

ALLIED INTERNATIONAL UK LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015



Johnston Smillie Ltd
Chartered Accountants and Registered Auditors
6 Redheughs Rigg
Edinburgh
EH12 9DQ

ALLIED INTERNATIONAL UK LTD

COMPANY INFORMATION

Directors	Mr V Alberici Mr P Duncan
Secretary	Mr P Duncan
Company number	SC065519
Registered office	Allied Buildings Earls Road Grangemouth Falkirk FK3 8XG
Auditors	Johnston Smillie Ltd 6 Redheughs Rigg Edinburgh EH12 9DQ

ALLIED INTERNATIONAL UK LTD

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditor's report	5 - 6
Profit and loss account	7
Balance sheet	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11 - 24

ALLIED INTERNATIONAL UK LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present the strategic report and financial statements for the year ended 31 December 2015.

The Company remains part of the Allied International Group of companies who support the business with products from its global manufacturing resources. The Company continues to make very good use of these production facilities in its UK market place business.

In considering the expectations for the year, the directors expected to return a reasonable contribution even during what the oil & gas sector already described as difficult trading expectations for 2015. Against this background, the Company's turnover during the year increased year on year to £10,922,022 from £10,715,558 against a forecast £10.57m, an increase year on year of 1.93%, reflecting our combined operations in Grangemouth, Aberdeen, and Redcar for the financial year.

The results of trading for the year then continued to support a strong liquidity which continued to support some difficult trading conditions for the business over all its UK locations, while supporting a further increase in the range of stocks held and the continuing 'one stop shop' philosophy of the Group in its global operations. The Company continues to review its position in the market place with a year-end position reflecting a better than expected forward order position at the start of the new financial year, which under continuing sector reports of a downturn in expected business from a well-documented review of the UK Oil & Gas Sector.

Key business risks for the current financial year were again identified as strong competition in the sectors in which the Company operates along with currency exchange impacts. Any gains and losses as a result of currency exchanges were absorbed in Currency Fluctuations in the Profit & Loss Account, amounting to a small loss for the year of £1,757 (2014 £1,592 profit). The business has accounted for the currency fluctuations affecting the UK£ during the year which impacted slightly negatively on the gross margin achieved. All risks continued to be regularly assessed by the directors, with IT systems particularly being the subject of final modifications reflecting additional controls and processes used to monitor them at all branch locations.

Non-financial KPI's and 5S strategies previously applied and implemented for the on-going improvement of the business have resulted in formal BSI Accreditation of the Company's ISO 9001:2008 / ISO 14001:2014 / OHSAS 18001:2007, which has become a major factor for our customer's requirements on their supply sources.

Notwithstanding the severe impact on Oil & Gas Sector during 2015, the business benefitted from advance project orders placed during 2014 for delivery as far into Q3 for 2015 since when although the Company experienced a downturn in business for the last quarter Q4, has again increased its net asset value to £4,108,591 without any adverse impacts to its stock, manufacturing, and distribution or on any personnel levels.

Since its year end, the business recognises that there continues to be a lot of adverse opinion stated in relation to the global market place, not least as impacts on the UK, and as such continues to ensure that the directors review economies of scale which may need to be introduced without impacting on its service to the market place. Underpinning this, the Company has continued to ensure its personnel and on-going training requirements under the formal 'triple certification' accreditation is considered will be one of its strengths, along with timely supply payments to sub-suppliers which continue to be made in accordance with latest regulations.

While peer groups in UK oil and gas operations have indicated a downturn of varying alarming forecasts up to 70%, the continuing spread of the Company's products and service, its customers' perceptions, Group resources and purchasing power, and continued application of changing sector corporate requirements, throughout the year continues to place the business among the top competitors in its field, expected to continue in the coming years where some competitors have already reflected their positions indicating results of what was the ever decreasing business volumes reported during the past 12 months.

Consequently, the business is expected to be able to demonstrate a very strong control on its use of resources, not least from this year's profit before tax of £884,609 (2014 £1,221,602) reflecting the trading outcome for the year. The net retained profit position showing £699,029 (2014 £944,909), and corresponding net asset position of £4,108,592 (2014 £4,059,562).

ALLIED INTERNATIONAL UK LTD

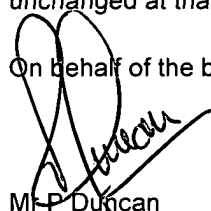
STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

On the basis of our continuing assessment of the market place and our customers, the Company is expecting to achieve at least a break-even position during what the sector describes as extremely difficult trading conditions expected for 2016, where risk assessed forecasts project £9.1m turnover reflecting the Company's perception of the impact on its trading sectors downturn.

While various reports continue to reflect the impact of this as unprecedented, the Company continues to be aware that the OPEC oil price will feature strongly on projected 2016 results, which have been assessed taking this into account for the 2016 financial year, which at worst reflects the business net asset position remaining unchanged at that year end.

On behalf of the board



Mr P Duncan

Director

8 July 2016

ALLIED INTERNATIONAL UK LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their annual report and financial statements for the year ended 31 December 2015.

Principal activities

The principal activity of the Company continued to be that of manufacture and supply of pipeline products to the home and overseas oil and gas sectors.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr V Alberici
Mr P Duncan

Results and dividends

The results for the year are set out on page 7.

Ordinary dividends were paid amounting to £650,000. The directors do not recommend payment of a final dividend.

Auditors

The auditors, Johnston Smillie Ltd, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

Statement of disclosure to auditors

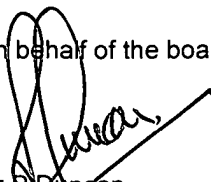
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

ALLIED INTERNATIONAL UK LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

On behalf of the board



Mr R. Duncan

Director

8 July 2016

ALLIED INTERNATIONAL UK LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ALLIED INTERNATIONAL UK LTD

We have audited the financial statements of Allied International UK Ltd for the year ended 31 December 2015 set out on pages 7 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 - 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

ALLIED INTERNATIONAL UK LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ALLIED INTERNATIONAL UK LTD

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.



Mr Ross McKay CA (Senior Statutory Auditor)
for and on behalf of Johnston Smillie Ltd

8 July 2016

Chartered Accountants
Statutory Auditor

6 Redheughs Rigg
Edinburgh
EH12 9DQ

ALLIED INTERNATIONAL UK LTD

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £	2014 £
Turnover	3	10,922,022	10,715,558
Cost of sales		(8,403,309)	(7,753,800)
Gross profit		2,518,713	2,961,758
Distribution costs		(536,374)	(616,127)
Administrative expenses		(1,058,234)	(1,076,458)
Operating profit	4	924,105	1,269,173
Interest payable and similar charges	7	(39,496)	(47,571)
Profit before taxation		884,609	1,221,602
Taxation	8	(185,580)	(276,693)
Profit for the financial year		699,029	944,909
Total comprehensive income for the year		699,029	944,909

The profit and loss account has been prepared on the basis that all operations are continuing operations.

ALLIED INTERNATIONAL UK LTD

BALANCE SHEET

AS AT 31 DECEMBER 2015

	Notes	2015 £	£	2014 £	£
Fixed assets					
Tangible assets	10		1,249,261		1,289,482
Current assets					
Stocks	12	3,047,998		3,321,048	
Debtors	13	1,932,904		1,794,377	
Cash at bank and in hand		724,297		819,943	
		5,705,199		5,935,368	
Creditors: amounts falling due within one year	14	(2,629,602)		(2,775,199)	
Net current assets			3,075,597		3,160,169
Total assets less current liabilities			4,324,858		4,449,651
Creditors: amounts falling due after more than one year	15		(184,826)		(348,473)
Provisions for liabilities	18		(31,441)		(41,616)
Net assets			4,108,591		4,059,562
Capital and reserves					
Called up share capital	21		70,000		70,000
Revaluation reserve			179		238
Profit and loss reserves			4,038,412		3,989,324
Total equity			4,108,591		4,059,562

The financial statements were approved by the board of directors and authorised for issue on 8 July 2016 and are signed on its behalf by:


Mr P Duncan
Director

Company Registration No. SC065519

ALLIED INTERNATIONAL UK LTD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Share capital £	Revaluation reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2014		70,000	317	3,844,336	3,914,653
Period ended 31 December 2014:					
Profit and total comprehensive income for the year		-	-	944,909	944,909
Dividends	9	-	-	(800,000)	(800,000)
Transfers		-	-	79	79
Other		-	(79)	-	(79)
Balance at 31 December 2014		70,000	238	3,989,324	4,059,562
Period ended 31 December 2015:					
Profit and total comprehensive income for the year		-	-	699,029	699,029
Dividends	9	-	-	(650,000)	(650,000)
Transfers		-	-	59	59
Other		-	(59)	-	(59)
Balance at 31 December 2015		70,000	179	4,038,412	4,108,591

ALLIED INTERNATIONAL UK LTD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £	£	2014 £	£
Cash flows from operating activities					
Cash generated from operations	26	1,122,003		2,414,214	
Interest paid		(39,496)		(47,571)	
Income taxes paid		(282,052)		(145,401)	
Net cash inflow from operating activities		800,455		2,221,242	
Investing activities					
Purchase of tangible fixed assets		(59,521)		(60,513)	
Proceeds on disposal of tangible fixed assets		500		376	
Net cash used in investing activities		(59,021)		(60,137)	
Financing activities					
Repayment of bank loans		(132,890)		(126,366)	
Payment of finance leases obligations		(54,190)		(78,596)	
Dividends paid		(650,000)		(800,000)	
Net cash used in financing activities		(837,080)		(1,004,962)	
Net (decrease)/increase in cash and cash equivalents		(95,646)		1,156,143	
Cash and cash equivalents at beginning of year		819,943		(336,199)	
Cash and cash equivalents at end of year		724,297		819,943	

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

Company information

Allied International UK Ltd is a company limited by shares incorporated in Scotland. The registered office is Allied Buildings, Earls Road, Grangemouth, Falkirk, FK3 8XG.

1.1 Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain assets.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

These financial statements for the year ended 31 December 2015 are the first financial statements of Allied International UK Ltd prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 January 2014. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold property	2% Straight line
Plant and machinery	25% on reducing balance and 10% on reducing balance
Office equipment	25% on cost and 20% - 25% on reducing balance
Motor vehicles	25% on reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

1.5 Impairment of fixed assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.12 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.13 Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating result.

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2015 £	2014 £
Turnover		
Sales of goods	10,922,022	10,715,558

Turnover analysed by geographical market

	2015 £	2014 £
UK	10,188,797	9,293,042
Overseas	733,225	1,422,516
	10,922,022	10,715,558

4 Operating profit

	2015 £	2014 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	1,757	(1,592)
Fees payable to the company's auditors for the audit of the company's financial statements	10,150	10,150
Depreciation of owned tangible fixed assets	78,437	73,159
Depreciation of tangible fixed assets held under finance leases	20,241	36,252
Loss on disposal of tangible fixed assets	564	1,914
Cost of stocks recognised as an expense	6,416,726	5,902,744
Operating lease charges	187,179	220,926

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2015 Number	2014 Number
Sales	14	15
Production/Warehouse	35	33
Administration	5	5
	<u>54</u>	<u>53</u>

Their aggregate remuneration comprised:

	2015 £	2014 £
Wages and salaries	1,402,287	1,385,403
Social security costs	127,669	136,473
Pension costs	27,617	43,445
	<u>1,557,573</u>	<u>1,565,321</u>

6 Directors' remuneration

	2015 £	2014 £
Remuneration for qualifying services	<u>145,750</u>	<u>130,123</u>

7 Interest payable and similar charges

	2015 £	2014 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	22,046	37,923
Interest on finance leases and hire purchase contracts	5,597	7,875
Other interest	11,853	1,773
	<u>39,496</u>	<u>47,571</u>

8 Taxation

	2015 £	2014 £
Current tax		
UK corporation tax on profits for the current period	<u>195,755</u>	<u>282,052</u>

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

8 Taxation

(Continued)

Deferred tax

Origination and reversal of timing differences

(10,175)

(5,359)

Total tax charge

185,580

276,693

The charge for the year can be reconciled to the profit per the profit and loss account as follows:

	2015 £	2014 £
Profit before taxation	884,609	1,221,602
Expected tax charge based on the standard rate of corporation tax in the UK of 20.20% (2014: 21.44%)	178,691	261,911
Tax effect of expenses that are not deductible in determining taxable profit	5,955	10,185
Permanent capital allowances in excess of depreciation	10,995	-
Depreciation on assets not qualifying for tax allowances	-	9,534
Under/(over) provided in the year	-	12
Loss on disposal of fixed asset	114	410
Deferred tax movement	(10,175)	(5,359)
Tax expense for the year	185,580	276,693

9 Dividends

	2015 £	2014 £
Interim paid	650,000	800,000
	650,000	800,000

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

10 Tangible fixed assets

	Leasehold property £	Plant and machinery £	Office equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2015	1,145,292	966,778	156,773	43,467	2,312,310
Additions	12,034	1,400	-	46,087	59,521
Disposals	-	-	-	(13,562)	(13,562)
At 31 December 2015	1,157,326	968,178	156,773	75,992	2,358,269
Depreciation and impairment					
At 1 January 2015	157,672	720,603	116,058	28,495	1,022,828
Depreciation charged in the year	23,095	52,380	15,344	7,859	98,678
Eliminated in respect of disposals	-	-	-	(12,498)	(12,498)
At 31 December 2015	180,767	772,983	131,402	23,856	1,109,008
Carrying amount					
At 31 December 2015	976,559	195,195	25,371	52,136	1,249,261
At 31 December 2014	987,620	246,175	40,715	14,972	1,289,482

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts. The depreciation charge in respect of such assets amounted to £20,241 (2014 - £36,252) for the year.

	2015 £	2014 £
Plant and machinery	48,703	83,116
Office equipment	8,498	13,532
	<u>57,201</u>	<u>96,648</u>

11 Financial instruments

	2015 £	2014 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	2,613,311	2,536,460
Carrying amount of financial liabilities		
Measured at amortised cost	2,399,073	2,426,786

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

12 Stocks

	2015 £	2014 £
Finished goods and goods for resale	3,047,998	3,321,048

13 Debtors

	2015 £	2014 £
Amounts falling due within one year:		
Trade debtors	1,888,317	1,715,335
Amounts due from fellow group undertakings	-	630
Other debtors	696	552
Prepayments and accrued income	43,891	77,860
	<u>1,932,904</u>	<u>1,794,377</u>

Trade debtors disclosed above are measured at amortised cost.

14 Creditors: amounts falling due within one year

	Notes	2015 £	2014 £
Loans and overdrafts	16	139,721	132,890
Obligations under finance leases	17	23,926	54,190
Trade creditors		466,763	676,303
Amounts due to fellow group undertakings		768,759	929,462
Corporation tax		195,755	282,052
Other taxation and social security		219,600	414,834
Other creditors		790,370	272,526
Accruals and deferred income		24,708	12,942
		<u>2,629,602</u>	<u>2,775,199</u>

15 Creditors: amounts falling due after more than one year

	Notes	2015 £	2014 £
Loans and overdrafts	16	184,826	324,547
Obligations under finance leases	17	-	23,926
		<u>184,826</u>	<u>348,473</u>

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

16 Loans and overdrafts

	2015 £	2014 £
Bank loans	324,547	457,437
Payable within one year	139,721	132,890
Payable after one year	184,826	324,547

Bank borrowings are secured by a standard security over the property at Grangemouth and a floating charge over the assets of the company.

The loan provided by the Clydesdale Bank is due to be fully repaid in March 2018.

17 Finance lease obligations

	2015 £	2014 £
Future minimum lease payments due under finance leases:		
Within one year	23,926	54,190
In two to five years	-	23,926
	23,926	78,116

Net obligations under hire purchase contracts are secured over the assets to which they relate.

18 Provisions for liabilities

	2015 £	2014 £
Deferred tax liabilities	31,441	41,616
	31,441	41,616

19 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2015 £	Liabilities 2014 £
Balances:		
Accelerated capital allowances	31,441	41,616

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

19 Deferred taxation

(Continued)

	2015 £
Movements in the year:	
Liability at 1 January 2015	41,616
Credit to profit and loss	(10,175)
	<u>31,441</u>
Liability at 31 December 2015	<u>31,441</u>

20 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The charge to profit and loss in respect of defined contribution schemes was £27,617 (2014 - £43,445).

21 Share capital

	2015 £	2014 £
Ordinary share capital		
Authorised		
1,000,000 A Ordinary shares of 10p each	100,000	100,000
	<u>100,000</u>	<u>100,000</u>
Issued and fully paid		
700,000 A Ordinary shares of 10p each	70,000	70,000
	<u>70,000</u>	<u>70,000</u>

22 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2015 £	2014 £
Within one year	7,115	34,859
Between two and five years	87,358	68,511
In over five years	60,403	60,403
	<u>154,876</u>	<u>163,773</u>

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

23 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, who are also directors, is as follows.

	2015 £	2014 £
Aggregate compensation	145,750	130,123

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Sale of goods		Purchase of goods	
	2015 £	2014 £	2015 £	2014 £
Entities with control, joint control or significant influence over the company	8,988	7,566	226,454	198,413
Other related parties	7,692	441,974	723,959	225,509
	<u>16,680</u>	<u>449,540</u>	<u>950,413</u>	<u>423,922</u>

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2015 £	2014 £
Entities with control, joint control or significant influence over the company	727,373	688,355
Other related parties	41,385	67,232
	<u>768,758</u>	<u>755,587</u>

No guarantees have been given or received.

24 Directors' transactions

At 31 December 2015 the company owed the director, Peter Duncan, £Nil (2014: £3,009). There are no fixed terms for repayment and no interest is charged. During the year Rent totalling £50,500 (2014: £52,604) was paid to a SIPP in the name of Peter Duncan, and his wife, Irene Duncan, for premises used by the company in Teesside.

25 Controlling party

At 31 December 2015 the company was ultimately controlled by Allied International S.R.L., which owns 100% of the shares in the company and is registered in Italy.

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

26 Cash generated from operations

	2015 £	2014 £
Profit for the year after tax	699,029	944,909
Adjustments for:		
Taxation charged	185,580	276,693
Finance costs	39,496	47,571
Loss on disposal of tangible fixed assets	564	1,914
Depreciation and impairment of tangible fixed assets	98,678	109,411
Movements in working capital:		
Decrease in stocks	273,050	515,705
(Increase) in debtors	(138,527)	(600,613)
(Decrease)/increase in creditors	(35,867)	1,118,624
Cash generated from operations	1,122,003	2,414,214