

FTV PROCLAD (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2018

TUESDAY



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FTV PROCLAD (UK) LIMITED

COMPANY INFORMATION

Directors	Mr A B A Rottach (appointed 2 July 2018) Mr M A Penman Mr Y M J M Mohsen
Registered number	SC271316
Registered office	c/o FTV Proclad International Limited Viewfield Road Viewfield Industrial Estate Glenrothes Fife KY6 2RD
Independent auditor	Grant Thornton UK LLP Chartered Accountants and Statutory Auditor Level 8 110 Queen Street Glasgow G1 3BX

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FTV PROCLAD (UK) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 NOVEMBER 2018

Introduction

The Company is a wholly-owned subsidiary of Proclad Group Limited.

The principal activity of the Company during the year was specialist engineering services to the marine and offshore sector.

Business review and future developments

The Company experienced a productive yet challenging year affected by the ongoing downturn in the oil and gas sector. Turnover for the year was £2.9m (2017: £3.7m), a decrease against the previous year of 23.5% with gross margins decreasing from 17.0% to -3.3% primarily as a result of business mix. Overhead costs increased in comparison to last year and were up overall by 12.5%. The overall result led to an operating profit of -21.22%, compared to the previous year of 4.8%.

The directors expect opportunities for growth to arise when the oil and gas market recovers. The Company's balance sheet net assets decreased on the previous year by £0.4m to £4.2m (2017: £4.6m).

Principal risks and uncertainties

The company sells products into international markets and is therefore exposed to currency movements on such sales. Where appropriate, the company manages this risk with forward foreign exchange contracts in line with Proclad Group's treasury policies.

The company's operations may be affected by fluctuations in the price and supply of key raw materials, although purchasing policies and practices seek to mitigate, where practicable, such risks.

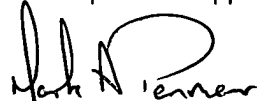
The Group risks to which the company is exposed are discussed in the Annual Report of the ultimate parent company, National Industries Group Holding - KPSC, which does not form part of this report.

The directors continue to robustly manage the risks associated with being an internationally diverse Group, specific measures have been implemented to counter management's views of financial and operational risk associated by the impact of the UK leaving the European Union.

Financial key performance indicators

The directors consider gross margin and revenue growth to be the principal key performance indicators for the business. Both have been considered within the Business Review.

This report was approved by the board on 1 March 2019 and signed on its behalf.



Mr M A Penman
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 NOVEMBER 2018**

The directors present their report and the financial statements for the year ended 30 November 2018.

Results and dividends

The loss for the year, after taxation, amounted to £472,736 (2017 - profit £230,551).

The directors did not propose payment of dividend during the year (2017: £NIL)

Directors

The directors who served during the year were:

Mr A B A Rottach (appointed 2 July 2018)
Mr M A Penman
Mr Y M J M Mohsen

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 NOVEMBER 2018**

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 1 March 2019 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'Mark A Penman'. The signature is stylized with a large, looping 'P' and a distinct 'M'.

Mr M A Penman
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FTV PROCLAD (UK) LIMITED

Opinion

We have audited the financial statements FTV Proclad (UK) Limited (the 'company') for the year ended 30 November 2018, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity 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 Financial Reporting Standard 101 'Reduced Disclosure Framework' (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 30 November 2018 and of its loss 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FTV PROCLAD (UK) LIMITED (CONTINUED)

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 2, 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FTV PROCLAD (UK) LIMITED
(CONTINUED)

Use of our 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.

Grant Thornton UK LLP

James Andersen

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Glasgow

4 March 2019

FTV PROCLAD (UK) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 NOVEMBER 2018**

	Note	2018 £	2017 £
Turnover	4	2,852,742	3,728,103
Cost of sales		(2,947,317)	(3,093,209)
Gross (loss)/profit		(94,575)	634,894
Distribution costs		(178,844)	(244,344)
Administrative expenses		(201,020)	(209,661)
Exceptional administrative expenses		(130,998)	-
Operating (loss)/profit	5	(605,437)	180,889
Interest payable and expenses	10	(3,591)	(831)
(Loss)/profit before tax		(609,028)	180,058
Tax on (loss)/profit		136,292	50,493
(Loss)/profit for the financial year		(472,736)	230,551

There was no other comprehensive income for 2018 (2017:£NIL).

The notes on pages 10 to 26 form part of these financial statements.

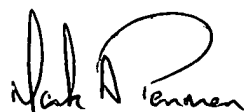
All the activities of the company are classified as continuing.

FTV PROCLAD (UK) LIMITED
REGISTERED NUMBER: SC271316

BALANCE SHEET
AS AT 30 NOVEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets		1,435,015	1,435,015
Tangible fixed assets		562,341	693,854
		<u>1,997,356</u>	<u>2,128,869</u>
Current assets			
Stocks	14	590,813	489,687
Debtors: amounts falling due within one year	15	911,248	768,411
Cash at bank and in hand	16	1,461,944	1,990,150
		<u>2,964,005</u>	<u>3,248,248</u>
Creditors: amounts falling due within one year	17	(792,962)	(726,788)
Net current assets		<u>2,171,043</u>	<u>2,521,460</u>
Total assets less current liabilities		<u>4,168,399</u>	<u>4,650,329</u>
Provisions for liabilities			
Other provisions	20	(17,621)	(26,815)
		<u>(17,621)</u>	<u>(26,815)</u>
Net assets		<u><u>4,150,778</u></u>	<u><u>4,623,514</u></u>
Capital and reserves			
Called up share capital	21	2	2
Profit and loss account	22	4,150,776	4,623,512
		<u><u>4,150,778</u></u>	<u><u>4,623,514</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 1 March 2019.



Mr M A Penman
Director

The notes on pages 10 to 26 form part of these financial statements.

FTV PROCLAD (UK) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 NOVEMBER 2018**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 December 2017	2	4,623,512	4,623,514
Loss for the year	-	(472,736)	(472,736)
Total comprehensive income for the year	-	(472,736)	(472,736)
At 30 November 2018	2	4,150,776	4,150,778

The notes on pages 10 to 26 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 NOVEMBER 2017**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 December 2016	2	4,392,961	4,392,963
Profit for the year	-	230,551	230,551
Total comprehensive income for the year	-	230,551	230,551
At 30 November 2017	2	4,623,512	4,623,514

The notes on pages 10 to 26 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2018**

1. General information

FTV Proclad (UK) Limited is a private company limited by share capital incorporated in Scotland.

Registered address:

FTV Proclad International Limited
Viewfield Road
Viewfield Industrial Estate
Glenrothes
Fife
KY6 2RD

The functional currency is GBP.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2018**

2. Accounting policies (continued)

2.3 Going concern

The directors have prepared cash flow forecasts which indicate the UK Group should continue to have sufficient resources available to it to enable each company to continue in operational existence by meeting its day to day liabilities as they fall due for payment for a period of at least 12 months from the date of approval of these accounts.

In addition to the above, a fellow group undertaking has agreed to provide financial support for a period of 12 months from the date of these financial statements. This support will be reviewed at that time.

In light of the foregoing, the directors continue to believe that it remains appropriate to prepare the financial statements on a going concern basis.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view. The effect of this departure has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2018**

2. Accounting policies (continued)

2.6 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on the following bases.

The estimated useful lives range as follows:

Short term leasehold property	- Over the period of the lease
Plant and machinery	- 5 to 15 years
Motor vehicles	- 33% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.10 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2018**

2. Accounting policies (continued)

2.10 Financial instruments (continued)

They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of comprehensive income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance sheet.

2.11 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.12 Government grants

Government grants received on capital expenditure are initially recognised within Other provisions on the Company's Balance sheet and are subsequently recognised in profit or loss on a systematic basis over the useful life of the related capital expenditure.

Grants for revenue expenditure are presented as part of the profit or loss in the periods in which the expenditure is recognised.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2018**

2. Accounting policies (continued)

2.13 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

2.14 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.15 Pensions

Defined contribution pension plan

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2018**

2. Accounting policies (continued)

2.16 Current and deferred taxation

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

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

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

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

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

2.17 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence. By their nature these items are not expected to recur in future periods.

2.18 Distribution costs

Distribution costs are included within operating profit to reflect the true nature of these costs and to ensure consistency of presentation, the directors believe that it is appropriate to include them below gross margin.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2018**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

When preparing the financial statements, management make a number of judgements, estimates and assumptions about the recognition of assets, liabilities, income and expenses.

Significant management judgements

Other than the judgment regarding Deferred tax, the directors do not consider that there are any significant management judgements required in applying the accounting policies of the Company.

Deferred tax

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the underlying tax losses or deductible temporary differences can be utilised. Management judge that there will be sufficient profits to recognise the deferred tax amount shown in note 19 and unrecognised deferred tax assets shown in note 11.

Estimation Uncertainty

Information about estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is provided below and in note 12. Actual results may be substantially different.

Impairment of goodwill

Goodwill is tested at least annually for impairment in accordance with the accounting policy for goodwill set out in note 2.5. The recoverable amounts of cash generating units are determined based on value in use calculations. These calculations require the use of estimates including projected future cash-flows and other future events.

Stock

Management's estimate of the inventory provision required takes into account a number of judgements in respect of the condition of the inventory, the potential for future sales, the level of inventory holding compared to the projected future sales, assessment of the potential for alternative use of the inventory together with market-driven changes that may reduce future selling prices.

4. Turnover

The whole of the turnover is attributable to the one principal activity of the company.

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	1,319,550	1,296,277
Rest of Europe	560,952	605,565
Rest of the world	972,240	1,826,261
	<u>2,852,742</u>	<u>3,728,103</u>

FTV PROCLAD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2018**

5. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	<u>152,814</u>	<u>164,729</u>

6. Auditors' remuneration

Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements

<u>9,500</u>	<u>9,300</u>
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7. Employees and directors

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

	2018 £	2017 £
Wages and salaries	1,443,935	1,450,855
Social security costs	144,667	136,197
Cost of defined contribution scheme	66,389	70,985
	<u>1,654,991</u>	<u>1,658,037</u>

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

	2018 No.	2017 No.
Production staff	49	49
Administrative staff	3	3
	<u>52</u>	<u>52</u>

FTV PROCLAD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2018**

8. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	15,213	20,283
Company contributions to defined contribution pension schemes	1,383	1,037
	<u>16,596</u>	<u>21,320</u>

During the year retirement benefits were accruing to no directors (2017 - 1) in respect of defined contribution pension schemes.

9. Exceptional items

	2018 £	2017 £
Restructuring costs	6,307	-
Site move	124,691	-
	<u>130,998</u>	<u>-</u>

10. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	3,545	283
Finance leases and hire purchase contracts	46	548
	<u>3,591</u>	<u>831</u>

FTV PROCLAD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2018**

11. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	-	1,096
	<u>-</u>	<u>1,096</u>
Total current tax	<u>-</u>	<u>1,096</u>
Deferred tax		
Utilisation/(recognition) of tax losses brought forward/carried forward	(111,664)	-
Origination and reversal of temporary differences	8,434	6,813
Prior year adjustment and rate changes	(33,062)	(58,402)
	<u>(136,292)</u>	<u>(51,589)</u>
Total deferred tax	<u>(136,292)</u>	<u>(51,589)</u>
Taxation on loss on ordinary activities	<u>(136,292)</u>	<u>(50,493)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2018**

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 19.33%). The differences are explained below:

	2018 £	2017 £
(Loss)/profit on ordinary activities before tax	<u>(609,028)</u>	<u>180,058</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.33%)	(115,715)	34,805
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	225	(1,168)
Expenses not deductible for tax purposes	80	11,796
Impact of rate changes	12,181	-
Group relief	-	(27,626)
Adjustments to tax charges in respect of prior periods	(33,063)	(68,300)
Total tax charge for the year	<u><u>(136,292)</u></u>	<u><u>(50,493)</u></u>

Factors that may affect future tax charges

The main rate of corporation tax will reduce to 17% from 1 April 2020. Deferred tax has been measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and law that have been enacted or substantively enacted by the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2018**

12. Goodwill

	2018 £
Cost	
At 1 December 2017	2,649,255
At 30 November 2018	2,649,255
Amortisation	
At 1 December 2017	1,214,240
At 30 November 2018	1,214,240
Net book value	
At 30 November 2018	1,435,015
<i>At 30 November 2017</i>	1,435,015
	1,435,015

Goodwill arose on the purchase of the net assets from Forth Tool and Valve in 2004.

The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the board covering a five year period.

The key assumptions used in the calculations are gross margins and discount rates.

- Gross margins are based on management's experience of achieved values in previous years and forward expectations.

Management's assumptions, which are based on past performance and knowledge of the industry, are that revenue and profit margins will increase to 2023. Management do not believe that any reasonably possible change in the assumptions used in calculating the value in use would result in the recoverable amount of goodwill falling below the carrying value and impairment becoming necessary.

Management has sensitised the profit and cash flow forecast relating to FTV Proclad (UK) and the profit forecast would need to fall by 40% to trigger an impairment charge. The discount rate would need to increase to circa 31% to trigger an impairment charge.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2018

13. Tangible fixed assets

	Short-term leasehold property £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation				
At 1 December 2017	129,800	1,680,582	34,949	1,845,331
Additions	20,633	5,047	-	25,680
Disposals	(26,413)	(9,225)	-	(35,638)
At 30 November 2018	124,020	1,676,404	34,949	1,835,373
Depreciation				
At 1 December 2017	65,368	1,052,034	34,075	1,151,477
Charge for the year on owned assets	12,456	133,784	874	147,114
Charge for the year on financed assets	-	5,700	-	5,700
Disposals	(23,081)	(8,179)	-	(31,260)
At 30 November 2018	54,743	1,183,339	34,949	1,273,031
Net book value				
At 30 November 2018	69,277	493,065	-	562,342
At 30 November 2017	64,432	628,548	874	693,854

The net book value of assets held under finance leases or hire purchase contracts, included above, are £26,125 (2017: £31,825).

14. Stocks

	2018 £	2017 £
Raw materials and consumables	205,024	224,480
Work in progress (goods to be sold)	385,789	265,207
	590,813	489,687

In 2018, a total of £929,092 (2017 £998,946) of stocks are included in profit or loss as an expense. The above includes a amount of £7,000 for write down of stock (2017 credit £34,000 resulting from a write back of stock provisions.)

FTV PROCLAD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2018**

15. Debtors

	2018 £	2017 £
Trade debtors	449,016	654,881
Amounts owed by group undertakings	160,314	8,302
Other debtors	12,931	-
Prepayments and accrued income	95,575	55,947
Tax recoverable	7,839	-
Deferred taxation	185,573	49,281
	<u>911,248</u>	<u>768,411</u>

There are no predetermined receivable dates, security or interest payment arrangements applying to amounts owed by group undertakings. Therefore, the amounts are considered to be repayable on demand.

Amounts owed by group undertakings have been restated to due within one year as they have no fixed repayment terms.

16. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	1,461,944	1,990,150

17. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	338,073	338,492
Amounts owed to group undertakings	83,528	41,608
Taxation and social security	35,876	104,067
Net obligations under finance lease and hire purchase contracts	-	393
Other creditors	746	-
Accruals and deferred income	334,739	242,228
	<u>792,962</u>	<u>726,788</u>

Amounts owed to group undertakings are trading balances that do not bear interest, are unsecured and are repayable on normal commercial terms. Finance lease obligations are secured against the asset to which they relate.

FTV PROCLAD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2018**

18. Financial instruments

	2018 £	2017 £
Financial assets		
Cash and cash equivalents	1,461,944	1,990,150
Financial assets that are measured at amortised cost	622,262	663,183
	<hr/>	<hr/>
Financial liabilities		
Financial liabilities measured at amortised cost	(589,278)	(622,719)
	<hr/>	<hr/>

19. Deferred taxation

	2018 £	2017 £
Asset / (liability)	49,281	(2,308)
Credited to profit or loss	136,292	51,589
	<hr/>	<hr/>
Asset / (liability)	185,573	49,281
	<hr/> <hr/>	<hr/> <hr/>

The deferred tax asset is made up as follows:

	2018 £	2017 £
Fixed asset timing differences	72,375	47,767
Tax losses carried forward	111,664	-
Other timing differences	1,534	1,514
	<hr/>	<hr/>
	185,573	49,281
	<hr/> <hr/>	<hr/> <hr/>

FTV PROCLAD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2018**

20. Other provisions

	Government Grants £
At 1 December 2017	26,815
Utilised in year	(9,194)
At 30 November 2018	17,621

The Regional Selective Assistance grant received from Scottish Enterprise is dependant on the Company improving its manufacturing facilities, the creation and safeguarding jobs and further investment. The Company has met all of its obligations in respect of the grant criteria.

21. Share capital

	2018 £	2017 £
1,000 (2017 - 1,000) Ordinary shares of £1.00 each	1,000	1,000
Allotted, called up and fully paid		
2 (2017 - 2) Ordinary shares of £1.00 each	2	2

22. Reserves

Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses.

23. Pension commitments

The Company contributes to the money purchase Proclad International Limited Group Personal pension scheme. The pension cost represents contributions payable by the Company to the scheme and amounted to £71,887 (2017: £65,701). There was £Nil (2017: £9,024) outstanding at the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2018**

24. Commitments under operating leases

At 30 November 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	25,000	25,000
Later than 1 year and not later than 5 years	18,750	43,750
	<u>43,750</u>	<u>68,750</u>

25. Related party transactions

The Company is exempt from disclosing related party transactions as they are with other companies that are wholly owned within the Group.

26. Controlling party

The Company is a subsidiary undertaking of Proclad Group Limited. The results of the Company are consolidated in the financial statements of Proclad Group Limited, a company registered in the Emirate of Dubai and also the financial statements of the ultimate parent company, National Industries Group Holding - KSPC incorporated in Kuwait. These are respectively the smallest and largest group accounts which include the results of the company. Copies of the financial statements of National Industries Group Holding - KPSC are available from PO Box 417, 13005 Safat, Kuwait.