

Company Registration No. SC065519 (Scotland)

ALLIED INTERNATIONAL UK LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021

The directors present the strategic report and financial statements for the year ended 31 December 2021.

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 of the business continued to be impacted in 2021 due to the Covid-19 pandemic, which resulted in a trading performance that was not in line with budget expectations.

Turnover reduced from £14.8m in 2020 to £11.3m in 2021. This reduction was disappointing in that a similar result to 2020 was anticipated but reduced Sales in Offshore and Petrochemical market sectors impacted heavily on the business. However, strong results from other sectors enabled the business to maintain a reasonable profit margin under the circumstances. The market remains challenging post-pandemic and budgets have again been reduced to reflect this.

However, a strong liquidity remains to support growth for the business over its UK locations, 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 to its success. The business continues to invest in people and will look to restructure and give additional support to both Aberdeen & Teeside locations in 2022, with a view to maintaining expectations of the Business Plan.

The principal activity of the Company continued to be that of manufacture and supply of pipeline products to the home and overseas oil, gas, petrochemical and nuclear sectors, with the focus remaining 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.

Outwith the points made above, 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 various strategies continue to be operated for the on-going improvement of the business. The business remains qualified and continues to invest in accreditation of ISO 9001, ISO 14001 & ISO 45001 in recognition of major customers increasing requirements on its supply sources.

The biggest risks to the business short-term are the fallout of the Covid-19 pandemic to the industry and the developing situation in Ukraine. The Company remains focused and cautious and continues to monitor the commercial effects of the above. 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 still expected to return a reasonable contribution for 2022 in line with budget expectations.

On behalf of the board

.....
Mr M Duncan
Director
.....

ALLIED INTERNATIONAL UK LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and financial statements for the year ended 31 December 2021.

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.

Results and dividends

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

Ordinary dividends were paid amounting to £300,000. The directors do not recommend payment of a final dividend.

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

Auditor

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

Energy and carbon report

As the company has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

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

2 August 2022

ALLIED INTERNATIONAL UK LTD

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 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 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 2021 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks applicable to the company, focusing on provisions of those laws and regulations which could have a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and local tax legislation.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by considering our knowledge of the company and the sector in which it operates and by discussion with staff and those charged with governance. We considered the procedures and controls that are in place to address risks identified, or that otherwise prevent, deter and detect fraud.

Based on this understanding we designed our audit procedures to detect circumstances in which irregularities could result in material misstatement and to identify irregularities which may have occurred. Our procedures included: journal entry testing; enquiries of staff and those charged with governance; review of Board minutes; review of specific transactions and documentation; analytical procedures; and review of the presentation and disclosures in the financial statements.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non compliance with laws and regulations throughout the audit.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

ALLIED INTERNATIONAL UK LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ALLIED INTERNATIONAL UK LTD

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

2 August 2022

Chartered Accountants
Statutory Auditor

6 Redheughs Rigg
Edinburgh
EH12 9DQ

ALLIED INTERNATIONAL UK LTD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Turnover	3	11,383,451	14,797,223
Cost of sales		(9,252,675)	(11,180,586)
Gross profit		2,130,776	3,616,637
Distribution costs		(358,092)	(404,021)
Administrative expenses		(1,294,258)	(1,517,765)
Other operating income		-	182,127
Operating profit	4	478,426	1,876,978
Interest payable and similar expenses	6	(18,466)	(28,093)
Profit before taxation		459,960	1,848,885
Tax on profit	7	(94,260)	(371,231)
Profit for the financial year		365,700	1,477,654

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 2021

	Notes	2021 £	£	2020 £	£
Fixed assets					
Tangible assets	9	2,102,444		2,211,807	
Investments	10	4,800		4,800	
		<u>2,107,244</u>		<u>2,216,607</u>	
Current assets					
Stocks	11	3,882,092		4,105,187	
Debtors	12	2,082,454		1,859,886	
Cash at bank and in hand		1,180,822		2,389,872	
		<u>7,145,368</u>		<u>8,354,945</u>	
Creditors: amounts falling due within one year	13	<u>(2,289,590)</u>		<u>(3,548,461)</u>	
Net current assets		<u>4,855,778</u>		<u>4,806,484</u>	
Total assets less current liabilities		<u>6,963,022</u>		<u>7,023,091</u>	
Creditors: amounts falling due after more than one year	14	(389,751)		(505,014)	
Provisions for liabilities					
Deferred tax liability	17	<u>30,081</u>		<u>40,587</u>	
		<u>(30,081)</u>		<u>(40,587)</u>	
Net assets		<u>6,543,190</u>		<u>6,477,490</u>	
Capital and reserves					
Called up share capital	19	70,000		70,000	
Profit and loss reserves		<u>6,473,190</u>		<u>6,407,490</u>	
Total equity		<u>6,543,190</u>		<u>6,477,490</u>	

The financial statements were approved by the board of directors and authorised for issue on 2 August 2022 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 2021

		Share capital	Profit and loss reserves	Total
	Notes	£	£	£
Balance at 1 January 2020		70,000	6,179,836	6,249,836
Year ended 31 December 2020:				
Profit and total comprehensive income for the year		-	1,477,654	1,477,654
Dividends	8	-	(1,250,000)	(1,250,000)
Balance at 31 December 2020		70,000	6,407,490	6,477,490
Year ended 31 December 2021:				
Profit and total comprehensive income for the year		-	365,700	365,700
Dividends	8	-	(300,000)	(300,000)
Balance at 31 December 2021		70,000	6,473,190	6,543,190

ALLIED INTERNATIONAL UK LTD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	23				
			(304,639)		2,451,025
Interest paid			(18,466)		(28,093)
Income taxes paid			(400,621)		(433,508)
Net cash (outflow)/inflow from operating activities			(723,726)		1,989,424
Investing activities					
Purchase of tangible fixed assets		(16,858)		(36,385)	
Proceeds on disposal of tangible fixed assets		-		19,348	
Net cash used in investing activities			(16,858)		(17,037)
Financing activities					
Repayment of bank loans		(121,824)		(98,880)	
New finance lease obligations		-		229,710	
Payment of finance leases obligations		(46,643)		(140,531)	
Dividends paid		(300,000)		(1,250,000)	
Net cash used in financing activities			(468,467)		(1,259,701)
Net (decrease)/increase in cash and cash equivalents			(1,209,051)		712,686
Cash and cash equivalents at beginning of year			2,389,872		1,981,944
Cash and cash equivalents at end of year			1,180,822		2,389,872

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021

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 cost and replacement 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 and cash equivalents

Cash and cash equivalents 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 2021

1 Accounting policies

(Continued)

1.9 Financial instruments

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 2021

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.

1.10 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.

1.11 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 2021

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.

1.12 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.

1.13 Retirement benefits

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

1.14 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.

1.15 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.16 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.

3 Turnover and other revenue

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

	2021	2020
	£	£
Turnover analysed by class of business		
Sales of goods	11,383,451	14,797,223
	<u>11,383,451</u>	<u>14,797,223</u>
	2021	2020
	£	£
Turnover analysed by geographical market		
UK	10,394,257	13,065,878
Overseas	989,194	1,731,345
	<u>11,383,451</u>	<u>14,797,223</u>
	2021	2020
	£	£
Other significant revenue		
Grants received	-	182,127
	<u>-</u>	<u>182,127</u>

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

4 Operating profit

	2021 £	2020 £
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(58,666)	163,293
Government grants	-	(182,127)
Fees payable to the company's auditor for the audit of the company's financial statements	10,500	11,241
Depreciation of owned tangible fixed assets	96,200	114,619
Depreciation of tangible fixed assets held under finance leases	30,021	67,278
(Profit)/loss on disposal of tangible fixed assets	-	121,477
Operating lease charges	60,000	97,852
	<u> </u>	<u> </u>

5 Employees

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

	2021 Number	2020 Number
Sales	17	17
Production/Warehouse	33	38
Administration	6	6
	<u> </u>	<u> </u>
Total	56	61
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	1,917,495	1,989,840
Social security costs	199,113	201,540
Pension costs	36,958	32,981
	<u> </u>	<u> </u>
	2,153,566	2,224,361
	<u> </u>	<u> </u>

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

6 Interest payable and similar expenses

	2021 £	2020 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	12,070	16,030
Other finance costs:		
Interest on finance leases and hire purchase contracts	2,812	7,219
Other interest	3,584	4,844
	<u>18,466</u>	<u>28,093</u>

7 Taxation

	2021 £	2020 £
Current tax		
UK corporation tax on profits for the current period	104,766	400,621
	<u>104,766</u>	<u>400,621</u>
Deferred tax		
Origination and reversal of timing differences	(10,506)	(29,390)
	<u>(10,506)</u>	<u>(29,390)</u>
Total tax charge	<u>94,260</u>	<u>371,231</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:

	2021 £	2020 £
Profit before taxation	459,960	1,848,885
	<u>459,960</u>	<u>1,848,885</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	87,392	351,288
Tax effect of expenses that are not deductible in determining taxable profit	2,775	13,188
Permanent capital allowances in excess of depreciation	(14,599)	(124,982)
Loss on disposal of fixed asset	-	121,477
Deferred tax movement	18,692	10,260
	<u>94,260</u>	<u>371,231</u>
Taxation charge for the year	<u>94,260</u>	<u>371,231</u>

8 Dividends

	2021 £	2020 £
Interim paid	300,000	1,250,000
	<u>300,000</u>	<u>1,250,000</u>

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

9 Tangible fixed assets

	Leasehold property £	Plant and machinery £	Office equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2021	2,139,419	1,312,332	179,070	105,897	3,736,718
Additions	-	14,714	2,144	-	16,858
At 31 December 2021	2,139,419	1,327,046	181,214	105,897	3,753,576
Depreciation and impairment					
At 1 January 2021	313,716	1,009,566	140,496	61,133	1,524,911
Depreciation charged in the year	32,912	72,103	10,017	11,189	126,221
At 31 December 2021	346,628	1,081,669	150,513	72,322	1,651,132
Carrying amount					
At 31 December 2021	1,792,791	245,377	30,701	33,575	2,102,444
At 31 December 2020	1,825,703	302,766	38,574	44,764	2,211,807

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

	2021 £	2020 £
Plant and machinery	147,127	171,149

10 Fixed asset investments

	2021 £	2020 £
Unlisted investments	4,800	4,800

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

11 Stocks

	2021 £	2020 £
Finished goods and goods for resale	3,882,092	4,105,187

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

12 Debtors

	2021	2020
	£	£
Amounts falling due within one year:		
Trade debtors	2,013,626	1,765,781
Prepayments and accrued income	68,828	94,105
	<u>2,082,454</u>	<u>1,859,886</u>

Trade debtors disclosed above are measured at amortised cost.

13 Creditors: amounts falling due within one year

	Notes	2021	2020
		£	£
Bank loans	15	98,147	133,484
Obligations under finance leases	16	28,776	46,642
Trade creditors		1,196,699	939,942
Amounts owed to group undertakings		250,000	1,536,757
Corporation tax		104,766	400,621
Other taxation and social security		382,312	313,225
Other creditors		203,560	168,207
Accruals and deferred income		25,330	9,583
		<u>2,289,590</u>	<u>3,548,461</u>

14 Creditors: amounts falling due after more than one year

	Notes	2021	2020
		£	£
Bank loans and overdrafts	15	372,964	459,451
Obligations under finance leases	16	16,787	45,563
		<u>389,751</u>	<u>505,014</u>

15 Loans and overdrafts

	2021	2020
	£	£
Bank loans	471,111	592,935
	<u>471,111</u>	<u>592,935</u>
Payable within one year	98,147	133,484
Payable after one year	372,964	459,451
	<u>471,111</u>	<u>592,935</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.

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

15 Loans and overdrafts

(Continued)

The loan taken out in November 2016, provided by the Clydesdale Bank, was fully repaid in October 2021.

The loan taken out in March 2019, provided by the Clydesdale Bank, is due to be fully repaid in March 2027.

16 Finance lease obligations

	2021	2020
	£	£
Future minimum lease payments due under finance leases:		
Within one year	28,777	46,642
In two to five years	16,786	45,563
	<u>45,563</u>	<u>92,205</u>

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

17 Deferred taxation

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

	Liabilities 2021	Liabilities 2020
	£	£
Balances:		
ACAs	<u>30,081</u>	<u>40,587</u>
Movements in the year:		2021 £
Liability at 1 January 2021		40,587
Credit to profit or loss		(10,506)
Liability at 31 December 2021		<u>30,081</u>

18 Retirement benefit schemes

	2021	2020
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>36,958</u>	<u>32,981</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 2021

19 Share capital

	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital Issued and fully paid				
A Ordinary shares of 10p each	700,000	700,000	70,000	70,000

20 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:

	2021 £	2020 £
Within one year	30,000	30,000

21 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2021 £	2020 £
Aggregate compensation	540,963	471,605

Transactions with related parties

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

	Sales		Purchases	
	2021 £	2020 £	2021 £	2020 £
Entities with control, joint control or significant influence over the company	1,400	1,222	170,197	405,079
Other related parties	35,721	21,469	810,170	1,312,912

The following amounts were outstanding at the reporting end date:

	2021 £	2020 £
Amounts due to related parties		
Entities with control, joint control or significant influence over the company	358,777	1,303,123
Other related parties	(108,777)	233,634

ALLIED INTERNATIONAL UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

22 Ultimate controlling party

At the reporting end date 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.

23 Cash (absorbed by)/generated from operations

	2021 £	2020 £
Profit for the year after tax	365,700	1,477,654
Adjustments for:		
Taxation charged	94,260	371,231
Finance costs	18,466	28,093
(Gain)/loss on disposal of tangible fixed assets	-	121,477
Depreciation and impairment of tangible fixed assets	126,221	181,897
Movements in working capital:		
Decrease/(increase) in stocks	223,095	(269,075)
(Increase)/decrease in debtors	(222,568)	1,188,535
Decrease in creditors	(909,813)	(648,787)
Cash (absorbed by)/generated from operations	(304,639)	2,451,025

24 Analysis of changes in net funds

	1 January 2021 £	Cash flows £	31 December 2021 £
Cash at bank and in hand	2,389,872	(1,209,050)	1,180,822
Borrowings excluding overdrafts	(592,935)	121,824	(471,111)
Obligations under finance leases	(92,205)	46,642	(45,563)
	1,704,732	(1,040,584)	664,148

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