

Company Registration No. SC065519 (Scotland)

**ALLIED INTERNATIONAL UK LTD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**Johnston Smillie Ltd**  
**Chartered Accountants**  
**6 Redheughs Rigg**  
**Edinburgh**  
**EH12 9DQ**

# ALLIED INTERNATIONAL UK LTD

## COMPANY INFORMATION

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<b>Directors</b>	Mr V Alberici Mrs S Kirby Mr M Kirby Mr M Duncan
<b>Secretary</b>	Mrs S Kirby
<b>Company number</b>	SC065519
<b>Registered office</b>	Allied Buildings Earls Road Grangemouth Falkirk FK3 8XG
<b>Auditor</b>	Johnston Smillie Ltd 6 Redheughs Rigg Edinburgh EH12 9DQ

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# ALLIED INTERNATIONAL UK LTD

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# ALLIED INTERNATIONAL UK LTD

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2017

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The directors present the strategic report and financial statements for the year ended 31 December 2017.

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.

The results for the year are considered excellent and above expectations of projected budgets. Turnover increased by approximately 28% from £9.9m in 2016 to £12.76m in 2017. Whilst an increase was anticipated, it was not of this level. This can be attributed to the ongoing restructuring and efforts of the business and its employees.

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, although the focus remains on the UK marketplace. The business continues to manage foreign exchange risk and currency fluctuations through continuing assessment and regular reviews with relevant processes implemented to monitor such risks.

The continued strength of trading has again enabled a strong liquidity to support growth for the business over its UK locations, supporting an even larger range of stock and opportunities with previously unattainable projects. The Company continues to review its position in the market place and continues to explore new opportunities in all market sectors which utilise the products of the business. To ensure the Company's position in the marketplace is maintained, diversification remains key its success.

Key business risks were again identified as strong competition in the sector's 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.

All risks continue to be regularly assessed by the directors, with appropriate IT system controls and processes used to monitor them. KPI's and 5S strategies continue to be operated for the on-going improvement of the business. The business continues to invest in Accreditation of ISO9001/14000/18001 in recognition of major customers increasing requirements on its supply sources.

Since its year end, the business recognises that there still continues to be a lot of adverse opinion stated in relation to the price of oil in the global market place. Although there now appears to be an upward trend and stability, the business continues to act cautiously. It is considered there are more opportunities arising than previous recent years in the industry but the Company remains committed to being vigilant in the current climate. The Company has continued to ensure supply payments are made in accordance with latest regulations.

On the basis of the directors continuing assessment of the market place and our customers, the Company is expected to again return a reasonable contribution for 2018.

On behalf of the board

Mr M Duncan  
**Director**  
25 July 2018

# **ALLIED INTERNATIONAL UK LTD**

## **DIRECTORS' REPORT**

***FOR THE YEAR ENDED 31 DECEMBER 2017***

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The directors present their annual report and financial statements for the year ended 31 December 2017.

### **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  
Mrs S Kirby  
Mr M Kirby  
Mr M Duncan

### **Results and dividends**

The results for the year are set out on page 6.

Ordinary dividends were paid amounting to £1,000,000. The directors do not recommend payment of a final dividend.

### **Auditor**

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

### **Statement of disclosure to auditor**

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 auditor is 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 auditor is aware of that information.

On behalf of the board

Mr M Duncan  
**Director**  
25 July 2018

## **ALLIED INTERNATIONAL UK LTD**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 DECEMBER 2017***

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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;
- 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 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.

# ALLIED INTERNATIONAL UK LTD

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF ALLIED INTERNATIONAL UK LTD

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#### Opinion

We have audited the financial statements of Allied International UK Ltd (the 'company') for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 2017 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 UK, including the FRC'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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

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

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

#### Opinions on other matters prescribed by the Companies Act 2006

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

# **ALLIED INTERNATIONAL UK LTD**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF ALLIED INTERNATIONAL UK LTD**

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#### **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 and the Directors' Report.

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.

#### **Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **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.

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

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

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

25 July 2018

**Chartered Accountants**  
**Statutory Auditor**

6 Redheughs Rigg  
Edinburgh  
EH12 9DQ



## ALLIED INTERNATIONAL UK LTD

### STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
<b>Turnover</b>	<b>3</b>	12,761,472	9,934,986
Cost of sales		(9,579,865)	(6,996,000)
<b>Gross profit</b>		3,181,607	2,938,986
Distribution costs		(406,160)	(518,484)
Administrative expenses		(1,091,108)	(1,133,945)
<b>Operating profit</b>	<b>4</b>	1,684,339	1,286,557
Interest payable and similar expenses	<b>7</b>	(13,731)	(17,684)
<b>Profit before taxation</b>		1,670,608	1,268,873
Tax on profit	<b>8</b>	(335,675)	(260,017)
<b>Profit for the financial year</b>		1,334,933	1,008,856

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 2017

	Notes	2017 £	£	2016 £	£
<b>Fixed assets</b>					
Tangible assets	10		1,248,830		1,293,130
<b>Current assets</b>					
Stocks	12	3,478,282		3,128,512	
Debtors	13	2,812,980		1,386,776	
Cash at bank and in hand		1,265,143		1,799,864	
		<u>7,556,405</u>		<u>6,315,152</u>	
<b>Creditors: amounts falling due within one year</b>	14	<u>(3,961,348)</u>		<u>(2,970,532)</u>	
<b>Net current assets</b>			<u>3,595,057</u>		<u>3,344,620</u>
<b>Total assets less current liabilities</b>			<u>4,843,887</u>		<u>4,637,750</u>
<b>Creditors: amounts falling due after more than one year</b>	15		(155,701)		(273,542)
<b>Provisions for liabilities</b>	18		(35,806)		(46,761)
<b>Net assets</b>			<u>4,652,380</u>		<u>4,317,447</u>
<b>Capital and reserves</b>					
Called up share capital	21		70,000		70,000
Revaluation reserve			100		135
Profit and loss reserves			<u>4,582,280</u>		<u>4,247,312</u>
<b>Total equity</b>			<u>4,652,380</u>		<u>4,317,447</u>

The financial statements were approved by the board of directors and authorised for issue on 25 July 2018 and are signed on its behalf by:

Mrs S Kirby  
Director

Mr M Duncan  
Director

Company Registration No. SC065519

# ALLIED INTERNATIONAL UK LTD

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

		Share capital	Revaluation reserve	Profit and loss reserves	Total
	Notes	£	£	£	£
<b>Balance at 1 January 2016</b>		70,000	179	4,038,412	4,108,591
<b>Year ended 31 December 2016:</b>					
Profit and total comprehensive income for the year		-	-	1,008,856	1,008,856
Dividends	9	-	-	(800,000)	(800,000)
Transfers		-	-	44	44
Other movements		-	(44)	-	(44)
<b>Balance at 31 December 2016</b>		70,000	135	4,247,312	4,317,447
<b>Year ended 31 December 2017:</b>					
Profit and total comprehensive income for the year		-	-	1,334,933	1,334,933
Dividends	9	-	-	(1,000,000)	(1,000,000)
Transfers		-	-	35	35
Other movements		-	(35)	-	(35)
<b>Balance at 31 December 2017</b>		70,000	100	4,582,280	4,652,380

# ALLIED INTERNATIONAL UK LTD

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	£	2016 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	25	1,013,511		2,079,804	
Interest paid		(13,731)		(17,684)	
Income taxes paid		(244,697)		(195,755)	
<b>Net cash inflow from operating activities</b>		755,083		1,866,365	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(64,685)		(142,601)	
Proceeds on disposal of tangible fixed assets		628		718	
<b>Net cash used in investing activities</b>		(64,057)		(141,883)	
<b>Financing activities</b>					
Proceeds from borrowings		-		200,000	
Repayment of bank loans		(184,875)		(145,757)	
New finance lease obligations		-		122,637	
Payment of finance leases obligations		(40,879)		(25,798)	
Dividends paid		(1,000,000)		(800,000)	
<b>Net cash used in financing activities</b>		(1,225,754)		(648,918)	
<b>Net (decrease)/increase in cash and cash equivalents</b>		(534,728)		1,075,564	
Cash and cash equivalents at beginning of year		1,799,864		724,297	
<b>Cash and cash equivalents at end of year</b>		1,265,143		1,799,864	

# ALLIED INTERNATIONAL UK LTD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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### 1 Accounting policies

#### Company information

Allied International UK Ltd is a private 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 under the historical cost convention. The principal accounting policies adopted are set out below.

#### 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.

#### 1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible 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.

# ALLIED INTERNATIONAL UK LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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### 1 Accounting policies

(Continued)

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) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried 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 the lower of replacement cost and 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 at bank and in hand

Cash at bank and in hand are basic financial assets and 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 debtors 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. Financial assets classified as receivable within one year are not amortised.

##### **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 publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

# ALLIED INTERNATIONAL UK LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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### 1 Accounting policies

(Continued)

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.

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

# ALLIED INTERNATIONAL UK LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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### 1 Accounting policies

(Continued)

#### **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.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

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.

#### **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.



# ALLIED INTERNATIONAL UK LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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### 1 Accounting policies

(Continued)

#### 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.

### 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.

## ALLIED INTERNATIONAL UK LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

#### 3 Turnover and other revenue

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

	2017 £	2016 £
<b>Turnover analysed by class of business</b>		
Sales of goods	12,761,472	9,934,986

	2017 £	2016 £
<b>Turnover analysed by geographical market</b>		
UK	11,414,780	9,299,456
Overseas	1,346,692	635,530
	12,761,472	9,934,986

#### 4 Operating profit

	2017 £	2016 £
Operating profit for the year is stated after charging:		
Exchange losses	33,077	15,658
Fees payable to the company's auditor for the audit of the company's financial statements	5,775	10,150
Depreciation of owned tangible fixed assets	77,209	86,877
Depreciation of tangible fixed assets held under finance leases	30,187	6,961
Loss on disposal of tangible fixed assets	954	4,171
Cost of stocks recognised as an expense	6,916,062	4,746,248
Operating lease charges	152,973	150,472

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £33,077 (2016 - £15,658).

#### 5 Employees

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

	2017 Number	2016 Number
Sales	16	16
Production/Warehouse	34	33
Administration	6	5
	56	54

# ALLIED INTERNATIONAL UK LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

<b>5</b>	<b>Employees</b>	<b>(Continued)</b>	
	Their aggregate remuneration comprised:		
		<b>2017</b>	<b>2016</b>
		<b>£</b>	<b>£</b>
	Wages and salaries	1,500,780	1,515,108
	Social security costs	137,002	131,082
	Pension costs	23,356	41,677
		<u>1,661,138</u>	<u>1,687,867</u>
<b>6</b>	<b>Directors' remuneration</b>	<b>2017</b>	<b>2016</b>
		<b>£</b>	<b>£</b>
	Remuneration for qualifying services	305,990	206,744
		<u>305,990</u>	<u>206,744</u>
	Remuneration disclosed above include the following amounts paid to the highest paid director:		
		<b>2017</b>	<b>2016</b>
		<b>£</b>	<b>£</b>
	Remuneration for qualifying services	131,588	140,570
		<u>131,588</u>	<u>140,570</u>
<b>7</b>	<b>Interest payable and similar expenses</b>	<b>2017</b>	<b>2016</b>
		<b>£</b>	<b>£</b>
	<b>Interest on financial liabilities measured at amortised cost:</b>		
	Interest on bank overdrafts and loans	11,443	15,561
	Interest on finance leases and hire purchase contracts	2,472	2,506
		<u>13,915</u>	<u>18,067</u>
	<b>Other finance costs:</b>		
	Other interest	(184)	(383)
		<u>13,731</u>	<u>17,684</u>
<b>8</b>	<b>Taxation</b>	<b>2017</b>	<b>2016</b>
		<b>£</b>	<b>£</b>
	<b>Current tax</b>		
	UK corporation tax on profits for the current period	346,630	244,697
		<u>346,630</u>	<u>244,697</u>

# ALLIED INTERNATIONAL UK LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 8 Taxation (Continued)

#### Deferred tax

Origination and reversal of timing differences	(10,955)	15,320
	<u>          </u>	<u>          </u>
Total tax charge	335,675	260,017
	<u>          </u>	<u>          </u>

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2017 £	2016 £
Profit before taxation	1,670,608	1,268,873
	<u>          </u>	<u>          </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.24% (2016: 20.00%)	321,425	253,775
Tax effect of expenses that are not deductible in determining taxable profit	10,251	3,304
Effect of change in corporation tax rate	(673)	-
Permanent capital allowances in excess of depreciation	15,436	(13,216)
Loss on disposal of fixed asset	191	834
Deferred tax movement	(10,955)	15,320
	<u>          </u>	<u>          </u>
Taxation charge for the year	335,675	260,017
	<u>          </u>	<u>          </u>

### 9 Dividends

	2017 £	2016 £
Interim paid	1,000,000	800,000
	<u>          </u>	<u>          </u>

# ALLIED INTERNATIONAL UK LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 10 Tangible fixed assets

	Leasehold property £	Plant and machinery £	Office equipment £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 January 2017	1,162,051	1,081,488	161,440	70,992	2,475,971
Additions	-	-	-	64,685	64,685
Disposals	-	(17,272)	-	-	(17,272)
At 31 December 2017	1,162,051	1,064,216	161,440	135,677	2,523,384
<b>Depreciation and impairment</b>					
At 1 January 2017	203,945	802,944	141,725	34,234	1,182,848
Depreciation charged in the year	23,241	61,732	6,712	15,711	107,396
Eliminated in respect of disposals	-	(15,690)	-	-	(15,690)
At 31 December 2017	227,186	848,986	148,437	49,945	1,274,554
<b>Carrying amount</b>					
At 31 December 2017	934,865	215,230	13,003	85,732	1,248,830
At 31 December 2016	958,104	278,553	19,715	36,758	1,293,130

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2017 £	2016 £
Plant and machinery	90,561	120,748
Depreciation charge for the year in respect of leased assets	30,187	6,961

### 11 Financial instruments

	2017 £	2016 £
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	2,754,129	1,311,226
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	3,337,622	2,856,744

### 12 Stocks

	2017 £	2016 £
Finished goods and goods for resale	3,478,282	3,128,512

# ALLIED INTERNATIONAL UK LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 13 Debtors

	2017	2016
	£	£
<b>Amounts falling due within one year:</b>		
Trade debtors	2,753,942	1,310,717
Other debtors	187	509
Prepayments and accrued income	58,851	75,550
	<u>2,812,980</u>	<u>1,386,776</u>

Trade debtors disclosed above are measured at amortised cost.

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

	Notes	2017	2016
		£	£
Bank loans and overdrafts	16	77,219	185,132
Obligations under finance leases	17	40,879	40,879
Trade creditors		1,719,359	792,805
Amounts due to group undertakings		1,216,445	1,502,126
Corporation tax		346,630	244,697
Other taxation and social security		432,797	142,633
Other creditors		100,914	38,650
Accruals and deferred income		27,105	23,610
		<u>3,961,348</u>	<u>2,970,532</u>

### 15 Creditors: amounts falling due after more than one year

	Notes	2017	2016
		£	£
Bank loans and overdrafts	16	116,694	193,656
Obligations under finance leases	17	39,007	79,886
		<u>155,701</u>	<u>273,542</u>

### 16 Loans and overdrafts

	2017	2016
	£	£
Bank loans	<u>193,913</u>	<u>378,788</u>
Payable within one year	77,219	185,132
Payable after one year	<u>116,694</u>	<u>193,656</u>

# ALLIED INTERNATIONAL UK LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 16 Loans and overdrafts

(Continued)

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.

An additional loan taken out in November 2016, provided by the Clydesdale Bank, is due to be fully repaid in October 2021.

### 17 Finance lease obligations

	2017	2016
	£	£
Future minimum lease payments due under finance leases:		
Within one year	40,879	40,879
In two to five years	39,007	79,886
	<u>79,886</u>	<u>120,765</u>

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

### 18 Provisions for liabilities

	Notes	2017	2016
		£	£
Deferred tax liabilities	19	<u>35,806</u>	<u>46,761</u>

### 19 Deferred taxation

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

	Liabilities 2017	Liabilities 2016
	£	£
<b>Balances:</b>		
ACAs	<u>35,806</u>	<u>46,761</u>
<b>Movements in the year:</b>		2017
		£
Liability at 1 January 2017		46,761
Credit to profit or loss		(10,955)
Liability at 31 December 2017		<u>35,806</u>

# ALLIED INTERNATIONAL UK LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 20 Retirement benefit schemes

	2017	2016
	£	£
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	23,356	41,677

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.

### 21 Share capital

	2017	2016
	£	£
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
700,000 A Ordinary shares of 10p each	70,000	70,000
	70,000	70,000

### 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:

	2017	2016
	£	£
Within one year	-	62,108
Between two and five years	371,076	221,479
	371,076	283,587

### 23 Related party transactions

#### Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2017	2016
	£	£
Aggregate compensation	305,990	206,743



# ALLIED INTERNATIONAL UK LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 23 Related party transactions

(Continued)

#### Transactions with related parties

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

	Sale of goods		Purchase of goods	
	2017	2016	2017	2016
	£	£	£	£
Entities with control, joint control or significant influence over the company	20,609	-	344,043	141,484
Other related parties	-	2,181	1,082,241	833,534
	<u>20,609</u>	<u>2,181</u>	<u>1,426,284</u>	<u>975,018</u>

The following amounts were outstanding at the reporting end date:

	2017	2016
	£	£
<b>Amounts owed to related parties</b>		
Entities with control, joint control or significant influence over the company	1,077,040	510,893
Other related parties	139,405	191,233
	<u>1,216,445</u>	<u>702,126</u>

### 24 Controlling party

At 31 December 2017 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.

### 25 Cash generated from operations

	2017	2016
	£	£
Profit for the year after tax	1,334,933	1,008,856
<b>Adjustments for:</b>		
Taxation charged	335,675	260,017
Finance costs	13,731	17,684
Loss on disposal of tangible fixed assets	954	4,171
Depreciation and impairment of tangible fixed assets	107,396	93,838
<b>Movements in working capital:</b>		
(Increase) in stocks	(349,770)	(80,514)
(Increase)/decrease in debtors	(1,426,204)	546,128
Increase in creditors	996,796	229,624
<b>Cash generated from operations</b>	<u>1,013,511</u>	<u>2,079,804</u>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.