

Financial Statements Cobham Aluminium & Stainless Holdings Limited

For the year ended 31 December 2015

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Registered number: 07543335

Cobham Aluminium & Stainless Holdings Limited

Company Information

Directors

A Roberts
R W Colburn

Company secretary

M Hale

Registered number

7543335

Registered office

25 High Street
Cobham
Surrey
KT11 3DH

Independent auditor

Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
1020 Eskdale Road
Winnersh
Wokingham
Berkshire
RG41 5TS

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Directors' report

For the year ended 31 December 2015

The directors present their report and the financial statements for the year ended 31 December 2015.

Results and dividends

The profit for the year, after taxation, amounted to £3,095,030 (2014 - £7,328,600).

The directors have paid an interim dividend of £4,000,000 (2014 - £nil). The directors have not recommended a final dividend (2014 - £nil).

Directors

The directors who served during the year were:

R W Colburn

B A King (resigned 30 June 2016)

Andrew Roberts was appointed as a director on 22 February 2016.

Directors' responsibilities statement

The directors are responsible for preparing the Group 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 give a true and fair view of the state of affairs of the company and the Group 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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report

For the year ended 31 December 2015

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 that director is aware, there is no relevant audit information of which the company and the Group's auditor is unaware, and
- that 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 and the Group's auditor is aware of that information.

Financial risk management objectives and policies

The group uses 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 group's operations.

The directors are of the view that the main risks arising from the group'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 group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Market risk

The group 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 group's stock range.

Credit risk

The group'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.

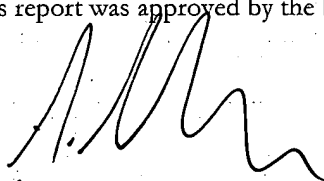
Directors' report

For the year ended 31 December 2015

Auditors

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.

A handwritten signature in black ink, appearing to be 'A Roberts', written over the printed name and title.

A Roberts
Director

Date: 29/9/16

Group strategic report

For the year ended 31 December 2015

The directors present their strategic report for the year ended 31 December 2015.

Principal activities

The principal activity of the group during the year was metal stockholding and the principal activity of this company was to act as a holding company.

The subsidiary undertakings principally affecting the profits or net assets of the group during the year are listed in note 13 to the financial statements.

Business review

The profit for the year, after taxation, amounted to £3,095,030 (2014 - £7,328,600). The directors have paid an interim dividend of £4,000,000 (2014 - £nil).

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

- Turnover £62.9 million (2014 - £76.6 million)
- Profit before tax £4.1 million (2014 - £8.0 million)
- Net assets £14.1 million (2014 - £15.0 million)
- Average number of employees decreased from 322 to 269

Principal risks and uncertainties

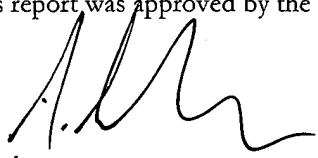
The principal risks and uncertainties of the group are fluctuations in raw material prices, movements in exchange rates, changes in government legislation, costs of complying with excessive and burdensome government regulation and the credit risk arising from trade debtors.

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.

Going concern

The directors have considered forecasted results for the group, taking into account the on-going support from its ultimate parent company, the business activities and the markets in which it operates, and the forecasts indicate that sufficient funds are available for the group 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 the going concern basis.

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


A Roberts
Director

Date: 29/9/16



Independent auditor's report to the members of Cobham Aluminium & Stainless Holdings Limited

We have audited the financial statements of Cobham Aluminium & Stainless Holdings Limited for the year ended 31 December 2015, which comprise the consolidated statement of comprehensive income, the consolidated and company statement of financial positions, the consolidated and company statement of changes in equity, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's member 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 member 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 member 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, 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.

Independent auditor's report to the members of Cobham Aluminium & Stainless Holdings Limited

Basis for qualified opinion on financial statements

For the year ended 31 December 2014, included in stock shown on the statement of financial position is a stock provision, against specific stock lines, of £2,223,000 in order to ensure stock is valued at the lower of either cost or net realisable value. Subsequent to 31 December 2014, and prior to the approval of those financial statements, the group had sold some of these stock lines at a level in excess of their original cost and therefore stock had been understated by approximately £615,000. Accordingly, within the statement of financial position at 31 December 2014, stocks held should be increased by approximately £615,000, the corporation tax liability should be increased by approximately £132,000 and total comprehensive income for the year and retained earnings should be increased by £483,000.

Since opening stock enters into the determination of the statement of comprehensive income, the reversal of the above stock provision and associated corporation tax impact has occurred in the year and accordingly the total comprehensive income for the year should be reduced by £483,000. We are therefore unable to state that the total comprehensive income for the year reported in the statement of comprehensive income gives a true and fair view of the group's result.

For the year ended 31 December 2015, included in stock shown on the statement of financial position is a stock provision, against specific stock lines, of £2,023,000 in order to ensure stock is valued at the lower of either cost or net realisable value. Subsequent to 31 December 2015, and prior to the approval of these financial statements, the group had sold some of these stock lines at a level in excess of their original cost and therefore stock has been understated by approximately £420,000. Accordingly, within the statement of financial position at 31 December 2015, stocks held should be increased by approximately £420,000, the corporation tax liability should be increased by approximately £84,000 and total comprehensive income for the year and retained earnings should be increased by £336,000.

As at 1 January 2014, the date of transition for the group to FRS 102, the group had a loan drawn down of approximately £19,000,000 from the ultimate parent company on which interest of 3.5% per annum has been charged during the year. As at 31 December 2015 the amount outstanding on the loan is approximately £3,000,000. The loan is considered by the directors to represent a basic financial instrument and they believe that the rate of interest charged reflects an appropriate market rate of return resulting in no fair value adjustments on the initial inception of the loan. The directors have however been unable to provide us with sufficient appropriate audit evidence to support their assessment of a market rate of interest, which is lower than our expectations based on other similar unsecured instruments in the wider market. Whilst we cannot determine what a fair market rate of interest would be, we consider that a rate within the range of 8% to 15% per annum is consistent with our expectations. This would result in a material increase to the interest expense for the year, reduction in profit and loss reserve and increase in capital contribution account of both the consolidated and company statements of financial position.

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 Group's and of the parent company's affairs as at 31 December 2015 and of the Group's 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 members of Cobham Aluminium & Stainless Holdings Limited

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Group strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, 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.

Grant Thornton UK LLP

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

Date: 29/11/2016

Consolidated statement of comprehensive income

For the year ended 31 December 2015

	Note	Total 2015 £	Continuing operations 2014 £	Discontin'd operations 2014 £	Total 2014 £
Turnover	1,3	62,875,299	62,249,787	14,318,839	76,568,626
Change in stocks of finished goods and work in progress		(1,424,321)	(5,448,030)	(939,534)	(6,387,564)
Raw materials and consumables		(40,333,278)	(35,483,251)	(9,826,663)	(45,309,914)
Other external charges		(5,608,967)	(5,631,785)	(2,449,696)	(8,081,481)
Staff costs	5	(10,147,091)	(9,983,108)	(1,584,587)	(11,567,695)
Depreciation and amortisation		(1,104,129)	(1,223,312)	(283,159)	(1,506,471)
Operating profit		4,257,513	4,480,301	(764,800)	3,715,501
Profit on sale of subsidiary undertaking		-	4,965,975	-	4,965,975
Interest income	7	-	-	6,668	6,668
Interest expense and similar charges	8	(135,752)	(667,915)	-	(667,915)
Profit on ordinary activities before taxation		4,121,761	8,778,361	(758,132)	8,020,229
Tax on profit on ordinary activities	10	(1,026,731)	(759,070)	67,441	(691,629)
Profit for the financial year		3,095,030	8,019,291	(690,691)	7,328,600
Total comprehensive income for the financial year		3,095,030			7,328,600
Profit for the year attributable to:					
Owner of the parent company		3,095,030	7,328,600	-	7,328,600
		<u>3,095,030</u>	<u>7,328,600</u>	<u>-</u>	<u>7,328,600</u>
Total comprehensive income for the year attributable to:					
Owner of the parent company		3,095,030			7,328,600
		<u>3,095,030</u>			<u>7,328,600</u>

All amounts in 2015 relate to continuing activities.

There were no recognised gains and losses for 2015 or 2014 other than those included in the consolidated income statement.

The notes on pages 15 to 34 form part of these financial statements.

Consolidated statement of financial position

as at 31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Intangible assets	11	406,876	1,168,909
Tangible assets	12	1,415,392	1,504,842
		<u>1,822,268</u>	<u>2,673,751</u>
Current assets			
Stocks	14	11,018,916	12,443,237
Debtors	15	13,223,040	12,953,249
Cash at bank and in hand		5,877,478	5,029,397
		<u>30,119,434</u>	<u>30,425,883</u>
Creditors: amounts falling due within one year	16	(13,992,376)	(14,267,204)
Net current assets		<u>16,127,058</u>	<u>16,158,679</u>
Total assets less current liabilities		<u>17,949,326</u>	<u>18,832,430</u>
Creditors: amounts falling due after more than one year	17	(3,117,419)	(3,058,518)
Provisions for liabilities			
Other provisions	21	(761,193)	(798,228)
Net assets		<u>14,070,714</u>	<u>14,975,684</u>
Capital and reserves			
Called up share capital	26	5,500,000	5,500,000
Profit and loss account	27	8,570,714	9,475,684
Shareholder's fund		<u>14,070,714</u>	<u>14,975,684</u>

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

A Roberts
Director

Date: 29/9/16

The notes on pages 15 to 34 form part of these financial statements.

Company statement of financial position

as at 31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Investments	13	9,876,334	9,876,334
Current assets			
Cash at bank and in hand		107,294	115,905
		<u>107,294</u>	<u>115,905</u>
Total assets less current liabilities		<u>9,983,628</u>	<u>9,992,239</u>
Creditors: amounts falling due after more than one year	17	(2,952,209)	(2,850,815)
Net assets		<u><u>7,031,419</u></u>	<u><u>7,141,424</u></u>
Capital and reserves			
Called up share capital	26	5,500,000	5,500,000
Profit and loss account	27	1,531,419	1,641,424
Shareholder's fund		<u><u>7,031,419</u></u>	<u><u>7,141,424</u></u>

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

A Roberts
Director

Date: 29/9/16

The notes on pages 15 to 34 form part of these financial statements.

Consolidated statement of changes in equity

as at 31 December 2015

	Share capital	Profit and loss account	Total
	£	£	£
At 1 January 2015	5,500,000	9,475,684	14,975,684
Comprehensive income for the year			
Profit for the year	-	3,095,030	3,095,030
Total comprehensive income for the year	-	3,095,030	3,095,030
Contributions by and distributions to parent company			
Dividends paid	-	(4,000,000)	(4,000,000)
Total transactions with parent company	-	(4,000,000)	(4,000,000)
At 31 December 2015	5,500,000	8,570,714	14,070,714

Consolidated statement of changes in equity

as at 31 December 2014

	Share capital	Profit and loss account	Total
	£	£	£
At 1 January 2014	5,500,000	2,147,084	7,647,084
Comprehensive income for the year			
Profit for the year	-	7,328,600	7,328,600
Total comprehensive income for the year	-	7,328,600	7,328,600
At 31 December 2014	5,500,000	9,475,684	14,975,684

The notes on pages 15 to 34 form part of these financial statements.

Company statement of changes in equity

as at 31 December 2015

	Share capital	Profit and loss account	Total
	£	£	£
At 1 January 2015	5,500,000	1,641,424	7,141,424
Comprehensive income for the year			
Profit for the year	-	3,889,995	3,889,995
Total comprehensive income for the year	-	3,889,995	3,889,995
Contributions by and distributions to parent company			
Dividends paid	-	(4,000,000)	(4,000,000)
Total transactions with parent company	-	(4,000,000)	(4,000,000)
At 31 December 2015	5,500,000	1,531,419	7,031,419

Company statement of changes in equity

as at 31 December 2014

	Share capital	Profit and loss account	Total
	£	£	£
At 1 January 2014	5,500,000	(2,310,915)	3,189,085
Comprehensive income for the year			
Profit for the year	-	3,952,339	3,952,339
Total comprehensive income for the year	-	3,952,339	3,952,339
At 31 December 2014	5,500,000	1,641,424	7,141,424

The notes on pages 15 to 34 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2015

	2015 £	2014 £
Cash flows from operating activities		
Profit for the financial year	3,095,030	7,328,600
Adjustments for:		
Amortisation of intangible assets	762,033	904,172
Depreciation of tangible assets	342,096	613,457
Loss on disposal of tangible assets	-	(11,158)
Decrease in stocks	1,424,321	197,064
Interest expense	135,752	667,915
Interest income	-	(6,668)
Taxation charge	1,026,731	691,629
Increase in debtors	(262,074)	(858,906)
Decrease in creditors	(1,065,056)	(15,301,201)
(Decrease)/increase in provisions	(37,035)	45,960
Corporation tax paid	(875,000)	(704,571)
Profit on sale of subsidiary	-	(4,965,975)
Net cash generated from operating activities	4,546,798	(11,399,682)
Cash flows from investing activities		
Purchase of tangible fixed assets	(290,140)	(1,064,652)
Sale of tangible fixed assets	37,494	44,506
Proceeds from sale of subsidiary undertaking	-	15,000,000
Interest received	-	6,668
Finance lease interest paid	(19,706)	(23,846)
Net cash held at bank on disposal	-	(1,260,423)
Net cash from investing activities	(272,352)	12,702,253
Cash flows from financing activities		
Increase/(decrease) in bank borrowings	772,443	(3,366,972)
Capital element of finance lease repayments	(82,762)	(212,053)
Dividends paid	(4,000,000)	-
Interest paid	(116,046)	(644,069)
Net cash used in financing activities	(3,426,365)	(4,223,094)

Consolidated statement of cash flows (continued)

For the year ended 31 December 2015

	2015 £	2014 £
Net increase / (decrease) in cash and cash equivalents	848,081	(2,920,523)
Cash and cash equivalents at beginning of year	5,029,397	7,949,920
Cash and cash equivalents at the end of year	<u>5,877,478</u>	<u>5,029,397</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	5,877,478	5,029,397
	<u>5,877,478</u>	<u>5,029,397</u>

Notes to the financial statements

For the year ended 31 December 2015

1. Accounting policies

1.1 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 United Kingdom and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 32.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the group's accounting policies (see note 2).

The following principal accounting policies have been applied:

1.2 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 the going concern basis.

1.3 Consolidation

The consolidated financial statements present the results of the group and its own subsidiaries ("the group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 January 2014.

1.4 Turnover

Turnover shown in the income statement represents the total invoice value of 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.

Notes to the financial statements

For the year ended 31 December 2015

1. Accounting policies (continued)

1.5 Investments

Fixed asset investments are stated at cost less provision for impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

1.6 Intangible assets

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the income statement over its useful economic life of 5 years.

1.7 Tangible fixed assets

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 group 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 bases:

Leasehold Property Improvements	-	over the lease term
Plant, Equipment & 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.

1.8 Stocks

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

Notes to the financial statements

For the year ended 31 December 2015

1. Accounting policies (continued)

1.9 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.

1.10 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.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the group's cash management.

1.11 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.

1.12 Operating leases

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

1.13 Finance lease agreements

Where the group 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.

1.14 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 method.

Notes to the financial statements

For the year ended 31 December 2015

1. Accounting policies (continued)

1.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except that a change 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 and the Group operate and generate income.

Deferred 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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

1.16 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 income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Notes to the financial statements

For the year ended 31 December 2015

1. Accounting policies (continued)

1.17 Pension costs

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

1.18 Financial instruments

The group 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 group 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.

Notes to the financial statements

For the year ended 31 December 2015

1. Accounting policies (continued)

1.19 Property dilapidations

Under certain operating leases for land and buildings, the group is obligated to make repairs of dilapidations to the leased property upon the expiry of the lease. The group 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.

1.20 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.

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

The preparation of the financial statements requires management to make significant judgements 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.

Valuation of fixed asset investments

The company considers whether investments held in subsidiaries are impaired. Where indicators of impairment are identified the carrying value of the investment is compared to the underlying net assets of the subsidiary and provisions reflected where required.

Notes to the financial statements

For the year ended 31 December 2015

3. Turnover

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

	2015 £	2014 £
United Kingdom	56,626,628	66,977,834
Rest of European Union	5,237,461	6,873,042
Rest of world	1,011,210	2,717,750
	<u>62,875,299</u>	<u>76,568,626</u>

4. Operating profit

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

	2015 £	2014 £
Depreciation of tangible fixed assets	342,096	613,457
Amortisation of intangible assets, including goodwill	762,033	904,172
Fees payable to the group's auditor for the audit of the company's annual accounts	6,000	5,750
Fees payable to the group's auditor for the audit of the subsidiary's annual accounts	30,000	42,250
Fees payable to the group's auditor for tax compliance services	5,500	7,850
Loss/(gain) on foreign exchange transactions	31,152	(17,177)
Operating lease rentals:		
- plant and machinery	259,512	324,490
- land and buildings	<u>945,058</u>	<u>1,650,596</u>

Notes to the financial statements

For the year ended 31 December 2015

5. Staff costs

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

	2015	2014
	£	£
Wages and salaries	8,987,460	10,212,949
Social security costs	916,147	1,090,401
Other pension costs	243,484	264,345
	<u>10,147,091</u>	<u>11,567,695</u>

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

	2015	2014
	No.	No.
	<u>269</u>	<u>322</u>

6. Directors' remuneration

	2015	2014
	£	£
Remuneration	<u>14,049</u>	<u>47,436</u>

During the year retirement benefits were accruing to 1 director (2014 - 1) in respect of defined contribution pension schemes.

7. Interest income

	2015	2014
	£	£
Other interest	<u>-</u>	<u>6,668</u>

Notes to the financial statements

For the year ended 31 December 2015

8. Interest expense and similar charges

	2015	2014
	£	£
Bank interest on borrowings	14,651	24,743
Interest expense to related undertakings	101,395	619,326
Interest on finance leases	19,706	23,846
	<u>135,752</u>	<u>667,915</u>

9. Dividends

	2015	2014
	£	£
Dividends paid on equity capital	<u>4,000,000</u>	-

10. Taxation

	2015	2014
	£	£
Corporation tax		
Current tax on profits for the year	1,012,292	881,859
Adjustments in respect of previous periods	22,149	(200,760)
Total current tax	<u>1,034,441</u>	<u>681,099</u>
Deferred tax		
Origination and reversal of timing differences	92	10,530
Adjustments in respect of previous periods	(7,802)	-
Total deferred tax	<u>(7,710)</u>	<u>10,530</u>
Taxation on profit on ordinary activities	<u>1,026,731</u>	<u>691,629</u>

Notes to the financial statements

For the year ended 31 December 2015

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2014 - lower than) the standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%). The differences are explained below:

	2015 £	2014 £
Profit on ordinary activities before tax	<u>4,121,761</u>	<u>8,020,229</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%)	834,657	1,724,349
Effects of:		
Fixed asset timing difference	162,132	212,394
Expenses not deductible for tax purposes	19,354	23,158
Adjustments to tax charge in respect of prior periods	22,149	(200,760)
Adjustments to tax charge in respect of prior periods - deferred tax	(7,802)	1,201
Difference in tax rates - opening deferred tax	(307)	(4,202)
Difference in tax rates - closing deferred tax	3,087	3,502
Income not deductible (profit on disposal of subsidiary)	-	(1,067,373)
Other movements	(6,539)	(640)
Total tax charge for the year	<u><u>1,026,731</u></u>	<u><u>691,629</u></u>

Notes to the financial statements

For the year ended 31 December 2015

11. Intangible assets

Group

Goodwill
£

Cost

At 1 January 2015

3,810,165

At 31 December 2015

3,810,165

Amortisation

At 1 January 2015

2,641,256

Charge for the year

762,033

At 31 December 2015

3,403,289

Net book value

At 31 December 2015

406,876

At 31 December 2014

1,168,909

Notes to the financial statements

For the year ended 31 December 2015

12. Tangible fixed assets**Group**

	Leasehold Property £	Plant, Equipment & Motor Vehicles £	Total £
Cost or valuation			
At 1 January 2015	263,932	7,789,004	8,052,936
Additions	8,400	281,740	290,140
Disposals	-	(161,661)	(161,661)
At 31 December 2015	272,332	7,909,083	8,181,415
Depreciation			
At 1 January 2015	35,490	6,512,604	6,548,094
Charge for the period	5,864	336,232	342,096
Disposals	-	(124,167)	(124,167)
At 31 December 2015	41,354	6,724,669	6,766,023
Net book value			
At 31 December 2015	230,978	1,184,414	1,415,392
At 31 December 2014	228,442	1,276,400	1,504,842

Included within group net book value of £1,415,392 is £558,843 (2014 - £590,033) relating to assets held under finance leases. The depreciation charged to the financial statements in the year in respect of such assets amounted to £140,880 (2014 - £151,069).

Notes to the financial statements

For the year ended 31 December 2015

13. Investments

Company

Investments in
subsidiary
companies
£

Cost or valuation

At 1 January 2015 9,876,334

At 31 December 2015 9,876,334

Net book value

At 31 December 2015 9,876,334

At 31 December 2014 9,876,334

At the year end, the company had a 100% interest in the ordinary share capital of its sole remaining subsidiary Smiths Metal Centres Limited. The company is incorporated in England and Wales and its principal activity is that of metal stockholding.

14. Stocks

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Goods held for resale	<u>11,018,916</u>	<u>12,443,237</u>	-	-

A provision of £2,022,581 (2014 - £2,222,664) has been recognised against the stock balance due to slow-moving and obsolete stock. The net reversal of the provision of £200,083 (2014 – reversal of £617,547) has been recognised in cost of sales.

Notes to the financial statements

For the year ended 31 December 2015

15. Debtors

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Trade debtors	12,588,722	12,376,082	-	-
Other debtors	44,169	7,903	-	-
Prepayments and accrued income	565,412	552,237	-	-
Deferred tax asset	24,737	17,027	-	-
	<u>13,223,040</u>	<u>12,953,249</u>	<u>-</u>	<u>-</u>

A provision of £44,828 (2014 - £42,413) has been recognised against trade debtors. The net increase of the provision of £2,415 (2014 - reversal of £14,330) has been recognised in other external charges.

16. Creditors: Amounts falling due within one year

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Bank borrowings	1,940,578	1,168,135	-	-
Trade creditors	8,079,355	9,259,221	-	-
Corporation tax	293,219	133,778	-	-
Taxation and social security	1,166,751	955,381	-	-
Obligations under finance leases	144,896	185,165	-	-
Other creditors	49,328	22,317	-	-
Accruals and deferred income	2,318,249	2,543,207	-	-
	<u>13,992,376</u>	<u>14,267,204</u>	<u>-</u>	<u>-</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 group.

Notes to the financial statements

For the year ended 31 December 2015

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

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Obligations under finance leases	165,210	207,703	-	-
Amounts owed to parent undertaking	2,952,209	2,850,815	2,952,209	2,850,815
	<u>3,117,419</u>	<u>3,058,518</u>	<u>2,952,209</u>	<u>2,850,815</u>

The amounts owed to parent undertaking are unsecured and incur interest at the rate of 3% above the Bank of England base rate. The balance due is repayable on or before 31 December 2021.

18. Finance leases

Minimum lease payments under finance leases fall due as follows:

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Within one year	144,896	185,165	-	-
Between one and five years	165,210	207,703	-	-
	<u>310,106</u>	<u>392,868</u>	<u>-</u>	<u>-</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 2015

19. Financial instruments

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	12,632,892	12,383,985	-	-
	<u>12,632,892</u>	<u>12,383,985</u>	<u>-</u>	<u>-</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(15,339,720)	(15,843,696)	(2,952,208)	(2,850,815)
	<u>(15,339,720)</u>	<u>(15,843,696)</u>	<u>(2,952,208)</u>	<u>(2,850,815)</u>

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

Financial liabilities measured at amortised cost comprise bank borrowings, trade creditors, other creditors, accruals and amounts owed to parent undertaking.

20. Deferred taxation

Group

	Deferred tax £
At 1 January 2015	17,027
Income statement movement during the year	7,710
At 31 December 2015	<u>24,737</u>

The deferred tax asset is made up as follows:

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Fixed asset timing differences	19,796	9,564	-	-
Other timing differences	4,941	7,463	-	-
	<u>24,737</u>	<u>17,027</u>	<u>-</u>	<u>-</u>

Notes to the financial statements

For the year ended 31 December 2015

21. Provisions

Group

	Dilapidation provision £
At 1 January 2015	798,228
Income statement movement during the year	(37,035)
At 31 December 2015	<u>761,193</u>

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 2015 or 31 December 2014.

23. Pension commitments

The group 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 group to the scheme in respect of the financial period and amounted to £243,484 (2014 - £264,345).

Notes to the financial statements

For the year ended 31 December 2015

24. Operating lease commitments

At 31 December 2015 the group had future minimum lease payments under non-cancellable operating leases as follows:

	2015 £	2014 £
Land and buildings		
Within 1 year	929,076	908,679
Between 2 and 5 years	1,792,065	2,196,865
After more than 5 years	1,161,911	1,288,421
Total	3,883,052	4,393,965
	2015 £	2014 £
Other commitments		
Within 1 year	25,852	25,852
Between 2 and 5 years	23,724	49,576
After more than 5 years	-	-
Total	49,576	75,428

25. Parent company profit for the year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The profit after tax of the parent company for the year was £3,889,995 (2014 - £3,952,339).

Notes to the financial statements

For the year ended 31 December 2015

26. Share capital

	2015 £	2014 £
Allotted, called up and fully paid		
2,000,000- Ordinary shares of £1 each	2,000,000	2,000,000
3,500,000- Redeemable preference shares of £1 each	3,500,000	3,500,000
	<u>5,500,000</u>	<u>5,500,000</u>

The shares rank pari-passu with the exception that the redeemable preference shares have no dividend rights.

The redeemable preference shares can be redeemed at par at any time (at the option of the company) having given not less than three months previous notice in writing. The notice in writing should state the particular shares to be redeemed, the date fixed for redemption and the time and place at which the certificates for such shares are to be presented for redemption. As such, in accordance with FRS 102 section 22 'Liabilities and Equity', these shares have been presented as equity.

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. Contingent liabilities

There were no contingent liabilities as at 31 December 2015 and 31 December 2014.

29. Related party transactions

During the year, interest of £101,395 (2014 - £327,144) was payable to Henley Management Company in respect of borrowings during the year. A balance of £2,952,209 (2014 - £2,850,815) remained outstanding at the year end. In addition interest of £nil (2014 - £292,182) was payable to fellow subsidiaries of Henley Management Company in respect of loans fully repaid at the year end.

The group disposed of its entire shareholding in Wilsons Limited in the prior year to a company connected to certain shareholders of Henley Management Company. Further details of the disposal are included in note 31.

Compensation paid to key management personnel is considered to relate to the directors' remuneration as disclosed within the notes to the financial statements.

Notes to the financial statements

For the year ended 31 December 2015

30. Controlling party

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

The largest and smallest group of undertakings for which audited group accounts have been drawn up is that headed by Cobham Aluminium & Stainless Holdings Limited.

31. Discontinued operations

On 29 December 2014 the group disposed of its entire shareholding in Wilsons Limited. The result attributable to the twelve months to the date of disposal has been disclosed separately on the face of the statement of comprehensive income, as discontinued operations, in accordance with the requirements of FRS 102 section 5.

Details of the assets and liabilities disposed of are as follows:

	£
Proceeds - cash	15,000,000
Net assets disposed of:	
Tangible fixed assets	877,673
Stocks	6,190,500
Debtors	3,687,150
Cash at bank	1,260,423
Other creditors and provisions	(2,266,000)
Net assets sold	9,749,746
Attributable to goodwill written off	284,279
Profit on disposal	<u>4,965,975</u>

32. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.