Financial Statements
Cobham Aluminium & Stainless Holdings Limited

For the year ended 31 December 2016

Registered number: 07543335

Company Information

Directors	A Roberts R W Colburn S Hussey
Company secretary	M Hale
Registered number	07543335
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

Contents

	Page
Directors' report	1 - 3
Group strategic report	4 - 5
Independent auditor's report	6 - 8
Consolidated statement of comprehensive income	9
Consolidated statement of financial position	10
Company statement of financial position	11
Consolidated statement of changes in equity	12
Company statement of changes in equity	13
Consolidated statement of cash flows	14 - 15
Notes to the financial statements	16 - 35

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 £3,522,397 (2015: £3,095,030).

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:

A Roberts (appointed 22 February 2016)
R W Colburn

Shaun Hussey was appointed as a director on 6 March 2017.

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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 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 for the Group'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 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 (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 and the Group'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 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 (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.

A Roberts
Director

Date: 28 September 2017

Group 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 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 14 to the financial statements.

Business review and future developments

The profit for the year, after taxation, amounted to £3,522,397 (2015 - £3,095,030). 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 group. They regard the following as the key financial indicators of performance, all of which can be observed in the attached financial statements.

- Turnover £62.6 million (2015 - £62.9 million)
- Profit before tax £4.6 million (2015 - £4.1 million)
- Net assets £17.6 million (2015 - £14.1 million)
- Average number of employees decreased from 269 to 267

The directors of the group 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 group 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 group 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 group 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 group. 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 group and a subsequent reduction in profitability and capital available for future reinvestment with no net benefit to the group 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.

Group 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 are going concerns, and that sufficient funds are available for the company and 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. The directors of this company and group accordingly continue to prepare the financial statements on the going concern basis.

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

A Roberts
Director

Date: 28 September 2017

Grant Thornton

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

We have audited the financial statements of Cobham Aluminium & Stainless Holdings Limited for the year ended 31 December 2016, 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 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 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 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.

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 the parent company's affairs as at 31 December 2016 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.

Grant Thornton

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

Basis for qualified opinion on the 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 group 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.

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. The loan was 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 were 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. The loan was fully settled during the year (31 December 2015 balance outstanding approximately £3,000,000).

This caused us to qualify our audit opinion on the financial statements relating to the year ended 31 December 2015 and would result in a material increase to the interest expense for the year ended 31 December 2016.

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

Grant Thornton

Independent auditor's report to the member of Cobham Aluminium & Stainless Holdings 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 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 FCA (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Reading

29 September 2017

Consolidated 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		**(6,243,713)**	(5,608,967)
Staff costs	7	**(10,840,851)**	(10,147,091)
Depreciation and amortisation		**(766,954)**	(1,104,129)
Operating profit	5	**4,660,604**	4,257,513
Interest expense and similar charges	9	**(67,681)**	(135,752)
Profit on ordinary activities before taxation		**4,592,923**	4,121,761
Tax on profit on ordinary activities	11	**(1,070,526)**	(1,026,731)
Profit for the financial year		**3,522,397**	3,095,030
Total comprehensive income for the year		**3,522,397**	3,095,030
Profit for the year attributable to:			
Owner of the parent company		**3,522,397**	3,095,030
		3,522,397	3,095,030
Total comprehensive income for the year attributable to:			
Owner of the parent company		**3,522,397**	3,095,030
		3,522,397	3,095,030

All amounts relate to continuing operations.

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

The notes on pages 16 to 35 form part of these financial statements.

Cobham Aluminium & Stainless Holdings Limited
Registered number:07543335

Consolidated statement of financial position
as at 31 December 2016

	Note		2016 £		2015 £
Fixed assets					
Intangible assets	12		-		406,876
Tangible assets	13		**1,833,393**		1,415,392
			1,833,393		1,822,268
Current assets					
Stocks	15	**12,691,908**		11,018,916	
Debtors: amounts falling due within one year	16	**13,851,948**		13,223,040	
Cash at bank and in hand	17	**7,857,084**		5,877,478	
		34,400,940		30,119,434	
Creditors: amounts falling due within one year	18	**(17,699,923)**		(13,992,376)	
Net current assets			**16,701,017**		16,127,058
Total assets less current liabilities			**18,534,410**		17,949,326
Creditors: amounts falling due after more than one year	19		**(253,471)**		(3,117,419)
Provisions for liabilities					
Other provisions	23		**(687,828)**		(761,193)
Net assets			**17,593,111**		14,070,714
Capital and reserves					
Called up share capital	27		**5,500,000**		5,500,000
Profit and loss account	28		**12,093,111**		8,570,714
Shareholder's fund			**17,593,111**		14,070,714

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

A Roberts
Director

Date: 28 September 2017

The notes on pages 16 to 35 form part of these financial statements.

Company statement of financial position

as at 31 December 2016

	Note		2016 £		2015 £
Fixed assets					
Investments	14		**9,876,334**		9,876,334
Current assets					
Debtors: amounts falling due within one year	16	**855**		-	
Cash at bank and in hand	17	**289,921**		107,294	
Creditors: amounts falling due within one year	18	**(3,188,630)**		-	
Net current (liabilities)/assets			**(2,897,854)**		107,294
Total assets less current liabilities			**6,978,480**		9,983,628
Creditors: amounts falling due after more than one year	19		-		(2,952,209)
Net assets			**6,978,480**		7,031,419
Capital and reserves					
Called up share capital	27		**5,500,000**		5,500,000
Profit and loss account brought forward		**1,531,419**		(2,358,576)	
Loss/(profit) for the year		**(52,939)**		3,889,995	
Profit and loss account carried forward			**1,478,480**		1,531,419
Shareholder's fund			**6,978,480**		7,031,419

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

A Roberts
Director

Date: 28 September 2017

The notes on pages 16 to 35 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2016

	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
Dividends paid	-	(4,000,000)	(4,000,000)
At 1 January 2016	**5,500,000**	**8,570,714**	**14,070,714**
Comprehensive income for the year			
Profit for the year	-	3,522,397	3,522,397
Total comprehensive income for the year	-	3,522,397	3,522,397
At 31 December 2016	**5,500,000**	**12,093,111**	**17,593,111**

Company statement of changes in equity
For the year ended 31 December 2016

	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
Dividends paid	-	(4,000,000)	(4,000,000)
At 1 January 2016	**5,500,000**	**1,531,419**	**7,031,419**
Comprehensive income for the year			
Loss for the year	-	(52,939)	(52,939)
Total comprehensive income for the year	-	(52,939)	(52,939)
At 31 December 2016	**5,500,000**	**1,478,480**	**6,978,480**

Consolidated statement of cash flows

For the year ended 31 December 2016

	2016 £	2015 £
Cash flows from operating activities		
Profit for the financial year	**3,522,397**	3,095,030
Adjustments for:		
Amortisation of intangible assets	**406,876**	762,033
Depreciation of tangible assets	**360,078**	342,096
Interest expense	**67,681**	135,752
Taxation charge	**1,070,526**	1,026,731
(Increase)/decrease in stocks	**(1,672,992)**	1,424,321
Increase in debtors	**(632,227)**	(262,074)
Increase/(decrease) in creditors	**2,653,934**	(1,065,056)
Decrease in provisions	**(73,365)**	(37,035)
Corporation tax paid	**(966,251)**	(875,000)
Net cash generated from operating activities	**4,736,657**	4,546,798
Cash flows from investing activities		
Purchase of tangible fixed assets	**(778,079)**	(290,140)
Sale of tangible fixed assets	**-**	37,494
Finance lease interest paid	**(17,066)**	(19,706)
Net cash from investing activities	**(795,145)**	(272,352)

Consolidated statement of cash flows (continued)

For the year ended 31 December 2016

	2016 £	2015 £
Cash flows from financing activities		
(Decrease)/increase in bank borrowings	**(1,796,072)**	772,443
Capital element of finance lease repayments	**(156,480)**	(82,762)
Dividends paid	**-**	(4,000,000)
Interest paid	**(9,354)**	(116,046)
Net cash used in financing activities	**(1,961,906)**	(3,426,365)
Net increase in cash and cash equivalents	**1,979,606**	848,081
Cash and cash equivalents at beginning of year	**5,877,478**	5,029,397
Cash and cash equivalents at the end of year	**7,857,084**	5,877,478
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**7,857,084**	5,877,478
	7,857,084	5,877,478

The notes on pages 16 to 35 form part of these financial statements.

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: 07543335

Registered office: 25 High Street, Cobham, Surrey, KT11 3DH.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies 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 Group management to exercise judgment in applying the Group'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 group and company and the business activities and the markets in which the group 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.

2.3 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.

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 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.

2.5 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.

2.6 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.

2.7 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 group. 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.

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

2. Accounting policies (continued)

2.7 Tangible fixed assets (continued)

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 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 the income statement.

2.8 Stocks

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

2.9 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.

2.10 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.

2.11 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.

2.12 Operating leases

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

Notes to the financial statements

For the year ended 31 December 2016

2. Accounting policies (continued)

2.13 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 installments 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 installments.

2.14 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.

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated 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 and the Group operate and generate 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.

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

2. Accounting policies (continued)

2.16 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 consolidated statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

2.17 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.

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

2. Accounting policies (continued)

2.18 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.

2.19 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.

2.20 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.

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 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.

4. Turnover

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

Analysis of turnover by country of destination:

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

5. Operating profit

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

	2016 £	2015 £
Depreciation of tangible fixed assets	**360,078**	342,096
Amortisation of intangible assets, including goodwill	**406,876**	762,033
Loss/(gain) on foreign exchange transactions	**(224,580)**	31,152
Operating lease rentals:		
- plant and machinery	**301,670**	259,512
- land and buildings	**929,245**	945,058

6. Auditor's remuneration

Fees payable to the Group's auditor for the audit of the Group's annual financial statements	**6,000**	6,000
Fees payable to the Group's auditor for the audit of the subsidiary's annual accounts	**32,000**	30,000
Fees payable to the Group's auditor for tax compliance services	**7,000**	5,500
	45,000	41,500

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

Notes to the financial statements

For the year ended 31 December 2016

8. Directors' remuneration

	2016	2015
	£	£
Remuneration	12,280	14,049

During the year retirement benefits were accruing to 1 director (2015: 1) in respect of defined contribution pension schemes.

9. Interest expense and similar charges

	2016	2015
	£	£
Interest on bank borrowings	9,354	14,651
Interest expense to related undertakings	41,262	101,395
Interest on finance leases	17,066	19,706
	67,682	135,752

10. Dividends

	2016	2015
	£	£
Dividends paid on equity capital	-	4,000,000

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

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
	1,067,207	1,034,441
Total current tax	**1,067,207**	1,034,441
Deferred tax		
Origination and reversal of timing differences	**1,945**	92
Adjustments in respect of previous periods	**1,374**	(7,802)
Total deferred tax	**3,319**	(7,710)
Taxation on profit on ordinary activities	**1,070,526**	1,026,731

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	**4,592,923**	4,121,761
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.0% (2015: 20.25%)	**918,585**	834,657
Effects of:		
Fixed asset timing difference	**86,417**	162,132
Expenses not deductible for tax purposes	**53,894**	19,354
Adjustments to tax charge in respect of the prior periods	**9,245**	22,149
Adjustments to tax charge in respect of prior periods - deferred tax	**1,374**	(7,802)
Difference in tax rates - opening deferred tax	**(2,769)**	(307)
Difference in tax rates - closing deferred tax	**3,780**	3,087
Other movements	**-**	(6,539)
Total tax charge for the year	**1,070,526**	1,026,731

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. Intangible assets

Group

	Goodwill £
Cost	
At 1 January 2016	**3,810,165**
At 31 December 2016	**3,810,165**
Amortisation	
At 1 January 2016	**3,403,289**
Charge for the year	**406,876**
At 31 December 2016	**3,810,165**
Net book value	
At 31 December 2016	-
At 31 December 2015	406,876

Notes to the financial statements

For the year ended 31 December 2016

13. Tangible fixed assets

Group

	Leasehold Property Improvements £	Plant, Equipment & Motor Vehicles £	Total £
Cost			
At 1 January 2016	272,332	7,909,083	8,181,415
Additions	306,494	471,585	778,079
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	1,184,414	1,415,392

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

14. Investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2016	**9,876,334**
At 31 December 2016	**9,876,334**
Net book value	
At 31 December 2016	**9,876,334**
At 31 December 2015	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 it's principal activity is that of metal stockholding.

15. Stocks

	Group 2016 £	Group 2015 £	**Company 2016 £**	Company 2015 £
Finished goods and goods for resale	**12,691,908**	11,018,916	**-**	-

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

Notes to the financial statements

For the year ended 31 December 2016

16. Debtors

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade debtors	**13,042,875**	12,588,722	-	-
Other debtors	**358,973**	44,169	-	-
Prepayments and accrued income	**427,827**	565,412	-	-
Tax recoverable	**855**	-	**855**	-
Deferred taxation	**21,418**	24,737	-	-
	13,851,948	13,223,040	**855**	-

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.

17. Cash and cash equivalents

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Cash at bank and in hand	**7,857,084**	5,877,478	**289,922**	107,294

18. Creditors: Amounts falling due within one year

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Bank borrowings	**144,506**	1,940,578	-	-
Trade creditors	**9,575,286**	8,079,355	-	-
Amounts owed to parent undertaking	**3,188,630**	-	**3,188,630**	-
Corporation tax	**389,134**	293,219	-	-
Taxation and social security	**1,020,535**	1,166,751	-	-
Obligations under finance leases	**156,279**	144,896	-	-
Other creditors	-	49,328	-	-
Accruals and deferred income	**3,225,553**	2,318,249	-	-
	17,699,923	13,992,376	**3,188,630**	-

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.

The amounts owed to parent undertaking are unsecured and incur no interest charge. The balance due is repayable on demand.

Notes to the financial statements

For the year ended 31 December 2016

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

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Obligations under finance leases	**253,471**	165,210	**-**	-
Amounts owed to parent undertaking	**-**	2,952,209	**-**	2,952,209
	253,471	3,117,419	**-**	2,952,209

20. Finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2016 £	Group 2015 £
Within one year	**156,279**	144,896
Between one and five years	**253,471**	165,210
	409,750	310,106

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

21. Financial instruments

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	**13,401,848**	12,632,892	**-**	-
Financial liabilities				
Financial liabilities measured at amortised cost	**(16,133,975)**	(15,339,719)	**(3,188,630)**	(2,952,209)

Financial assets that are debt instruments measured at amortised cost comprise trade debtors and other debtors.

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

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

22. Deferred taxation

Group

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

The deferred tax asset is made up as follows:

	Group 2016 £	Group 2015 £
Fixed asset timing differences	**19,378**	19,796
Other timing differences	**2,040**	4,941
	21,418	24,737

23. Provisions

Group

	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.

24. Capital commitments

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

Notes to the financial statements

For the year ended 31 December 2016

25. 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 £227,788 (2015 - £243,484).

26. Commitments under operating leases

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

	Group 2016 £	Group 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
Total	**6,604,753**	3,883,052

	Group 2016 £	Group 2015 £
Other commitments		
Within one year	**19,389**	25,852
Between two and five years	**-**	23,724
Total	**19,389**	49,576

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

27. Share capital

	2016	2015
	£	£
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
	5,500,000	5,500,000

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 that 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.

28. 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.

29. Contingent liabilities

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

Notes to the financial statements

For the year ended 31 December 2016

30. 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).

During the year, interest of £41,261 (2015: £101,395) was payable to Henley Management Company in respect of balances due to Henley Management Company during the year. Balances of £3,188,630 (2015: £2,952,209) remained outstanding at the year end.

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

31. 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.