

Company Registration No. SC065519 (Scotland)

ALLIED INTERNATIONAL UK LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

ALLIED INTERNATIONAL UK LTD

COMPANY INFORMATION

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

ALLIED INTERNATIONAL UK LTD

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ALLIED INTERNATIONAL UK LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the strategic report and financial statements for the year ended 31 December 2018.

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 from £12.76m in 2017 to £18.2m in 2018.

An increase was anticipated and can be attributed to the continued efforts of the Board in restructuring the business. However, confidence is also returning to the Oil & Gas sector, giving the company access to more projects and opportunities within the markets it trades in.

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 & 14001/OHSAS 18001 in recognition of major customers increasing requirements on its supply sources.

The upward trend of the marketplace is expected to continue in the following year but the Company will continue to act cautiously. The Company continues to ensure supply payments are made in accordance with the 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 2019.

On behalf of the board

Mr M Duncan
Director
28 June 2019

ALLIED INTERNATIONAL UK LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and financial statements for the year ended 31 December 2018.

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 £1,250,000. 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

28 June 2019

ALLIED INTERNATIONAL UK LTD

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Opinion

We have audited the financial statements of Allied International UK Ltd (the 'company') for the year ended 31 December 2018 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 2018 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

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

1 July 2019

Chartered Accountants
Statutory Auditor

6 Redheughs Rigg
Edinburgh
EH12 9DQ

ALLIED INTERNATIONAL UK LTD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Turnover	3	18,199,525	12,761,472
Cost of sales		(13,510,070)	(9,579,865)
Gross profit		4,689,455	3,181,607
Distribution costs		(383,903)	(406,160)
Administrative expenses		(1,527,385)	(1,091,108)
Operating profit	4	2,778,167	1,684,339
Interest payable and similar expenses	7	(8,216)	(13,731)
Profit before taxation		2,769,951	1,670,608
Tax on profit	8	(534,555)	(335,675)
Profit for the financial year		2,235,396	1,334,933

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 2018

	Notes	2018 £	£	2017 £	£
Fixed assets					
Tangible assets	10	1,352,726		1,248,830	
Investments	11	4,800		-	
		<u>1,357,526</u>		<u>1,248,830</u>	
Current assets					
Stocks	13	5,471,878		3,478,282	
Debtors	14	3,663,501		2,812,980	
Cash at bank and in hand		161,584		1,265,143	
		<u>9,296,963</u>		<u>7,556,405</u>	
Creditors: amounts falling due within one year	15	<u>(4,802,025)</u>		<u>(3,961,348)</u>	
Net current assets		<u>4,494,938</u>		<u>3,595,057</u>	
Total assets less current liabilities		<u>5,852,464</u>		<u>4,843,887</u>	
Creditors: amounts falling due after more than one year	16	(157,289)		(155,701)	
Provisions for liabilities	19	(57,399)		(35,806)	
Net assets		<u><u>5,637,776</u></u>		<u><u>4,652,380</u></u>	
Capital and reserves					
Called up share capital	22	70,000		70,000	
Revaluation reserve		-		100	
Profit and loss reserves		<u>5,567,776</u>		<u>4,582,280</u>	
Total equity		<u><u>5,637,776</u></u>		<u><u>4,652,380</u></u>	

The financial statements were approved by the board of directors and authorised for issue on 28 June 2019 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 2018

		Share capital	Revaluation reserves	Profit and loss reserves	Total
	Notes	£	£	£	£
Balance at 1 January 2017		70,000	135	4,247,312	4,317,447
Year ended 31 December 2017:					
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)
Balance at 31 December 2017		70,000	100	4,582,280	4,652,380
Year ended 31 December 2018:					
Profit and total comprehensive income for the year		-	-	2,235,396	2,235,396
Dividends	9	-	-	(1,250,000)	(1,250,000)
Transfers		-	-	100	100
Other movements		-	(100)	-	(100)
Balance at 31 December 2018		70,000	-	5,567,776	5,637,776

ALLIED INTERNATIONAL UK LTD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

		2018	2017
	Notes	£	£
Cash flows from operating activities			
Cash generated from operations	27	700,226	1,013,511
Interest paid		(8,216)	(13,731)
Income taxes paid		(346,630)	(244,697)
Net cash inflow from operating activities		345,380	755,083
Investing activities			
Purchase of tangible fixed assets		(235,171)	(64,685)
Proceeds on disposal of tangible fixed assets		5,531	628
Purchase of investment		(4,800)	-
Net cash used in investing activities		(234,440)	(64,057)
Financing activities			
Repayment of bank loans		(76,576)	(184,875)
Payment of finance leases obligations		112,077	(40,879)
Dividends paid		(1,250,000)	(1,000,000)
Net cash used in financing activities		(1,214,499)	(1,225,754)
Net decrease in cash and cash equivalents		(1,103,559)	(534,728)
Cash and cash equivalents at beginning of year		1,265,143	1,799,864
Cash and cash equivalents at end of year		161,584	1,265,143

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.6 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.

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.

1.7 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.

1.8 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.

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

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.

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.

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 2018

1 Accounting policies

(Continued)

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.

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.

1.9 Equity instruments

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

1.10 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 2018

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.

1.11 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.

1.12 Retirement benefits

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

1.13 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 profit or loss 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 profit or loss 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 leases asset are consumed.

1.14 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 2018

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:

	2018 £	2017 £
Turnover analysed by class of business		
Sales of goods	18,199,525	12,761,472
	<u>18,199,525</u>	<u>12,761,472</u>
	2018 £	2017 £
Turnover analysed by geographical market		
UK	17,052,887	11,414,780
Overseas	1,146,638	1,346,692
	<u>18,199,525</u>	<u>12,761,472</u>

4 Operating profit

	2018 £	2017 £
Operating profit for the year is stated after charging:		
Exchange losses	66,977	33,077
Fees payable to the company's auditor for the audit of the company's financial statements	12,939	5,775
Depreciation of owned tangible fixed assets	99,756	77,209
Depreciation of tangible fixed assets held under finance leases	25,918	30,187
Loss on disposal of tangible fixed assets	70	954
Cost of stocks recognised as an expense	10,256,003	6,916,062
Operating lease charges	133,123	152,973
	<u>10,595,786</u>	<u>7,236,237</u>

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 £66,977 (2017 - £33,077).

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

5 Employees

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

	2018 Number	2017 Number
Sales	16	16
Production/Warehouse	35	34
Administration	6	6
	<u>57</u>	<u>56</u>

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	1,827,276	1,500,780
Social security costs	177,266	137,002
Pension costs	20,729	23,356
	<u>2,025,271</u>	<u>1,661,138</u>

6 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	<u>497,861</u>	<u>305,990</u>

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2018 £	2017 £
Remuneration for qualifying services	<u>227,653</u>	<u>131,588</u>

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

7 Interest payable and similar expenses

	2018 £	2017 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	4,624	11,443
Interest on finance leases and hire purchase contracts	3,592	2,472
	<u>8,216</u>	<u>13,915</u>
Other finance costs:		
Other interest	-	(184)
	<u>8,216</u>	<u>13,731</u>

8 Taxation

	2018 £	2017 £
Current tax		
UK corporation tax on profits for the current period	512,962	346,630
	<u>512,962</u>	<u>346,630</u>
Deferred tax		
Origination and reversal of timing differences	21,593	(10,955)
	<u>21,593</u>	<u>(10,955)</u>
Total tax charge	<u>534,555</u>	<u>335,675</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:

	2018 £	2017 £
Profit before taxation	<u>2,769,951</u>	<u>1,670,608</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.24%)	526,291	321,425
Tax effect of expenses that are not deductible in determining taxable profit	5,649	10,251
Effect of change in corporation tax rate	-	(673)
Permanent capital allowances in excess of depreciation	(18,991)	15,436
Other permanent differences	13	-
Loss on disposal of fixed asset	-	191
Deferred tax movement	21,593	(10,955)
Taxation charge for the year	<u>534,555</u>	<u>335,675</u>

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

9 Dividends

	2018 £	2017 £
Interim paid	1,250,000	1,000,000

10 Tangible fixed assets

	Leasehold property £	Plant and machinery £	Office equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2018	1,162,051	1,064,216	161,440	135,677	2,523,384
Additions	1,100	171,489	12,095	50,487	235,171
Disposals	-	(7,660)	(9,450)	(24,405)	(41,515)
At 31 December 2018	1,163,151	1,228,045	164,085	161,759	2,717,040
Depreciation and impairment					
At 1 January 2018	227,186	848,986	148,437	49,945	1,274,554
Depreciation charged in the year	23,259	70,053	6,290	26,072	125,674
Eliminated in respect of disposals	-	(7,583)	(8,042)	(20,289)	(35,914)
At 31 December 2018	250,445	911,456	146,685	55,728	1,364,314
Carrying amount					
At 31 December 2018	912,706	316,589	17,400	106,031	1,352,726
At 31 December 2017	934,865	215,230	13,003	85,732	1,248,830

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

	2018 £	2017 £
Plant and machinery	127,379	90,561

11 Fixed asset investments

	2018 £	2017 £
Unlisted investments	4,800	-

The company has not designated any financial assets that are not classified as financial assets at fair value through profit or loss.

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

11 Fixed asset investments (Continued)

Movements in fixed asset investments

	Investments other than loans £
Cost or valuation	
At 1 January 2018	-
Additions	4,800
	<hr/>
At 31 December 2018	4,800
	<hr/>
Carrying amount	
At 31 December 2018	4,800
	<hr/>
At 31 December 2017	-
	<hr/>

12 Financial instruments

	2018 £	2017 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	3,563,891	2,754,129
Equity instruments measured at cost less impairment	4,800	-
	<hr/>	<hr/>
Carrying amount of financial liabilities		
Measured at amortised cost	4,032,531	3,337,622
	<hr/>	<hr/>

13 Stocks

	2018 £	2017 £
Finished goods and goods for resale	5,471,878	3,478,282
	<hr/>	<hr/>

14 Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	3,563,891	2,753,942
Other debtors	-	187
Prepayments and accrued income	99,610	58,851
	<hr/>	<hr/>
	3,663,501	2,812,980
	<hr/>	<hr/>

Trade debtors disclosed above are measured at amortised cost.

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

15 Creditors: amounts falling due within one year

	Notes	2018 £	2017 £
Bank loans and overdrafts	17	40,796	77,219
Obligations under finance leases	18	111,215	40,879
Trade creditors		1,887,882	1,719,359
Amounts owed to group undertakings		1,687,802	1,216,445
Corporation tax		512,962	346,630
Other taxation and social security		413,821	432,797
Other creditors		123,178	100,914
Accruals and deferred income		24,369	27,105
		<u>4,802,025</u>	<u>3,961,348</u>

16 Creditors: amounts falling due after more than one year

	Notes	2018 £	2017 £
Bank loans and overdrafts	17	76,541	116,694
Obligations under finance leases	18	80,748	39,007
		<u>157,289</u>	<u>155,701</u>

17 Loans and overdrafts

	2018 £	2017 £
Bank loans	<u>117,337</u>	<u>193,913</u>
Payable within one year	40,796	77,219
Payable after one year	<u>76,541</u>	<u>116,694</u>

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

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

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

18 Finance lease obligations

	2018 £	2017 £
Future minimum lease payments due under finance leases:		
Within one year	111,215	40,879
In two to five years	80,748	39,007
	<u>191,963</u>	<u>79,886</u>

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

19 Provisions for liabilities

	Notes	2018 £	2017 £
Deferred tax liabilities	20	<u>57,399</u>	<u>35,806</u>

20 Deferred taxation

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

	Liabilities 2018 £	Liabilities 2017 £
Balances:		
ACAs	<u>57,399</u>	<u>35,806</u>
Movements in the year:		2018 £
Liability at 1 January 2018		35,806
Charge to profit or loss		21,593
Liability at 31 December 2018		<u>57,399</u>

21 Retirement benefit schemes

	2018 £	2017 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>20,729</u>	<u>23,356</u>

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.

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

22 Share capital

	2018 £	2017 £
Ordinary share capital		
Issued and fully paid		
700,000 A Ordinary shares of 10p each	70,000	70,000

23 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:

	2018 £	2017 £
Between two and five years	250,672	371,076

24 Events after the reporting date

The company acquired a property after the year end for £920,000. The bank has security over the property.

25 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2018 £	2017 £
Aggregate compensation	471,314	305,990

Transactions with related parties

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

	Sales		Purchases	
	2018 £	2017 £	2018 £	2017 £
Entities with control, joint control or significant influence over the company	87,921	20,609	519,627	344,043
Other related parties	41,252	-	4,522,299	1,082,241

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

25 Related party transactions (Continued)

The following amounts were outstanding at the reporting end date:

	2018 £	2017 £
Amounts due to related parties		
Entities with control, joint control or significant influence over the company	1,003,178	1,077,040
Other related parties	434,625	139,405
	<u>1,437,803</u>	<u>1,216,445</u>

26 Ultimate controlling party

At 31 December 2018 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.

27 Cash generated from operations

	2018 £	2017 £
Profit for the year after tax	2,235,396	1,334,933
Adjustments for:		
Taxation charged	534,555	335,675
Finance costs	8,216	13,731
Loss on disposal of tangible fixed assets	70	954
Depreciation and impairment of tangible fixed assets	125,674	107,396
Movements in working capital:		
(Increase) in stocks	(1,993,596)	(349,770)
(Increase) in debtors	(850,521)	(1,426,204)
Increase in creditors	640,432	996,796
Cash generated from operations	<u>700,226</u>	<u>1,013,511</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.