

Registered number: SC271316

FTV PROCLAD (UK) LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2020**

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FTV PROCLAD (UK) LIMITED

COMPANY INFORMATION

Directors	Mr A B A Rottach Mr M A Penman (appointed 24 April 2020) 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 110 Queen Street Glasgow G1 3BX

FTV PROCLAD (UK) LIMITED

CONTENTS

	Page
Strategic report	1
Directors' report	2 - 3
Independent auditor's report	4 - 6
Statement of comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Notes to the financial statements	10 - 28

FTV PROCLAD (UK) LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 30 NOVEMBER 2020

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 challenging year in the oil and gas sector. Turnover for the year was £3.2m (2019: £3.8m), a decrease against the previous year of 13% with gross margins decreasing from 14.8% to 11.6% as a result of the downturn. Overhead costs decreased in comparison to last year and were down overall by 38% and the operating income earned in the year produced a profitable result for the year. The overall result led to an operating profit of 6.9%, compared to the previous year of -3.3%.

The directors expect opportunities for growth to continue as the oil and gas market recovers. The Company's Statement of financial position net assets have increased in the current year to £4.1m (2019: £3.9m).

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.

There are two levels of uncertainty for the Company surrounding Brexit. Those which are directly related to Brexit, for example, the impact of duties and tariffs and interaction with the EU such as through customers and suppliers, and those that arise due to the broader impact of Brexit on the general economy. More specifically in relation to Brexit directly, risks could arise from changes in regulation, access to capital, currency fluctuations and exchange rates, valuations, credit risk, and the reduction in EU exports in the short term.

On 11 March 2020, the World Health Organisation (WHO) officially declared COVID-19, the disease caused by novel coronavirus, a pandemic. The Directors are managing the risks associated with the COVID-19 virus and continue to follow the guidelines as advised by the UK government (also refer to the directors report and note 2.4).

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 29 November 2021 and signed on its behalf.

Mark Penman
Mr M A Penman
Director

FTV PROCLAD (UK) LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 NOVEMBER 2020**

The directors present their report and the financial statements for the year ended 30 November 2020.

Results and dividends

The profit for the year, after taxation, amounted to £204,342 (2019 - loss £201,912).

The directors did not propose payment of dividend during the year (2019: £NIL)

Directors

The directors who served during the year were:

Mr A B A Rottach

Mr M A Penman (appointed 24 April 2020)

Mr Y M J M Mohsen

Environmental matters

The Company will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The Company has complied with all applicable legislation and regulations.

Engagement with employees

The Company participates in policies and practices to keep employees informed on matters relevant to them as employees through appropriate means, such as employee meetings and newsletters.

Disabled employees

Applications for employment by disabled persons are considered fully, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

FTV PROCLAD (UK) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2020

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

Auditor

The auditor for next year is up for tender.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 29 November 2021 and signed on its behalf.

Mark Penman

Mr M A Penman
Director

FTV PROCLAD (UK) LIMITED

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

Opinion

We have audited the financial statements of FTV PROCLAD (UK) LIMITED (the 'Company') for the year ended 30 November 2020, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes, 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'.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 November 2020 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 United Kingdom, including the Financial Reporting Council'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.

Material uncertainty related to going concern

We draw attention to note 2.4 in the financial statements, where the directors have acknowledged that the extent of the impact of the Covid-19 pandemic on the business is unclear, which represents a material uncertainty that may cast significant doubt upon the Company's ability to realise assets in full and discharge of all of its liabilities in the ordinary course of business. As stated in note 2.4, these events or conditions, along with the other matters as set forth in note 2.4, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

FTV PROCLAD (UK) LIMITED

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

Opinion 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.

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 or the Directors' report.

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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 3, 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

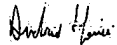
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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.

FTV PROCLAD (UK) LIMITED
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 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 for our audit work, for this report, or for the opinions we have formed.



Andrew Howie (Senior statutory auditor)

for and on behalf of
Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Glasgow

29 November 2021

FTV PROCLAD (UK) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 NOVEMBER 2020

	Note	2020 £	2019 £
Turnover	4	3,248,223	3,750,916
Cost of sales		(2,871,293)	(3,194,594)
Gross profit		376,930	556,322
Distribution costs		(179,142)	(462,952)
Administrative expenses		(220,001)	(202,625)
Exceptional administrative expenses	9	(26,067)	(15,500)
Other operating income	5	271,572	-
Operating profit/(loss)	6	223,292	(124,755)
Interest payable and expenses	10	(18,950)	(7,821)
Profit/(loss) before tax		204,342	(132,576)
Tax on profit/(loss)	11	-	(69,336)
Profit/(loss) for the financial year		204,342	(201,912)

There was no other comprehensive income for 2020 (2019: £NIL).

The notes on pages 10 to 28 form part of these financial statements.

All the activities of the company are classified as continuing.

FTV PROCLAD (UK) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 NOVEMBER 2020
SC271316

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	12	1,435,015	1,435,015
Tangible assets	13	438,352	429,451
		<u>1,873,367</u>	<u>1,864,466</u>
Current assets			
Stocks	14	386,455	495,166
Debtors: amounts falling due within one year	15	2,093,971	2,032,759
Cash at bank and in hand	16	821,609	620,642
		<u>3,291,140</u>	<u>3,148,567</u>
Creditors: amounts falling due within one year	17	(1,022,194)	(1,055,740)
Net current assets		<u>2,279,841</u>	<u>2,092,827</u>
Total assets less current liabilities		<u>4,153,208</u>	<u>3,957,293</u>
Provisions for liabilities			
Government grants	20	-	(8,427)
		<u>-</u>	<u>(8,427)</u>
Net assets		<u><u>4,153,208</u></u>	<u><u>3,948,866</u></u>
Capital and reserves			
Called up share capital	21	2	2
Profit and loss account	22	4,153,206	3,948,864
		<u><u>4,153,208</u></u>	<u><u>3,948,866</u></u>

The Company's financial statements have been prepared in accordance with the provisions applicable to entities subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 November 2021.

Mark Penman

Mr M A Penman
Director

The notes on pages 10 to 29 form part of these financial statements.

FTV PROCLAD (UK) LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 NOVEMBER 2020**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 December 2019	2	3,948,864	3,948,866
Comprehensive income for the year			
Profit for the year	-	204,342	204,342
Total comprehensive income for the year	-	204,342	204,342
At 30 November 2020	2	4,153,206	4,153,208

The notes on pages 10 to 28 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 NOVEMBER 2019**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 December 2018	2	4,150,776	4,150,778
Comprehensive income for the year			
Loss for the year	-	(201,912)	(201,912)
Total comprehensive income for the year	-	(201,912)	(201,912)
At 30 November 2019	2	3,948,864	3,948,866

The notes on pages 10 to 29 form part of these financial statements.

FTV PROCLAD (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2020

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 judgement 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 requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- 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

FTV PROCLAD (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2020 (CONTINUED)

2. Accounting policies (continued)

2.3 Impact of new international reporting standards, amendments and interpretations

IFRS 16

The company adopted IFRS 16 Leases on 1 December 2019. On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases.

Within the company there are a number of current lease contracts, mostly relating to offices, premises and computer equipment. The company reports a right-of-use asset and a lease liability representing the present value of future lease payments in the statement of financial position on the day that the leased asset is made available for use. In calculating the present value, the company's incremental borrowing rate is used. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 December 2019 was 5%.

The right-of-use assets are depreciated on a straight-line basis over the lease term, or over the period of use of the underlying asset if the lease transfers ownership of the underlying asset to the company at the end of the lease term. The depreciation is reported as costs whilst interest expenses relating to the lease liability are reported within finance expenses.

As part of the transition to IFRS 16, the company has applied the modified retrospective approach as a transition method and did not restate any comparative information as a result. There was no adjustment to retained earnings on transition to IFRS 16.

Measurement of Lease Liabilities

	Right-of-use Assets	Non-Right-of-Use Assets
Operating Leases brought forward at 30th November 2019	121,833	8,649
Discounted at borrowing rate at initial recognition	<u>(7,240)</u>	<u>-</u>
Operating Leases at 1st December 2019	114,593	8,649
New leases during the year	-	51,600
Interest to 30th November 2020	4,119	3,482
Less Repayments in Full Year 2020	<u>(43,000)</u>	<u>(12,367)</u>
Total Leasing Liability at 30th November 2020	75,711	51,364
Current Lease Liability (<1 year)	40,566	14,029
Non Current Lease Liability (>1 year)	<u>35,145</u>	<u>37,335</u>
Total Leasing Liability at 30th November 2020	<u>75,711</u>	<u>51,364</u>

FTV PROCLAD (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2020 (CONTINUED)

2. Accounting policies (continued)

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

As of November 30, 2020, the company has incurred a net profit after tax of £204,342 and, as of that date, the Company has net current assets of £2,279,841. In addition, the directors have assessed the Going Concern assumption in line with the development in the recent COVID-19 pandemic. Whilst the circumstances surrounding COVID-19 provide an element of uncertainty in the business environment, the length of time the business has now been operating under these circumstances has allowed management to gain a better understanding of the risks and uncertainties and the business is able to manage the identified risks accordingly. That said at times the unpredictability of the circumstances surrounding the COVID-19 pandemic and the extent this can impact on the business represents a material uncertainty that may cast doubt upon the company's ability to continue as a going concern.

Nonetheless, after full consideration has been given to the worst case scenario and the level of financial support available to the company from the wider group including the shareholders, the directors have a reasonable expectation that the company has adequate resources and financial support from the ultimate parent company to continue in operational existence for the foreseeable future. Consequently, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

2.5 Revenue

Revenue is recognised at a point in time, once performance obligations have been met and it is probable that 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

Turnover 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 and recognised revenue at this point in time;
- 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.

Revenue from sale of goods is recognised in line with the contract with the customer and is recognised either when goods are delivered or when goods are dispatched as this is the Group's only performance obligation under the contracts. Certain contracts are made up of numerous items and revenue is recognised as each line item is delivered or dispatched in line with the purchase order received from the customer as they have standalone parts, quantities, sizes and prices.

FTV PROCLAD (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2020 (CONTINUED)

2. Accounting policies (continued)

2.6 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.

2.7 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.

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:

Right of Use Assets: 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 profit or loss.

2.8 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 statement of financial position 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.

2.9 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.

FTV PROCLAD (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2020 (CONTINUED)

2. Accounting policies (continued)

2.10 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.

2.11 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 and financial liabilities are initially measured at fair value.

Financial assets

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

Loan 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.

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

IFRS 9 contains the Standard's requirements on impairment, including the recognition of expected credit losses. It applies the same impairment model to all financial instruments that are subject to impairment accounting and by using more forward looking information. This standard uses the expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss ("ECL") model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of financial assets.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

FTV PROCLAD (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2020 (CONTINUED)

2. Accounting policies (continued)

Financial liabilities

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 Statement of financial position.

2.12 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.

2.13 Government grants

Government grants received on capital expenditure are initially recognised within deferred income on the Company's Statement of financial position 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.

2.14 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 profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

2.15 Finance costs

Finance costs are charged to profit or loss 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.

FTV PROCLAD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2020 (CONTINUED)**

2. Accounting policies (continued)

2.16 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 profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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 reporting 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 Statement of financial position 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 reporting date.

2.18 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.

2.19 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.

FTV PROCLAD (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2020 (CONTINUED)

2. Accounting policies (continued)

2.20 Leases

Within the company there are a number of current lease contracts, mostly relating to office, premises and vehicles.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 December 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the company under residual value guarantees;
- The exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.21 R&D Tax Credits

R&D tax credits are recognised in accordance with FRS 101 and are treated either as a corporation tax reduction or a tax credit. They are disclosed as Other Operating Income in the financial statements.

FTV PROCLAD (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2020 (CONTINUED)

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.

3.1 Significant management judgements

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

3.1.1 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. Based on an assessment of future market and trading conditions and the effects of such 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.

3.2 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.

3.2.1 Impairment of goodwill

Goodwill is tested at least annually for impairment in accordance with the accounting policy for goodwill set out in note 2.6. 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.

3.2.2 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 and assessment of the potential for alternative use of the inventory together with market-driven changes that may reduce future selling prices.

3.2.3 Impairment of loans and receivables

In line with IFRS 9 the Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Intercompany balances are assessed for impairment by first considering the liquid resources available to pay its balance, if this indicates impairment there is a further assessment into how the company could realise assets in order to repay its debt.

FTV PROCLAD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2020 (CONTINUED)**

4. Turnover

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

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	1,373,432	1,446,501
Rest of Europe	472,404	478,627
Rest of the world	1,402,387	1,825,788
	<u>3,248,223</u>	<u>3,750,916</u>

5. Other operating income

	2020 £	2019 £
Government grants received - Furlough funds	18,619	-
Sundry income - R&D Tax	252,953	-
	<u>271,572</u>	<u>-</u>

6. Operating profit/(loss)

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

	2020 £	2019 £
Depreciation of tangible fixed assets	175,927	144,170
Rent - external	73,344	115,590
Equipment hire	4,933	23,472
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>9,750</u>	<u>9,750</u>

FTV PROCLAD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2020 (CONTINUED)**

7. Employees and directors

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

	2020	2019
	No.	No.
Production staff	36	48
Administrative staff	12	3
	<u>48</u>	<u>51</u>

8. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	19,562	10,649
Company contributions to defined contribution pension schemes	1,287	798
	<u>20,849</u>	<u>11,447</u>

9. Exceptional items

	2020 £	2019 £
Restructuring costs	26,067	15,500
	<u>26,067</u>	<u>15,500</u>

10. Interest payable and similar expenses

	2020 £	2019 £
Bank interest payable	11,355	7,305
Finance leases and hire purchase contracts	7,595	516
	<u>18,950</u>	<u>7,821</u>

FTV PROCLAD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2020 (CONTINUED)**

11. Taxation

	2020 £	2019 £
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Utilisation/(recognition) of tax losses brought forward/carried forward	(19,873)	15,633
Depreciation for the year in excess of Capital Allowances	13,446	-
Release of tax losses brought forward	6,774	50,000
Origination and reversal of temporary differences	(347)	4,263
Prior year adjustment and rate changes	-	(560)
Total deferred tax	<u>-</u>	<u>69,336</u>
Taxation on profit on ordinary activities	<u>-</u>	<u>69,336</u>

FTV PROCLAD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2020 (CONTINUED)**

11. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	<u>204,341</u>	<u>115,197</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	38,825	21,887
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	-	225
Expenses not deductible for tax purposes	(5,473)	92
Depreciation on non-qualifying assets	7,935	-
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(48,061)	-
Impact of rate changes	-	(2,304)
Release of tax losses B/fwd	6,774	50,000
Adjustments to tax charges in respect of prior periods	-	(564)
Total tax charge for the year	<u><u>-</u></u>	<u><u>69,336</u></u>

Factors that may affect future tax charges

There are no factors that impact the future tax charge.

The Company has unrecognised deferred tax assets of approximately £83,772 (2019: £1,662,011) in respect of trading losses.

FTV PROCLAD (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2020 (CONTINUED)

12. Goodwill

	2020 £
Cost	
At 1 December 2019	2,649,255
At 30 November 2020	<u>2,649,255</u>
Amortisation	
At 1 December 2019	1,214,240
At 30 November 2020	<u>1,214,240</u>
Net book value	
At 30 November 2020	<u><u>1,435,015</u></u>
 <i>At 30 November 2019</i>	 <u>1,435,015</u> <u>1,435,015</u>

Goodwill arose on the purchase of the net assets from Forth Tool and Valve Limited 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 24% to trigger an impairment charge. The discount rate would need to increase to circa 22% to trigger an impairment charge.

FTV PROCLAD (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2020 (CONTINUED)

13. Tangible fixed assets

	Right of Use Assets: Property £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation				
At 1 December 2019	124,019	1,676,404	46,229	1,846,652
Additions	114,593	73,019	-	187,612
Disposals	-	(8,583)	-	(8,583)
At 30 November 2020	<u>238,612</u>	<u>1,740,840</u>	<u>46,229</u>	<u>2,025,681</u>
Depreciation				
At 1 December 2019	70,737	1,309,008	37,456	1,417,201
Charge for the year on owned assets	56,371	115,796	3,760	175,927
Disposals	-	(5,800)	-	(5,800)
At 30 November 2020	<u>127,108</u>	<u>1,419,004</u>	<u>41,216</u>	<u>1,587,328</u>
Net book value				
At 30 November 2020	<u>111,504</u>	<u>321,836</u>	<u>5,013</u>	<u>438,353</u>
At 30 November 2019	<u>53,282</u>	<u>367,396</u>	<u>8,773</u>	<u>429,451</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, is £12,042 (2019: £26,125).

The net book value of owned and leased assets included as "Tangible fixed assets" in the Statement of financial position is as follows:

	2020 £
Tangible fixed assets owned	326,848
Right-of-use tangible fixed assets	111,504
	<u>438,352</u>

FTV PROCLAD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2020 (CONTINUED)**

13. Tangible fixed assets (continued)

Information about right-of-use assets is summarised below:

Net book value

**2020
£**

Property	111,504
	<u>111,504</u>

Additions to right-of-use assets

**2020
£**

Additions to right-of-use assets	<u>114,593</u>
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14. Stocks

	2020 £	2019 £
Raw materials and consumables	206,049	204,443
Work in progress (goods to be sold)	180,406	290,723
	<u>386,455</u>	<u>495,166</u>

In 2020, a total of £1,162,269 (2019 £1,353,537) of stocks was included in profit or loss as an expense. The above includes an amount of NIL for write down of stock (2019; £nil).

15. Debtors

	2020 £	2019 £
Trade debtors	447,316	879,091
Amounts owed by group undertakings	1,478,312	975,611
Prepayments and accrued income	52,106	56,051
Tax recoverable	-	5,769
Deferred taxation	116,237	116,237
	<u>2,093,971</u>	<u>2,032,759</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.

FTV PROCLAD (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2020 (CONTINUED)

16. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	821,609	620,642

The Company is party to the UK Group's unlimited cross guarantee arrangement dated 30 May 2013, each participating company has provided a guarantee to the bank. This cross guarantee has a possible risk of the entity's cash balance being called by the bank to settle this.

17. Creditors: Amounts falling due within one year

	2020 £	2019 £
Amounts falling due after more than one year		
Lease Liability	35,145	-
Amounts falling due within one year		
	2020 £	2019 £
Bank overdraft	116,199	144,216
Trade creditors	258,016	464,575
Amounts owed to group undertakings	73,448	175,814
Taxation and social security	306,392	68,485
Net obligations under finance lease and hire purchase contracts	126,820	8,655
Accruals and deferred income	141,319	193,995
	<u>987,049</u>	<u>1,055,740</u>

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

18. Financial instruments

	2020 £	2019 £
Financial assets		
Cash and cash equivalents	821,609	620,642
Financial assets that are measured at amortised cost	1,925,628	1,854,702
Financial liabilities		
Financial liabilities measured at amortised cost	(715,802)	(987,255)

FTV PROCLAD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2020 (CONTINUED)**

Financial assets measured at amortised cost comprise trade and other debtors and amounts due by group undertakings.

Financial liabilities measured at amortised cost comprise trade and other creditors, bank overdraft, lease liabilities, amounts owed to group undertakings and accruals.

FTV PROCLAD (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2020 (CONTINUED)

19. Deferred taxation

	2020 £	2019 £
Deferred tax asset at beginning of the year	116,237	185,573
(Charged) to profit or loss	-	(69,336)
Asset at the end of the year	<u>116,237</u>	<u>116,237</u>

The deferred tax asset is made up as follows:

	2020 £	2019 £
Fixed asset timing differences	60,453	62,872
Tax losses carried forward	54,966	47,947
Other timing differences	818	5,418
	<u>116,237</u>	<u>116,237</u>

20. Government grants

	Government Grants £
At 1 December 2019	8,427
Utilised in year	(8,427)
At 30 November 2020	<u>-</u>

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

21. Share capital

	2020 £	2019 £
Authorised		
1,000 (2019 - 1,000) Ordinary shares of £1.00 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
2 (2019 - 2) Ordinary shares of £1.00 each	<u>2</u>	<u>2</u>

FTV PROCLAD (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2020 (CONTINUED)**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 £60,209 (2019: £58,751). There was £Nil (2019: £Nil) outstanding at the Statement of financial position date.

24. Commitments under operating leases

At 30 November 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	-	3,247
Later than 1 year and not later than 5 years	-	5,145
	<u>-</u>	<u>8,392</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.