from suppliers and a tightening in supplies of certain specific products. The directors remain confident, however, that measures taken over recent years leave the company well placed to take advantage of the opportunities that such uncertainties give rise to.

The balance sheet on page 7 shows that in spite of difficult trading conditions the company's financial position has continued to strengthen, with the net assets increasing by £514,431, equivalent to 20%. The company has taken advantage of the slowdown in the market to reduce its stock levels and generate cash. This, together with tight credit management across its customer base has enabled the company to reduce the overall investment in working capital, the net impact being a fall in overall bank debt of £568,609.

The directors are committed to ensuring that full advantage is taken of changes in information technology. Subsequent to the year end the company, together with its fellow subsidiaries in the Metals Division have commissioned the installation of a new commercial operating system under licence from Microsoft. The directors are of the opinion that the operational and commercial benefits to be obtained will be significant.

Murray International Holdings Limited manages its operations on a divisional basis. For this reason, the company's directors believe further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Metals division of Murray International Holdings Limited, which includes the company, is discussed in the group's Annual Report, which does not form part of this report.

Directors' Report (continued)

Results and dividends

Results are as follows

	£
Retained profit at beginning of period	2,553,143
Profit for the period	514,431
Retained profit at end of period	<u>3,067,574</u>

The directors do not recommend the payment of a dividend (2008 - £Nil)

Change of accounting reference date

The accounting reference date has been changed to 30 June and therefore, these financial statements are for the 17 months ended 30 June 2009

Financial Risk Management

Foreign Exchange Risk

The company mitigates its foreign exchange risk by entering into forward contract arrangements equal to its foreign currency exposure

Credit Risk

The company is exposed to credit related losses in the event of non-performance by counterparties to financial instruments, but mitigates such risk through its policy of selecting only counterparties with high credit ratings and ensuring credit insurance is obtained where required

Liquidity Risk

Operations are financed by a mixture of shareholder's funds and bank borrowings. The objective is to ensure a mix of funding methods offering flexibility and cost effectiveness to match the needs of the company

Cashflow Risk

The company's policy is to arrange core debt, bank loans and overdrafts, with a floating rate of interest plus an agreed margin

Directors and their interests

The directors who served during the period and thereafter were as follows

Sir D E Murray (Chairman)

J D G Wilson

G Hill

M S McGill (appointed 5 March 2010)

M R Surrey

Directors' Report (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report 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 financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Supplier payment policy

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment.

Auditors

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006 unless the company receives notice under Section 488(1) of the Companies Act 2006.

Brightgate House
Cobra Court
1 Brightgate Way
Manchester
M32 0TB

By order of the Board,



D Horne
Secretary

28 April

2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TIPTON & MILL STEEL LIMITED

We have audited the financial statements of Tipton & Mill Steel Limited for the period ended 30 June 2009 which comprise the profit and loss account, the balance sheet, the statement of accounting policies and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the directors' report and financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

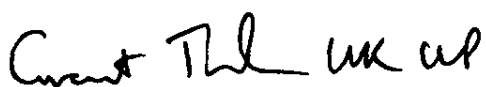
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TIPTON & MILL STEEL LIMITED (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2009 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



Grant Thornton UK LLP

Registered Auditor

Chartered Accountants

Glasgow

28 April

2010

Profit and loss account

For the period ended 30 June 2009

		17 months ended 30 June 2009 £	12 months ended 31 January 2008 £
Turnover	1	25,228,222	15,276,594
Cost of sales		(22,193,976)	(13,065,323)
Gross profit		3,034,246	2,211,271
Other operating expenses	2	(2,103,495)	(1,509,645)
Operating profit		930,751	701,626
Finance charges (net)	3	(205,773)	(34,249)
Profit on ordinary activities before taxation	4	724,978	667,377
Tax on profit on ordinary activities	6	(210,547)	(204,401)
Profit for the financial period	13	514,431	462,976

The accompanying notes form an integral part of the financial statements

The results are derived from continuing activities

There are no recognised gains or losses in either period other than the profit for that period. Accordingly, no separate statement of total recognised gains and losses is presented

Balance sheet
30 June 2009

	Notes	30 June 2009 £	31 January 2008 £
Fixed assets			
Tangible assets	7	<u>130,679</u>	<u>154,682</u>
Current assets			
Stocks	8	2,651,229	4,457,079
Debtors	9	3,384,584	4,127,552
Cash at bank and in hand		<u>400</u>	<u>538</u>
		6,036,213	8,585,169
Creditors' Amounts falling due within one year	10	(3,096,315)	(6,183,705)
Net current assets		<u>2,939,898</u>	<u>2,401,464</u>
Net assets		<u>3,070,577</u>	<u>2,556,146</u>
Capital and reserves			
Called-up share capital	11	3,003	3,003
Profit and loss account	12	<u>3,067,574</u>	<u>2,553,143</u>
Shareholder's funds	13	<u>3,070,577</u>	<u>2,556,146</u>

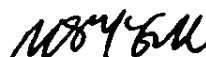
The accompanying notes form an integral part of the financial statements

The financial statements on pages 6 to 17 were approved by the Board of Directors on **28 April** 2010 and signed on its behalf by

Director



Director



Tipton & Mill Steels Limited

Company registration number. 00513077

Statement of accounting policies

For the period ended 30 June 2009

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and the preceding year.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

A cash flow statement has not been prepared as the company is a subsidiary undertaking of Murray International Holdings Limited, a company registered in Scotland. A consolidated cash flow statement is provided in the group financial statements of that company.

Tangible fixed assets

Tangible fixed assets are shown at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Plant and machinery	10% per annum
Office equipment	20% per annum
Motor vehicles	25% per annum

Residual value is calculated on prices prevailing at the date of acquisition.

Stocks

Stocks, which comprise goods for resale, are stated at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and condition is based on purchase cost on a first-in, first-out basis, including transport. Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Statement of accounting policies (continued)

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

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

Turnover

Turnover, which is stated net of trade discounts and VAT, represents amounts invoiced to third parties at the point goods are despatched and services are performed.

Pension costs

The company sponsors individual pension plans for certain employees. All contributions to the plans, which are independently administered by insurance companies, are charged in the profit and loss account in the period in which they are incurred.

Foreign currency

Transactions in foreign currency 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. All exchange differences are included in the profit and loss account.

Leases

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Notes to the financial statements

1 Turnover

All turnover in the current period and prior year arose in the United Kingdom as a result of the company's principal activity

2 Other operating expenses

	17 months ended 30 June 2009 £	12 months ended 31 January 2008 £
Distribution costs	1,133,224	768,520
Administrative expenses	988,954	744,856
Profit on disposal of tangible fixed assets	(18,683)	(3,731)
	<u>2,103,495</u>	<u>1,509,645</u>

3 Finance charges

	17 months ended 30 June 2009 £	12 months ended 31 January 2008 £
Bank interest payable	<u>205,773</u>	<u>34,249</u>

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting)

	17 months ended 30 June 2009 £	12 months ended 31 January 2008 £
Depreciation and amounts written off tangible fixed assets		
- owned	64,420	84,088
Operating lease rentals		
- property	141,667	92,402
- plant and machinery	35,304	63,521
Auditors' remuneration for audit services	10,829	7,280
Profit on disposal of tangible fixed assets	<u>(18,683)</u>	<u>(3,731)</u>

Amounts payable to Grant Thornton UK LLP and their associates by the company in respect of non-audit services were £Nil (2008 - £Nil)

Notes to the financial statements (continued)

5 Staff costs

The average monthly number of employees (including executive directors) were

	17 months ended 30 June 2009 Number	12 months ended 31 January 2008 Number
Sales	8	7
Warehousing and processing	11	12
Administration	5	5
	<u>24</u>	<u>24</u>

	17 months ended 30 June 2009 £	12 months ended 31 January 2008 £
The aggregate remuneration comprised		
Wages and salaries	866,270	706,504
Social security costs	80,166	77,178
Other pension costs	29,380	24,297
	<u>975,816</u>	<u>807,979</u>

The remuneration of the directors was £Nil in both periods

6 Tax on profit on ordinary activities

The tax charge comprises

	17 months ended 30 June 2009 £	12 months ended 31 January 2008 £
Current tax		
UK Corporation tax		
Group loss relief		
- current period	185,273	201,716
- prior year	4,525	-
Total current tax	<u>189,798</u>	<u>201,716</u>

Notes to the financial statements (continued)

6 Tax on profit on ordinary activities (continued)

	17 months ended 30 June 2009 £	12 months ended 31 January 2008 £
Deferred tax		
Origination and reversal of timing differences	25,329	1,123
Adjustment in respect of prior periods	(4,580)	-
Change in rate of corporation tax	-	1,562
Total deferred tax (note 9)	20,749	2,685
Total tax on profit on ordinary activities	210,547	204,401

The difference between the total current tax and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	17 months ended 30 June 2009 £	12 months ended 31 January 2008 £
Profit on ordinary activities before taxation	724,978	667,377
Tax on profit on ordinary activities at standard UK corporation tax rate of 28 23% (2008 - 30%)	204,680	200,213
Effects of		
Expenses not deductible for tax purposes	2,925	2,706
Reversal of short term timing differences	(22,167)	(10,935)
Capital allowances in excess of depreciation	(165)	9,732
Adjustment to tax charge in respect of previous periods	4,525	-
Current tax charge for the period	189,798	201,716

Notes to the financial statements (continued)

7 Tangible fixed assets

	Plant and machinery £	Office equipment £	Motor vehicles £	Total £
Cost				
Beginning of period	245,273	47,327	107,013	399,613
Additions	8,694	29,220	27,650	65,564
Transfers	1,800	-	(3,250)	(1,450)
Disposals	(80,041)	(14,273)	(44,414)	(138,728)
End of period	<u>175,726</u>	<u>62,274</u>	<u>86,999</u>	<u>324,999</u>
Depreciation				
Beginning of period	153,043	25,070	66,818	244,931
Charge for the period	21,856	11,244	31,320	64,420
Transfers	135	-	(3,250)	(3,115)
Disposals	(80,041)	(14,273)	(17,602)	(111,916)
End of period	<u>94,993</u>	<u>22,041</u>	<u>77,286</u>	<u>194,320</u>
Net book value				
End of period	<u>80,733</u>	<u>40,233</u>	<u>9,713</u>	<u>130,679</u>
Beginning of period	<u>92,230</u>	<u>22,257</u>	<u>40,195</u>	<u>154,682</u>

8 Stocks

	30 June 2009 £	31 January 2008 £
Goods for resale	<u>2,651,229</u>	<u>4,457,079</u>

9 Debtors

	30 June 2009 £	31 January 2008 £
Amounts falling due within one year		
Trade debtors	2,869,020	4,028,462
Amounts owed by group undertakings	357,313	21,202
Prepayments and accrued income	158,251	57,139
Deferred tax asset	-	20,749
	<u>3,384,584</u>	<u>4,127,552</u>

Notes to the financial statements (continued)

9 Debtors (continued)

	30 June 2009 £	31 January 2008 £
<i>Deferred taxation</i>		
Beginning of period	20,749	23,434
Charged to profit and loss	(20,749)	(2,685)
End of period	-	20,749

The deferred tax asset is provided as follows

Accelerated capital allowances	-	(9,477)
Short term timing differences	-	30,226
	-	20,749

The company has no unprovided deferred tax at either period end

10 Creditors: Amounts falling due within one year

	30 June 2009 £	31 January 2008 £
Bank overdraft	724,297	1,292,768
Trade creditors	2,118,601	4,375,668
Amounts owed to group undertakings	150,841	359,754
Other taxation and social security	15,994	19,844
VAT	31,405	-
Accruals and deferred income	55,177	135,671
	3,096,315	6,183,705

The bank overdraft is secured by a debenture containing fixed and floating charges over the assets of the company

11 Called-up share capital

	30 June 2009 £	31 January 2008 £
<i>Authorised</i>		
3,003 ordinary shares of £1 each	3,003	3,003
<i>Allotted, called-up and fully-paid</i>		
3,003 ordinary shares of £1 each	3,003	3,003

Notes to the financial statements (continued)

12 Reserves

	Profit and loss account £
Beginning of period	2,553,143
Profit for the period	514,431
End of period	<u>3,067,574</u>

13 Reconciliation of movements in shareholder's funds

	30 June 2009 £	31 January 2008 £
Profit for the financial period	514,431	462,976
Opening shareholder's funds	<u>2,556,146</u>	<u>2,093,170</u>
Closing shareholder's funds	<u>3,070,577</u>	<u>2,556,146</u>

14 Guarantees and other financial commitments

a) Capital commitments

At the end of the period, capital commitments contracted for but not provided for were £Nil (2008- £Nil)

b) Contingent liabilities

The company has guaranteed bank borrowings of its ultimate holding company and certain other subsidiary undertakings. The total contingency as at 30 June 2009 amounts to £447,289,494 (2008 - £386,379,229). Security for the bank facilities consists of cross guarantees and a debenture containing fixed and floating charges over the assets of the company.

c) Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows

	30 June 2009		31 January 2008	
	Property £	Other £	Property £	Other £
Expiry date				
- within one year	-	4,115	-	10,443
- between one and two years	100,000	13,743	100,000	12,449
- over five years	-	-	-	-
	<u>100,000</u>	<u>17,858</u>	<u>100,000</u>	<u>22,892</u>

Notes to the financial statements (continued)

15 Ultimate controlling party

The company is a wholly owned subsidiary undertaking of Murray Plate Group Limited which in turn is a subsidiary undertaking of Murray Metals Holdings Limited

The largest and smallest group of which Tipton & Mill Steels Limited is a member and for which group financial statements are drawn up is that headed by Murray International Holdings Limited, the ultimate parent company, whose principal place of business is at 9 Charlotte Square, Edinburgh, EH2 4DR

Sir D E Murray, a director of the ultimate holding company, and members of his close family control the company as a result of controlling directly or indirectly 76% (31 January 2008 – 81%) of the issued share capital of the ultimate holding company

As a subsidiary undertaking of Murray International Holdings Limited, the company has taken advantage of the exemption in FRS 8 'Related party disclosures' from disclosing transactions with other members of the group headed by Murray International Holdings Limited

16 Post balance sheet events

As set out in Note 15, the company's ultimate holding company is Murray International Holdings Limited, a company which is registered in Scotland. The largest and smallest group in which the results of the company are consolidated is that headed by the ultimate holding company whose principal place of business is at 9 Charlotte Square, Edinburgh, EH2 4DR. Copies of Murray International Holdings Limited financial statements are available from the above address

On 21 April 2010, Murray International Holdings Limited and certain of its subsidiaries completed a financial restructuring, details of which are set out in the financial statements of Murray International Holdings Limited for the period ended 30 June 2009. A summary of the principal terms of this financial restructuring are set out below

(i) Lloyds Banking Group has increased its equity interests in the Group, subscribing for approximately £150.0m of additional share capital and share premium in Murray International Holdings Limited while reducing debt levels by a similar quantum

(ii) Following the issue of share capital, Sir David E. Murray and members of his close family continue to control the Company and the Group as a result of controlling, either directly or indirectly, 76% of the voting share capital of the issued share capital of the Company. This percentage was previously 88%

(iii) Group borrowing facilities have been renewed with Lloyds Banking Group following completion of the financial restructuring. This has involved segregating the overall Group banking arrangement into a series of sub-facilities relevant and applicable to each of the Group's Divisions

Notes to the financial statements (continued)

(iv) The Company forms part of the Group's Metals Division comprising the following principal companies and their subsidiaries - Murray Metals Holdings Limited, Murray General Steels Group Limited, Murray Plate Group Limited, Murray Specialist Metals Limited. The companies in the Metals Division no longer provide cross guarantees in respect of the remainder of the Group. Instead, these Divisions will in future only provide cross guarantees in respect of bank indebtedness within their own Division. As at 30 June 2009, the bank indebtedness,

(v) The Group has acquired minority interests held in certain subsidiaries in the Group for nominal value

The impact of these changes has been shown in the unaudited pro forma group balance sheet set out in the Directors' Report of the annual report and financial statements of Murray International Holdings Limited. This unaudited pro forma balance sheet highlights the effect on the 30 June 2009 balance sheet of Murray International Holdings Limited of the various steps outlined above as if they had taken place on 30 June 2009.