

Financial Statements

Smiths Metal Centres Limited

For the year ended 31 December 2016



Registered number: 03485838

Smiths Metal Centres Limited

Company Information

Directors	M O McKenna P W Hawkins J M Booth
Company secretary	M Hale
Registered number	03485838
Registered office	Stratton Business Park London Road Biggleswade Bedfordshire SG18 8QB
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 1020 Eskdale Road Winnersh Wokingham Berkshire RG41 5TS

Contents

	Page
Directors' report	1 - 3
Strategic report	4 - 5
Independent auditor's report	6 - 8
Statement of comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Notes to the financial statements	12 - 27

Directors' report

For the year ended 31 December 2016

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

Results and dividends

The profit for the year, after taxation, amounted to £3,982,212 (2015: £3,967,068).

The directors have not paid an interim dividend (2015: £4,000,000). The directors have not recommended a final dividend (2015: £Nil)

Directors

The directors who served during the year were:

H A Dye (resigned 30 June 2016)
M O McKenna
D A Adams (ceased 24 April 2017)
P W Hawkins
J M Booth

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless satisfied that they 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 for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report (continued)

For the year ended 31 December 2016

Provision of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed 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 ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Financial risk management objectives and policies

The company use a variety of financial instruments including cash, borrowings, equity investments and various items, such as trade debtors and trade creditors, that arise directly from its operations. The main purpose of these financial instruments is to provide working capital for the company's operations.

The directors are of the view that the main risks arising from the company's financial instruments are liquidity risk, market risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies remain unchanged from previous years.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short-term flexibility is achieved through support from the parent company.

Market risk

The company is exposed to transaction foreign exchange risk. Transaction exposures, including those associated with forecast transactions, are hedged when known, principally using forward currency contracts. Fluctuations in metal prices are reviewed on a regular basis and taken into consideration when placing purchase orders and setting the selling price of the company's stock range.

Credit risk

The company's principal financial assets are cash and trade debtors. The credit risk associated with the cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from its trade debtors.

In order to manage credit risk the directors set a policy of monitoring exposure with customers based on a combination of payment history and third party credit references. Exposure levels are reviewed by senior management on a regular basis.

Employee consultation and disabled employees

Recruitment policies are designed to ensure equal opportunity of employment regardless of race or sex. Appropriate consideration is given to disabled applicants in offering employment.

Good communications and relations with employees are attempted, mainly by practices developed in each operating unit compatible with its own particular circumstances. Senior management are kept informed of group developments in certain financial, commercial, strategic and personnel matters as needed, and are thereby enabled to inform and discuss with employees as appropriate at the individual operating units.


Directors' report (continued)

For the year ended 31 December 2016

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board and signed on its behalf.


M O McKenna
Director

Date:

28/09/2017

Strategic report

For the year ended 31 December 2016

The directors present their strategic report for the year ended 31 December 2016.

Principal activities

The principal activity of the company during the year was metal stockholding.

Business review and future development

The profit for the year, after taxation, amounted to £3,982,212 (2015 - £3,967,068). The directors have not recommended a dividend (2015 - £4,000,000).

Various key performance indicators are used by the directors to monitor and compare the performance of the company. They regard the following as the key financial indicators of performance, all of which can be observed in the attached financial statements.

- Turnover £62.6 million (2015 - £62.9 million)
- Profit before tax £5.1 million (2015 - £5.0 million)
- Net assets £20.5 million (2015 - £16.5 million)
- Average number of employees decreased from 269 to 267

The directors of the company are not satisfied with the results for the year. Whilst gross profit has increased compared to 2015, in a broadly flat market, the additional profit has been partly offset by increased operating expenses, primarily due to inflationary pressures, with some investment for future growth. To provide a platform for sustainable growth and to negate the impact of the specific risks and uncertainties highlighted below, the company will continue to implement operational efficiency improvements, thereby enhancing productivity and reducing operating expenses.

Principal risks and uncertainties

The principal risks and uncertainties of the company are fluctuations in raw material prices, movements in exchange rates, continuing political instability, changes in government legislation, costs of complying with excessive and burdensome government regulation and the credit risk arising from trade debtors.

Whilst the company takes action to mitigate the principal risks, where possible, there are specific risks and uncertainties outside of its control that could impact on the future financial performance of the company. Specific examples of such risks relates to government imposed levies, including the Apprenticeship Levy; which could result in a significant increase in the operating costs of the company and a subsequent reduction in profitability and capital available for future reinvestment with no net benefit to the company or the nation.

The ultimate shareholder has requested that the directors include the following statement in the Strategic report - the ultimate parent company is privately held, as is the company, and they believe the requirement to publish private accounts is a violation of both the spirit and law under European Union right to privacy legislation.

Smiths Metal Centres Limited


Strategic report

For the year ended 31 December 2016

Going concern

The directors of the parent undertaking, Cobham Aluminium & Stainless Holdings Limited, having carefully considered all pertinent matters are satisfied that the company and group is a going concern, and that sufficient funds are available for the company to be able to continue in operational existence for the foreseeable future, being a period of at least twelve months from the date of signing these financial statements. The directors of this company accordingly continue to prepare the financial statements on the going concern basis.

This report was approved by the board and signed on its behalf.


M O McKenna
Director

Date:

28/09/2017



Independent auditor's report to the member of Smiths Metal Centres Limited

We have audited the financial statements of Smiths Metal Centres Limited for the year ended 31 December 2016, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is the applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in 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 on page 1, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Qualified opinion on financial statements

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit 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.

Independent auditor's report to the member of Smiths Metal Centres Limited

Basis for qualified opinion on financial statements

As at 31 December 2016 included in stock shown on the statement of financial position is a stock provision, against specific stock lines, of £2,005,000 (2015: £2,023,000). Subsequent to the respective year ends, and prior to the approval of those financial statements, the company had sold some of these stock lines at a level in excess of their original cost and therefore the carrying value of stock had been understated by £590,000 (2015: £420,000). This also caused us to qualify our audit opinion on the financial statements relating to the year ended 31 December 2015.

Accordingly the profit for the year should be increased by approximately £170,000 in 2016 and reduced by £147,000 in 2015, stocks held should be increased by £590,000 in 2016 and £420,000 in 2015, the corporation tax liability should be increased by approximately £118,000 in 2016 and £84,000 in 2015 and retained earnings should be increased by £472,000 in 2016 and £336,000 in 2015.

Opinion 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 those financial statements; and
- the strategic report and the directors' report been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

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



Independent auditor's report to the member of Smiths Metal Centres Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Grant Thornton UK LLP

Steven Cenci FCA (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Reading

Date: 29/9/2017

Statement of comprehensive income

For the year ended 31 December 2016

	Note	2016 £	2015 £
Turnover	4	62,614,976	62,875,299
Change in stocks of finished good and work in progress		1,672,992	(1,424,321)
Raw materials and consumables		(41,775,846)	(40,333,278)
Other external charges		(6,232,036)	(5,600,357)
Staff costs	7	(10,840,851)	(10,147,091)
Depreciation and amortisation		(360,078)	(342,096)
Operating profit	5	5,079,157	5,028,156
Interest expense and similar charges	9	(26,419)	(34,357)
Profit on ordinary activities before taxation		5,052,738	4,993,799
Tax on profit on ordinary activities	11	(1,070,526)	(1,026,731)
Profit for the financial year		3,982,212	3,967,068
Total comprehensive income for the year		3,982,212	3,967,068

All amounts relate to continuing operations.

There were no recognised gains and losses for 2016 or 2015 other than those included in the statement of comprehensive income.

The notes on pages 12 to 27 form part of these financial statements.

Statement of financial position

As at 31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	12	1,833,393	1,415,393
		<u>1,833,393</u>	<u>1,415,393</u>
Current assets			
Stocks	13	12,691,908	11,018,916
Debtors: amounts falling due within one year	14	13,851,093	13,223,040
Cash at bank and in hand	15	7,567,162	5,770,184
		<u>34,110,163</u>	<u>30,012,140</u>
Creditors: amounts falling due within one year	16	(14,511,292)	(13,992,377)
Net current assets		<u>19,598,871</u>	<u>16,019,763</u>
Total assets less current liabilities		<u>21,432,264</u>	<u>17,435,156</u>
Creditors: amounts falling due after more than one year	17	(253,471)	(165,210)
Provisions for liabilities			
Other provisions	21	(687,828)	(761,193)
		<u>(687,828)</u>	<u>(761,193)</u>
Net assets		<u>20,490,965</u>	<u>16,508,753</u>
Capital and reserves			
Called up share capital	25	2,500	2,500
Profit and loss account	27	20,488,465	16,506,253
Shareholder's fund		<u>20,490,965</u>	<u>16,508,753</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

M O McKenna
Director

Date: 28/09/2017.

The notes on pages 12 to 27 form part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2016

	Share capital	Profit and loss account	Total
	£	£	£
At 1 January 2015	2,500	16,539,185	16,541,685
Comprehensive income for the year			
Profit for the year	-	3,967,068	3,967,068
Total comprehensive income for the year	-	3,967,068	3,967,068
Dividends paid	-	(4,000,000)	(4,000,000)
At 1 January 2016	2,500	16,506,253	16,508,753
Comprehensive income for the year			
Profit for the year	-	3,982,212	3,982,212
Total comprehensive income for the year	-	3,982,212	3,982,212
At 31 December 2016	2,500	20,488,465	20,490,965

Notes to the financial statements

For the year ended 31 December 2016

1. General information

The company is a private company limited by shares and is registered in England and Wales.

Registered Number: 03485838

Registered office: Stratton Business Park, London Road, Biggleswade, Bedfordshire, SG18 8QB.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The directors, having taken into account the net current assets of the company and the business activities and the markets in which the company operates, are of the view that sufficient funds are available for the company to be able to continue in operational existence for the foreseeable future, being a period of at least twelve months from the date of signing these financial statements. Therefore the financial statements continue to be prepared on a going concern basis.

2.3 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Cobham Aluminium & Stainless Holdings Limited as at 31 December 2016 and these financial statements may be obtained from Companies House.

Notes to the financial statements

For the year ended 31 December 2016

2. Accounting policies (continued)

2.4 Turnover

Turnover shown in the income statement represents the total invoice value for goods supplied during the year, exclusive of Value Added Tax.

Turnover is recognised when all of the following criteria are met:

- persuasive evidence of an arrangement exists;
- delivery has occurred or services have been rendered;
- the seller's price to the buyer is fixed and determinable; and
- collectability is reasonably assured.

2.5 Tangible fixed assets and depreciation

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the income statement during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold Property	- over the lease term
Improvements	
Plant, Equipment and Motor Vehicles	- 9 - 33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the income statement.

2.6 Stocks

Stocks are valued at the lower of either cost or net realisable value after making due allowance for obsolete and slow-moving stocks.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Notes to the financial statements

For the year ended 31 December 2016

2. Accounting policies (continued)

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.10 Operating leases

Rentals under operating leases are charged to the income statement on a straight line basis over the lease term.

2.11 Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the statement of financial position as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the income statement on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

2.12 Finance costs

Finance costs are charged to the income statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Interest income is recognised in the income statement using the effective interest rate method.

Notes to the financial statements

For the year ended 31 December 2016

2. Accounting policies (continued)

2.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.14 Foreign currencies

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

2.15 Pension costs

The company participates in a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions are charged to the income statement.

Notes to the financial statements

For the year ended 31 December 2016

2. Accounting policies (continued)

2.16 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the income statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.17 Property dilapidations

Under certain operating leases for land and buildings, the company is obligated to make repairs of dilapidations to the leased property upon the expiry of the lease. The company charges amounts to the income statement so that, by the end of the lease, a total provision is accrued that is estimated to be equal to the future costs of those dilapidation obligations. Where repairs are made part way through the lease that will reduce the estimated costs of dilapidation obligations at the expiry of the lease, the costs of those repairs are charged against the dilapidation provision.

2.18 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest expense and similar charges.

Notes to the financial statements

For the year ended 31 December 2016

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make significant judgments and estimates. The items in the financial statements where these judgments and estimates have been made include:

Provisions

Provision is made for dilapidations and contingencies. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements.

Trade debtors

Management applies judgment in evaluating the recoverability of debtors. To the extent that the Directors believe debtors not to be recoverable they have been provided for in the financial statements.

Stock

Management applies judgment in evaluating stock for obsolescence. This judgment is based on management knowledge of the stock and customer demand, as well as stock age. At each balance sheet date, stocks are assessed for impairment and written down where appropriate.

4. Turnover

The whole of the turnover is attributable to the principal activity of the company. A geographical analysis of turnover is as follows:

	2016 £	2015 £
United Kingdom	55,192,936	56,626,628
Rest of European Union	6,319,220	5,237,461
Rest of the world	1,102,820	1,011,210
	<u>62,614,976</u>	<u>62,875,299</u>

5. Operating profit

The operating profit is stated after charging/(crediting):

	2016 £	2015 £
Depreciation of tangible fixed assets	360,078	342,096
Operating lease rentals:		
- plant and machinery	301,670	259,512
- land and buildings	929,245	945,058
(Profit)/loss on foreign exchange transactions	<u>(224,580)</u>	<u>31,152</u>

Notes to the financial statements

For the year ended 31 December 2016

6. Auditor's remuneration

	2016 £	2015 £
Fees payable to the company's auditor for the audit of the company's annual financial statements	32,000	30,000
Fees payable to the company's auditor in respect of taxation compliance services	5,500	5,500

7. Staff Costs

Staff costs, including directors' remuneration, were as follows:

	2016 £	2015 £
Wages and salaries	9,598,742	8,987,460
Social security costs	1,014,321	916,147
Other pension costs	227,788	243,484
	10,840,851	10,147,091

The average monthly number of employees, including the directors, during the year was as follows:

	2016 No.	2015 No.
	267	269

8. Directors' remuneration

	2016 £	2015 £
Remuneration	1,036,182	975,083
Company pension contributions	70,724	84,707
	1,106,906	1,059,790

During the year retirement benefits were accruing to 4 directors (2015: 5) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £344,000 (2015: £262,988).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £9,892 (2015: £20,000).

Notes to the financial statements

For the year ended 31 December 2016

9. Interest expense and similar charges

	2016 £	2015 £
Interest on bank borrowings	9,354	14,651
Interest on finance leases	17,066	19,706
	<u>26,420</u>	<u>34,357</u>

10. Dividends

	2016 £	2015 £
Dividends paid on equity capital	-	4,000,000
	<u>-</u>	<u>4,000,000</u>

11. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	1,057,962	1,012,292
Adjustments in respect of previous periods	9,245	22,149
Total current tax	<u>1,067,207</u>	<u>1,034,441</u>
Deferred tax		
Origination and reversal of timing differences	1,945	92
Adjustment in respect of previous periods	1,374	(7,802)
Total deferred tax	<u>3,319</u>	<u>(7,710)</u>
Taxation on profit on ordinary activities	<u>1,070,526</u>	<u>1,026,731</u>

Notes to the financial statements

For the year ended 31 December 2016

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015: higher than) the standard rate of corporation tax in the UK of 20.0% (2015: 20.25%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>5,052,738</u>	<u>4,993,799</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.0% (2015: 20.25%)	1,010,547	1,011,244
Effects of:		
Expenses not deductible for tax purposes	52,520	19,350
Fixed asset timing differences	6,417	7,820
Adjustments to tax charge in respect of prior periods	9,245	22,149
Adjustments to tax charge in respect of prior periods - deferred tax	1,374	(7,802)
Other timing differences	-	(6,538)
Utilisation of group relief election	(10,588)	(22,272)
Difference in tax rates - opening deferred tax	(2,769)	(307)
Difference in tax rates - closing deferred tax	3,780	3,087
Total tax charge for the year	<u>1,070,526</u>	<u>1,026,731</u>

Factors that may affect future tax charges

During the year, the existing UK corporation tax rate was 20%. Following subsequent budget announcements it is currently planned that there will be a further reduction in the main rate of corporation tax to 19% from April 2017 and 17% from April 2020.

Notes to the financial statements

For the year ended 31 December 2016

12. Tangible fixed assets

	Leasehold Property Improvements £	Plant & machinery £	Total £
Cost			
At 1 January 2016	272,332	7,909,084	8,181,416
Additions	306,494	471,584	778,078
Disposals	-	(11,508)	(11,508)
At 31 December 2016	578,826	8,369,160	8,947,986
Depreciation			
At 1 January 2016	41,354	6,724,669	6,766,023
Charge for the year	24,618	335,460	360,078
Disposals	-	(11,508)	(11,508)
At 31 December 2016	65,972	7,048,621	7,114,593
Net book value			
At 31 December 2016	512,854	1,320,539	1,833,393
At 31 December 2015	230,978	1,184,415	1,415,393

Included within the net book value of £1,833,394 is £684,026 (2015: £558,843) relating to assets held under finance leases. The depreciation charged to the financial statements in the year in respect of such assets amounted to £145,593 (2015: £140,880).

Notes to the financial statements

For the year ended 31 December 2016

13. Stocks

	2016 £	2015 £
Goods held for resale	<u>12,691,908</u>	<u>11,018,916</u>

A provision of £2,004,845 (2015: £2,022,581) has been recognised against the stock balance due to slow-moving and obsolete stock. The net reversal of the provision of £17,736 (2015: reversal of £200,083) has been recognised in cost of sales.

14. Debtors

	2016 £	2015 £
Trade debtors	13,042,875	12,588,722
Other debtors	358,973	44,169
Prepayments and accrued income	427,827	565,412
Deferred tax asset	21,418	24,737
	<u>13,851,093</u>	<u>13,223,040</u>

A provision of £33,482 (2015: £44,828) has been recognised against trade debtors. The net reversal of the provision of £11,346 (2015: increase of £2,415) has been recognised in other external charges.

15. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	<u>7,567,162</u>	<u>5,770,184</u>

Notes to the financial statements

For the year ended 31 December 2016

16. Creditors: Amounts falling due within one year

	2016 £	2015 £
Bank borrowings	144,506	1,940,578
Trade creditors	9,575,286	8,079,355
Corporation tax	389,134	293,219
Taxation and social security	1,020,534	1,166,751
Obligations under finance leases	156,279	144,896
Other creditors	-	49,328
Accruals and deferred income	3,225,553	2,318,250
	<u>14,511,292</u>	<u>13,992,377</u>

The bank borrowings disclosed under creditors falling due within one year relate to the invoice discounting and inventory facilities provided by HSBC plc and are secured against the associated trade debtors balance and by fixed and floating charges against the assets of the company.

17. Creditors: Amounts falling due after more than one year

	2016 £	2015 £
Obligations under finance leases	<u>253,471</u>	<u>165,210</u>

18. Finance leases

Minimum lease payments under finance leases fall due as follows:

	2016 £	2015 £
Within one year	156,279	144,896
Between one and five years	253,471	165,210
	<u>409,750</u>	<u>310,106</u>

All amounts due under finance lease arrangements are secured on the assets acquired.

Notes to the financial statements

For the year ended 31 December 2016

19. Financial instruments

	2016 £	2015 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>13,401,848</u>	<u>12,632,891</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(12,945,345)</u>	<u>(12,387,511)</u>

Financial assets measured at amortised cost comprise trade debtors, other debtors and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals and amounts owed to group undertakings.

20. Deferred taxation

	2016 £	2015 £
At beginning of year	24,737	17,027
Income statement movement during the year	(3,319)	7,710
At end of year	<u>21,418</u>	<u>24,737</u>

The deferred tax asset is made up as follows:

	2016 £	2015 £
Fixed asset timing differences	19,378	19,796
Other timing differences	2,040	4,941
	<u>21,418</u>	<u>24,737</u>

Notes to the financial statements

For the year ended 31 December 2016

21 Provisions

	Dilapidation Provision £
At 1 January 2016	761,193
Income statement movement during the year	45,972
Utilised in year	(119,337)
At 31 December 2016	687,828

The dilapidation provision represents obligations under tenancy leases and is expected to be utilised over the remaining lease terms.

22. Capital commitments

There were no capital commitments as at 31 December 2016 and 31 December 2015.

23. Pension commitments

The company participates in a defined contribution pension scheme for the benefit of all enrolled UK employees. The pension cost for the period represents contributions due by the company to the scheme in respect of the financial period and amounted to £227,788 (2015: £243,484).

Notes to the financial statements

For the year ended 31 December 2016

24. Operating lease commitments

At 31 December 2016 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Land and buildings		
Within one year	994,424	929,076
Between two and five years	2,867,555	1,792,065
After more than five years	2,742,774	1,161,911
	<u>6,604,753</u>	<u>3,883,052</u>
	2016 £	2015 £
Other commitments		
Within one year	19,389	25,852
Between two and five years	-	23,724
After more than five years	-	-
Total	<u>19,389</u>	<u>49,576</u>

25. Share capital

	2016 £	2015 £
Allotted, called up and fully paid		
250,000 Ordinary shares of £0.01 each	<u>2,500</u>	<u>2,500</u>

Notes to the financial statements

For the year ended 31 December 2016

26. Contingent liabilities

There were no contingent liabilities as at 31 December 2016 and 31 December 2015.

27. Reserves

Called-up share capital

Represents the nominal value of shares that have been issued.

Profit and loss account

Includes all current and prior period retained profits and losses.

28. Related party transactions

During the year the group made purchases from metal distribution companies that are connected by virtue of common directorships of £914,508 (2015: £884,871). The directors consider that no material balances remain outstanding at the year end (2015: £Nil).

29. Ultimate parent undertaking and controlling party

The ultimate parent company and controlling related party is Henley Management Company, a company registered in the USA.

The largest and smallest group of which the company is a member and for which group consolidated financial statements are drawn up is headed by Cobham Aluminium & Stainless Holdings Limited, the immediate parent company. Copies of these financial statements are available from Companies House.