Murray Speciality Metals Group Limited

Annual report and financial statements
for the year ended 30 June 2012

Registered number: SC373277

Directors' report

For the year ended 30 June 2012

The directors present their annual report on the affairs of the company, together with the audited financial statements, for the year ended 30 June 2012. This directors' report has been prepared in accordance with the special provisions relating to small companies under Part 15 of the Companies Act 2006.

Principal activity

The principal activity of the company is that of a holding company for subsidiary undertakings engaged in metals stockholding and processing.

When Murray International Holdings Limited and its subsidiaries (the "Group") was recapitalised and restructured in 2010, the underlying objective was to provide a stable platform for the implementation of the Group's overall debt reduction and Divisional strategies. The opportunity was also taken to simplify the Group's structure and funding arrangements with a view to improving credit terms.

Despite this restructuring, the Metals Division struggled to secure an improvement in its trading position. This was exacerbated by market volatility and the wider economic downturn. As a result, the Metals Division, particularly in the commodity based activities of general steel beams and sections, was operating at below optimum financial structure with a resulting adverse impact on trading results. A strategic decision was therefore taken to market the sale of the Metals Division, in whole or in parts.

The outcome of this competitive sale process concluded with three separate and distinct strands. The steel plate and speciality metals companies were sold to a management led vehicle for a total consideration of £14.0m of which £6,215,712 was received by the company. The trade and assets of the general steel beams and sections activities in Northern Ireland and Middlesbrough, together with certain assets from Newton Steel Stocks Limited, were sold to a competitor, Barrett Steel Limited, for a total consideration of £4.0m. The residual operations ceased trading in May 2012 and have been wound down in an orderly manner to optimise realisations to the benefit of all stakeholders and creditors. While far from ideal, this pragmatic course of action is reflective of the wider economic environment.

The results for the year show a retained loss of £5,990,890 (2011: loss of £6,409,111). Following the disposal this company is now not expected to trade.

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.

Results and dividends

	£
Retained loss at beginning of year	(6,409,111)
Loss for the year	(5,990,890)
Retained loss at end of year	(12,400,001)

The directors are unable to recommend the payment of a dividend (30 June 2011: £nil).

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

Sir D E Murray
G Hill
M S McGill

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 year. 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.

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.

10 Charlotte Square
Edinburgh
EH2 4DR

By order of the Board,

D. Horne
Secretary

19 March 2013

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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 year ended 30 June 2012 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 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 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 2012 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.

Grant Thornton

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.

Grant Thornton UK LLP

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

20 March 2013

Profit and loss account

For the year ended 30 June 2012

	Notes	Year ended 30 June 2012 £	Year ended 30 June 2011 £
Administrative expenses		**(7)**	(2)
Operating loss		**(7)**	(2)
Loss on sale of subsidiaries	1	**(478,696)**	-
Amounts written off investments		**-**	(6,408,207)
Amounts written off group debtors		**(5,512,186)**	-
Interest payable	2	**(1)**	(902)
Loss on ordinary activities before taxation		**(5,990,890)**	(6,409,111)
Tax on loss on ordinary activities	3	**-**	-
Loss for the financial year	8	**(5,990,890)**	(6,409,111)

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

The results are derived from discontinued activities.

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

Balance sheet
30 June 2012

	Notes	30 June 2012 £	30 June 2011 £
Fixed assets			
Investments	4	-	6,678,696
Creditors: Amounts falling due within one year	5	-	(687,806)
Total assets less current liabilities		-	5,990,890
Net assets		-	5,990,890
Capital and reserves			
Called-up share capital	6	**12,400,001**	12,400,001
Profit and loss account	7	**(12,400,001)**	(6,409,111)
Shareholder's funds	8	-	5,990,890

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

The financial statements on pages 6 to 13 were approved and authorised for issue by the Board of Directors on 19 March 2013 and signed on its behalf by:

G. Hill
Director

M S McGill
~~M. S. Gill~~
Director

Murray Speciality Metals Group Limited
Company no: SC373277

Statement of accounting policies

For the year ended 30 June 2012

Accounting policies

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

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.

Following the sale of the company's shareholdings in Multi Metals Limited and Hillfoot Steel Limited, the Board of Directors and shareholders of the company have concluded that this company is now not expected to trade. 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 years different from those in which they are recognised in the financial statements.

Statement of accounting policies

For the year ended 30 June 2012

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 years 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 year ended 30 June 2012

1 Loss on sale of subsidiaries

In May 2012, the company sold its interest in Hillfoot Steel Limited and Multi Metals Limited. The company made a loss on disposal of these investments of £478,696.

2 Interest payable

	Year ended 30 June 2012 £	Year ended 30 June 2011 £
Bank interest payable	**1**	902

3 Tax on loss on ordinary activities

The tax charge comprises:

	Year ended 30 June 2012	Year ended 30 June 2011
Current tax	**£**	£
UK corporation tax	**-**	-

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 2012 £	Year ended 30 June 2011 £
Loss on ordinary activities before taxation	**(5,990,890)**	(6,409,111)
Tax on loss on ordinary activities at standard UK corporation tax rate of 25.5% (2011 – 28%)	**(1,527,677)**	(1,794,551)
Expenses not deductible for tax purposes	**1,405,608**	1,794,298
Unrelieved tax losses and other deductions arising in the year	**2**	253
Loss on sale of subsidiaries	**122,067**	-
Current tax credit for the year		-

The company has tax losses available for carry forward at 30 June 2012 of approximately £912 (2011: £904).

The company had an unrecognised deferred tax asset of £219 as at 30 June 2012 arising from the tax losses carried forward (2011: £253).

4 Fixed asset investments

	2012 £
Cost	
Beginning of year	13,086,903
Additions	5,299,800
Disposals	(17,504,169)
End of year	**882,534**
Provision for impairment	
At beginning of year	6,408,207
Charge for the year	-
Disposal	(5,525,673)
At end of year	**882,534**
Net book value	
At end of year	-
At beginning of year	6,678,696

Subsidiary undertakings

The company has investments in the following subsidiary undertakings at 30 June 2012

	Country of incorporation	**Principal activity**	**Proportion of ordinary shares held**
MCG Holdings Limited	Scotland	Non-trading holding company	100%

5 Creditors: Amounts falling due within one year

	30 June 2012 £	30 June 2011 £
Amounts owed to group undertakings	-	687,806

6 Called-up share capital

	30 June 2012 £	30 June 2011 £
Allotted, called-up and fully-paid		
12,400,001 ordinary shares of £1 each	**12,400,001**	12,400,001

7 Profit and loss account

	30 June 2012 £
Beginning of year	(6,409,111)
Loss for the year	(5,990,890)
At end of year	**(12,400,001)**

8 Reconciliation of movements in shareholder's funds

	30 June 2012 £	30 June 2011 £
Loss for the financial year	**(5,990,890)**	(6,409,111)
Issue of shares	**-**	12,400,001
Net (decrease)/increase in shareholder's funds	**(5,990,890)**	5,990,890
Opening shareholder's funds	**5,990,890**	-
Closing shareholder's funds	**-**	5,990,890

9 Guarantees and other financial commitments

a) Capital commitments

At the end of the year, capital commitments were £Nil (2011: £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 2012 amounts to £46,821,979 (2011: £58,687,885). Security for the bank facilities consists of cross guarantees and a floating charge over the assets of the company.

10 Related party transactions

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.

11 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 2011 - 70%) of the issued share capital of the ultimate holding company.