

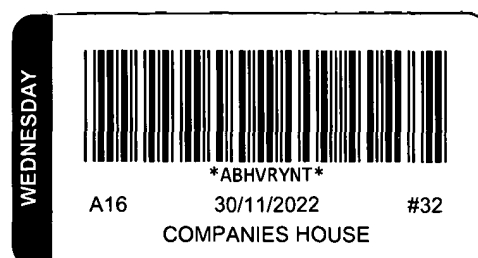
**SMS Group Technical Services  
(UK) Limited**

Annual Report and Financial Statements

Year Ended

31 December 2021

Company Number 06765353



## **SMS Group Technical Services (UK) Limited**

### **Company Information**

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<b>Directors</b>	S D Lidgate D Jeffrey A Heck
<b>Registered number</b>	06765353
<b>Registered office</b>	Units 40-41 The Bridge Business Centre Beresford Way Chesterfield Derbyshire S41 9FG
<b>Independent auditor</b>	BDO LLP Central Square 29 Wellington Street Leeds LS1 4DL

# **SMS Group Technical Services (UK) Limited**

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# SMS Group Technical Services (UK) Limited

## Strategic Report For the Year Ended 31 December 2021

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The directors present their strategic report together with the audited financial statements for the year ended 31 December 2021.

### Business review

The statement of comprehensive income shows a turnover for the year of £3,601,166 compared with £8,206,711 in 2020. The decrease is mainly attributable to the ongoing impact of Covid 19, lockdown and the ongoing restrictions in the UK during the year. The turnover has also been reduced by internal SMS Group re-organisation of Customers within the European region.

The overall result for 2021 is a loss of £163,944 as a result of the ongoing actions to complete the existing contracts originating from the Poole operation. The Poole site closed in March 2019 and the existing contracts transferred to our Chesterfield site. The cumulative losses from the Poole contracts has resulted in a Negative Equity of £15,193,622 at the year-end of 2020. This was addressed in 2021 by an injection of £18,000,000 share Capital from the SMS Group, which should also re-enforce the comments below regarding the business as a going concern.

The company has net current assets compared with the previous year's net liabilities; this was due to the reduction in Creditors resulting from payments to group undertaking, following the injection of share Capital. SMS group continues to provide written evidence that it will support SMS Group Technical Services UK for at least a period of 12 months from the date of approval and signing of the accounts.

### Financial key performance indicators

The company closely monitors its gross margins against each product group to ensure that adequate margins are maintained.

The company also monitors cash flow as part of its day-to-day control procedures.

The board ensure that appropriate facilities are available to be drawn upon when necessary.

### Other key performance indicators

The company incorporate numerous quantitative measures within its daily working practices to monitor and improve the company's performance.

### Principal risks and uncertainties

The global metals processing industry remains a highly competitive and cyclical business. The industry continues to face many challenges brought about by global consolidation, environmental pressures, trade barriers, geo politics and recovery from the recent pandemic. Brexit issues remain and changes within the SMS group have seen see a shift in focus for the UK operation with less direct business with Europe based Customers. Emphasis will be on the UK market as it recovers and on developing products based in the UK. Currently around half of this business represents sales to other group companies, this business can potentially increase, offsetting some of the reduction in direct sales. Outside trading arrangements with the EU future agreements with countries such as the USA, China and India will become more significant.

From March 2022 events in Ukraine are dominating the headlines and the repercussions of sanctions against Russia are being felt across the world, particularly in regard to Fuel and Energy markets which are significantly distorting markets and driving global inflation.

## SMS Group Technical Services (UK) Limited

Strategic Report (continued)  
For the Year Ended 31 December 2021

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### Going Concern and COVID-19


The directors have assessed the going concern status of the company by reference to a number of factors. In particular, the directors have considered the stability of demand, the fact that the business is not overly dependent on a single customer, product or supplier, and the fact that the business is subsidiary of the SMS group that has a diverse portfolio of products covering diverse market sectors covering but not limited to Aircraft, Automotive and Engineering. These factors give the directors confidence in relation to going concern.

In undertaking their review, the directors have prepared financial projections for the next 12 months. They have also sought and obtained written confirmation from the immediate parent company, SMS Group GmbH., confirming its commitment to provide necessary financial support to the company as may be required. As such, the directors conclude that the existing cash balance is sufficient to meet all liabilities as they fall due for at least the 12 months from the date of approval of the financial statements.

Given the particular situation created by the Covid-19 pandemic and more recently the global consequences of the war in Ukraine, the directors have also considered a sensitivity analysis based on lower revenues and have formulated contingency plans for this scenario. Based on this scenario, the directors continue to conclude that the going concern assumptions remain appropriate.

While there is clearly significant uncertainty related to the risks outlined above and potential impacts on business, we are confident that this will not affect the going concern status of the company.

This report was approved by the board on **NOVEMBER 24, 2022** and signed on its behalf.



S D Lidgate  
Director

# SMS Group Technical Services (UK) Limited

## Directors' Report For the Year Ended 31 December 2021

The directors present their report together with the audited financial statements for the year ended 31 December 2021.

### Principal activity

The company's principal activities include engineering of rod and bar mill equipment, project management and project execution of retrofit enhancements.

The company also provides services for rod and bar mills, rolling mill guides and spare parts.

### Business review

The business review, principal risks and uncertainties and future developments are included in the strategic report on pages 1 to 2 of these financial statements.

The company had net current assets of £2,896,718 at 31st December 2021, and incurred a loss after tax of £163,944 for the year then ended. The directors of the ultimate parent company have provided a formal confirmation to the directors of the company that the ultimate parent company will provide any funding required by the company to enable it to continue trading and meet its liabilities as they fall due for payment for at least 12 months from the date of signing these financial statements.

### Results and dividends

The loss for the year, after taxation, amounted to £163,944 (2020 loss - £4,939,767).

### Directors

The directors who served during the year were:

S D Lidgate  
D Jeffrey  
A Heck

### Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board on **NOVEMBER 24, 2022** and signed on its behalf.



S D Lidgate  
Director

## **SMS Group Technical Services (UK) Limited**

### **Directors' Responsibilities Statement For the Year Ended 31 December 2021**

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

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

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

## **SMS Group Technical Services (UK) Limited**

### **Independent Auditor's Report to the Members of SMS Group Technical Services (UK) Limited**

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#### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss 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.

We have audited the financial statements of SMS Technical Services (UK) Limited ("the company") for the year ended 31 December 2021 which comprise the statement of comprehensive income, the statement of financial position and the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.



## **SMS Group Technical Services (UK) Limited**

### **Independent Auditor's Report to the Members of SMS Group Technical Services (UK) Limited (continued)**

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#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the directors report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

#### **Other Companies Act 2006 reporting**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- The directors were not entitled to take advantage of the small companies' exemptions from the requirement to prepare a Strategic report.

#### **Responsibilities of directors**

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## SMS Group Technical Services (UK) Limited

### Independent Auditor's Report to the Members of SMS Group Technical Services (UK) Limited (continued)

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#### Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the group and the industries in which it operates, and considered the risk of acts by the group that were contrary to applicable laws and regulations, including fraud. We considered the group's compliance with laws and regulations that have a significant impact on the financial statements to be UK company law, UK tax legislation, the accounting framework and ISO security standards, and we considered the extent to which non-compliance might have a material effect on the group and company financial statements.

Based on our understanding we designed our audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included inquiries of management and of the directors, reviewing the financial statement disclosures agreeing to underlying supporting documentation where necessary, review of Board meeting minutes and review of any applicable correspondence with legal counsel or tax authorities.

We considered the susceptibility of the financial statements to fraud through the risk of management override and inappropriate revenue recognition. In respect of management override we tested journal entries processed during the year, and subsequent to the year end, and considered bias in accounting estimates, including stock provisions. Our risk assessment in respect of the potential for fraud in revenue identified specific areas of focus including fictitious orders, fictitious customers, use of credit notes, cut-off and manual journals posted to revenue nominal codes.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## SMS Group Technical Services (UK) Limited

### Independent Auditor's Report to the Members of SMS Group Technical Services (UK) Limited (continued)

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#### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

*Mark Langford*

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**Mark Langford** (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Leeds  
United Kingdom 29 November 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## SMS Group Technical Services (UK) Limited

### Statement of Comprehensive Income For the Year Ended 31 December 2021

	Note	2021 £	2020 £
Turnover	4	3,601,166	8,206,711
Cost of sales		(2,134,960)	(11,087,473)
<b>Gross profit/(loss)</b>		<b>1,466,206</b>	<b>(2,880,762)</b>
Administrative expenses		(1,624,188)	(1,989,917)
Other operating income	5	66,485	42,823
<b>Operating loss</b>	6	<b>(91,497)</b>	<b>(4,827,856)</b>
Interest payable and similar charges	9	(72,447)	(111,911)
<b>Loss before tax</b>		<b>(163,944)</b>	<b>(4,939,767)</b>
Tax on loss	10	-	-
<b>Loss for the financial year</b>		<b>(163,944)</b>	<b>(4,939,767)</b>
<b>Total comprehensive loss for the year</b>		<b>(163,944)</b>	<b>(4,939,767)</b>

The notes on pages 12 to 25 form part of these financial statements.

# SMS Group Technical Services (UK) Limited

Registered number: 06765353

## Statement of Financial Position As at 31 December 2021

	Note	2021 £	2021 £	2020 £	2020 £
<b>Fixed assets</b>					
Tangible assets	11		17,789		21,433
<b>Current assets</b>					
Stocks	12	859,919		715,268	
Debtors: amounts falling due within one year	13	4,234,934		7,552,752	
Cash at bank and in hand		832,416		1,325,821	
		<u>5,927,269</u>		<u>9,593,841</u>	
Creditors: amounts falling due within one year	14	(3,030,551)		(19,349,598)	
<b>Net current assets/(liabilities)</b>			<u>2,896,718</u>		<u>(9,755,757)</u>
<b>Total assets less current liabilities</b>			<u>2,914,507</u>		<u>(9,734,324)</u>
<b>Provisions for liabilities</b>					
Other provisions	15		(177,285)		(5,364,510)
<b>Net assets/(liabilities)</b>			<u>2,737,222</u>		<u>(15,098,834)</u>
<b>Capital and reserves</b>					
Called up share capital	16		19,400,001		1,400,001
Capital contribution reserve	17		2,800,000		2,800,000
Profit and loss account	17		(19,462,779)		(19,298,835)
<b>Total equity</b>			<u>2,737,222</u>		<u>(15,098,834)</u>

The company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

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

**NOVEMBER 24, 2022**



**S D Lidgate**  
Director

The notes on pages 12 to 25 form part of these financial statements.

## SMS Group Technical Services (UK) Limited

### Statement of Changes in Equity For the Year Ended 31 December 2021

	Called up share capital	Capital contribution reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2021	1,400,001	2,800,000	(19,298,835)	(15,098,834)
<b>Comprehensive loss for the year</b>				
Loss for the year	-	-	(163,944)	(163,944)
<b>Total comprehensive profit for the year</b>	-	-	(163,944)	(163,944)
Shares issued during the year	18,000,000	-	-	18,000,000
<b>At 31 December 2021</b>	<b>19,400,001</b>	<b>2,800,000</b>	<b>(19,462,779)</b>	<b>2,737,222</b>

### Statement of Changes in Equity For the Year Ended 31 December 2020

	Called up share capital	Capital contribution reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2020	1,400,001	2,800,000	(14,359,068)	(10,159,067)
<b>Comprehensive loss for the year</b>				
Loss for the year	-	-	(4,939,767)	(4,939,767)
<b>Total comprehensive loss for the year</b>	-	-	(4,939,767)	(4,939,767)
<b>At 31 December 2020</b>	<b>1,400,001</b>	<b>2,800,000</b>	<b>(19,298,835)</b>	<b>(15,098,834)</b>

The notes on pages 12 to 25 form part of these financial statements.

# SMS Group Technical Services (UK) Limited

## Notes to the Financial Statements For the Year Ended 31 December 2021

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### 1. General information

SMS Group Technical Services (UK) Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the directors' report.

### 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 management to exercise judgement in applying the company's accounting policies (see note 3).

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

#### 2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

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

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

This information is included in the consolidated financial statements of SMS GmbH as at 31 December 2021 and these financial statements may be obtained from Ohlerkirchweg 66, 41069 Mönchengladbach, Germany.

# SMS Group Technical Services (UK) Limited

## Notes to the Financial Statements For the Year Ended 31 December 2021

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### 2. Accounting policies (continued)

#### 2.3 Going concern

The directors have reviewed whether the company has adequate resources to continue in operational existence for the foreseeable future, which is considered to be at least the next 12 months from the date of approval of the financial statements. They have done so in the context of the COVID-19 pandemic and its potential impact on the operational and financial performance of the business.

In conducting this review, the directors have considered a range of factors including the difference market sectors served by the entity, the stability of demand, client relationships and dependency, supply chain resilience and relationships, staff health and retention, financing arrangements and historic and current cash flow performance. Specifically in respect of the impact of COVID-19, the directors have considered the potential for demand to fall, inbound supply to be interrupted, staff to become ill, as well as potential tightening of government restrictions.

While the directors are confident of the going concern status of the company, they acknowledge that the COVID-19 situation creates significant uncertainties in particular on the extent of decline in demand and should these uncertainties materialise, the company will be reliant on the support of the group in order to continue as a going concern. The directors have sought and obtained written confirmation from the immediate parent company, SMS Group GmbH, confirming its commitment to provide necessary financial support to the company as may be required to allow it to meet its obligations as they fall due.

The directors have prepared financial projections for the next 12 months from the date of approval of the financial statements, which consider lower revenues because of the potential effects of COVID-19 described above. The approach also considers mitigating actions available to the directors, including sourcing further financial support from the group if required.

The directors have concluded that the company has adequate resources to meet its liabilities as they fall due and continue in operational existence for the foreseeable future and consequently, the directors have adopted the going concern basis in preparing the financial statements.

#### 2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

##### **Sale of goods**

Revenue from the sale of goods is recognised on despatch, being the point at which all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.



# SMS Group Technical Services (UK) Limited

## Notes to the Financial Statements For the Year Ended 31 December 2021

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### 2. Accounting policies (continued)

#### 2.4 Revenue (continued)

##### Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

##### Long term contracts

Long term contracts are valued at cost plus attributable profit, based on the stage of completion at the statement of financial position date. Any known contract losses are recognised in full at the statement of financial position date. Turnover is recognised based on an internal assessment of work carried out on the contract.

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

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

Depreciation is provided on the following basis:

Freehold property	- 2% per annum
Plant, fixtures and fittings	- 25% per annum
Computer equipment	- 20 - 25% per annum

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 statement of comprehensive income.

# SMS Group Technical Services (UK) Limited

## Notes to the Financial Statements For the Year Ended 31 December 2021

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### 2. Accounting policies (continued)

#### 2.6 Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the statement of comprehensive income.

Work in progress is measured at cost, to the extent they are considered recoverable.

#### 2.7 Debtors

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

#### 2.8 Cash and cash equivalents

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

#### 2.9 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in 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 debtors and creditors, 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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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 statement of comprehensive income.

# SMS Group Technical Services (UK) Limited

## Notes to the Financial Statements For the Year Ended 31 December 2021

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### 2. Accounting policies (continued)

#### 2.9 Financial instruments (continued)

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

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

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

#### 2.10 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.

#### 2.11 Foreign currency translation

##### Transactions and balances

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

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

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income'.

#### 2.12 Finance costs

Finance costs are charged to profit or loss 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.

# **SMS Group Technical Services (UK) Limited**

## **Notes to the Financial Statements For the Year Ended 31 December 2021**

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### **2. Accounting policies (continued)**

#### **2.13 Operating leases: the company as lessee**

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

#### **2.14 Pensions**

##### **Defined contribution pension plan**

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

#### **2.15 Provisions for liabilities**

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the company becomes aware of the obligation, and are measured at the best estimate at the statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the statement of financial position.

#### **2.16 Current and deferred taxation**

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

# SMS Group Technical Services (UK) Limited

## Notes to the Financial Statements For the Year Ended 31 December 2021

### 2. Accounting policies (continued)

#### 2.16 Current and deferred taxation (continued)

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.

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

In preparing these financial statements, the directors have had to make the following judgements:

- Long term contracts are assessed on a contract by contract basis and are included in turnover on the basis of stage of completion and the total sales value of each contract. Profit on long term contracts is recognised in line with the stage of completion of that contract, once it is sufficiently certain that a profit will be achieved.
- Determine whether leases entered into by the company either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risk and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

### 4. Turnover

The whole of turnover is attributable to the principal activity of the company.

The proportion of turnover that is attributable to markets outside the United Kingdom is 60% (2020 - 66%).

### 5. Other operating income

	2021 £	2020 £
Profit and loss on foreign exchange and admin fees received	66,485	42,823

# SMS Group Technical Services (UK) Limited

## Notes to the Financial Statements For the Year Ended 31 December 2021

### 6. Operating loss

The operating loss is stated after charging:

	2021 £	2020 £
Depreciation of tangible fixed assets	8,479	8,447
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	25,000	19,950
Exchange differences	(99,057)	149,479
Operating leases - plant and machinery	2,718	6,842
Other operating lease rentals	76,521	64,245
Defined contribution pension cost	112,923	130,561
	<u>112,923</u>	<u>130,561</u>

### 7. Employees

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

	2021 £	2020 £
Staff salaries	1,006,984	946,745
Social security	165,820	188,835
Other pension costs	112,923	130,561
	<u>1,285,727</u>	<u>1,266,141</u>

The average number of employees (including directors) during the year was 39 (2020 - 40).

### 8. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	266,564	263,051
Company contributions to defined contribution pension schemes	23,749	24,485
	<u>290,313</u>	<u>287,536</u>

The highest paid director received remuneration of £167,022 (2020 - £166,469).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £14,904 (2020 - £15,710).

## SMS Group Technical Services (UK) Limited

### Notes to the Financial Statements For the Year Ended 31 December 2021

#### 9. Interest payable and similar charges

	2021 £	2020 £
Bank interest payable	17,225	12,105
Loans from group undertakings	55,222	99,806
	<u>72,447</u>	<u>111,911</u>

#### 10. Taxation

	2021 £	2020 £
<b>Corporation tax</b>		
Current tax on profit for the year	-	-
<b>Total current tax</b>	<u>-</u>	<u>-</u>
<b>Deferred tax</b>		
Accelerated capital allowances	-	-
<b>Total deferred tax</b>	<u>-</u>	<u>-</u>
<b>Taxation on profit on ordinary activities</b>	<u>-</u>	<u>-</u>

# SMS Group Technical Services (UK) Limited

## Notes to the Financial Statements For the Year Ended 31 December 2021

### 10. Taxation (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Loss on ordinary activities before tax	(163,944)	(4,939,767)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(31,149)	(938,556)
Effects of:		
Expenses not deductible for tax purposes	(127)	(50)
Deferred tax not recognised	31,276	938,606
<b>Total tax charge for the year</b>	<b>-</b>	<b>-</b>

#### Factors that may affect future tax charges

The company has an unrecognised deferred tax asset of £4,640,924 (2020 - £3,482,658) at the year-end consisting of unutilised tax losses available to carry forward, short term and fixed asset timing differences. A deferred tax asset has not been recognised in the accounts as their future recoverability is uncertain.



## SMS Group Technical Services (UK) Limited

### Notes to the Financial Statements For the Year Ended 31 December 2021

#### 11. Tangible fixed assets

	Freehold property £	Plant, fixtures and fittings £	Computer equipment £	Total £
<b>Cost</b>				
At 1 January 2021	37,966	67,866	123,230	229,062
Additions	-	3,480	2,268	5,748
Disposals	-	-	(913)	(913)
At 31 December 2021	<u>37,966</u>	<u>71,346</u>	<u>124,585</u>	<u>233,897</u>
<b>Depreciation</b>				
At 1 January 2021	37,386	66,708	103,535	207,629
Charge for the year	13	1,214	7,252	8,479
At 31 December 2021	<u>37,399</u>	<u>67,922</u>	<u>110,787</u>	<u>216,108</u>
<b>Net book value</b>				
At 31 December 2021	<u>567</u>	<u>3,424</u>	<u>13,798</u>	<u>17,789</u>
At 31 December 2020	<u>580</u>	<u>1,158</u>	<u>19,695</u>	<u>21,433</u>

#### 12. Stocks

	2021 £	2020 £
Finished goods and goods for resale	<u>859,919</u>	<u>715,268</u>

There is no material difference between the replacement cost of stocks and the amounts stated above.

Stock recognised as an expense during the year was £2,017,334 (2020 - £4,094,509).

# SMS Group Technical Services (UK) Limited

## Notes to the Financial Statements For the Year Ended 31 December 2021

### 13. Debtors: amounts falling due within one year

	2021 £	2020 £
Trade debtors	2,379,644	3,447,798
Amounts owed by group undertakings	975,806	1,159,649
Other debtors	41,120	28,937
Prepayments	42,621	55,668
Other taxes	62,318	-
Accrued income	585,344	2,854,479
Contract assets	148,081	6,221
	<u>4,234,934</u>	<u>7,552,752</u>

The impairment loss recognised in the company profit or loss for the year in respect of bad and doubtful trade debtors was a debit of £11,908 (2020 - £107,023).

### 14. Creditors: amounts falling due within one year

	2021 £	2020 £
Payments received on account	463,238	411,063
Trade creditors	176,461	525,946
Amounts owed to group undertakings	756,513	14,159,676
Other taxation and social security	3,434	3,434
Other creditors	19,314	17,589
Accruals and deferred income	1,611,591	4,231,890
	<u>3,030,551</u>	<u>19,349,598</u>

### 15. Provisions

	Warranties £	Loss £	Total £
At 1 January 2021	221,654	5,142,856	5,364,510
Charged to profit or loss	48,590	-	48,590
Utilised in year	(92,959)	(5,142,856)	(5,235,815)
At 31 December 2021	<u>177,285</u>	<u>-</u>	<u>177,285</u>

# SMS Group Technical Services (UK) Limited

## Notes to the Financial Statements For the Year Ended 31 December 2021

### 15. Provisions (continued)

The provision in respect of loss-making contracts represents the directors' best estimate of the full loss that will be incurred on completion of these contracts. In the comparative period, this provision was presented within accruals and deferred income. The directors now consider this is more appropriately presented as a separate provision, reflecting the uncertainty around the timing and amount of this liability.

Warranty provisions relate to warranty costs on completed sales. The warranty period is 12 months in most cases.

### 16. Share capital

	2021 £	2020 £
<b>Allotted, called up and fully paid</b>		
19,400,001 ordinary shares of £1 each	<u>19,400,001</u>	<u>1,400,001</u>

### 17. Reserves

The company's capital and reserves are as follows:

#### Called up share capital

Called up share capital represents the nominal value of shares issued.

#### Capital contribution reserve

Capital contribution reserve represents the amount of contributions made to the company by fellow group undertakings.

#### Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

### 18. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £112,923 (2020 - £130,561). Contributions amounting to £18,221 (2020 - £16,231) were payable to the fund at the year end and are included in creditors.

## SMS Group Technical Services (UK) Limited

### Notes to the Financial Statements For the Year Ended 31 December 2021

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#### 19. Commitments under operating leases

At 31 December 2021 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	62,800	68,200
Later than 1 year and not later than 5 years	52,875	128,725
	<u>115,675</u>	<u>196,925</u>

#### 20. Related party transactions

The company is a wholly owned subsidiary of SMS GmbH and has taken advantage of the exemption conferred by FRS 102 not to disclose transactions with SMS GmbH or other wholly owned subsidiaries within the group.

#### 21. Ultimate parent company and controlling party

The company is a subsidiary of SMS Group GmbH. The ultimate parent company is SMS GmbH which is incorporated in Germany.

The largest and smallest group in which the results of the company are consolidated is that headed by SMS GmbH, incorporated in Germany. The consolidated accounts of this company are available to the public and may be obtained from Ohlerkirchweg 66, 41069 Mönchengladbach, Germany. No other group accounts include the results of the company.