

Parson & Crosland Limited

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

Registered number 4600557



Directors' report

For the year ended 30 June 2010

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

Principal activity and business review

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.

As shown in the company's profit and loss account on page 6, the company's sales have increased by 9% over the previous period on a like for like comparison. This increase reflects an increase in our selling prices towards the end of the year.

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 ideally placed to take advantage of the opportunities that such uncertainties give rise to.

The balance sheet on page 7 shows that the company's financial position has strengthened, with the net assets rising by £2,911,549 due to a capital injection of £3,803,133. The company remains focused on managing the overall investment in working capital and the increase to stock and debtors is a reflection of the increase of the market price of steel.

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.

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. As part of the wider re-financing and restructuring, the immediate parent of the company, Murray General Steels Group Limited, subscribed for 3,803,133 shares of £1.00 each in the company. The funds realised from this equity injection were utilised to repay existing third party indebtedness.

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 arrangement 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

Directors' report (continued)

Results and dividends

Results are as follows

	Year ended 30 June 2010 £
Retained profit at beginning of period	2,534,152
Loss for the period	<u>(891,584)</u>
Retained profit at end of period	<u>1,642,568</u>

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

Financial Risk Management

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 shareholders' 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 year and thereafter are as follows

Mr E J Bilcliffe (resigned 30 September 2009)
Mr D B Lawson
Mr J D G Wilson
Mr G Hill
Mr M S McGill (appointed 5 March 2010)

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.

- 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 which 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 the system of internal control, 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 each of the directors is 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
Brightgate Way
Trafford Park
Manchester
M32 0TB

By order of the Board


D. Horne
Secretary

22 October 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PARSON & CROSLAND LIMITED

We have audited the financial statements of Parson & Crosland 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

- give 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 PARSON & CROSLAND 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



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 £	6 months ended 30 June 2009 £
Turnover	1	13,161,406	6,027,242
Cost of sales		(12,023,256)	(6,382,340)
Gross profit		1,138,150	(355,098)
Other operating expenses	2	(1,628,929)	(714,459)
Exceptional operating income	3	-	3,315,638
Operating loss		(490,779)	2,246,081
Finance charges (net)	4	(30,874)	(27,131)
Loss on ordinary activities before taxation	5	(521,653)	2,218,950
Tax on loss on ordinary activities	7	(369,931)	204,012
Loss for the period	16	(891,584)	2,422,962

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 loss 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	8	<u>1,981,020</u>	<u>1,708,408</u>
Current assets			
Stocks	9	2,727,423	2,038,442
Debtors	10	3,940,289	3,118,511
Cash at bank and in hand		46,223	-
		<u>6,713,935</u>	<u>5,156,953</u>
Creditors Amounts falling due within one year	11	<u>(2,899,254)</u>	<u>(3,901,842)</u>
Net current assets		<u>3,814,681</u>	<u>1,255,111</u>
Total assets less current liabilities		<u>5,795,701</u>	<u>2,963,519</u>
Creditors Amounts falling due greater than one year	12	-	(79,367)
Net assets		<u>5,795,701</u>	<u>2,884,152</u>
Capital and reserves			
Called-up share capital	15	4,103,133	300,000
Capital redemption reserve	16	50,000	50,000
Profit and loss account	16	1,642,568	2,534,152
Shareholders' funds	17	<u>5,795,701</u>	<u>2,884,152</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 22 October 2010 and signed on its behalf by

 Director



Director

Parson & Crosland Limited
Company registration number: 4600557

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 current year and 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.

Going concern

The directors have reviewed the trading prospects and financial and cash flow projections of the business and have secured a new bank facility and parent company funding based on these projections. On that basis the directors have a reasonable expectation that there are adequate resources to allow the Group and the Company to continue to realise their assets and discharge their liabilities in the normal course of business for the foreseeable future. Accordingly, the directors have determined that it is appropriate to continue to adopt the going concern basis of accounting in the preparation of these financial statements.

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, other than freehold land, 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:

Freehold property	Over 50 years	
Plant and machinery	10% - 20%	per annum
Motor vehicles	25% - 33%	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. Costs 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

Statement of accounting policies (continued)

Taxation (continued)

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 defined contribution 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

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability

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

Grants

Government grants in respect of capital expenditure are credited against the cost of the relevant assets and are written off over their expected useful lives

Government grants of a revenue nature are credited to the profit and loss account in the same period as the related expenditure

Notes to the financial statements

For the year ended 30 June 2010

1 Turnover

All turnover arose in the United Kingdom as a result of the company's principal activity (2009 same)

2 Other operating expenses

	Year ended 30 June 2010 £	6 months ended 30 June 2009 £
Distribution costs	459,974	206,954
Administration expenses	1,170,730	512,444
Profit on sale of fixed assets	(1,775)	(4,939)
	<u>1,628,929</u>	<u>714,459</u>

3 Exceptional operating income

	Year ended 30 June 2010 £	6 months ended 30 June 2009 £
Exceptional operating items comprise		
Write off of intercompany balances	–	5,024,533
Write off of investment	–	(1,708,895)
	<u>–</u>	<u>3,315,638</u>

4 Finance charges

	Year ended 30 June 2010 £	6 months ended 30 June 2009 £
<i>Interest payable and similar charges</i>		
Bank overdrafts	28,547	24,292
Hire purchase contracts	2,327	2,840
	<u>30,874</u>	<u>27,132</u>

Notes to the financial statements (continued)

5 (Loss)/profit on ordinary activities before taxation

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

	Year ended 30 June 2010 £	6 months ended 30 June 2009 £
Depreciation and amounts written off tangible fixed assets		
- owned	196,852	59,347
- held under hire purchase contracts	19,355	27,906
Operating lease rentals		
- property	43,500	39,875
Auditors' remuneration for audit services	3,410	3,500
Profit on disposal of tangible fixed assets	(1,774)	(6,936)

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

6 Staff costs

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

	Year ended 30 June 2010 Number	6 months ended 30 June 2009 Number
Sales	13	12
Administration	5	5
Warehousing	35	32
	<u>53</u>	<u>49</u>

	Year ended 30 June 2010 £	6 months ended 30 June 2009 £
The aggregate remuneration comprised		
Wages and salaries	1,050,045	536,576
Social security costs	99,751	51,426
Other pension costs	28,679	9,361
	<u>1,178,475</u>	<u>597,363</u>

Directors' remuneration

The remuneration of the directors was £Nil (2009 £41,467)

Notes to the financial statements (continued)

7 Tax on (loss)/profit on ordinary activities

The tax charge/(credit) comprises

	Year ended 30 June 2010 £	6 months ended 30 June 2009 £
Current tax		
Group loss relief - prior year	<u>162,230</u>	<u>13,573</u>
Deferred tax (note 14)		
Origination and reversal of timing differences	<u>207,701</u>	<u>(217,585)</u>
Total tax on (loss)/profit on ordinary activities	<u>369,931</u>	<u>(204,012)</u>

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

	Year ended 30 June 2010 £	6 months ended 30 June 2009 £
(Loss)/profit on ordinary activities before taxation	<u>(521,653)</u>	<u>2,218,950</u>
Tax on (loss)/profit on ordinary activities at standard UK corporation tax rate of 28% (2009 - 28 23%)	<u>(146,063)</u>	<u>626,466</u>
Effects of		
Expenses/(income) not deductible for tax purposes	3,105	(755,960)
Credit for group relief	–	(66,359)
Other short term timing differences	6,781	(1,277)
Unrelieved tax losses and other deductions arising in the period	80,535	152,683
Accelerated capital allowance and other timing differences	55,642	58,020
Adjustments to tax charge in respect of previous periods	<u>162,230</u>	<u>–</u>
Current tax charge for the year	<u>162,230</u>	<u>13,573</u>

Notes to the financial statements (continued)

8 Tangible fixed assets

	Freehold property £	Plant and machinery £	Motor vehicles £	Total £
Cost				
Beginning of year	956,800	1,553,858	307,858	2,818,516
Additions	58,955	409,603	25,964	494,522
Disposals	-	(12,523)	(25,750)	(38,273)
End of year	<u>1,015,755</u>	<u>1,950,938</u>	<u>308,072</u>	<u>3,274,765</u>
Depreciation				
Beginning of year	244,512	691,937	173,659	1,110,108
Charge for the year	19,545	150,149	46,513	216,207
Disposals	-	(6,822)	(25,748)	(32,570)
End of year	<u>264,057</u>	<u>835,264</u>	<u>194,424</u>	<u>1,293,745</u>
Net book value				
End of year	<u>751,698</u>	<u>1,115,674</u>	<u>113,647</u>	<u>1,981,020</u>
Beginning of year	<u>712,288</u>	<u>861,921</u>	<u>134,199</u>	<u>1,708,408</u>

Included in cost of land and buildings is freehold land of £98,364 (2009 £98,364) which is not depreciated
 Included within fixed assets are plant and machinery and motor vehicles held under hire purchase contracts with a net book value of £137,107 (2009 £354,611) Depreciation charged on these assets in the year amounted to £19,355 (2009 £79,067)

9 Stocks

	2010 £	2009 £
Goods for resale	<u>2,727,423</u>	<u>2,038,442</u>

Notes to the financial statements (continued)

10 Debtors

	2010 £	2009 £
Amounts falling due within one year		
Trade debtors	3,513,136	2,470,065
Amounts owed by group undertakings	301,245	244,420
Other debtors	-	56,018
Corporation tax	-	6,612
Prepayments and accrued income	125,908	133,695
Deferred tax asset (note 13)	-	207,701
	3,940,289	3,118,511

11 Creditors amounts falling due within one year

	2010 £	2009 £
Bank loans and overdrafts	-	2,210,722
Hire purchase contracts	78,337	62,600
Trade creditors	1,460,680	1,287,715
Amounts owed to group undertakings	957,799	235,732
Corporation tax	20,277	-
Other taxation and social security	154,973	25,891
Other creditors	-	10,903
Accruals and deferred income	227,188	68,279
	2,899,254	3,901,842

Hire purchase liabilities are secured upon the assets to which they relate

Notes to the financial statements (continued)

12 Creditors amounts falling due after more than one year

	2010 £	2009 £
Hire purchase contracts	-	79,367

13 Borrowings

	2010 £	2009 £
Borrowings are repayable as follows		
Within one year		
Bank loans and overdrafts	-	2,210,722
Finance leases	78,337	62,600
After one and within two years		
Bank loans	-	45,836
After two and within five years		
Bank loans	-	33,531
	<u>78,337</u>	<u>2,352,689</u>

14 Provisions for liabilities

	2010 £	2009 £
Deferred tax		
Beginning of the period	(207,701)	-
Transfer from subsidiary	-	9,884
Movement in period	<u>207,701</u>	<u>(217,585)</u>
End of the period	-	(207,701)
 Deferred tax is provided as follows		
Accelerated capital allowances	-	<u>(207,701)</u>

As at 30 June 2010 there is a potential deferred tax asset of £514,491 which has not been recognised in the financial statements. The unrecognised deferred tax asset comprises

	2010 £	2009 £
Accelerated capital allowances	138,446	-
Short term timing differences	10,408	-
Tax losses carried forward	<u>365,637</u>	-
	<u>514,491</u>	-

Notes to the financial statements (continued)

15 Called-up share capital

	2010 £	2009 £
<i>Allotted, called up and fully paid</i>		
4,103,133 (2009 300,000) ordinary shares of £1 each	<u>4,103,133</u>	<u>300,000</u>

On 21 April 2010, 3,803,133 ordinary shares of £1 each were allotted at par for cash

16 Reserves

	Profit and loss account £	Capital redemption reserve £	Total £
Beginning of the year	2,534,152	50,000	2,584,152
Loss for the year	(891,584)	-	(891,584)
End of the year	<u>1,642,568</u>	<u>50,000</u>	<u>1,692,568</u>

17 Reconciliation of movements in shareholder's funds

Company	£
Loss for the financial year	(891,584)
Share capital issued in the year	<u>3,803,133</u>
Net increase in shareholder's funds	<u>2,911,549</u>
Opening shareholder's funds	<u>2,884,152</u>
Closing shareholder's funds	<u>5,795,701</u>

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 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.

Notes to the financial statements (continued)

18 Guarantees and other financial commitments

a) Capital commitments

At the end of the year, capital commitments contracted for but not provided for were £Nil (2009 - £nil)

b) Contingent liabilities

The company has guaranteed bank borrowings of its intermediate holding company, Murray Metals Holdings Limited, and certain other subsidiary undertakings. The total contingency as at 30 June 2010 amounts to £54,676,032 (30 June 2009 - £448,043,462). 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

Expiry date	Land & buildings	
	2010	2009
	£	£
Over 5 years	43,500	—

19 Ultimate controlling party

The company is a wholly owned subsidiary undertaking of Murray General Steels Group Limited, which in turn, is a subsidiary undertaking of Murray Metals Holdings Limited.

The largest and smallest group of which Parson & Crosland 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

	2010
	£
Sales	169,531