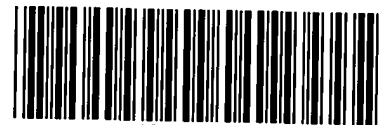


Murray Metals Limited

**Annual report and financial statements
For the year ended 31 December 2016**

Registered number: SC417296

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Annual report and financial statements

Company Information

Directors

Sir D E Murray

D D Murray

C J McDermid

G Hill

D B Lawson

S Collard

Auditors

Ernst & Young LLP

G1

5 George Square

Glasgow

G2 1DY

Registered Office

26 Charlotte Square

Edinburgh

EH2 4ET

Annual Report and Financial Statements

Contents	Page
Strategic report	1
Directors' report	3
Directors' responsibilities statement	4
Independent auditor's report	5
Consolidated Profit and Loss account	7
Consolidated Statement of Financial Position	8
Company Statement of Financial Position	9
Consolidated Statement of Changes in Equity	10
Company Statement of Changes in Equity	11
Consolidated Statement of Cash Flows	12
Notes to the financial statements	13

Strategic report

For the year ended 31 December 2016

The directors present their strategic report on the affairs of the company and group, together with the directors' report, financial statements and auditor's report, for the year ended 31 December 2016.

Business review

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

The company has benefited from improvements in the trading environment for flat steel products throughout the year to 31 December 2016. Supply side factors have positively impacted upon outsale prices, enabling the business to reverse the stock losses experienced in prior years. The factors underpinning market pricing throughout the year – rising steel production costs, raw material input costs, exchange rate movements and reduced levels of cheaper imports – appear set to continue into the next year. A continued focus on value added services has also benefited the margin.

The trading environment for engineering steels remained challenging with weak demand and falling prices throughout the year. However, as the year ended there were signs that both demand and pricing were starting to strengthen.

The company is well placed to maximise the benefit from these changes in the macro economic environment through its relationships with key suppliers and regular monitoring of margins against replacement costs.

The group operated within its banking loan facilities for the year to 31 December 2016.

A summary of the trading results is given on page 7, which shows consolidated turnover for the year to 31 December 2016 of £54,924,060 (2015: £57,698,901) and an operating profit of £1,658,925 (2015: operating loss £272,495). Operating profit is stated after a release of negative goodwill of £331,363 (2015: £331,362). After interest charges of £480,847 (2015: £356,024) the pre tax group result for the year to 31 December 2016 was a profit of £1,178,078 (2015: loss £628,519).

The consolidated statement of financial position is given on page 8 of the financial statements, which shows the group's position at the 31 December 2015 with £3,660,714 of shareholders' funds (2015: £2,482,636). There is no negative goodwill remaining at the year end (2015: £331,363).

Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the group can continue in operational existence for the foreseeable future, that is for at least 12 months from the date of signing of the financial statements.

The group is funded by a combination of operating cash flows, bank loans and loan notes. As disclosed in note 15 to the financial statements, bank loan facilities have been put in place until at least 31 March 2020, and will continue on a rolling basis thereafter, or upon receiving 6 months' notice. The bank has confirmed that it is not their current intention to serve notice for a period of at least 12 months from the date of signing the financial statements. The parent undertaking, Murray Capital Limited, has confirmed that it is not their current intention to redeem the loan notes in issue for a period of at least 12 months from the date of signing the financial statements and at 31 December 2016 has confirmed their continuing financial support.

Strategic report (continued)

For the year ended 31 December 2016

Going concern (continued)

The group's forecasts have been prepared for a period extending to more than twelve months from the date of signing these financial statements, reflecting continued growth and returns from new investments and include consideration of the net liability position of the company only balance sheet. These show that the company and group will have adequate resources to continue in operational existence for the foreseeable future. The directors therefore consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

Financial risk management

Foreign currency risk

In order to mitigate against the group's exposure to exchange rate movements, the group enters into non speculative foreign currency hedging instruments based on likely future foreign currency cash flows.

Credit risk

The group 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 group bank borrowings. The objective is to ensure a mix of funding methods offering flexibility and cost effectiveness to match the needs of the group.

Cashflow risk

The group's policy is to arrange core debt and bank loans, with a floating rate of interest plus an agreed margin. In order to operate within available bank loan facilities the group controls its working capital through target inventory turns and monitoring creditor and debtor days.

Stock replacement cost risk

The group's trading margins are subject to movements in the replacement cost of material, particularly on commodity grades. The group mitigates the impact of replacement cost losses on its trading results by utilising its long term relationships with key suppliers to buy commodity grades on short lead times and target a quick stock turn.

Approved by the Board of Directors and signed on behalf of the Board:

G. Hill
Director



26 May 2017

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2016.

Directors

The directors who served during the period and to the date of this report are as follows:

Sir D.E. Murray
D.D. Murray
G. Hill
D.B. Lawson
S. Collard
C.J. McDermid

Dividends

No dividends were paid or proposed in the current or prior years.

Auditor

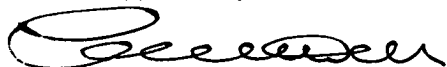
Each director at the date of approval of the report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

A resolution to re-appoint Ernst & Young LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board:



G. Hill

Director

26 May 2017

Directors' Report (continued)
For the year ended 31 December 2016

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual 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 law). 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 of the group and company and of the profit or loss of the group 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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.

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

We have audited the financial statements of Murray Metals Limited for the year ended 31 December 2016 which comprise the Consolidated Profit and Loss Account, the Consolidated and Parent Company Statement of Financial Position, the Consolidated and Parent Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 24. 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), including FRS102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

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 4, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

Opinion on other matters prescribed by the Companies Act 2006

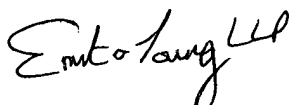
In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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



Mark Harvey (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP

Statutory Auditor

Glasgow, United Kingdom

17 May 2017

Consolidated Profit and Loss Account
For the year ended 31 December 2016

	Notes	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Turnover	2	54,924,060	57,698,901
Cost of sales		(44,239,476)	(49,773,611)
Gross profit		10,684,584	7,925,290
Other operating expenses	3	(9,025,659)	(8,197,785)
Operating profit/(loss)		1,658,925	(272,495)
Interest payable and similar charges	4	(480,847)	(356,024)
Profit/(loss) on ordinary activities before taxation	5	1,178,078	(628,519)
Tax on profit/(loss) on ordinary activities	7	-	-
Profit/(loss) for the financial year		1,178,078	(628,519)
Total comprehensive income/(loss) for the year		1,178,078	(628,519)

The results are derived from continuing operations.

The accompanying notes form an integral part of the financial statements

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 £	2015 £
Fixed assets			
Negative goodwill	8	-	(331,363)
Tangible assets	9	1,337,098	1,558,086
		<u>1,337,098</u>	<u>1,226,723</u>
Current assets			
Stocks	11	11,323,743	10,106,401
Debtors	12	18,656,326	15,921,739
Cash at bank and in hand		60,662	20,225
		<u>30,040,731</u>	<u>26,048,365</u>
Creditors: Amounts falling due within one year	13	(16,150,320)	(14,407,515)
Net current assets		<u>13,890,411</u>	<u>11,640,850</u>
Total assets less current liabilities		<u>15,227,509</u>	<u>12,867,573</u>
Creditors: Amounts falling due after more than one year	14	(11,566,795)	(10,384,937)
Net assets		<u>3,660,714</u>	<u>2,482,636</u>
Capital and reserves			
Called-up share capital	16	99,000	99,000
Share premium reserve		9,000	9,000
Profit and loss account		3,552,714	2,374,636
Shareholders' funds		<u>3,660,714</u>	<u>2,482,636</u>

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

The consolidated financial statements were approved and authorised by the Board of Directors on 26 May 2017 and signed on its behalf by:

G. Hill
Director



S. Collard
Director



Murray Metals Limited
Company no: SC417296

Company Statement of Financial Position

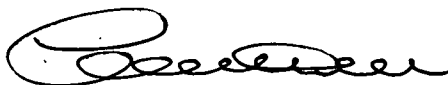
As at 31 December 2016

	Notes	2016 £	2015 £
Fixed assets			
Tangible assets	9	69,391	115,714
Investments	10	13,950,346	13,950,346
		<u>14,019,737</u>	<u>14,066,060</u>
Current assets			
Debtors	12	1,097,112	806,342
Cash at bank and in hand		5,490	1,117
		<u>1,102,602</u>	<u>807,459</u>
Creditors: Amounts falling due within one year	13	<u>(21,467,044)</u>	<u>(20,051,949)</u>
Net current liabilities		<u>(20,364,442)</u>	<u>(19,244,490)</u>
Total assets less current liabilities		<u>(6,344,705)</u>	<u>(5,178,430)</u>
Creditors: Amounts falling due after more than one year	14	<u>(1,164,438)</u>	<u>(1,128,201)</u>
Net liabilities		<u>(7,509,143)</u>	<u>(6,306,631)</u>
Capital and reserves			
Called-up share capital	16	99,000	99,000
Share premium account		9,000	9,000
Profit and loss account		<u>(7,617,143)</u>	<u>(6,414,631)</u>
Shareholder's deficit		<u>(7,509,143)</u>	<u>(6,306,631)</u>

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

The company financial statements were approved and authorised by the Board of Directors on 26 May 2017 and signed on its behalf by:

G. Hill
Director



S. Collard
Director



Murray Metals Limited
Company no: SC417296

Consolidated Statement of Changes in Equity
For the year ended 31 December 2016

	Share capital	Share premium	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2015	99,000	9,000	3,003,155	3,111,155
Loss for the year	-	-	(628,519)	(628,519)
At 1 January 2016	99,000	9,000	2,374,636	2,482,636
Profit for the year	-	-	1,178,078	1,178,078
At 31 December 2016	99,000	9,000	3,552,714	3,660,714

Company Statement of Changes in Equity
For the year ended 31 December 2016

	Share capital	Share premium	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2015	99,000	9,000	(5,079,388)	(4,971,388)
Loss for the year	-	-	(1,335,243)	(1,335,243)
At 1 January 2016	99,000	9,000	(6,414,631)	(6,306,631)
Loss for the year	-	-	(1,202,512)	(1,202,512)
At 31 December 2016	99,000	9,000	(7,617,143)	(7,509,143)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Net cash (outflow)/inflow from operating activities	22a	<u>(413,790)</u>	<u>1,571,787</u>
Investing activities			
Purchase of tangible fixed assets		(104,660)	(226,932)
Sale of tangible fixed assets		<u>4,251</u>	<u>17,000</u>
Net cash flow from investing activities		<u>(100,409)</u>	<u>(209,932)</u>
Financing activities			
Interest paid		(483,743)	(400,279)
Interest element of finance lease payments		(11,844)	(4,476)
Capital element of finance lease payments		(106,554)	(49,158)
Increase/(decrease) in bank debt		<u>1,156,777</u>	<u>(900,166)</u>
Net cash flow from financing activities		<u>554,636</u>	<u>(1,354,079)</u>
Increase in cash and cash equivalents		40,437	7,776
Cash and cash equivalents at 1 January		<u>20,225</u>	<u>12,449</u>
Cash and cash equivalents at 31 December	22b	<u>60,662</u>	<u>20,225</u>

Notes to the financial statements

For the year ended 31 December 2016

1 Accounting policies

The principal accounting policies are summarised below.

Statement of compliance

Murray Metals Limited is a limited liability company incorporated in Scotland. The Registered Office is 26 Charlotte Square, Edinburgh, EH2 4ET.

The Group's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Group for the year ended 31 December 2016.

Basis of preparation

The financial statements of Murray Metals Limited were authorised for issue by the Board of Directors on 26 May 2017. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the Group.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

As permitted by Section 408 of the Companies Act 2006, a separate profit and loss account for the parent company has not been presented as the results of the company are disclosed in the consolidated profit and loss account. The loss for the year for Murray Metals Limited was £1,202,512 (2015: £1,335,243).

Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the group can continue in operational existence for the foreseeable future, that is for at least 12 months from the date of signing of the financial statements.

The group is funded by a combination of operating cash flows, bank loans and loan notes. As disclosed in note 15 to the financial statements, bank loan facilities have been put in place until at least 31 March 2020, and will continue on a rolling basis thereafter, or upon receiving 6 months' notice. The bank has confirmed that it is not their current intention to serve notice for a period of at least 12 months from the date of signing the financial statements. The parent undertaking, Murray Capital Limited, has confirmed that it is not their current intention to redeem the loan notes in issue for a period of at least 12 months from the date of signing the financial statements and at 31 December 2016 has confirmed their continuing financial support.

The group's forecasts have been prepared for a period extending to more than twelve months from the date of signing these financial statements, reflecting continued growth and returns from new investments and include consideration of the net liability position of the company only balance sheet. These show that the company and group will have adequate resources to continue in operational existence for the foreseeable future. The directors therefore consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

Notes to the financial statements

For the year ended 31 December 2016

1 Accounting policies (continued)

Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Deferred Tax

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 7.

Significant accounting policies

Intangible assets – negative goodwill

Negative goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the identifiable assets and liabilities acquired over the fair value of the consideration given is included in the balance sheet and credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation, disposal or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

Notes to the financial statements

For the year ended 31 December 2015

1 Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are shown at cost, net of depreciation and any provision for impairment. Depreciation is provided on all property, plant and equipment, with the exception of freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, as follows:

Freehold buildings	2%	per annum straight line
Leasehold improvements		over the remaining term of the lease
Plant and machinery	5 - 33%	per annum straight line
Computer and office equipment	10 - 50%	per annum straight line
Motor vehicles	20%	per annum straight line

Residual value is calculated on prices prevailing at the date of acquisition. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

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

Turnover

Turnover is recognised to the extent that the Group obtains the right to consideration in exchange for its performance. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 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.

Notes to the financial statements

For the year ended 31 December 2015

1 Accounting policies (continued)

Taxation

Current taxation 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 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.

Pension costs

The company operates defined contribution pension schemes. The assets of these schemes are held separately from those of the company in independently administered funds. The costs of providing pensions for employees are charged in the profit and loss account as they become payable.

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.

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. A corresponding liability is recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments in the balance sheet. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability.

Foreign currency

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Notes to the financial statements

For the year ended 31 December 2015

1 Accounting policies (continued)

Derivative instruments

The group and company use forward foreign currency contracts to reduce exposure to foreign exchange rates. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles.

The group and company do not undertake any hedge accounting transactions.

Loan notes

Loan notes which are basis financial instruments are initially recorded at the present value of future payments discounted at a market rate of interest for a similar loan. Subsequently, they are measured at amortised cost using the effective interest method. Loan notes that are receivable within one year are not discounted.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

Notes to the financial statements

For the year ended 31 December 2016

2 Turnover

Turnover, which is stated net of value added tax, represents the amount derived from the company's principal activity.

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Sale of goods	54,924,060	57,698,901
	<u>54,924,060</u>	<u>57,698,901</u>

An analysis of turnover by destination is given below.

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
United Kingdom	51,613,599	55,599,893
Europe	3,029,971	943,534
Rest of the world	280,490	1,155,474
	<u>54,924,060</u>	<u>57,698,901</u>

3 Other operating expenses

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Selling and distribution costs	4,496,573	4,270,325
Administrative expenses	4,860,449	4,258,822
Negative goodwill release (see note 8)	(331,363)	(331,362)
	<u>9,025,659</u>	<u>8,197,785</u>

4 Interest payable

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Bank loans and overdrafts	304,619	354,295
Loan note interest	110,388	56,608
Finance leases	11,844	4,476
Other interest	179,977	11,337
Gains on financial liabilities measured at fair value	(125,981)	(70,692)
	<u>480,847</u>	<u>356,024</u>

Notes to the financial statements

For the year ended 31 December 2016

5 Profit/(loss) on ordinary activities before taxation

The profit/(loss) on ordinary activities before taxation is stated after (crediting)/charging:

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Negative goodwill release	(331,363)	(331,362)
Depreciation and amounts written off tangible fixed assets		
- owned	294,470	333,512
- held under finance leases	70,427	74,682
Operating lease rentals		
- plant and machinery	476,929	473,083
- other	821,960	822,412
Foreign exchange gains	(15,024)	(11,305)
Profit on disposal of tangible fixed assets	(3,000)	(17,000)
Auditor's remuneration – audit services	<u>52,523</u>	<u>49,623</u>

There were no other services provided by the auditor in either the current or prior year.

Notes to the financial statements

For the year ended 31 December 2016

6 Staff costs and directors' remuneration

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

	Year ended 31 December 2016 Number	Year ended 31 December 2015 Number
Sales	56	62
Warehousing and processing	66	70
Administration	56	60
	<u>178</u>	<u>192</u>

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
The aggregate remuneration comprised:		
Wages and salaries	5,772,072	6,095,766
Social security costs	543,699	590,569
Other pension costs (note 21)	217,502	260,247
	<u>6,533,273</u>	<u>6,946,582</u>

Directors' emoluments comprised:

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Emoluments for qualifying services	656,626	631,914
Pension contributions	18,719	37,329
	<u>675,345</u>	<u>669,243</u>
Highest paid director:		
Emoluments for qualifying services	286,355	278,728
Pension contributions	6,508	26,036
	<u>292,863</u>	<u>304,764</u>

Two directors were members of defined contribution pension schemes (period ended 31 December 2015: Two).

No key management personnel were identified other than directors of the group.

Notes to the financial statements

For the year ended 31 December 2016

7 Tax on profit/(loss) on ordinary activities

The tax (charge)/credit comprises:

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Current tax		
UK corporation tax	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing difference	(29,993)	72,557
Adjustments in respect of prior periods	(11,586)	-
Impact of tax rate change	41,579	(72,557)
Total deferred tax	-	-
Total tax on profit/(loss) on ordinary activities	-	-

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

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Profit/(loss) on ordinary activities before tax	1,178,078	(628,519)
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 20% (2015: 20.25%)	235,616	(127,254)
Tax effect of non-deductible or non-taxable items	(88,511)	(52,470)
Change in tax rates	110,576	14,737
Deferred tax not recognised	(246,095)	164,987
Deferred tax adjustments in respect of prior periods	(11,586)	-
Total tax charge for the period	-	-

The group has tax losses available to carry forward at 31 December 2016 of £10,831,767 (2015: £11,203,830).

Notes to the financial statements

For the year ended 31 December 2016

7 Tax on profit/(loss) on ordinary activities (continued)

Deferred tax

	Group 31 December 2016 £	Group 31 December 2015 £
Beginning of year	736,844	736,844
Charged to profit and loss account	-	-
End of year (note 12)	<u>736,844</u>	<u>736,844</u>

Deferred tax is provided as follows:

	Group 31 December 2016 £	Group 31 December 2015 £
Fixed asset timing differences	287,774	366,150
Other short term timing differences	5,638	6,701
Tax losses carried forward	<u>443,432</u>	<u>363,993</u>
	<u>736,844</u>	<u>736,844</u>

The unrecognised deferred tax asset comprises:

	Group 2016 £	Company 2016 £	Group 2015 £	Company 2015 £
Fixed asset timing differences	(5,564)	(5,564)	(14,596)	(14,596)
Other short term timing differences	641	641	1,039	1,039
Tax losses carried forward	<u>1,397,968</u>	<u>131,589</u>	<u>1,652,697</u>	<u>108,486</u>
	<u>1,393,045</u>	<u>126,666</u>	<u>1,639,140</u>	<u>94,929</u>

Recognition of the deferred tax asset is based on an assessment by management of the ability of the company to generate future taxable profits.

Factors that may affect future tax charges

The main rate of corporation tax reduced from 21% to 20%, effective from 1 April 2015. The Finance Act (No 2) 2015, which was substantively enacted on 26 October 2015, includes legislation to reduce the main rate of corporation tax to 19%, effective from 1 April 2017, and to 18%, effective from 1 April 2020. The Finance Act 2016 substantively enacted on 6 September 2016, includes legislation that will further reduce the main rate of corporation tax to 17%, effective from 1 April 2020. The deferred tax in the accounts has been recognised at the rate at which timing differences are expected to reverse, based on the rates substantively enacted as at the balance sheet date.

Notes to the financial statements
For the year ended 31 December 2016

8 Negative goodwill

Group	Total £
Cost	
At 1 January 2016 and 31 December 2016	<u>(5,608,231)</u>
Amortisation	
At 1 January 2016	5,276,868
Negative goodwill release	<u>331,363</u>
At 31 December 2016	<u>5,608,231</u>
Net book value	
At 31 December 2016	<u>-</u>
At 31 December 2015	<u>331,363</u>

Notes to the financial statements

For the year ended 31 December 2016

9 Tangible fixed assets

Group	Leasehold improvements £	Plant & machinery £	Computer & office equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2016	328,484	1,649,319	933,398	23,726	2,934,927
Additions	-	28,928	63,549	40,500	132,977
Disposals	-	(1,250)	(7,398)	-	(8,648)
Transfers	-	-	22,102	-	22,102
At 31 December 2016	328,484	1,676,997	1,011,651	64,226	3,081,358
Accumulated depreciation					
At 1 January 2016	162,580	668,306	533,978	11,977	1,376,841
Charge for the year	52,672	178,207	122,769	11,249	364,897
Disposals	-	-	(7,397)	-	(7,397)
Transfers	-	-	9,919	-	9,919
At 31 December 2016	215,252	846,513	659,269	23,226	1,744,260
Net book value					
At 31 December 2016	113,232	830,484	352,382	41,000	1,337,098
At 31 December 2015	165,904	981,013	399,420	11,749	1,558,086
Leased assets included above					
At 31 December 2016	-	239,139	58,996	33,075	331,210
At 31 December 2015	-	266,727	94,409	-	361,136

Notes to the financial statements

For the year ended 31 December 2016

9 Tangible fixed assets (continued)

Company

	Leasehold improvements £	Computer & office equipment £	Total £
Cost			
At 1 January 2016	6,188	162,027	168,215
Additions	-	2,488	2,488
At 31 December 2016	6,188	164,515	170,703
Accumulated depreciation			
At 1 January 2016	4,017	48,484	52,501
Charge for the year	1,236	47,575	48,811
At 31 December 2016	5,253	96,059	101,312
Net book value			
At 31 December 2016	935	68,456	69,391
At 31 December 2015	2,171	113,543	115,714
Leased assets included above			
At 31 December 2016	-	58,996	58,996
At 31 December 2015	-	94,409	94,409

10 Investments

Company

Cost and net book value

At 31 December 2015 and 31 December 2016	£
	13,950,346

At 31 December 2016 the Company held investments in the following subsidiary undertakings:

Company	Principal activity	Country of incorporation	Holding	Shareholding
Hillfoot Steel Limited	Steel stockholding and processing	England	Ordinary	100%
Multi Metals Limited	Metal stockholding and processing	Scotland	Ordinary	100%
Murray Plate Group Limited	Steel stockholding and processing	Scotland	Ordinary	100%
Forth Steel Limited*	Dormant	Scotland	Ordinary	100%

* shares owned indirectly

Forth Steel Limited is exempt from a statutory audit by virtue of s394A CA 2006 as the company prepares dormant company accounts.

Notes to the financial statements

For the year ended 31 December 2016

11 Stocks

Group	2016 £	2015 £
Goods for resale	<u>11,323,743</u>	<u>10,106,401</u>

There was no material difference between the balance sheet value of stocks and their replacement costs.

12 Debtors

	Group 2016 £	Company 2016 £	Group 2015 £	Company 2015 £
Amounts falling due within one year:				
Trade debtors	15,109,945	234	12,446,938	-
Amounts owed by related undertakings	1,902,438	802,792	1,672,899	617,534
VAT	-	51,152	-	-
Other debtors and prepayments	781,118	116,953	1,065,058	188,808
Derivative financial instruments (see note 20)	125,981	125,981	-	-
Deferred tax (see note 7)	51,000	-	95,000	-
	<u>17,970,482</u>	<u>1,097,112</u>	<u>15,279,895</u>	<u>806,342</u>
Amounts falling due after more than one year:				
Deferred tax (see note 7)	685,844	-	641,844	-
	<u>18,656,326</u>	<u>1,097,112</u>	<u>15,921,739</u>	<u>806,342</u>

13 Creditors: Amounts falling due within one year

	Group 2016 £	Company 2016 £	Group 2015 £	Company 2015 £
Obligations under finance leases and hire purchase contracts (note 19)	108,713	46,340	99,406	46,340
Trade creditors	12,712,904	38,096	13,453,155	57,166
Amounts owed to group undertakings	-	20,753,969	-	19,685,437
Amounts owed to related undertakings (note 23)	2,191,052	204,453	166,849	149,462
Other taxation and social security	260,474	42,128	287,877	43,526
Corporation tax	3,119	-	3,119	-
Accruals and deferred income	874,058	382,058	397,109	70,018
	<u>16,150,320</u>	<u>21,467,044</u>	<u>14,407,515</u>	<u>20,051,949</u>

Notes to the financial statements

For the year ended 31 December 2016

14 Creditors: Amounts falling due after more than one year

	Group 2016 £	Company 2016 £	Group 2015 £	Company 2015 £
Obligations under finance leases and hire purchase contracts (note 19)	143,621	27,183	218,982	74,016
Bank loans	10,285,919	-	9,111,770	-
Loan note (note 15)	1,137,255	1,137,255	1,054,185	1,054,185
	<u>11,566,795</u>	<u>1,164,438</u>	<u>10,384,937</u>	<u>1,128,201</u>

15 Loans

Repayments on borrowings are due as follows:

	Group 2016 £	Company 2016 £	Group 2015 £	Company 2015 £
Bank loans and notes:				
Within one year	-	-	-	-
Between one and two years	-	-	9,111,770	1,054,185
Between two and five years	11,423,174	1,137,255	1,054,185	-
	<u>11,423,174</u>	<u>1,137,255</u>	<u>10,165,955</u>	<u>1,054,185</u>

Bank loans relate to asset based finance and bear interest at rates of 2.5% above base rate per annum. These loan facilities are in place until 31 March 2020 and will continue on a rolling basis thereafter, or upon receiving 6 months' notice. Security for these loans consists of cross guarantees, fixed charges and floating charges over the assets and undertakings of the group.

The loan note issued by the company to its immediate parent undertaking, Murray Capital Limited, is secured by way of a floating charge over the assets and undertakings of the group. Interest is accrued at a rate of 10.5% per annum. The loan note is redeemable on 30 April 2020.

Notes to the financial statements

For the year ended 31 December 2016

16 Called-up share capital

	2016 £	2015 £
<i>Allotted, called-up and fully paid</i>		
59,400 ordinary 'A' shares of £1 each	59,400	59,400
39,600 ordinary 'B' shares of £1 each	39,600	39,600
	<u>99,000</u>	<u>99,000</u>

The ordinary 'A' and ordinary 'B' shares rank equally in terms of voting rights, dividend rights and capital returns.

17 Reserves

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

18 Guarantees

Contingent liabilities

The group has guaranteed bank borrowings of £10,291,680 (2015: £9,134,903). Security for the bank facilities consists of cross guarantees, fixed charges and floating charges over the assets of the group.

The group has also guaranteed a loan note issued by the company to its immediate parent undertaking, Murray Capital Limited. This guarantee consists of a floating charge over the assets and undertakings of the group.

Notes to the financial statements

For the year ended 31 December 2016

19 Obligations under leases and hire purchase contracts

The group and company use finance leases and hire purchase contracts to acquire office equipment. Future minimum lease payments due under finance leases and hire purchase contracts are as follows:

	2016	2015
	£	£
Within one year	118,673	109,488
In two to five years	151,465	233,125
	<u>270,138</u>	<u>342,613</u>
Less: finance charges allocated to future periods	(17,804)	(24,225)
	<u>252,334</u>	<u>318,388</u>

Future minimum lease payments under non-cancellable operating leases are as follows:

	Group 2016 £	Group 2015 £
Not later than one year	1,186,764	1,065,908
Later than one year and not later than five years	1,879,266	2,277,686
Later than five years	226,432	396,256
	<u>3,292,462</u>	<u>3,739,850</u>

20 Financial instruments

The group and company have derivatives included at fair value through profit or loss as follows:

	Group 2016 £	Company 2016 £	Group 2015 £	Company 2015 £
Forward foreign exchange contracts:				
Principal amount	<u>772,094</u>	<u>772,094</u>	<u>-</u>	<u>-</u>
Fair value asset (note 12)	<u>125,981</u>	<u>125,981</u>	<u>-</u>	<u>-</u>

The group and company use the derivatives to hedge their exposure to changes in foreign currency exchange rates. The fair values are based on market values of similar instruments at the balance sheet date.

Notes to the financial statements

For the year ended 31 December 2016

21 Pension commitments

The group operates defined contribution pension schemes whose assets are held separately from those of the group in independent trustee administered funds. The pension cost charge represents contributions payable and paid by the group and amounts to £217,502 (2015: £260,247). Within accruals and deferred income is a pension balance owing of £31,409 (2015: £38,688).

22 Notes to the statement of cash flows

a. Reconciliation of profit to net cash (outflow)/inflow from operating activities

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Profit/(loss) for the year	1,178,078	(628,519)
Adjustments to reconcile loss for the year to net cash flow from operating activities		
Depreciation	364,897	408,194
Negative goodwill release	(331,363)	(331,362)
Profit on disposal of tangible fixed assets	(3,000)	(17,000)
Net finance costs	480,847	356,024
<i>Working capital movements:</i>		
(Increase)/decrease in stocks	(1,217,342)	2,032,394
(Increase)/decrease in debtors	(2,608,606)	538,747
Increase/(decrease) in creditors	1,722,699	(786,691)
Net cash (outflow)/inflow from operating activities	(413,790)	1,571,787

b. Cash and cash equivalents

	Group 31 December 2016 £	Group 31 December 2015 £	Company 31 December 2016 £	Company 31 December 2015
Cash at bank and in hand	60,662	20,225	5,490	1,117
Cash and cash equivalents	60,662	20,225	5,490	1,117

c. Major non-cash transactions

Non-cash movements of £61,205 (2015: £341,732) comprise £17,372 (2015: £17,193) relating to the amortisation of finance costs arising on the inception of bank loans; £3,333 (2015: £3,333) relating to the amortisation of finance costs arising on the issue of the loan note; and £40,500 (2015: £321,206) relating to the inception of new finance leases.

Notes to the financial statements

For the year ended 31 December 2016

23 Related party transactions

The group has taken advantage of the exemption in FRS 102 and has not disclosed transactions with fellow wholly owned subsidiaries within the Murray Metals Limited group of companies. The group entered into transactions in the ordinary course of business outside the Murray Metals Limited group charged to operating expenses as follows:

Group:	Profit and loss account charge/ (credit) year ended 31 December 2016 £	Amounts owed (to)/by related parties as at 31 December 2016 £	Profit and loss account charge/ (credit) year ended 31 December 2015 £	Amounts owed (to)/by related parties as at 31 December 2015 £
Murray Capital Group Limited members:				
Murray Capital Limited	384,927	(202,248)	248,785	(163,230)
Capito Limited	-	-	22,220	(1,993)
Murray Metals Investments Limited	-	(1,988,804)	-	(1,626)
Alphastrut Ltd	(150,000)	1,603,361	(300,000)	1,152,295
Murray Energy Pte Limited	(10,897)	299,077	(119,255)	520,604
	<u>224,030</u>	<u>(288,614)</u>	<u>(148,250)</u>	<u>1,506,050</u>

The group has previously issued a loan note in favour of Murray Capital Limited (see note 15). Interest of £110,388 was charged to the profit and loss account during the year (2015: £56,608). The loan note balance due to Murray Capital Limited as at 31 December 2016 was £1,137,255 (2015: £1,054,185).

24 Controlling party

The immediate parent company is Murray Capital Limited and the ultimate parent company is Murray Capital Group Limited. The ultimate controlling party is Sir D E Murray who directly owns 51% of Murray Capital Group Limited.

The largest and smallest group in which the results of the company are consolidated is that headed by Murray Capital Group Limited. The consolidated financial statements of this group are available to the public and may be obtained from 26 Charlotte Square, Edinburgh, EH2 4ET.