

Registered number: 03485838

SMITHS METAL CENTRES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022



SMITHS METAL CENTRES LIMITED

COMPANY INFORMATION

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

SMITHS METAL CENTRES LIMITED

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SMITHS METAL CENTRES LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The Directors present their report and the financial statements for the year ended 31 December 2022.

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 judgements 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 £13,265,427 (2021: £7,944,654).

The Directors have recommended and paid a dividend of £5,870,000 (2021: £Nil).

Directors

The Directors who served during the year were:

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

SMITHS METAL CENTRES LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

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.

Greenhouse gas emissions, energy consumption and energy efficiency action

The Company has taken the exemption for reporting on Streamlined Carbon and Energy Reporting on the group on the basis that the information is contained within the parent company's financial statements.

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.

SMITHS METAL CENTRES LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Post balance sheet events

A dividend of £10,000,000 was declared and paid on 5 July 2023.

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: 18/9/23

SMITHS METAL CENTRES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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 £13,265,427 (2021: £7,944,654). The Directors paid a dividend of £5,870,000 (2021: £Nil).

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 £129.7 million (2021: £103.9 million)
Profit before tax increased to £16.4 million (2021: £9.9 million)
Net assets increased to £51.1 million (2021: £43.7 million)
Average number of employees went from 319 to 336

The Directors of the Company are not satisfied with the results for the year. Turnover and gross profit have increased compared to 2021, 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.

SMITHS METAL CENTRES LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

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: 18/9/23

SMITHS METAL CENTRES LIMITED

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

Opinion

We have audited the financial statements of Smiths Metal Centres Limited (the 'Company') for the year ended 31 December 2022, 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 2022 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.

SMITHS METAL CENTRES LIMITED

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

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.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the 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.

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.

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.

SMITHS METAL CENTRES LIMITED

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

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 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 Directors 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 in the following areas: timing of recognition of income; the override of controls by management, including posting of unusual journals; inappropriate treatment of non-routine transactions and areas of estimation uncertainty; and manipulating the Company's key performance indicators to meet management 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.

SMITHS METAL CENTRES LIMITED

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

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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. This description forms part of our Auditor's report.

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: 26/9/2023

SMITHS METAL CENTRES LIMITED

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £	2021 £
Turnover	4	129,675,854	103,888,400
Change in stocks of finished goods and work in progress		(4,078,685)	(3,012,876)
Other operating income		-	9,951
Raw materials and consumables		(76,849,329)	(62,355,171)
Other external charges		(10,264,092)	(9,796,726)
Staff costs		(20,824,626)	(17,565,323)
Depreciation and amortisation		(1,130,561)	(1,221,155)
Operating profit	5	16,528,561	9,947,100
Interest expense and similar charges		(126,842)	(35,819)
Profit before tax		16,401,719	9,911,281
Tax on profit	9	(3,136,292)	(1,966,627)
Profit after tax		13,265,427	7,944,654
Retained earnings at the beginning of the year		43,679,947	35,735,293
Profit for the year		13,265,427	7,944,654
Dividends declared and paid		(5,870,000)	-
Retained earnings at the end of the year		51,075,374	43,679,947

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

SMITHS METAL CENTRES LIMITED
REGISTERED NUMBER: 03485838

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	11	4,864,288	4,851,407
Current assets			
Stocks	12	40,585,257	24,035,592
Debtors: amounts falling due within one year	13	23,141,968	21,848,956
Cash at bank and in hand		15,360,056	22,359,063
		<u>79,087,281</u>	<u>68,243,611</u>
Current liabilities			
Creditors: amounts falling due within one year	14	(30,492,868)	(27,043,697)
Net current assets		<u>48,594,413</u>	<u>41,199,914</u>
Total assets less current liabilities		<u>53,458,701</u>	<u>46,051,321</u>
Creditors: amounts falling due after more than one year	15	(803,490)	(1,104,964)
Provisions for liabilities			
Deferred taxation	17	(475,035)	(311,037)
Other provisions	18	(1,102,302)	(952,873)
		<u>(1,577,337)</u>	<u>(1,263,910)</u>
Net assets		<u><u>51,077,874</u></u>	<u><u>43,682,447</u></u>
Capital and reserves			
Called up share capital		2,500	2,500
Profit and loss account		51,075,374	43,679,947
		<u>51,077,874</u>	<u>43,682,447</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: 18/9/23

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

SMITHS METAL CENTRES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 judgement 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

Smiths Metal Centres Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in its financial statements. Exemptions have been taken in the financial statements in relation to recognition and presentation of the statement of cash flows, recognition and presentation of the financial instruments, and related party disclosures. This information is included in the consolidated financial statements of Cobham Aluminium & Stainless Holdings Limited as at 31 December 2022 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.

SMITHS METAL CENTRES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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 Finance leases

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

SMITHS METAL CENTRES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.8 Pensions

Defined contribution pension plan

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

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

2.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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.

SMITHS METAL CENTRES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.10 Tangible fixed assets (continued)

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

Depreciation is provided on the following basis:

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

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.

SMITHS METAL CENTRES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

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 principally on stock age (with a 50% - 90% provision applied) and also management's market knowledge of the stocks customers currently demand. At each balance sheet date, stocks are assessed for impairment on this consistent basis and written down where appropriate. Management review the basis of this provision on a regular basis to ensure it is 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.

SMITHS METAL CENTRES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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:

	2022 £	2021 £
United Kingdom	110,463,838	88,048,676
Europe	15,589,208	11,246,428
Rest of the World	3,622,808	4,593,296
	<u>129,675,854</u>	<u>103,888,400</u>

5. Operating profit

The operating profit is stated after charging:

	2022 £	2021 £
Owned tangible fixed assets - depreciation	453,373	542,927
Financed tangible fixed assets - depreciation	677,188	678,228
Exchange differences	63,838	60,235
Other operating lease rentals	1,582,847	1,782,809
	<u>1,777,246</u>	<u>1,964,207</u>

6. Auditor's remuneration

During the year, the Company obtained the following services from the Company's auditor:

	2022 £	2021 £
Fees payable to the Company's auditor for the audit of the Company's financial statements	<u>36,875</u>	<u>33,525</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the consolidated accounts of the parent Company.

SMITHS METAL CENTRES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

7. Employees

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

	2022	2021
	£	£
Wages and salaries	18,583,645	15,454,659
Social security costs	1,876,036	1,749,521
Cost of defined contribution scheme	364,945	361,143
	20,824,626	17,565,323

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

	2022	2021
	No.	No.
	336	319

8. Directors' remuneration

	2022	2021
	£	£
Directors' emoluments	1,747,800	1,361,632
Company contributions to defined contribution pension schemes	20,780	35,345
	1,768,580	1,396,977

During the year retirement benefits were accruing to 3 Directors (2021: 3) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £1,137,828 (2021: £827,000).

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 (2021: £10,500).

SMITHS METAL CENTRES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

9. Taxation

	2022	2021
	£	£
Corporation tax		
Current tax on profits for the year	2,981,126	1,849,674
Adjustments in respect of previous periods	(8,832)	(228,165)
Total current tax	2,972,294	1,621,509
Deferred tax		
Origination and reversal of timing differences	119,286	283,654
Changes to tax rates	37,669	61,464
Adjustment in respect of previous periods	7,043	-
Total deferred tax	163,998	345,118
Taxation on profit	3,136,292	1,966,627

SMITHS METAL CENTRES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021: *higher than*) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £	2021 £
Profit before tax	<u>16,401,719</u>	<u>9,911,281</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	3,116,327	1,883,143
Effects of:		
Expenses not deductible for tax purposes	35,435	15,976
Fixed asset timing differences	(51,014)	(7,692)
Adjustments to tax charge in respect of prior periods	(1,789)	551
Remeasurement of deferred tax for changes in tax rates	37,669	74,649
Group relief	(336)	-
Total tax charge for the year	<u><u>3,136,292</u></u>	<u><u>1,966,627</u></u>

Factors that may affect future tax charges

Deferred tax has been calculated at 25% this year in line with future rates enacted at the year end date. The UK Government announced an increase in Corporation tax rates to 25% from 1 April 2023 which will increase corporation and deferred taxes in future years.

10. Dividends

	2022 £	2021 £
Dividends paid	<u><u>5,870,000</u></u>	<u><u>-</u></u>

SMITHS METAL CENTRES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. Tangible fixed assets

	Long-term leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation						
At 1 January 2022	783,521	7,198,851	2,141,150	1,821,698	599,899	12,545,119
Additions	59,557	577,632	444,723	85,998	107,091	1,275,001
Disposals	(1,370)	(362,309)	(128,540)	(113,748)	(8,269)	(614,236)
At 31 December 2022	<u>841,708</u>	<u>7,414,174</u>	<u>2,457,333</u>	<u>1,793,948</u>	<u>698,721</u>	<u>13,205,884</u>
Depreciation						
At 1 January 2022	345,360	3,779,921	1,577,698	1,569,851	420,882	7,693,712
Charge for the year	67,939	625,165	216,207	120,952	100,298	1,130,561
Disposals	(514)	(175,802)	(128,540)	(169,552)	(8,269)	(482,677)
At 31 December 2022	<u>412,785</u>	<u>4,229,284</u>	<u>1,665,365</u>	<u>1,521,251</u>	<u>512,911</u>	<u>8,341,596</u>
Net book value						
At 31 December 2022	<u>428,923</u>	<u>3,184,890</u>	<u>791,968</u>	<u>272,697</u>	<u>185,810</u>	<u>4,864,288</u>
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>

Finance leases

Included within the net book value of £4,864,288 is £3,068,674 (2021: £3,280,825) relating to assets held under finance leases. The depreciation charged to the financial statements in the year in respect of such assets amounted to £677,188 (2021: £678,228).

12. Stocks

	2022 £	2021 £
Goods held for resale	<u>40,585,257</u>	<u>24,035,592</u>

A provision of £6,557,655 (2021: £6,352,565) has been recognised against the stock balance due to slow moving and obsolete stock. The net increase of the provision of £205,090 (2021: increase of £545,687) has been recognised in the income statement.

SMITHS METAL CENTRES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

13. Debtors

	2022	2021
	£	£
Trade debtors	22,055,488	20,888,271
Other debtors	203,640	79,215
Prepayments and accrued income	882,840	881,470
	<u>23,141,968</u>	<u>21,848,956</u>

14. Creditors: Amounts falling due within one year

	2022	2021
	£	£
Trade creditors	17,419,526	17,265,362
Corporation tax	2,095,802	26,901
Other taxation and social security	1,047,525	1,604,039
Obligations under finance lease and hire purchase contracts	1,024,891	1,049,356
Other creditors	58,492	52,094
Accruals and deferred income	8,846,632	7,045,945
	<u>30,492,868</u>	<u>27,043,697</u>

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

	2022	2021
	£	£
Net obligations under finance leases and hire purchase contracts	<u>803,490</u>	<u>1,104,964</u>

SMITHS METAL CENTRES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

16. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2022 £	2021 £
Within one year	1,024,891	1,049,356
Between 1-5 years	803,490	1,104,964
	<u>1,828,381</u>	<u>2,154,320</u>

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

17. Deferred taxation

	2022 £
At beginning of year	(311,037)
Charged in the year	(163,998)
At end of year	<u>(475,035)</u>

The provision for deferred taxation is made up as follows:

	2022 £	2021 £
Accelerated capital allowances	(497,158)	(331,561)
Short term timing differences	22,123	20,524
	<u>(475,035)</u>	<u>(311,037)</u>

SMITHS METAL CENTRES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

18. Provisions

	Dilapidation provision £
At 1 January 2022	952,873
Charged to profit or loss	149,429
At 31 December 2022	<u>1,102,302</u>

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

19. 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 £58,492 (2021: £52,094).

20. Commitments under operating leases

At 31 December 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Not later than 1 year	1,731,326	1,512,549
Later than 1 year and not later than 5 years	5,206,109	4,779,545
Later than 5 years	4,649,384	4,782,075
	<u>11,586,819</u>	<u>11,074,169</u>

21. Related party transactions

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.

During the year the Company incurred fees from companies that are connected by virtue of common control of £867,981 (2021: £1,122,910). At the year end £43,834 (2021: £Nil) was outstanding.

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.

22. Post balance sheet events

A dividend of £10,000,000 was declared and paid on 5 July 2023.

SMITHS METAL CENTRES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

23. Controlling party

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

The immediate parent undertaking is Cobham Aluminium & Stainless Holdings Limited, a company registered in England and Wales.

The largest and smallest group of which the Company is a member and for which group consolidated financial statement 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 parent company is the same as the address of the Company as disclosed in note 1 of the accounts.