Murray Metals Limited

Annual report and financial statements

For the year ended 31 December 2018

Registered number: SC417296

Annual report and financial statements

Company Information

Directors
Sir D E Murray
D D Murray
C J McDermid
G Hill
S Collard
T Lochery

Auditors
Ernst & Young LLP
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5 George Square
Glasgow
G2 1DY

Registered Office
26 Charlotte Square
Edinburgh
EH2 4ET

Annual Report and Financial Statements

Contents

Strategic report (continued)

For the year ended 31 December 2018

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 2018.

Business review

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

Volume growth helped increase revenues by 10% year on year but margins came under considerable pressure. In flat steel products the outsale price struggled to keep up with material input price increases. In engineering steels good demand in key sectors along with some supply side restrictions drove some material shortages in the market in the first half of the year but towards the end of the year demand slowed influenced by wider economic issues. Volumes in aluminium decreased year on year as demand from the main customers fell. Prior year deteriorations in the aluminium margin percentage started to reverse and the Director's expect margins to increase going forward as existing customers increase activity and new business is developed.

The business responded to margin pressures with significant cost reductions to ensure the business remained in operating profit.

The business continued its strategy of increasing output of value added services with the acquisition of a major new plate processing machine at the end of the year. The acquisition for a value of £595,250 is included in 'Assets in the Course of Construction' in note 8 to the financial statements. The machine will be commissioned in early 2019 with full production expected from Q2 2019. This investment provides the business with new and market leading processing capabilities as well as improved efficiencies from which to grow value added sales.

The group operated within its banking loan facilities for the year to 31 December 2018.

A summary of the trading results is given on page 8, which shows consolidated turnover for the year to 31 December 2018 of £66,544,751 (2017: £ 60,052,527) and an operating profit of £300,431 (2017: £934,586). After interest charges of £460,789 (2017: £619,313) the group loss on ordinary activities before financial liabilities measured at fair value was £160,358 (2017: profit £315,273). After the net loss on financial liabilities measured at fair value of £Nil (2017: loss £125,981) the pre-tax group result for the year to 31 December 2018 was a loss of £160,358 (2017: profit £189,292).

The consolidated statement of financial position is given on page 9 of the financial statements, which shows the group's position at the 31 December 2018 with £3,689,648 of shareholders' funds (2017: £3,850,006).

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 14 to the financial statements, bank loan facilities have been put in place until at least 3 July 2023, 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 is it not their current intention to redeem the loan notes

Going concern (continued)

in issue for a period of at least 12 months from the date of signing the financial statements and at 31 December 2018.

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
10 June 2019

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

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
S. Collard
C.J. McDermid
T. Lochery (appointed 25th March 2019)

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
10 June 2019

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

Opinion

We have audited the financial statements of Murray Metals Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 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 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 31 December 2018 and of the group's result 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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 parent company 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP

Mark Harvey (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow, United Kingdom
Date 13 June 2019

Consolidated Profit and Loss Account

For the year ended 31 December 2018

	Notes	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Turnover	2	66,544,751	60,052,527
Cost of sales		(57,024,799)	(49,676,996)
Gross profit		9,519,952	10,375,531
Other operating expenses	3	(9,219,521)	(9,440,945)
Operating profit		300,431	934,586
Interest payable and similar charges	4	(460,789)	(619,313)
(Loss) / profit on ordinary activities before financial liabilities measured at fair value		(160,358)	315,273
Net loss on financial liabilities measured at fair value	4	-	(125,981)
(Loss) / profit on ordinary activities before taxation	5	(160,358)	189,292
Tax on (loss) / profit on ordinary activities	7	-	-
(Loss) / profit for the financial year		(160,358)	189,292
Total comprehensive (loss) / income for the year		(160,358)	189,292

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 2018

	Notes	2018 £	2017 £
Fixed assets			
Tangible assets	8	1,674,837	1,157,836
		1,674,837	1,157,836
Current assets			
Stocks	10	12,807,606	11,801,443
Debtors	11	19,570,088	17,340,016
Cash at bank and in hand		103,605	60,046
		32,481,299	29,201,505
Creditors: Amounts falling due within one year	12	(16,438,904)	(15,047,853)
Net current assets		16,042,395	14,153,652
Total assets less current liabilities		17,717,232	15,311,488
Creditors: Amounts falling due after more than one year	13	(14,027,584)	(11,461,482)
Net assets		3,689,648	3,850,006
Capital and reserves			
Called-up share capital	15	99,000	99,000
Share premium reserve		9,000	9,000
Profit and loss account		3,581,648	3,742,006
Shareholders' funds		3,689,648	3,850,006

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 10 June 2019 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 2018

	Notes	2018 £	2017 £
Fixed assets			
Tangible assets	8	30,957	58,327
Investments	9	13,950,346	13,950,346
		13,981,303	14,008,673
Current assets			
Debtors	11	950,431	936,641
Cash at bank and in hand		9,515	11,914
		959,946	948,555
Creditors: Amounts falling due within one year	12	(23,424,168)	(22,067,342)
Net current liabilities		(22,464,222)	(21,118,787)
Total assets less current liabilities		(8,482,919)	(7,110,114)
Creditors: Amounts falling due after more than one year	13	(1,026,867)	(1,129,533)
Net liabilities		(9,509,786)	(8,239,647)
Capital and reserves			
Called-up share capital	15	99,000	99,000
Share premium account		9,000	9,000
Profit and loss account		(9,617,786)	(8,347,647)
Shareholder's deficit		(9,509,786)	(8,239,647)

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 10 June 2019 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 2018

	Share capital	Share premium	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017	99,000	9,000	3,552,714	3,660,714
Profit for the year	-	-	189,292	189,292
At 1 January 2018	99,000	9,000	3,742,006	3,850,006
Loss for the year	-	-	(160,358)	(160,358)
At 31 December 2018	99,000	9,000	3,581,648	3,689,648

Company Statement of Changes in Equity
For the year ended 31 December 2018

	Share capital	Share premium	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017	99,000	9,000	(7,617,143)	(7,509,143)
Loss for the year	-	-	(730,504)	(730,504)
At 1 January 2018	99,000	9,000	(8,347,647)	(8,239,647)
Loss for the year	-	-	(1,270,139)	(1,270,139)
At 31 December 2018	99,000	9,000	(9,617,786)	(9,509,786)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Net cash (outflow)/inflow operating activities	20a	(1,181,188)	926,975
Investing activities			
Purchase of tangible fixed assets		(265,213)	(183,823)
Sale of tangible fixed assets		667	4,180
Net cash flow from investing activities		(264,546)	(179,643)
Financing activities			
Interest paid		(549,891)	(618,433)
Interest element of finance lease payments		(13,564)	(10,307)
Capital element of finance lease payments		(89,220)	(107,549)
Increase/(decrease) in bank debt		2,141,968	(11,659)
Net cash flow from financing activities		1,489,293	(747,948)
Increase/(decrease) in cash and cash equivalents		43,559	(616)
Cash and cash equivalents at 1 January		60,046	60,662
Cash and cash equivalents at 31 December	20b	103,605	60,046

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 2018.

Basis of preparation

The financial statements of Murray Metals Limited were authorised for issue by the Board of Directors on 10 June 2019. 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 £1,270,139 (2017: £730,504)

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 14 to the financial statements, bank loan facilities have been put in place until at least 3 July 2023, 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 is it 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 2018 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.

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.

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 and assets in the course of construction, 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.

Rendering of services

Turnover from the provision of health and safety consultancy services is recognised on the completion of services provided. The Group does not enter into long term contracts for the provision of such services.

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.

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.

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.

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 2018 £	Year ended 31 December 2017 £
Sale of goods	66,544,556	60,052,527
Rendering of services	195	-
	66,544,751	60,052,527

An analysis of turnover by destination is given below.

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
United Kingdom	61,935,043	55,755,732
Europe	3,513,200	4,015,677
Rest of the world	1,096,508	281,118
	66,544,751	60,052,527

3 Other operating expenses

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Selling and distribution costs	4,235,168	4,399,641
Administrative expenses	4,984,353	5,041,304
	9,219,521	9,440,945

4 Interest payable

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Bank loans and overdrafts	433,695	362,791
Loan note interest	-	102,667
Finance leases	13,564	10,307
Other interest	13,530	143,548
Interest payable before financial liabilities measured at fair value	460,789	619,313
Losses on financial liabilities measured at fair value	-	125,981
	460,789	745,294

5 (Loss)/profit on ordinary activities before taxation

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

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Depreciation and amounts written off tangible fixed assets		
- owned	255,992	289,491
- held under finance leases	60,044	71,104
Operating lease rentals		
- plant and machinery	451,538	564,752
- other	799,425	720,191
Foreign exchange gains	(3,418)	(10,985)
Profit on disposal of tangible fixed assets	(667)	(1,690)
Auditor's remuneration – audit services	51,523	54,456

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

6 Staff costs and directors' remuneration

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

	Year ended 31 December 2018 Number	Year ended 31 December 2017 Number
Sales	53	59
Warehousing and processing	62	64
Administration	67	58
	182	181

The aggregate remuneration comprised:	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Wages and salaries	5,941,900	6,488,240
Social security costs	586,662	633,032
Other pension costs (note 19)	219,432	210,535
	6,747,994	7,331,807

Directors' emoluments comprised:

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Emoluments for qualifying services	458,123	786,298
Pension contributions	18,394	13,293
	476,517	799,591
Highest paid director:		
Emoluments for qualifying services	311,891	504,573
Pension contributions	-	-
	311,891	504,573

One director was a member of a defined contribution pension scheme (period ended 31 December 2017: one).

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

7 Tax on (loss)/profit on ordinary activities

The tax (charge)/credit comprises:

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Current tax		
UK corporation tax	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing difference	(65,149)	26,317
Adjustments in respect of prior periods	65,149	(26,317)
Impact of tax rate change	-	-
Total deferred tax	-	-
Total tax on (loss)/profit on ordinary activities	-	-

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

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
(Loss)/profit on ordinary activities before tax	(160,358)	189,292
Tax on (loss)/profit on ordinary activities at standard UK corporation tax rate of 19.25% (2017: 19.25%)	(30,467)	36,433
Tax effect of non-deductible or non-taxable items	(723)	10,790
Change in tax rates	3,283	(5,513)
Deferred tax not recognised	(37,242)	(68,027)
Deferred tax adjustments in respect of prior periods	65,149	26,317
Total tax charge for the period	-	-

The group has tax losses available to carry forward at 31 December 2018 of £9,509,444 (2017: £9,969,767).

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

Deferred tax

	Group 31 December 2018 £	Group 31 December 2017 £
Beginning of year	736,844	736,844
Charged to profit and loss account	-	-
End of year (note 11)	736,844	736,844

Deferred tax is provided as follows:

	Group 31 December 2018 £	Group 31 December 2017 £
Fixed asset timing differences	302,512	360,644
Other short term timing differences	3,215	5,633
Tax losses carried forward	431,117	370,567
	736,844	736,844

The unrecognised deferred tax asset comprises:

	Group 2018 £	Company 2018 £	Group 2017 £	Company 2017 £
Fixed asset timing differences	96,282	11,185	4,895	4,895
Other short term timing differences	11,467	1,161	1,292	1,292
Tax losses carried forward	1,185,489	83,510	1,324,293	110,015
	1,293,238	95,856	1,330,480	116,202

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 20% to 19% effective from 1 April 2017. 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 assets and liabilities in the accounts have been recognised at the rate at which timing differences are expected to reverse.

8 Tangible fixed assets

Group	Assets in the Course of Construction £	Leasehold Improvements £	Plant & Machinery £	Computer & Office Equipment £	Motor Vehicles £	Total £
Cost						
At 1 January 2018	-	329,989	1,738,637	957,755	64,226	3,090,607
Additions	595,250	37,861	124,179	75,747	-	833,037
Disposals	-	-	(225,533)	-	-	(225,533)
At 31 December 2018	595,250	367,850	1,637,283	1,033,502	64,226	3,698,111
Accumulated depreciation						
At 1 January 2018	-	261,967	1,010,465	625,314	35,025	1,932,771
Charge for the year	-	30,783	157,526	117,616	10,111	316,036
Disposals	-	-	(225,533)	-	-	(225,533)
At 31 December 2018	-	292,750	942,458	742,930	45,136	2,023,274
Net book value						
At 31 December 2018	595,250	75,100	694,825	290,572	19,090	1,674,837
At 31 December 2017	-	68,022	728,172	332,441	29,201	1,157,836
Leased assets included above						
At 31 December 2018	555,000	-	276,208	-	16,875	848,083
At 31 December 2017	-	-	211,551	23,580	24,975	260,106

8 Tangible fixed assets (continued)

Company

	Leasehold Improvements £	Computer & Office Equipment £	Total £
Cost			
At 1 January 2018	7,693	185,585	193,278
Additions	-	9,172	9,172
Disposals	-	-	-
At 31 December 2018	7,693	194,757	202,450
Accumulated depreciation			
At 1 January 2018	768	134,183	134,951
Charge for the year	1,536	35,006	36,542
Disposals	-	-	-
At 31 December 2018	2,304	169,189	171,493
Net book value			
At 31 December 2018	5,389	25,568	30,957
At 31 December 2017	6,925	51,402	58,327
Leased assets included above			
At 31 December 2018	-	-	-
At 31 December 2017	-	23,580	23,580

9 Investments

Company	£
Cost and net book value	
At 31 December 2017 and 31 December 2018	13,950,346

At 31 December 2018 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 via Murray Plate Group Limited

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

10 Stocks

Group	2018 £	2017 £
Goods for resale	12,807,606	11,801,443

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

Stocks recognised as an expense in the period were £51,475,961 (2017 - £44,499,258).

11 Debtors

	Group 2018 £	Company 2018 £	Group 2017 £	Company 2017 £
Amounts falling due within one year:				
Trade debtors	15,735,499	-	13,961,990	-
Amounts owed by related undertakings (note 21)	2,211,499	821,982	2,001,710	821,982
VAT	-	19,427	-	6,825
Other debtors and prepayments	886,246	109,022	639,472	107,834
Deferred tax (see note 7)	58,000	-	61,000	-
	18,891,244	950,431	16,664,172	936,641
Amounts falling due after more than one year:				
Deferred tax (see note 7)	678,844	-	675,844	-
	19,570,088	950,431	17,340,016	936,641

12 Creditors: Amounts falling due within one year

	Group 2018 £	Company 2018 £	Group 2017 £	Company 2017 £
Obligations under finance leases and hire purchase contracts (note 18)	155,661	-	92,857	28,347
Trade creditors	14,839,041	32,102	13,501,096	30,371
Amounts owed to group undertakings	-	23,219,303	-	21,643,464
Amounts owed to related undertakings (note 21)	53,835	39,806	133,030	119,001
Other taxation and social security	819,638	41,287	528,601	39,010
Corporation tax	3,119	-	3,119	-
Accruals and deferred income	567,610	91,670	789,150	207,149
	16,438,904	23,424,168	15,047,853	22,067,342

13 Creditors: Amounts falling due after more than one year

	Group 2018 £	Company 2018 £	Group 2017 £	Company 2017 £
Obligations under finance leases and hire purchase contracts (note 18)	578,728	-	51,928	-
Bank loans	12,421,989	-	10,280,021	-
Loan note (note 14)	1,026,867	1,026,867	1,129,533	1,129,533
	14,027,584	1,026,867	11,461,482	1,129,533

14 Loans

Repayments on borrowings are due as follows:

	Group 2018 £	Company 2018 £	Group 2017 £	Company 2017 £
Bank loans and notes:				
Between one and two years	1,026,867	1,026,867	-	-
Between two and five years	12,421,989	-	11,409,554	1,129,533
	13,448,856	1,026,867	11,409,554	1,129,533

Bank loans relate to asset based finance and bear interest at rates of 2.25% above base rate per annum. These loan facilities are in place until 3 July 2023 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. Murray Capital Limited has waived the interest charge for the year (2017: charge £102,667). The loan note is redeemable on 30 April 2020.

15 Called-up share capital

	2018	2017
	£	£
Allotted, called-up and fully paid		
59,400 ordinary 'A' shares of £1 each	59,400	59,400
39,600 ordinary 'B' shares of £1 each	39,600	39,600
	99,000	99,000

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

16 Reserves

Share premium account

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

17 Guarantees

Contingent liabilities

The group has guaranteed bank borrowings of £12,421,989 (2017: £10,280,021). 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.

18 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:

	Group 2018 £	Group 2017 £
Within one year	195,065	99,722
In two to five years	632,355	53,156
Later than five years	22,753	-
	850,173	152,878
Less: finance charges allocated to future periods	(115,784)	(8,093)
	734,389	144,785

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

	Group 2018 £	Group 2017 £
Not later than one year	1,115,482	1,149,738
Later than one year and not later than five years	1,236,599	1,844,448
Later than five years	117,336	371,834
	2,469,417	3,366,020

19 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 £219,432 (2017: £210,535). Within accruals and deferred income is a pension balance owing of £35,746 (2017: £31,925).

20 Notes to the statement of cash flows

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

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
(Loss)/profit for the year	(160,358)	189,292
Adjustments to reconcile loss for the year to net cash flow from operating activities:		
Depreciation	316,036	360,595
Profit on disposal of tangible fixed assets	(667)	(1,690)
Net finance costs	460,789	745,294
Working capital movements:		
Increase in stocks	(1,006,163)	(477,700)
(Increase)/decrease in debtors	(2,119,072)	1,190,329
Increase/(decrease) in creditors	1,328,247	(1,079,145)
Net cash (outflow)/inflow from operating activities	(1,181,188)	926,975

b. Cash and cash equivalents

	Group 31 December 2018 £	Group 31 December 2017 £	Company 31 December 2018 £	Company 31 December 2017 £
Cash at bank and in hand	**103,605**	**60,046**	**9,515**	**11,914**
Cash and cash equivalents	**103,605**	**60,046**	**9,515**	**11,914**

c. Major non-cash transactions

Non-cash movements of £678,824 (2017: £5,761) comprise £678,824 (2017: £Nil) relating to the inception of new finance leases and £Nil (2017: £5,761) relating to the amortisation of finance costs arising on the inception of bank loans.

21 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 2018**	**Amounts owed (to)/by related parties as at 31 December 2018**	**Profit and loss account charge/ (credit) year ended 31 December 2017**	**Amounts owed (to)/by related parties as at 31 December 2017**
	£	**£**	**£**	**£**
Murray Capital Group Limited members:				
Murray Capital Limited	119,612	(14,029)	332,382	(19,746)
Murray Metals Investments Limited	-	(34,089)	-	(113,284)
Alphastrut Ltd	-	1,630,471	-	1,596,360
Murray Energy Pte Limited	(21,631)	581,028	(20,044)	405,350
Capito Limited	-	(5,717)	-	-
	97,981	2,157,664	312,338	1,868,680

The group has previously issued a loan note in favour of Murray Capital Limited (see note 14). Interest of £Nil was charged to the profit and loss account during the year (2017: £102,667). The loan note balance due to Murray Capital Limited as at 31 December 2018 was £1,026,867 (2017: £1,129,533).

22 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.