

A.M. CASTLE METALS UK, LIMITED

Annual Report and Financial Statements

**Period from 11 October 2007 to
31 December 2008**

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A.M. CASTLE METALS UK, LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

I P Griffiths	(Appointed 29 November 2007)
P R Anderson	(Appointed 29 November 2007)
M H Goldberg	(Appointed 29 November 2007)
S V Hooks	(Appointed 29 November 2007)

SECRETARY

R J Perna	(Appointed 3 November 2008)
A G Secretarial Limited	(Appointed 15 April 2008)

REGISTERED OFFICE

Units 10-11 Walker Industrial Park
Guide
Blackburn
Lancashire
BB1 2QE

BANKERS

National Westminster Bank plc
24 Deansgate
Bolton
BL1 1BN

AUDITORS

Deloitte LLP
Chartered Accountants and Registered Auditors
Manchester
United Kingdom

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the period from 11 October 2007 to 31 December 2008.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activity of the company was that of a holding company. The company was incorporated on 11 October 2007 under the name Inhoco 3423 Limited, which was subsequently changed to A.M. Castle & Co. UK Limited before changing to its current name A.M. Castle Metals UK, Limited on 10 December 2007.

On 2 January 2008 the company was acquired by A.M. Castle & Co., a major US metals business quoted on the New York Stock Exchange and on the same date acquired the companies listed in note 6, which represents the investment of £13,866,193.

PRINCIPAL RISKS AND UNCERTAINTIES

The general economic situation is the biggest risk to the company and its subsidiaries, and therefore the level of income received from its subsidiaries. Interest is the largest cost in the company on the loan in place to finance the acquisition and fund the working capital in the subsidiaries. This is managed by performing detailed forecasts of its group working capital needs and associated size of the loan drawdown.

The business plans for future growth with the support of its new parent company.

RESULTS AND DIVIDENDS

The results for the year are set out on page 5.

GOING CONCERN

Given the current economic circumstances and the guidance issued by the Financial Reporting Council, additional disclosures are presented in note 1 to the financial statements relating to the basis on which the directors have continued to adopt the going concern basis in preparing these financial statements.

DIRECTORS

The directors who held office during the financial period and thereafter, are noted on page 1.

AUDITORS

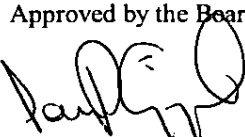
The directors at the date of approval of this report confirm that:

- (1) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (2) each 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 to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s234ZA of the Companies Act 1985.

During the year Deloitte & Touche LLP were appointed as auditors. On 1 December 2008, the company's auditors Deloitte & Touche LLP changed their name to Deloitte LLP. Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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



I P Griffiths

Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. 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 AUDITORS REPORT TO THE MEMBERS OF A.M. CASTLE METALS UK, LIMITED

We have audited the financial statements of A.M. Castle Metals UK, Limited for the period from 11 October 2007 to 31 December 2008 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if to you whether in our opinion, the directors' report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

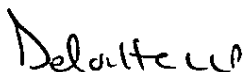
We conducted our audit in accordance with International Standards on Auditing issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



Deloitte LLP
Chartered Accountants and Registered Auditors
Manchester, United Kingdom

27 November 2009

PROFIT AND LOSS ACCOUNT
Period ended 31 December 2008

	Note	2008 £
Administrative expenses		(197,989)
OPERATING LOSS	4	(197,989)
Interest payable on bank loan		(535,533)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(733,522)
Taxation	5	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	10	(733,522)

The above results derive entirely from continuing operations.

The company has no recognised gains or losses other than the loss for the current financial period. Accordingly, no separate statement of total recognised gains and losses has been presented.

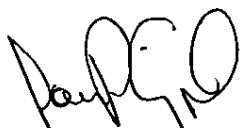
A.M. CASTLE METALS UK, LIMITED

BALANCE SHEET As at 31 December 2008

	Note	2008 £
FIXED ASSETS		
Investments	6	13,866,193
CURRENT ASSETS		
Debtors	7	8,085,066
TOTAL ASSETS LESS CURRENT LIABILITIES		21,951,259
CREDITORS: amounts falling due after one year	8	(17,900,289)
		<u>4,050,970</u>
CAPITAL AND RESERVES		
Called up share capital	9	1
Other reserves	10	4,784,491
Profit and loss account	10	(733,522)
SHAREHOLDERS' FUNDS	11	<u>4,050,970</u>

The financial statements of A.M. Castle Metals UK, Limited, registered number 06396714, were approved by the board of directors and authorised for issue on 19 November 2009.

Signed on behalf of the Board of Directors



I P Griffiths

NOTES TO THE FINANCIAL STATEMENTS
Period from 11 October 2007 to 31 December 2008

1. ACCOUNTING POLICIES

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

Basis of accounting

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

In discharging their duties in respect of going concern, the directors have carried out a review of the company's and its group's financial position and cash flow forecast for a period of twelve months from the date of signing these financial statements. This review has been based on a comprehensive forecast of revenue, expenditure and cash flows, taking into account specific business risks and the uncertainties brought about by the current economic environment.

The company's finance is provided through a facility from its bankers which is guaranteed by the parent company, A.M. Castle & Co.. A letter of support has been obtained from the directors of A.M. Castle & Co. to confirm that the guarantee will continue to be provided for the foreseeable future being at least for the 12 months from the date of signing of the accounts.

Having taken all the above matters into consideration, and an assessment of the ability of the parent company to continue to provide the support offered, the directors have reached the conclusion that the company is able to manage its business risks in the current uncertain economic climate. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

Related party disclosures

The company has taken advantage of the exemption in paragraph 3(c) of Financial Reporting Standard No.8 "Related Party Disclosures" and has not disclosed details of transactions with fellow group undertakings whereby 90% of whose voting rights are controlled within the A.M. Castle Metals UK Limited group.

Consolidation

The company is exempt, under section 228 of the Companies Act 1985, from the requirement to prepare consolidated financial statements on the basis that its parent undertaking, A.M. Castle & Co., publishes consolidated financial statements which include the results of A.M. Castle Metals UK, Limited. Copies of these financial statements can be obtained from the registered office detailed on page 1.

Cash flow statement

Under FRS 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements which include a cash flow statement.

Investments

Fixed asset investments in subsidiary undertakings are stated at cost less provision for impairment. Cost represents the aggregate cost consideration, costs incurred and either the fair value or the nominal value of shares issued.

Taxation

Current tax is provided at amounts expected to be paid 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 assessment in periods different from those in which they are recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Period from 11 October 2007 to 31 December 2008

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, 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.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2. LOSS BEFORE TAXATION

The loss before taxation, all of which arises in the United Kingdom is wholly attributable to the company's principal activities.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The average number of individuals employed by the company during the period (including directors) was nil. The aggregate payroll cost of these persons in the period was £nil as directors were remunerated by other companies within the group.

4. OPERATING LOSS

Operating loss is stated after charging:

Fees for the statutory audit of the company

**2008
£**

-

No fee has been allocated to the audit of this company as it has been borne by other companies. The directors estimate a fee of £5,000 would have been allocated if it had been recharged.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Period from 11 October 2007 to 31 December 2008

5. TAX ON LOSS ON ORDINARY ACTIVITIES

	2008 £
Total tax on loss on ordinary activities	-
The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:	
	2008 £
Loss on ordinary activities before tax	733,522
Tax on loss on ordinary activities at standard UK corporation tax rate of 28.5%	(209,034)
Effects of:	
Non-deductible expenses	172,312
Group relief surrendered for nil consideration	36,722
Current tax charge for period	-

6. FIXED ASSET INVESTMENT

	Shares in group undertakings £
Cost and net book value	
At incorporation	-
Acquisitions (acquired on 2 January 2008 – principal acquisitions shown below)	13,866,193
At 31 December 2008	13,866,193

The principal subsidiary undertakings of the company at 31 December 2008 were as follows:

Company	Country of incorporation	Principal activities	% Holding of ordinary share capital
Metals UK Limited	UK	Supply of speciality metal products	100
K.K.S. (Stainless Steel) Co. Limited	UK	Supply of processed stainless steel plate & bar.	100
E Harding & Sons Limited*	UK	Stainless steel plate processing.	100

* Held indirectly

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves 2008 £	Profit/(loss) for the year 2008 £
Metals UK Limited	1,127,955	198,420
K.K.S. (Stainless Steel) Co. Limited	403,122	35,193
E Harding & Sons Limited	1,024,100	(260,204)

NOTES TO THE FINANCIAL STATEMENTS (continued)
Period from 11 October 2007 to 31 December 2008

7. DEBTORS

	2008 £
Amounts owed by group undertakings	8,085,066

All debtors are due within one year.

8. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2008 £
Amounts due to group undertakings	1,466,289
Bank loan	16,434,000
	<u>17,900,289</u>

The bank loan is a joint revolving facility held with A.M. Castle & Co. and is guaranteed by A.M. Castle & Co.. The facility is due for renewal in January 2013 and borrowed in 30 day tranches depending on monthly funding requirements, each with interest charged at 0.875% above LIBOR.

9. CALLED-UP SHARE CAPITAL

	2008 £
Authorised	
1,000 ordinary shares of £1 each	1,000
Called up, allotted and fully paid	
1 ordinary shares of £1	1

On 11 October 2007, 1 subscriber £1 ordinary share was issued at par.

10. RESERVES

	Profit & loss account £	Other reserve £	Total £
At incorporation	-	-	-
Retained loss for the period	(733,522)	-	(733,522)
Capital injection	-	4,784,491	4,784,491
At 31 December 2008	<u>(733,522)</u>	<u>4,784,491</u>	<u>4,050,969</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

Period from 11 October 2007 to 31 December 2008

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008
	£
Loss for the financial period	(733,522)
Capital injection	4,784,491
New shares issued	1
	<hr/>
Net addition to shareholders' funds	4,050,970
Opening shareholders' funds	-
	<hr/>
Closing shareholders' funds	<u>4,050,790</u>

12. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions available in Financial Reporting Standard No. 8 from disclosing related party transactions with other group entities, as the company is a wholly owned subsidiary.

13. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

The immediate and ultimate holding company and controlling party is A.M. Castle & Co., which is registered in the United States of America. Copies of the ultimate holding company's financial statements are available from A.M. Castle & Co., 3400 Wolf Road, Franklin Park, IL 60131, USA.