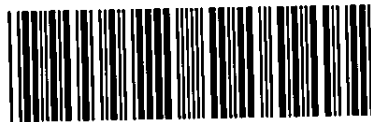


**Murray Speciality Metals Group Limited
(formerly Murray Specialist Metals Group
Limited)**

Annual report and financial statements
for the period ended 30 June 2011

Registered number: SC373277



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Directors' report

For the period ended 30 June 2011

The directors present their annual report on the affairs of the company, together with the audited financial statements and independent auditors' report, for the period ended 30 June 2011. This directors' report has been prepared in accordance with the special provisions relating to small companies under Part 15 of the Companies Act 2006.

Incorporation

The company was incorporated on 18 February 2010.

Principal activity

The principal activity of the company is that of a holding company for subsidiary undertakings engaged in metals stockholding and processing. There have not been any significant changes in the company's principal activities during the period since incorporation. The results for the year show a retained loss of £6,409,111 and include £6,408,207 in respect of amounts written off investments.

Since 21 April 2010 the company has formed part of the Metals Division within the Murray International Holdings Limited (MIH) Group of companies. The parent company of the Metals Division is Murray Metals Holdings Limited. As a result of the refinancing undertaken at the same date, the Metals Division no longer provides cross guarantees in respect of the wider MIH Group. 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 MIH Group.

As part of a wider process, the Board of Directors in conjunction with the shareholders of the Metals Division, are considering strategic options for the company and the wider Metals Division.

Results and dividends

	£
Loss for the period	(6,409,111)
Retained loss at end of period	<u>(6,409,111)</u>

The directors are unable to recommend the payment of a dividend.

Financial risk management

Liquidity Risk

Operations are financed by a mixture of shareholder's funds and group 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' report (continued)

Directors

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

Sir D E Murray (appointed 18 February 2010)

G Hill (appointed 18 February 2010)

M S McGill (appointed 18 February 2010)

Directors' responsibilities statement

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 the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 and 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 judgments 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 are sufficient to show and explain the company's transactions and 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 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.

Directors' report (continued)

Auditors

Grant Thornton UK LLP were appointed as first auditors of the company and 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.

10 Charlotte Square
Edinburgh
EH2 4DR

By order of the Board,



M. S. McGill

Director

28 March 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MURRAY SPECIALITY METALS GROUP LIMITED

We have audited the financial statements of Murray Speciality Metals Group Limited for the period ended 30 June 2011 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 auditor

As explained more fully in the Directors' responsibilities statement set out on page 2, 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 (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/private.cfm.

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 2011 and of its loss for the period 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.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Statement of accounting policies concerning the company's ability to continue as a going concern. As explained in the statement of accounting policies, the existing bank facilities are scheduled to expire in the near term and the directors are currently working in conjunction with the shareholders of the company to review strategic options for the Metals Division. These conditions, along with the other matters explained in the statement of accounting policies, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MURRAY SPECIALITY METALS GROUP LIMITED
(continued)

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.

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

29 March 2012

Profit and loss account
For the period ended 30 June 2011

	Notes	Period ended 30 June 2011 £
Administrative expenses		<u>(2)</u>
Operating loss		<u>(2)</u>
Amounts written off investments		(6,408,207)
Interest payable	1	<u>(902)</u>
Loss on ordinary activities before taxation		<u>(6,409,111)</u>
Tax on loss on ordinary activities	2	<u>—</u>
Loss for the financial period	6	<u><u>(6,409,111)</u></u>

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 the period other than the loss for that period. Accordingly, no separate statement of total recognised gains and losses is presented.

Balance sheet

30 June 2011

	Notes	30 June 2011 £
Fixed assets		
Investments	3	<u>6,678,696</u>
Creditors: Amounts falling due within one year	4	<u>(687,806)</u>
Net assets		<u>5,990,890</u>
Capital and reserves		
Called-up share capital	5	12,400,001
Profit and loss account	6	<u>(6,409,111)</u>
Shareholder's funds	7	<u>5,990,890</u>

The accompanying notes form an integral part of the financial statements.

The financial statements on pages 6 to 13 were approved by the Board of Directors on 28 March 2012 and signed on its behalf by:



M. S. McGill
Director

Murray Speciality Metals Group Limited
Company no: SC373277

Statement of accounting policies

For the period ended 30 June 2011

Accounting policies

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

Basis of accounting

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

The company has taken advantage of the exemption from preparing financial statements afforded by Section 408 of the Companies Act 2006 because it is a subsidiary of Murray International Holdings Limited which prepares consolidated financial statements which are publicly available. The company is also, on this basis, exempt from the requirement of Financial Reporting Standard 1 (Revised) to present a cash flow statement.

Going Concern

The financial statements have been approved on the assumption that the Company remains a going concern. The following paragraph summarises the reasons on which the directors have reached their conclusion.

The company meets its day to day working capital requirements through its cash balances and inter-group funding. The directors have reviewed the Company's projected profit and cash flow forecasts based on the existing group bank facilities which are scheduled to expire in the near term. The Board of Directors and shareholders of the company are currently working in conjunction to examine and consider strategic options and alternatives for the Metals Division together with the various activities and operations thereof. The directors have concluded that the combination of these circumstances represent a material uncertainty that casts significant doubt upon the company's ability to continue as a going concern. Nevertheless after making enquiries, and considering the uncertainties described above, the directors have formed a judgement that, at the time of approval of the financial statements, the company has sufficient resources to continue operating for the foreseeable future, including funding necessary capital expenditure. For these reasons, the directors consider it appropriate to prepare the financial statements on a going concern basis.

Investments

Fixed asset investments are shown at cost less provision for impairment.

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.

Statement of accounting policies

For the period ended 30 June 2011

Taxation (continued)

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 measure on a non-discounted basis.

Notes to the financial statements

For the period ended 30 June 2011

1 Interest payable

	Period ended 30 June 2011 £
Bank interest payable	<u>902</u>

2 Tax on loss on ordinary activities

The tax charge comprises:

	Period ended 30 June 2011 £
Current tax	
UK corporation tax at 28%	<u>-</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:

	Period ended 30 June 2011 £
Loss on ordinary activities before taxation	<u>(6,409,111)</u>
Tax on loss on ordinary activities at standard UK corporation tax rate of 28%	(1,794,551)
Expenses not deductible for tax purposes	1,794,298
Unrelieved tax losses and other deductions arising in the period	<u>253</u>
Current tax credit for the period	<u>-</u>

The company has tax losses available for carry forward at 30 June 2011 of approximately £904.

The company had an unrecognised deferred tax asset of £253 as at 30 June 2011 arising from the tax losses carried forward.

Notes to the financial statements

For the period ended 30 June 2011

3 Fixed asset investments

2011
£

Cost

Beginning of period

—

Group transfers

13,086,903

End of period

13,086,903

Provision for impairment

At beginning of period

—

Charge for the period

6,408,207

At end of period

6,408,207

Net book value

At end of period

6,678,696

At beginning of period

—

Subsidiary undertakings

The company has investments in the following subsidiary undertakings at 30 June 2011

	Country of incorporation	Principal activity	Proportion of ordinary shares held
Hillfoot Steel Limited	England	Steel stockholding and processing	100%
Multi Metals Limited	Scotland	Metal stockholding, processing and distribution	99.9%
MCG Holdings Limited	Scotland	Non-trading holding company	100%

4 Creditors: Amounts falling due within one year

30 June
2011
£

Amounts owed to group undertakings

687,806

Notes to the financial statements

For the period ended 30 June 2011

5 Called-up share capital

30 June
2011
£

Allotted, called-up and fully-paid

12,400,001 ordinary shares of £1 each

12,400,001

The company was incorporated on 18 February 2010 at which point 1 ordinary share was allotted for cash.
On 21 April 2010 12,400,000 ordinary shares were issued at par for cash.

6 Profit and loss account

30 June
2011
£

Beginning of period

-

Loss for the period

(6,409,111)

At end of period

(6,409,111)

7 Reconciliation of movements in shareholder's funds

30 June
2011
£

Loss for the financial period

(6,409,111)

Issue of shares

12,400,001

Net increase in shareholder's funds

5,990,890

Opening shareholder's funds

-

Closing shareholder's funds

5,990,890

Notes to the financial statements

For the period ended 30 June 2011

8 Guarantees and other financial commitments

a) *Capital commitments*

At the end of the period, capital commitments were £Nil.

b) *Contingent liabilities*

The company has guaranteed bank borrowings of its immediate parent undertaking, Murray Metals Holdings Limited and certain other fellow subsidiary undertakings. The total contingency as at 30 June 2011 amounts to £58,689,993. Security for the bank facilities consists of cross guarantees and a floating charge over the assets of the company.

9 Ultimate controlling party

The company is a subsidiary undertaking of Murray Metals Holdings Limited which in turn is a subsidiary undertaking of Murray Metals Holdings Limited. The ultimate parent company is Murray International Holdings Limited.

The largest and smallest group of which the company is a member and for which group financial statements are drawn up is that headed by Murray International Holdings Limited whose principal place of business is at 10 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 by 70% (30 June 2010 - 76%) of the issued share capital of the ultimate holding company.

As a subsidiary undertaking of Murray Metals Holdings Limited and Murray International Holdings Limited, the company has taken advantage of the exemption in Financial Reporting Standard 8 "Related party disclosures", from disclosing transactions with other members of the group headed by Murray Metals Holdings Limited and of the wider group by Murray International Holdings Limited.

10 Post balance sheet events

On 7 March 2012, 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 2011.