Tipton & Mill Steels Limited

Annual report and financial statements
for the year ended 30 June 2010

Registered number 00513077

Directors' Report
For the year ended 30 June 2010

The directors present their annual report on the affairs of the company, together with the audited financial statements and independent auditors' report, for the year ended 30 June 2010

Principal activity and business review
The company's ultimate parent undertaking is Murray International Holdings Limited and the company acts as part of the group's metals division

On 30 April 2010 the assets, liabilities and business undertaking of the company were transferred to its immediate parent undertaking, Murray Plate Group Limited, with the business continuing to operate as a brand in a division of that company For the whole of the period under review prior to the transfer, the company's principal activity has continued to be steel stockholding and steel processing This transfer forms part of a general restructuring within the metal's division aimed at simplifying processes and coinciding with the impending installation of a new group commercial operating system

As shown on the company's profit and loss account on page 6, reported sales have decreased by 55% over the previous period This decrease reflects the reduction in the reporting period from 17 to 12 months For the 10 months of trade in the current period, average monthly turnover has actually fallen by 23 4% compared to the previous period Demand for steel in the market place has continued to fall as demand for products produced by end users has remained subdued throughout Selling prices have been volatile during the period, initially falling but then recovering to regain lost ground, as the steel mills raised their prices in light of the continued increase in their own raw material and production costs Overall, the impact on gross margin has been negative, with a reported decrease from 12% to 9 2%

The current operating environment continues to be uncertain There are indications that there may be increases in mill prices over the coming months, though the ability to pass these increases onto end users is uncertain, due to the low level of activity in the market The directors remain confident, however, that measures taken over recent years leave the group well placed to compete in the market and to take advantage of opportunities that can arise in times of uncertainty

The balance sheet on page 7 shows that the difficult trading conditions have impacted the company's financial position, which has weakened, with the net assets falling by £200,737, equivalent to 6 5% As at 30 June, however, the company remains debt free, all assets and liabilities having been transferred to Murray Plate Group Limited at book value

Murray International Holdings Limited manages its operations on a divisional basis For this reason, the company's directors believe that 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

As outlined in the company's financial statements for the year ended 30 June 2009, the company was restructured as part of the re-financing of the ultimate parent company, Murray International Holdings Limited, and its subsidiaries which was completed on 21 April 2010

Following the re-financing and restructuring, the company forms part of the Metals Division within the Murray International Holdings Limited group of companies The parent company of the Metals Division is Murray Metals Holdings Limited As part of the re-financing, Group borrowing facilities were renewed with Lloyds Banking Group This involved segregating the overall Group banking arrangements into a series of sub-facilities relevant and applicable to each of the Group's Divisions As a result, the Metals Division no longer provides cross guarantees in respect of the remainder of the Group Instead, the Metals Division only provides cross guarantees in respect of bank indebtedness within its own sub-group of companies Murray Metals Holdings Limited and its subsidiaries therefore have a ring-fenced debt facility without recourse to or from the remainder of the Murray International Holdings Limited Group

Results and dividends

Results are as follows

	£
Retained profit at beginning of year	3,067,574
Loss for the year	(200,737)
Retained profit at end of year	2,866,837

The directors do not recommend the payment of a dividend (2009 - £Nil)

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

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)

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 2006 They are also responsible for safeguarding the assets of the company and 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

D Horne
Secretary
22 October 2010

Grant Thornton

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

We have audited the financial statements of Tipton & Mill Steels Limited for the year ended 30 June 2010 which comprise the profit and loss account, the balance sheet, the statement of 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)

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 an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 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 (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/UKNP

Opinion on financial statements

In our opinion the financial statements

- gives a true and fair view of the state of the company's affairs as at 30 June 2010 and of its loss 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 matters 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

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

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

Grant Thornton UK LLP

Andrew Howie
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
25 **October 2010**

Profit and loss account

For the year ended 30 June 2010

	Notes	Year ended 30 June 2010 £	17 months ended 30 June 2009 £
Turnover	1	**11,361,540**	25,228,222
Cost of sales		**(10,312,399)**	(22,193,976)
Gross profit		**1,049,141**	3,034,246
Other operating expenses	2	**(1,237,277)**	(2,103,495)
Operating (loss)/profit		**(188,136)**	930,751
Finance charges (net)	3	**124**	(205,773)
(Loss)/profit on ordinary activities before taxation	4	**(188,012)**	724,978
Tax on (loss)/profit on ordinary activities	6	**(12,725)**	(210,547)
(Loss)/profit for the financial period	12	**(200,737)**	514,431

The accompanying notes form an integral part of the financial statements

The results are derived from continuing activities, all of which have been transferred to the immediate parent undertaking Murray Plate Group Limited on 30 April 2010

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

Balance sheet
30 June 2010

	Notes	2010	2009
		£	£
Fixed assets			
Tangible assets	7	-	130,679
Current assets			
Stocks	8	-	2,651,229
Debtors	9	**2,869,840**	3,384,584
Cash at bank and in hand		-	400
		2,869,840	6,036,213
Creditors Amounts falling due within one year	10	-	(3,096,315)
Net current assets		**2,869,840**	2,939,898
Net assets		**2,869,840**	3,070,577
Capital and reserves			
Called-up share capital	11	**3,003**	3,003
Profit and loss account	12	**2,866,837**	3,067,574
Shareholder's funds	13	**2,869,840**	3,070,577

The accompanying notes form an integral part of the financial statements

The financial statements on pages 6 to 16 were approved by the Board of Directors on 22 October 2010 and signed on its behalf by

Director

Director

Tipton & Mill Steels Limited

Company registration number: 00513077

Statement of accounting policies
For the year ended 30 June 2010

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

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

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

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
For the year ended 30 June 2010

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

2 Other operating expenses

	Year ended 30 June 2010 £	17 months ended 30 June 2009 £
Distribution costs	667,639	1,133,224
Administrative expenses	563,442	988,954
Profit on disposal of tangible fixed assets	(3,700)	(18,683)
Restructuring costs	9,896	-
	1,237,277	2,103,495

3 Finance charges

	Year ended 30 June 2010 £	17 months ended 30 June 2009 £
Bank interest receivable/(payable)	124	(205,773)

4 (Loss)/profit on ordinary activities before taxation
(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting)

	Year ended 30 June 2010 £	17 months ended 30 June 2009 £
Depreciation and amounts written off tangible fixed assets		
- owned	26,136	64,420
Operating lease rentals		
- property	83,333	141,667
- plant and machinery	17,198	35,304
Auditors' remuneration for audit services	6,370	10,829
Profit on disposal of tangible fixed assets	(3,700)	(18,683)

Amounts payable to Grant Thornton UK LLP and their associates by the company in respect of non-audit services were £ Nil (2009 - £Nil)

5 Staff costs

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

	Year ended 30 June 2010 Number	17 months ended 30 June 2009 Number
Sales	**6**	8
Warehousing and processing	**11**	11
Administration	**4**	5
	21	24

	Year ended 30 June 2010 £	17 months ended 30 June 2009 £
The aggregate remuneration comprised		
Wages and salaries	**452,349**	866,270
Social security costs	**44,376**	80,166
Other pension costs	**15,377**	29,380
	512,102	975,816

The remuneration of the directors was £Nil in both periods

6 Tax on (loss)/profit on ordinary activities

The tax charge comprises

	Year ended 30 June 2010 £	17 months ended 30 June 2009 £
Current tax		
UK Corporation tax		
Group loss relief		
- current period	-	185,273
- prior year	12,725	4,525
Total current tax	12,725	189,798
	£	£
Deferred tax		
Origination and reversal of timing differences	12,621	25,329
Adjustment in respect of prior periods	(12,621)	(4,580)
Total deferred tax (note 9)	-	20,749
Total tax on (loss)/profit on ordinary activities	12,725	210,547

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

	Year ended 30 June 2010 £	17 months ended 30 June 2009 £
(Loss)/profit on ordinary activities before taxation	(188,012)	724,978
Tax on (loss)/profit on ordinary activities at standard UK corporation tax rate of 28% (2009 - 28 23%)	(52,643)	204,680
Effects of		
Expenses not deductible for tax purposes	2,243	2,925
Other short term timing differences	(1,990)	(22,167)
Capital allowances in excess of depreciation	6,282	(165)
Unutilised losses transferred to parent undertaking	46,108	-
Adjustment to tax charge in respect of previous periods	12,725	4,525
Current tax charge for the period	12,725	189,798

Notes to the financial statements (continued)

7 Tangible fixed assets

	Plant and machinery £	Office equipment £	Motor vehicles £	Total £
Cost				
Beginning of year	175,726	62,274	86,999	324,999
Additions	25,000	1,318	-	26,318
Group transfers	(200,726)	(63,592)	(76,073)	(340,391)
Disposals	-	-	(10,926)	(10,926)
End of year	-	-	-	-
Depreciation				
Beginning of year	94,993	22,041	77,286	194,320
Charge for the year	13,547	6,867	5,722	26,136
Group transfers	(108,540)	(28,908)	(72,082)	(209,530)
Disposals	-	-	(10,926)	(10,926)
End of year	-	-	-	-
Net book value				
End of year	-	-	-	-
Beginning of year	80,733	40,233	9,713	130,679

8 Stocks

	2010 £	2009 £
Goods for resale	-	2,651,229

9 Debtors

	2010 £	2009 £
Amounts falling due within one year		
Trade debtors	-	2,869,020
Amounts owed by group undertakings	**2,869,840**	357,313
Prepayments and accrued income	-	158,251
	2,869,840	3,384,584

Notes to the financial statements (continued)

9 Debtors (continued)

	2010 £	2009 £
Deferred taxation		
Beginning of period	-	20,749
Charged to profit and loss	-	(20,749)
End of period	-	-

The company has no unprovided deferred tax at either period end

10 Creditors Amounts falling due within one year

	2010 £	2009 £
Bank overdraft	-	724,297
Trade creditors	-	2,118,601
Amounts owed to group undertakings	-	150,841
Other taxation and social security	-	15,994
VAT	-	31,405
Accruals and deferred income	-	55,177
	-	3,096,315

11 Called-up share capital

	2010 £	2009 £
Allotted, called-up and fully-paid		
3,003 ordinary shares of £1 each	**3,003**	3,003

12 Reserves

	Profit and loss account £
Beginning of year	3,067,574
Loss for the year	(200,737)
End of year	**2,866,837**

13 Reconciliation of movements in shareholder's funds

	2010 £	2009 £
(Loss)/profit for the financial period	**(200,737)**	514,431
Opening shareholder's funds	**3,070,577**	2,556,146
Closing shareholder's funds	**2,869,840**	3,070,577

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 (2009- £Nil)

b) Contingent liabilities

The company has guaranteed bank borrowings of its intermediate parent undertaking, Murray Metals Holdings Limited and certain other fellow subsidiary undertakings The total contingency as at 30 June 2010 amounts to £54,638,422 (2009 - £447,289,494) Security for the bank facilities consists of cross guarantees and a debenture containing fixed and floating charges over the assets of the company

Following the re-financing and restructuring of Murray International Holdings Limited and its subsidiaries, the company forms part of the Metals Division within the Murray International Holdings Limited group of companies The parent company of the Metals Division is Murray Metals Holdings Limited As part of the re-financing, Group borrowing facilities were renewed with Lloyds Banking Group This involved segregating the overall Group banking arrangements into a series of sub-facilities relevant and applicable to each of the Group's Divisions As a result, the Metals Division no longer provides cross guarantees in respect of the remainder of the Group Instead, the Metals Division only provides cross guarantees in respect of bank indebtedness within its own sub-group of companies Murray Metals Holdings Limited and its subsidiaries therefore have a ring-fenced debt facility without recourse to or from the remainder of the Murray International Holdings Limited Group

c) Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows

	2010		2009	
	Property £	**Other £**	Property £	Other £
Expiry date				
- within one year	-	-	-	4,115
- between one and two years	-	-	100,000	13,743
	-	-	100,000	17,858

15 Transfer of trade and assets to immediate parent undertaking

On 1 May 2010 the company transferred its trade and net assets to Murray Plate Group Limited, its immediate parent undertaking The book value and fair value of the assets disposed of was £2,869,840 and the total consideration received was £2,869,840

16 Pension costs

The Company participates in the Murray International Holdings Limited Staff Pension and Life Assurance Plan pension scheme (the "MIH DB Pension Scheme") This is a defined benefit multi-employer scheme, the assets and liabilities of which we are held independently from Murray International Holdings Limited The Company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme

The Company also participates in the Murray International Holdings Limited Personal Pension Plan (the "MIH GPP Scheme") This is a defined contribution multi-employer scheme, the assets and liabilities of which are held independently of the group

Contributions to the schemes for the year to 30 June 2010 were £15,377 (30 June 2009 £29,380)

Following consultation with its Members and Trustees, the MIH DB Scheme was closed to future accrual with effect from 30 April 2010 The Members of the MIH DB Scheme was thereafter entitled to participate in the MIH GPP Scheme The Trustees of the MIH DB Scheme and the Directors of Murray International Holdings Limited have agreed to enter into a recovery plan in respect of future contributions Further details on the schemes can be found in the financial statements of Murray International Holdings Limited

17 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% (30 June 2009 – 76%) 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

During the period to 30 April 2010, some subsidiaries in the MIH group were not 100% owned and as such, transactions with these companies are disclosed as follows

	£
Sales	**38,562**