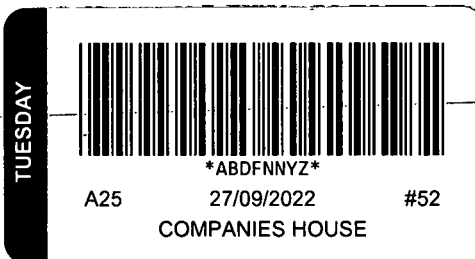


Registered number: 03485838

**SMITHS METAL CENTRES LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2021**



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**SMITHS METAL CENTRES LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	P W Hawkins (resigned 1 April 2022) J M Booth S P Hawkins
<b>Company secretary</b>	M Hale
<b>Registered number</b>	03485838
<b>Registered office</b>	2nd Floor Of Council Office Gemon Road Letchworth Garden City SG6 3JF
<b>Independent auditor</b>	Crowe U.K. LLP Black Country House Rounds Green Road Oldbury West Midlands B69 2DG

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**SMITHS METAL CENTRES LIMITED**

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**SMITHS METAL CENTRES LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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The directors present their report and the financial statements for the year ended 31 December 2021.

**Directors' responsibilities statement**

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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.

**Results and dividends**

The profit for the year, after taxation, amounted to £7,944,654 (2020: £4,174,392).

The directors have not recommended a dividend (2020: £4,200,000).

**Directors**

The directors who served during the year were:

P W Hawkins (resigned 1 April 2022)  
J M Booth  
S P Hawkins

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## SMITHS METAL CENTRES LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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#### Financial risk management objectives and policies

The Company 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 Company's operations.

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

#### Liquidity risk

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

#### Market risk

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

#### Credit risk

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

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

#### Qualifying third party indemnity provisions

The Company has maintained directors' and officers' liability insurance in respect of its directors.

#### Energy and carbon emissions

The Company doesn't have the tools in place to accurately measure the data required to disclose a Statement of carbon emissions in compliance with Streamlined Energy and Carbon Reporting (SECR). The Directors are considering their options in order to be able to comply with this requirement in future.

#### Matters covered in the strategic report

The business review, principal risks and uncertainties, financial key performance indicators and employee consultation are not included in the Directors Report as they are included in the Strategic Report as required under S414c of the Companies Act.

#### 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.

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**SMITHS METAL CENTRES LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**Auditor**

The auditor, Crowe U.K. LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



**S P Hawkins**  
Director

Date: 5/7/22

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## SMITHS METAL CENTRES LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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#### Principal activity

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

#### Business review and future developments

The profit for the year, after taxation, amounted to £7,944,654 (2020: £4,174,392). The directors have not recommended a dividend (2020: £4,200,000).

Various key performance indicators are used by the directors to monitor and compare the performance of the Company. They regard the following as the key financial and non-financial indicators of performance, all of which can be observed in the attached financial statements. The Company uses other performance indicators in the day to day operations but the directors consider these commercially sensitive and have therefore not disclosed these indicators.

Turnover increased to £103.9 million (2020: £82.5 million)  
Profit before tax increased to £9.9 million (2020: £5.2 million)  
Net assets increased to £43.7 million (2020: £35.7 million)  
Average number of employees went from 320 to 319

The directors of the Company are not satisfied with the results for the year. Turnover and gross profit have increased compared to 2020, whilst operating expenses have been subject to inflationary pressures, with some investment for future growth. To provide a platform for sustainable growth and to negate the impact of the specific risks and uncertainties highlighted below, the Company will continue to implement operational efficiency improvements, thereby enhancing productivity and reducing operating expenses.

#### Principal risks and uncertainties

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

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

The ultimate shareholder has requested that the directors include the following statement in the Strategic report - the ultimate Parent Company is privately held, as is the Company, and they believe the requirement to publish private accounts is a violation of both the spirit and Law under United Kingdom right to privacy legislation.

#### Going concern

The directors of the parent undertaking, Cobham Aluminium & Stainless Holdings Limited, having carefully considered all pertinent matters, including the cash reserves of the Group, are satisfied that the Company and Group is a going concern and that sufficient funds are available for a period of at least twelve months from the date of signing these financial statements. The Group treasury function is available to the parent and all companies in the Group; the directors of this Group accordingly continue to prepare the financial statements on the going concern basis.

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**SMITHS METAL CENTRES LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**Section 172(1) statement**

The directors act in good faith to making decisions from which the expected outcomes are considered to be most likely to promote the success of the Company for the benefit of its members in the long term. In performing their duties, the directors make a good faith assessment of the potential consequence on various stakeholders.

**Employees and the environment**

The directors are committed to promoting a safe working environment for its staff, protecting the wellbeing of all employees. The directors keep staff informed of key commercial, operational and personnel matters through structured internal communication channels. Training and development opportunities are provided where they are considered of benefit to the Company and its employees.

The Company has measures in place to monitor its impact on the local community and the environment and the directors maintain a policy of compliance towards all relevant regulatory environmental standards.

**Employee consultation and disabled employees**

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

Good communications and relations with employees are maintained, mainly by practices developed in each operating unit compatible with its own particular circumstances. Senior management are kept informed of Company developments of 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.

**Customers**

The directors commit considerable resources to servicing the needs of our customers to the highest possible standard with a view to building long term relationships.

**Suppliers**

A core value of the Company is a strict adherence to paying all suppliers within agreed terms.

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



**S P Hawkins**  
Director

Date: 5/7/22.

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**SMITHS METAL CENTRES LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF SMITHS METAL CENTRES LIMITED**

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**Opinion**

We have audited the financial statements of Smiths Metal Centres Limited (the 'Company') for the year ended 31 December 2021, which comprise the Statement of income and retained earnings, the Balance sheet and the related notes, 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).

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 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.

**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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**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.

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**SMITHS METAL CENTRES LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF SMITHS METAL CENTRES LIMITED  
(CONTINUED)**

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**Other information**

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. 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.

**Qualified Opinion on other matters prescribed by the Companies Act 2006**

Except for the matters set out in the basis for qualified opinion below, in our opinion, based on the work undertaken in the course of the audit:

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

**Basis for Qualified Opinion on other matter prescribed by the Companies Act 2006**

As set out in page 2 of the Directors' report, the financial statements do not include the Statement of carbon emissions in compliance with the Streamlined Energy and Carbon Reporting disclosures required by company law as the Company does not have adequate records to capture this information.

**Matters on which we are required to report by exception**

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 Strategic report or the Directors' report.

Except for the matter described above 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.

**Responsibilities of directors**

As explained more fully in the Directors' responsibilities statement set out 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, and for such internal control as the directors determine is necessary to enable the preparation of financial

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## SMITHS METAL CENTRES LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF SMITHS METAL CENTRES LIMITED (CONTINUED)

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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.

#### **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.

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:

We obtained an understanding of the legal and regulatory frameworks within which the Company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the Company's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the Company for fraud. The laws and regulations we considered in this context for the UK operations were General Data Protection Regulation (GDPR), Anti-fraud, bribery and corruption legislation, Environmental protection legislation, Health and safety legislation, Taxation legislation and Employment legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of income, the override of controls by management, posting of unusual or complex transactions/journals and manipulating the Company's key performance indicators to meet targets.

Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, review and discussion of non-routine transactions, sample testing on the posting of journals and income transactions and review of accounting estimates for biases.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's report.

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**SMITHS METAL CENTRES LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF SMITHS METAL CENTRES LIMITED  
(CONTINUED)**

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**Use of our report**

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.



**Dave Darlaston (Senior statutory auditor)**

for and on behalf of  
**Crowe U.K. LLP**

**Statutory Auditor**

**Black Country House  
Rounds Green Road  
Oldbury  
West Midlands  
B69 2DG**

Date: 7 July 2022.

**SMITHS METAL CENTRES LIMITED**

**STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £	2020 £
Turnover	4	103,888,400	82,526,336
Change in stocks of finished goods and work in progress		(3,012,876)	1,907,828
Other operating income	5	9,951	505,194
Raw materials and consumables		(62,355,171)	(55,485,139)
Other external charges		(9,796,726)	(8,548,583)
Staff costs	8	(17,565,323)	(14,629,910)
Depreciation and amortisation	13	(1,221,155)	(1,042,955)
<b>Operating profit</b>	6	<b>9,947,100</b>	<b>5,232,771</b>
Interest expense and similar charges	10	(35,819)	(65,447)
<b>Profit before tax</b>		<b>9,911,281</b>	<b>5,167,324</b>
Tax on profit	11	(1,966,627)	(992,932)
<b>Profit after tax</b>		<b>7,944,654</b>	<b>4,174,392</b>
Retained earnings at the beginning of the year		35,735,293	35,760,901
Profit for the year		7,944,654	4,174,392
Dividends declared and paid		-	(4,200,000)
<b>Retained earnings at the end of the year</b>		<b>43,679,947</b>	<b>35,735,293</b>

The notes on pages 12 to 24 form part of these financial statements.

**SMITHS METAL CENTRES LIMITED**  
**REGISTERED NUMBER: 03485838**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2021**

	Note	2021 £	2020 £
<b>Fixed assets</b>			
Tangible assets	13	4,851,407	5,252,293
<b>Current assets</b>			
Stocks	14	24,035,592	21,962,594
Debtors: amounts falling due within one year	15	21,848,956	15,117,145
Cash at bank and in hand		22,359,063	15,459,722
		<u>68,243,611</u>	<u>52,539,461</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	16	(27,043,697)	(19,578,750)
<b>Net current assets</b>		<u>41,199,914</u>	<u>32,960,711</u>
<b>Total assets less current liabilities</b>		<u>46,051,321</u>	<u>38,213,004</u>
Creditors: amounts falling due after more than one year	17	(1,104,964)	(1,680,955)
<b>Provisions for liabilities</b>			
Deferred taxation	19	(311,037)	-
Other provisions	20	(952,873)	(794,256)
<b>Net assets</b>		<u><u>43,682,447</u></u>	<u><u>35,737,793</u></u>
<b>Capital and reserves</b>			
Called up share capital	21	2,500	2,500
Profit and loss account		43,679,947	35,735,293
		<u><u>43,682,447</u></u>	<u><u>35,737,793</u></u>

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



**S P Hawkins**  
 Director

Date: 5/7/22.

The notes on pages 12 to 24 form part of these financial statements.

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## SMITHS METAL CENTRES LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1. General information

The Company is a private company limited by shares and is incorporated and registered in England and Wales, registration number 03485838.

The registered office is 2nd Floor of Council Office, Gernon Road, Letchworth Garden City, England, SG6 3JF.

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

#### 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 judgment in applying the Company's accounting policies (see note 3).

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 Cobham Aluminium & Stainless Holdings Limited as at 31 December 2021 and these financial statements may be obtained from Companies House.

##### 2.3 Going concern

The directors of the parent undertaking, Cobham Aluminium & Stainless Holdings Limited, having carefully considered all pertinent matters including the cash reserves of the Group, are satisfied that the Company and Group is a going concern and that sufficient funds are available for a period of at least twelve months from the date of signing these financial statements. The Group treasury function is available to the parent and all companies in the Group; the directors of this Group accordingly continue to prepare the financial statements on the going concern basis.

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**SMITHS METAL CENTRES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**2. Accounting policies (continued)**

**2.4 Foreign currency translation**

**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.

**2.5 Turnover**

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

Turnover is recognised when the risks and rewards of ownership have been transferred after all of the following criteria are met:

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

Turnover is recognised prior to delivery of goods, where there is an underlying contract with the customer meeting the definition of a "bill and hold" arrangement. In these situations, turnover is recognised once the principle benefits and risks have passed to the customer, in particular that the goods are available and ready for delivery, and that payment has been received from the customer and therefore legal title of the stock has passed.

**2.6 Operating leases**

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

**2.7 Pensions**

The Company operates a defined contribution plan for its employees.

Contributions are recognised as an expense in the income statement when they fall due. The assets of the plan are held separately from the Company in independently administered funds.

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**SMITHS METAL CENTRES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**2. Accounting policies (continued)**

**2.8 Taxation**

The tax charge for the year comprises current and deferred tax. Tax is recognised in the Income Statement, 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 and deferred tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**2.9 Government grants**

Grants are accounted under the FRS 102 accruals model.

Grants of a revenue nature are recognised in the Income Statement in the same period as the related expenditure.

**2.10 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.

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:

Long-term leasehold property	- 1% to 13%
Plant and machinery	- 9% to 33%
Motor vehicles	- 9% to 33%
Fixtures and fittings	- 9% to 33%
Computer equipment	- 9% to 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 in profit or loss.

**2.11 Stocks**

Stocks are valued at the lower of either cost or net realisable value after making due allowance for obsolete and slow moving stocks. Cost is based on the cost of purchase on an average cost basis.

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## SMITHS METAL CENTRES LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 2. Accounting policies (continued)

##### 2.12 Financial instruments

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

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet 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.

##### Debtors

Short term debtors are measured at transaction price, less any impairment.

##### Creditors

Short term creditors are measured at the transaction price.

##### Cash

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

##### 2.13 Property dilapidations

Under certain operating leases for land and buildings, the Company is obligated to make repairs of dilapidations to the leased property upon the expiry of the lease. The Company charges amounts to 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 the dilapidation obligations at the expiry of the lease, the costs of those repairs are charged against the dilapidation provision.

#### 3. Judgements 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 judgements and estimates have been made include:

##### 3.1 Critical judgements in applying the group's accounting policies

##### Stock

Management applies judgement in evaluating stock for obsolescence. This judgement is based on management knowledge of the stock over the long term and customer demand, as well as stock age. At each balance sheet date, stocks are assessed for impairment and either provided for or written down as appropriate.

##### 3.2 Key accounting estimates and assumptions

##### Dilapidation provisions

Provisions are 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. Dilapidation provisions have been estimated using historical costs and lease exit rates.

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**SMITHS METAL CENTRES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**4. Turnover**

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

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	88,048,676	69,246,896
Rest of Europe	11,246,428	10,276,645
Rest of the World	4,593,296	3,002,795
	<u>103,888,400</u>	<u>82,526,336</u>

**5. Other operating income**

	2021 £	2020 £
Government grants received	<u>9,951</u>	<u>505,194</u>

**6. Operating profit**

The operating profit is stated after charging:

	2021 £	2020 £
Owned tangible fixed assets - depreciation	542,927	425,201
Financed tangible fixed assets - depreciation	678,228	621,769
Exchange differences	60,235	130,184
Other operating lease rentals - Plant & machinery	28,756	31,493
Other operating lease rentals - Land & buildings	<u>1,754,053</u>	<u>1,501,867</u>

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**7. Auditor's remuneration**

	2021 £	2020 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<u>33,525</u>	<u>31,300</u>
<b>Fees payable to the Company's auditor in respect of:</b>		
Taxation compliance services	2,125	2,050
All other services	3,250	1,275
	<u>5,375</u>	<u>3,325</u>

**8. Employees**

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

	2021 £	2020 £
Wages and salaries	15,454,659	12,931,347
Social security costs	1,749,521	1,311,187
Cost of defined contribution scheme	361,143	387,376
	<u>17,565,323</u>	<u>14,629,910</u>

The average monthly number of employees, excluding the directors, during the year was 319 (2020: 320).

**SMITHS METAL CENTRES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**9. Directors' remuneration**

	2021 £	2020 £
Directors' emoluments	1,361,632	985,030
Company contributions to defined contribution pension schemes	35,345	35,000
	1,396,977	1,020,030

During the year retirement benefits were accruing to 3 directors (2020: 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £872,000 (2020: £603,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £10,500 (2020: £10,500).

**10. Interest expense and similar charges**

	2021 £	2020 £
Finance leases and hire purchase contracts	35,819	65,447

**11. Taxation**

	2021 £	2020 £
<b>Corporation tax</b>		
Current tax on profits for the year	1,849,674	998,411
Adjustments in respect of previous periods	(228,165)	9,416
<b>Total current tax</b>	1,621,509	1,007,827
<b>Deferred tax</b>		
Origination and reversal of timing differences	283,654	(12,645)
Changes to tax rates	61,464	(2,250)
<b>Total deferred tax</b>	345,118	(14,895)
<b>Taxation on profit</b>	1,966,627	992,932

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**11. 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 £
Profit on ordinary activities before tax	<u>9,911,281</u>	<u>5,167,324</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	1,883,143	981,792
<b>Effects of:</b>		
Expenses not deductible for tax purposes	15,976	7,973
Fixed asset timing differences	(7,692)	(3,986)
Adjustments to tax charge in respect of prior periods	551	9,416
Remeasurement of deferred tax for changes in tax rates	74,649	(2,250)
Group relief	-	(13)
<b>Total tax charge for the year</b>	<u><u>1,966,627</u></u>	<u><u>992,932</u></u>

**Factors that may affect future tax charges**

In March 2021 the UK Government announced an increase in the UK Corporation Tax headline rate to 25% with effect from 1 April 2023.

**12. Dividends**

	2021 £	2020 £
Dividends paid	<u>-</u>	<u>4,200,000</u>

**SMITHS METAL CENTRES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**13. Tangible fixed assets**

	Long-term leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
<b>Cost or valuation</b>						
At 1 January 2021	787,571	7,132,718	1,992,825	1,821,504	497,914	12,232,532
Additions	-	414,342	191,525	62,463	166,578	834,908
Disposals	(4,050)	(348,209)	(43,200)	(62,269)	(64,593)	(522,321)
At 31 December 2021	<u>783,521</u>	<u>7,198,851</u>	<u>2,141,150</u>	<u>1,821,698</u>	<u>599,899</u>	<u>12,645,119</u>
<b>Depreciation</b>						
At 1 January 2021	282,580	3,512,873	1,385,590	1,390,103	409,093	6,980,239
Charge for the year	65,953	602,645	235,308	241,149	76,100	1,221,155
Disposals	(3,173)	(335,597)	(43,200)	(61,401)	(64,311)	(507,682)
At 31 December 2021	<u>345,360</u>	<u>3,779,921</u>	<u>1,577,698</u>	<u>1,569,851</u>	<u>420,882</u>	<u>7,693,712</u>
<b>Net book value</b>						
At 31 December 2021	<u>438,161</u>	<u>3,418,930</u>	<u>563,452</u>	<u>251,847</u>	<u>179,017</u>	<u>4,851,407</u>
At 31 December 2020	<u>504,991</u>	<u>3,619,845</u>	<u>607,235</u>	<u>431,401</u>	<u>88,821</u>	<u>5,252,293</u>

**Finance leases**

Included within the net book value of £4,851,407 is £3,280,825 (2020: £3,454,200) relating to assets held under finance leases. The depreciation charged to the financial statements in the year in respect of such assets amounted to £678,228 (2020: £621,769).

**14. Stocks**

	2021 £	2020 £
Goods held for resale	<u>24,035,592</u>	<u>21,962,594</u>

A provision of £6,352,565 (2020: £5,806,878) has been recognised against the stock balance due to slow moving and obsolete stock. The net increase of the provision of £545,687 (2020: increase of £2,236,883) has been recognised in the income statement.

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**SMITHS METAL CENTRES LIMITED**

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FOR THE YEAR ENDED 31 DECEMBER 2021**

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**15. Debtors**

	2021 £	2020 £
Trade debtors	20,888,271	14,087,524
Other debtors	79,215	34,799
Prepayments and accrued income	881,470	960,741
Deferred taxation	-	34,081
	<u>21,848,956</u>	<u>15,117,145</u>

**16. Creditors: Amounts falling due within one year**

	2021 £	2020 £
Trade creditors	17,265,362	12,489,803
Corporation tax	26,901	514,411
Other taxation and social security	1,604,039	1,515,158
Obligations under finance lease and hire purchase contracts	1,049,356	770,329
Other creditors	52,094	-
Accruals and deferred income	7,045,945	4,289,049
	<u>27,043,697</u>	<u>19,578,750</u>

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

	2021 £	2020 £
Net obligations under finance leases and hire purchase contracts	<u>1,104,964</u>	<u>1,680,955</u>

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FOR THE YEAR ENDED 31 DECEMBER 2021**

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**18. Hire purchase and finance leases**

Minimum lease payments under hire purchase fall due as follows:

	2021 £	2020 £
Within one year	1,049,356	770,329
Between 1-5 years	1,104,964	1,681,356
	<u>2,154,320</u>	<u>2,451,685</u>

All amounts due under finance lease arrangements are secured on the assets to which they relate.

**19. Deferred taxation**

	2021 £
At beginning of year	34,081
Charged in the year	(345,118)
At end of year	<u>(311,037)</u>

The deferred taxation balance is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	(331,561)	28,381
Short term timing differences	20,524	5,700
	<u>(311,037)</u>	<u>34,081</u>

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**SMITHS METAL CENTRES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**20. Provisions**

	Dilapidation provision £
At 1 January 2021	794,256
Charged to profit or loss	158,617
<b>At 31 December 2021</b>	<b>952,873</b>

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

**21. Share capital**

	2021 £	2020 £
<b>Allotted, called up and fully paid</b>		
250,000 (2020 - 250,000) Ordinary Shares shares of £0.01 each	2,500	2,500

Ordinary shares have full rights with regards to voting, participation and dividends.

**22. Pension commitments**

The Company participates in a defined contribution pension scheme for the benefit of all enrolled UK employees. The amounts outstanding at the year end were £52,094 (2020: £Nil).

**23. 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	1,512,549	1,393,833
Later than 1 year and not later than 5 years	4,779,545	4,828,879
Later than 5 years	4,782,075	5,084,494
	<b>11,074,169</b>	<b>11,307,206</b>

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**SMITHS METAL CENTRES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**24. Related party transactions**

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

The Company has taken advantage of the exemption within section 33.1A of FRS 102 not to disclose transactions with wholly owned members of the same group.

**25. Controlling party**

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

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

The registered office of the immediate parent company is Parkway House Unit 6, Parkway Industrial Estate, Pacific Avenue, Wednesbury, West Midlands, WS10 7WP.