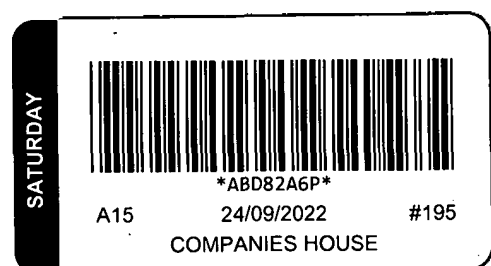


All Metal Services Limited

**Annual report and financial
statements**

Registered number: 01159685
For the year ended 31 December 2021



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Strategic report

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

Business review and future developments

The principal activities of the Company continued to be the wholesaling of aluminium, steel, titanium and other metals to aircraft and aircraft component manufacturers around the world, offering full or cut to size materials. The Company operates branches throughout the UK, France and Ireland.

The business saw a decrease in sales in 2021 by 8.7% (2020 decrease 47.5%) with a 2.1% increase in tons sold (2020 decrease: 11.7%). Gross profit margins decreased in the year to 12.3% (2020: 14.1%). The reduction in sales is due to decrease in selling price due to a change in product mix as a result of Covid-19. Global lockdowns have restricted the amount of commercial flights, as a consequence build rates for aircraft have fallen significantly. It is anticipated build rates will recover to pre-Covid levels by 2023. There are strong signs of recovery in early 2022, however this will be a gradual process and may be impacted by the emergence of new variants of Covid and any resulting restrictions placed on the aviation industry.

Operating profit margin has increased in the period to a loss of 4.3% (2020: 4.8% loss). The improvement in margin is due to improved cost control. There were also a number of one-off costs incurred in 2020 as the business restructured. The benefits of these cost cutting measures were seen in 2021.

Our employees remain a critical element to the continued success of the business in providing customers with excellent service and reliability. The senior managers within the business continue to work hard to ensure the best possible people are in the business and that they are achieving their full potential.

The key objectives for 2022 will be:

- Management of COVID-19 impact to the commercial aerospace industry;
- Growth in market share by increasing sales presence through customer development and value-added services;
- Actively seeking diversification opportunities; and
- Management of stock purchases and improvement in working capital ratios.

Principal risks and uncertainties

The market for the supply of aerospace materials to aircraft manufacturers and their sub contractors remains competitive. The business seeks to manage the risk of losing customers to key competitors (in all of its global markets) through high levels of service to its customers, by having the shortest lead times in the supply and distribution of its products and by maintaining strong relationships with all key customers and suppliers. In addition, the Company continues to invest in its employees, business systems and plant and machinery to ensure the continual introduction of high quality, cost optimised service.

Despite the unstable global political environment and the cost of living crises seen in the UK, demand for flying is strong and forecast to keep growing in the coming years. AMS is well placed as an integral supplier in the supply chain to take advantage of the airline industry rebound and forecast growth in the coming years.

The main financial risks arising from the Company's activities are COVID-19 risks, credit risk and foreign exchange risk. COVID-19 related risks are defined as unplanned changes to the business operating environment as a result of COVID-19 that may adversely affect the Company's profitability. These are managed by ensuring the business remains flexible and alert to changes imposed by the government.

The Company's credit risk is attributable to its trade debtors. The risks are substantially reduced due to management of credit risk by the Company running regular credit checks on new and existing customers and following strict credit control procedures.

Customers demand supplies priced in US Dollars to minimise their exposure to movements in the foreign currency markets. The Company also purchases materials in US Dollars from suppliers domestically and overseas. The business is therefore exposed to fluctuations in foreign currencies. This exposure is managed by the business by ensuring there is a sufficient natural hedge between debtors and creditors trading in US Dollars.

Strategic report (continued)

The Company has produced budgets and cash flow forecasts which indicate that the Company will continue to trade within available facilities and thus the accounts have been prepared on the going concern basis. In addition, any funding requirements the Company may have will be met by its parent.

Section 172 and Stakeholder engagement statement

All Metals Services Limited, along with our parent company, Reliance Steel and Aluminium Co., are committed to mitigating the impact our products and operations have on the environment. As a metal service centre, our day-to-day business consists of the sale, distribution and processing of a broad variety of metal products, sourced from numerous primary metal producers. Our operations, by nature, do not emit significant amounts of carbon dioxide or other greenhouse gases or have a significant impact on the environment.

All Metal Services Limited is not currently accredited to ISO 14001, but continue to work toward compliance with the standards set forth in this certification.

As part of our commitment to sustainability, we:

- Work with environmentally responsible suppliers;
- Purchases a significant volume of metal produced in electric arc furnaces that consume recycled material;
- Sell scrap material generated in our operations to recyclers;
- Minimize the use of energy, water and natural resources;
- Use propane to operate forklifts and have installed natural and energy efficient lighting in many of our operations;
- Utilize energy efficient diesel vehicles that consume less fuel and reduced emissions;
- Avoid the use of hazardous materials;
- Replacement of old equipment with new energy efficient machines;
- Remain compliant and receive annual certification on the disposal of waste in our operations; and
- Environmental statement updated on an annual basis and is part of our QMS.

The employee code of conduct which covers social and environmental responsibility, information security, anti-bribery and anti-corruption policies are provided to all employees upon joining the Company.

The Company has a diverse workforce and facilitates changes to working environments and, where business requirements allow, to working hours to accommodate the needs and interests of its employees. The directors understand the need to act fairly between members of the Company.

In accordance with streamlined energy and carbon reporting requirements, during the year ended 31 December 2021, the Company's energy usage was as follows.

UK GHG Emission and Energy Data	
Emissions from combustion of gas tCO ₂ e	273.88
Emissions from purchased electricity tCO ₂ e	192.79
Total gross CO ₂ e based on above (tCO ₂ e)	466.67
Intensity ratio: total tCO ₂ e / £m turnover	5.80

Note the above table does not include data for consumption of fuel for the purpose of transport or business travel, as it is not practical to obtain this information. The above carbon emissions data is derived from gas and electricity consumption during the year.

Strategic report *(continued)*

Company's business relationships with customers, suppliers and other businesses

The business is integral to the complex airline industry supply chain. We have strong relationships with our key customers, including Airbus. The Head of Commercial regularly meets with our customers to maintain these relationships and to ensure we are providing the best service and we are able to meet future customer demands. All commercial decisions are made with the customers' needs in mind. There are KPIs that look at our on time deliveries to customers and quality of goods provided to ensure we sustain our consistently high levels of service.

Our strong relationships with suppliers enable us to buy in bulk. We agree minimum order quantities with suppliers to ensure the relationship is beneficial for all parties. The open dialogue maintained with suppliers by the head of purchasing enables us to react quickly to changes in demand.

In addition to the above stakeholders, the Directors consider regulatory bodies, external consultants and other third parties the company deals with to be stakeholders of the business. All significant business decisions are made openly and honestly considering the long-term interests of all stakeholders. There is a strong focus to ensure we maintain our reputation for high standards of business conduct.

Key performance indicators

The directors measure the business performance on revenue £80.4 million (2020: £88.1 million), tonnage sold 15,344 (2020: 15,026), gross margin £9.8 million (2020: £12.4 million) and operating loss £3.5 million (2020: £4.2 million).

On behalf of the board



M P Cooney
Director

21 September 2022

Company registered number: 01159685

Directors' report

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

Results and dividends

The profit and loss account is set out on page 10 and shows the loss for the year.

During the year the directors recommended and paid dividends of £9,000,033 (2020 £Nil).

The directors do not recommend the payment of a final dividend (2020: £Nil).

Future developments

A review of the business and future developments is set out within the strategic report.

Financial risk management

A review of the business financial risk management is set out within the strategic report.

Directors

The directors of the company during the year and up to the date of this report are:

K R Lewis

M P Cooney

W K Sales Jr (resigned 28 January 2022)

J D Hoffman

A Ajemyan (appointed 28 January 2022)

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to section 487 of the Companies Act 2006 the auditor will be deemed to be reappointed and KPMG LLP will, therefore continue in office.

By order of the board



M P Cooney
Director

5 Midpoint Park
Kingsbury Road
Minworth
Sutton Coldfield
B76 1AF

Company registered number: 01159685

21 September 2022

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT,
THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 and then apply them consistently;
- make judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALL METAL SERVICES LIMITED

Opinion

We have audited the financial statements of All Metal Services Limited ("the Company") for the year ended 31 December 2021 which comprise the Statement of Profit and Loss and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

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 UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud as well as enquiring whether they have knowledge of any actual, suspected or alleged fraud; reading Board minutes and using analytical procedures to identify any unusual or unexpected relationships.

Independent auditor's report to the members of All Metal Services Limited (continued)

Fraud and breaches of laws and regulations – ability to detect (continued)

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual account combinations.
- Testing a sample of revenue transactions to assess whether revenue has been recognized in the correct period.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards) and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, foreign corrupt practices act, Misrepresentation act, export regulations and certain aspects of company legislation recognizing the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

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. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal

Independent auditor's report to the members of All Metal Services Limited (continued)

Fraud and breaches of laws and regulations – ability to detect (continued)

controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of All Metal Services Limited (continued)

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

M Usman

**Muhammad Usman (Senior Statutory Auditor),
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Queens way
Birmingham
B4 6GH**

22 September 2022

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2021

	<i>Note</i>	2021 £	2020 £
Turnover	2	80,402,323	88,087,707
Cost of sales		(70,552,986)	(75,675,419)
Gross profit		9,849,337	12,412,288
Distribution costs		(11,010,892)	(12,185,031)
Administrative expenses	3	(2,291,607)	(4,434,190)
Operating loss		(3,453,162)	(4,206,933)
Other interest receivable and similar income	6	109,587	151,631
Interest payable and similar expenses	7	(234,853)	(846,105)
Loss before taxation		(3,578,428)	(4,901,407)
Tax on loss	8	777,382	926,312
Loss for the financial year		(2,801,046)	(3,975,095)
Other comprehensive loss <i>Items that will not be reclassified to profit and loss:</i>			
Foreign currency translation	1	326,730	(108,520)
Total comprehensive loss for the year		(2,474,316)	(4,083,615)

All amounts relate to continuing activities.

The notes on pages 13 to 24 form part of these financial statements.

Balance Sheet
at 31 December 2021

	Note	2021 £	2020 £
Tangible assets	9	4,893,808	5,680,297
Investments	10	1,373,129	1,373,129
		<u>6,266,937</u>	<u>7,053,426</u>
Current assets			
Stock	11	30,771,615	45,243,353
Debtors	12	36,692,610	39,016,792
Cash at bank and in hand		9,930,389	4,868,700
		<u>77,394,614</u>	<u>89,128,845</u>
Creditors: amounts falling due within one year	13	<u>(12,777,449)</u>	<u>(13,823,820)</u>
Net current assets		<u>64,617,165</u>	<u>75,305,025</u>
Total assets less current liabilities being net assets		<u>70,884,102</u>	<u>82,358,451</u>
Capital and reserves			
Called up share capital	16	3,232,480	3,232,480
Share premium account		1,636,065	1,636,065
Profit and loss account		66,015,557	77,489,906
Shareholders' funds		<u>70,884,102</u>	<u>82,358,451</u>

The notes on pages 13 to 24 form part of these financial statements.

These financial statements were approved by the board of directors on 21 September 2022 and were signed on its behalf by:



M P Cooney
Director

Company registered number: 01159685

Statement of Changes in Equity

	Called up Share capital £	Share Premium account £	Profit and loss account £	Total equity £
Balance at 1 January 2020	3,232,480	1,636,065	81,573,521	86,442,066
Total comprehensive income for the period				
Loss for the year	-	-	(3,975,095)	(3,975,095)
Other comprehensive income	-	-	(108,520)	(108,520)
Balance at 31 December 2020	3,232,480	1,636,065	77,489,906	82,358,451
Balance at 1 January 2021	3,232,480	1,636,065	77,489,906	82,358,451
Total comprehensive loss for the period				
Loss for the year	-	-	(2,801,046)	(2,801,046)
Other comprehensive income	-	-	326,730	326,730
Dividends paid			(9,000,033)	(9,000,033)
Balance at 31 December 2021	3,232,480	1,636,065	66,015,557	70,884,102

The notes on pages 13 to 24 form part of these financial statements.

Other comprehensive income relates to the translation of a foreign branch where the functional currency has been changed to Euros. See note 1 to the financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

All Metal Services Limited (the "Company") is a private company incorporated, domiciled and registered in the United Kingdom. The registered number is 1159685 and the registered address is 5 Midpoint Park, Kingsbury Road, Minworth, Sutton Coldfield, B76 1AF England.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*"). The presentation currency of these financial statements is sterling. All amounts in the financial statements are in Sterling.

The Company's ultimate parent undertaking, Reliance Steel & Aluminum Co. ("Reliance"), includes the Company in its consolidated financial statements. The consolidated financial statements of Reliance are available to the public and may be obtained from www.rsac.com. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash flow statement and related notes; and
- Key management personnel compensation.

As the consolidated financial statements of ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS102.26 Share-Based Payment; and
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a potential risk of material adjustment in the next year are discussed in note 20.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern and basis of preparation

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides the company will have sufficient funds, through its working capital, to meet its liabilities as they fall due for that period. Specifically the directors have considered a severe but plausible downside scenario in which the revenue for the forecast period remains in line with the revenue generated by the company in the seven month period to July 2022, gross margin remains consistent with that achieved in the same period, deterioration of the debtor days and no significant reduction in operating expenses.

The directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes (continued)

1 Accounting policies (continued)

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

The Company operates a branch in France. The functional currency of this branch is Euros, which has given rise to a foreign currency translation difference. This has been presented as other comprehensive loss.

1.4 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in subsidiaries

Financial statements for the subsidiaries included within the Company's investments are prepared separately and filed with the registrar of companies in China, India and Malaysia. Investments in subsidiaries are stated at cost less impairment.

Notes (continued)

1 Accounting policies (continued)

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.13 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Freehold buildings 50 years
- Leasehold land and buildings the shorter of period of the lease or 50 years
- Plant and machinery 5 years
- Motor vehicles 3 years
- Fixtures and fittings between 5 and 7 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.7 Government grants

Government grants are recognised when there is reasonable assurance that the Company will comply with the relevant conditions and the grant will be received. Government grants are recognised in the income statement, either on a systematic basis when the Company recognises, as expenses, the related costs that the grants are intended to compensate or, immediately, if the costs have already been incurred. The Company has elected to present grants related to income as a reduction to the related expense line.

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.9 Impairment excluding stock and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Notes (continued)

1 Accounting policies (continued)

1.9 Impairment excluding stock and deferred tax assets (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.10 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Share-based payment transactions

Where the Company is part of a group share-based payment plan, it recognises and measures its share-based payment expense on the basis of a reasonable allocation of the expense recognised for the group. The basis of such allocation is disclosed in note 21.

1.11 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.12 Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales. Turnover is recognised at the point risk and rewards of ownership pass to the customer, which is normally on despatch.

1.13 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Notes (continued)

1 Accounting policies (continued)

1.13 Expenses (continued)

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable on amounts owed to group undertakings and finance leases recognised in profit or loss using the effective interest method.

Other interest receivable and similar income include interest receivable on amounts owed by group undertakings.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

1.14 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Turnover

	2021 £	2020 £
<i>By geographical market</i>		
United Kingdom	48,673,031	47,544,645
Europe	23,222,574	26,091,658
Rest of the world	8,506,718	14,451,404
	80,402,323	88,087,707

Turnover is wholly attributable to the sales of goods as part of the principal activity of the Company.

Notes (continued)

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2021 £	2020 £
Depreciation of tangible fixed assets	917,095	934,490
Hire of plant and machinery – operating leases	542,617	619,370
Hire of other assets – operating leases	1,127,197	1,113,438
Net foreign exchange loss	(544,776)	(354,354)

Auditor's remuneration:

	2021 £	2020 £
Audit of these financial statements	68,000	60,000
Non-audit services	-	-

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2021	2020
Sales	32	36
Warehouse distribution	85	130
Administration	24	30
	<u>141</u>	<u>196</u>

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	5,305,723	6,877,336
Social security costs	625,689	864,845
Contributions to defined contribution plans	107,648	110,395
	<u>6,039,060</u>	<u>7,852,576</u>

5 Directors' remuneration

The remuneration included in these financial statements for directors' qualifying services is £164,452 (2020: Nil). Certain of the directors are employed by other companies within the Reliance Steel & Aluminum Co. Group and are paid directly by those companies. As their services to individual companies within the group is not separately identifiable, the emoluments they receive in respect of their role as directors of this company are not disclosed in these financial statements as it is not practicable to do so.

Notes (continued)

6 Other interest receivable and similar income

	2021 £	2020 £
Interest receivable on amounts owed by group undertakings	109,587	151,631

7 Interest payable and similar expenses

	2021 £	2020 £
Interest payable on amounts owed to group undertakings	234,853	846,105

8 Taxation

Total tax credit recognised in the profit and loss account

	2021 £	£	2020 £	£
<i>Current tax</i>				
Current tax on income for the period	(563,415)		(592,127)	
Adjustments in respect of prior periods	7,487		(8,128)	
Total current tax		(555,928)		(600,255)
<i>Deferred tax (see note 14)</i>				
Origination and reversal of timing differences	(94,305)		(318,194)	
Adjustments in respect of prior periods	1,424		(6,813)	
Change in tax rate	(128,573)		(1,050)	
Total deferred tax		(221,454)		(326,057)
Total tax		(777,382)		(926,312)

Notes (continued)

8 Taxation (continued)

Reconciliation of effective tax rate

	2021 £	2020 £
Loss for the year	(2,801,046)	(3,975,095)
Total tax credit	(777,382)	(926,312)
Loss excluding taxation	(3,578,428)	(4,901,407)
Tax using the UK corporation tax rate of 19.0% (2020: 19.0%)	(679,901)	(931,267)
Reduction in tax rate on deferred tax balances	(128,573)	(1,050)
Non-taxable income	(8,023)	-
Non-deductible expenses	31,496	31,800
Under/(Over) provided in prior years	8,909	(14,940)
Share options	(1,290)	(10,855)
Total tax credit included in profit or loss	(777,382)	(926,312)

Factors that may affect future current and total tax charges/(credits)

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. In the 3 March 2021 budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This was substantively enacted on 24 May 2021. This will increase the company's future tax charge accordingly. Deferred tax assets/liabilities have been recognised on timing differences considering the effective rate when these differences are expected to reverse.

9 Tangible fixed assets

	Freehold land and buildings £	Leasehold land and buildings £	Plant and machinery £	Fixture and fittings £	Total £
Cost					
At beginning of year	4,829,904	313,086	5,811,981	4,152,126	15,107,097
Additions	55,995	39,819	140,750	-	236,564
Disposals	-	-	(7,565)	(107,010)	(114,575)
Foreign currency revaluation	(118,033)	(11,900)	32,973	(99,223)	(196,183)
Other adjustments	-	-	2,222,671	(2,222,671)	-
At end of year	4,767,866	341,005	8,200,810	1,723,222	15,032,903
Depreciation and impairment					
At beginning of year	(1,298,824)	(150,351)	(4,459,765)	(3,517,860)	(9,426,800)
Depreciation charge for the year	(95,847)	(65,502)	(558,680)	(197,066)	(917,095)
Disposals	-	-	7,565	107,010	114,575
Foreign currency revaluation	27,943	2,835	11,714	47,733	90,225
Other adjustments	-	-	(2,179,637)	2,179,637	-
At end of year	(1,366,728)	(213,018)	(7,178,803)	(1,380,546)	(10,139,095)
Net book value					
At 31 December 2021	3,401,138	127,987	1,022,007	342,676	4,893,808
At 31 December 2020	3,531,080	162,735	1,352,216	634,266	5,680,297

Notes (continued)

10 Fixed asset investments

	Shares in group undertakings £
Cost and net book value at the beginning and end of the year	1,373,129

The Company has the following investments in subsidiaries:

	Registered address	Class of shares held	Ownership 2021 %	Ownership 2020 %
All Metal Services Xi'an Limited	Unit 5, 12 th Feng Cheng Road Export Processing Zone Shaanxi, Xi'an China	Ordinary	100	100
All Metal Services (Malaysia) SDN. BHD.	Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, Kuala Lumpur, Wilayah Persekutuan, Malaysia	Ordinary	100	100
All Metal Services Private India Limited	437/A, Aqus Special Economic Zone, Hattargi Village, Hukkeri Taluk, Belgaum, Karnataka - 591243 India	Ordinary	99	99

11 Stocks

	2021 £	2020 £
Finished goods and goods for resale	30,771,615	45,243,353

Changes in finished goods recognised as cost of sales in the year amounted to £68,961,460 (2020: £74,956,556). The write-down of stocks to net realisable value amounted to £Nil (2020: £Nil).

Notes (continued)

12 Debtors

	2021 £	2020 £
Trade debtors	19,780,040	13,851,877
Amounts owed by group undertakings	14,503,628	21,656,288
Corporation tax	167,500	502,500
Group relief receivable from group undertakings	555,930	1,613,070
Other debtors	688,127	484,571
Deferred tax assets (see note 14)	549,628	328,174
Prepayments and accrued income	447,757	580,312
	<u>36,692,610</u>	<u>39,016,792</u>

13 Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	9,100,470	4,705,931
Other amounts owed to group undertakings	308,234	6,073,458
Other taxation and social security	181,951	245,133
Accruals and deferred income	3,186,794	2,799,298
	<u>12,777,449</u>	<u>13,823,820</u>

Notes (continued)

14 Deferred tax assets and liabilities

	Deferred tax asset £
At beginning of year	328,174
Adjustment in respect of prior years	(1,424)
Profit & loss account	222,878
At end of year	549,628

Deferred tax assets and liabilities are attributable to the following:

	2021 £	Assets 2020 £
Accelerated capital allowances	(43,906)	(61,825)
Other timing differences	13,911	51,531
Losses	579,623	338,468
Tax assets	549,628	328,174

15 Employee benefits

Defined contribution plans

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 £107,648 (2020: £110,395). As of 31 December 2021, contributions amounting to £27 (2020: £36,667) were payable to the fund and are included in creditors.

16 Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
3,232,380 ordinary shares of £1 each	3,232,380	3,232,380
100 2% non-cumulative redeemable preference shares of £1.00 each	100	100
	3,232,480	3,232,480

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Dividends

During the year the directors recommended and paid dividends of £9,000,033 (2020 £Nil).

The directors do not recommend the payment of a final dividend (2020: £Nil).

Notes (continued)

17 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings		Other	
	2021	2020	2021	2020
	£	£	£	£
Less than one year	894,352	1,081,533	388,164	363,532
Between one and five years	2,992,241	3,198,861	571,537	649,015
More than five years	394,568	986,420	-	-
	<u>4,281,161</u>	<u>5,266,814</u>	<u>959,701</u>	<u>1,102,547</u>

During the year, £1,669,814 was recognised as an expense in the profit and loss account in respect of operating leases (2020: £1,732,808).

18 Related parties

The following related party transactions and balances relate to key management personnel only.

	Purchases		Creditors outstanding	
	2021	2020	2021	2020
	£	£	£	£
Nobisco Limited	46,393	33,829	11,598	4,566
	<u>46,393</u>	<u>33,829</u>	<u>11,598</u>	<u>4,566</u>

19 Ultimate parent company and parent undertaking of larger group of which the company is a member

The immediate parent undertaking is Reliance Metals UK Holding Limited. The ultimate controlling party is Reliance Steel & Aluminium Co. (a US corporation) located at 16100 N. 71st Street, Suite 400, Scottsdale, Arizona 85254. Consolidated accounts of the group are publically available and may be obtained from www.rsac.com.

20 Accounting estimates and judgements

Key sources of estimation uncertainty

The stock obsolescence provision provides the only source of estimation uncertainty; the assumptions of which are largely derived from stock usage data. The directors do not consider this estimation to expose the stock balance to a material risk of uncertainty over the carrying amount at 31 December 2021.

21 Employee share options

Reliance makes annual grants of long-term incentive awards to its officers and key employees, including employees of its subsidiary companies, in the form of service-based and performance-based restricted stock units ("RSUs") that have 3-year vesting periods. Each RSU consists of the right to receive one share of Reliance common stock and dividend equivalent rights. The performance-based RSU awards are subject to both service and Reliance-performance goal criteria. The fair value of the RSUs granted, determined based on the fair value of Reliance common stock on the grant date, is charged by Reliance to the Company on a straight-line basis over the vesting period. The charge for the year recognised by the Company was £1,284 (2020: £60,227 credit). As of 31 December 2021, 716 service-based RSUs were outstanding and held by employees of the Company. There were no performance-based RSUs outstanding as of December 2021.