

Specialised Management Services Limited

Annual Report and Financial Statements

Year Ended

30 September 2019

Company Number 03763419



Specialised Management Services Limited

Company Information

Directors	R Fox Carter D A Howlett G Morrow C D Elcoate
Registered number	03763419
Registered office	Alderley House Arnolds Field Estate The Downs Wickwar Wotton Under Edge Gloucestershire GL12 8JD
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU
Bankers	Lloyds Bank plc 3 East Walk Yate South Gloucestershire BS37 4AT

Specialised Management Services Limited

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Specialised Management Services Limited

Strategic report For the year ended 30 September 2019

The Directors present their Strategic report and the financial statements for the year ended 30 September 2019.

Principal activities, business review and future developments

Specialised Management Services Limited's ("SMS") principal activities are:

- a) The design, assembly, testing, maintenance, installation, commissioning and after sales service of hydraulic, pneumatic and electrical control systems for energy industry applications both on and off-shore;
- b) The flushing and pressure testing of hydraulic systems;
- c) The inspection and remedial works and re-certification of hazardous area equipment;
- d) The supply of spare parts and system upgrades;
- e) Hose management, inspection, manufacture and installation.

The turnover of the Company decreased by 3.4% (2018 – 8.5% increase) to £11,521,347 (2018 - £11,929,712).

The profit before tax was £459,917 in the year, compared with £904,212 in 2018.

The Company continues to face a competitive market but continues to implement efficiencies, invest in personnel, diversify into new markets and develop new products.

The Company has retained its accreditation to Investors In People in the year. It has also maintained its ISO 9001, ISO 14001, OHSAS 18001 accreditations and FPAL registration.

The key financial and other performance indicators during the year were:

	2019 £	2018 £	Change
Turnover	11,521,347	11,929,712	-3.4%
Operating Profit	459,917	904,212	-49.1%
Profit before tax	459,917	904,212	-49.1%
Shareholder's funds	4,407,706	4,081,278	8.0%
Numbers of employees	80	81	-

Specialised Management Services Limited

Strategic report (continued)
For the year ended 30 September 2019

Principal risks and uncertainties

The principal financial risks to which the Company is exposed to are those relating to foreign currency, financing and liquidity risk, credit risk, interest rates, operational risk and contracting and estimation risk. These risks are managed in accordance with board approved policies.

Response to COVID-19

Management have undertaken a review of the potential impact of the Coronavirus/COVID-19 pandemic on the business of the Company and have set up a COVID-19 Executive Task Force to continually review the ongoing situation and to deploy mitigating actions where necessary. Management have been informed of the potential for delay in some short-term supply orders, mostly involving site service, and anticipate further delays of this nature. Taking into account the current projections of the UK Government along with other relevant international governments, Management consider the impact on longer term contracts that are in the process of being performed to be minimal. Projects with a delivery or completion date in the second or third quarters of 2020 are being reviewed with extensions to delivery dates being sought where appropriate. Whilst tender processes for new capital equipment business have not yet seen notable delay, management recognise there remains risk of delay, along with a lull in service activities during the current heavy restrictions on travel.

Management will continuously review the impact on staffing levels and have plans in place to quickly deploy mitigating actions. A Company-wide work from home policy is being followed where practicable. The Company has reviewed and improved (where necessary) its health and safety practices including hand washing facilities and cleaning routines. Social distancing is being practised. The impact of the virus on employee levels will be subject to continuous review.

Foreign currency risk

It is Company policy that exposures resulting from sales and purchases in foreign currency are matched where possible, and the net exposure may be hedged by the use of forward exchange contracts. The Company does not undertake speculative foreign exchange dealings for which there is no underlying exposure.

Credit risk

Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are carried out on all customers requiring credit and, where appropriate, the Company endeavours to minimise risk by the use of trade finance instruments such as letters of credit and insurance. Management monitors the concentration of credit risk on an ongoing basis. The nature of the Company's larger contracts means that concentrations of credit risk do occur from time to time.

While there is some risk of delayed payment from customers due to staff illness or government enforced lockdown, the Directors view this risk as relating purely to delay of receipts as opposed to a significantly increased risk of write-offs. The rationale for this is that the Company's customers operate in the same long-cycle environment as the Company itself does, and therefore suffering a number of weeks of delay in a project does not equate to an existential threat to our customers.

Interest rate risk

The Company is exposed to a moderate level of interest rate risk as a result of its overdraft facility, although limited in size. The risk is moderated by ensuring cash is appropriately managed to reduce the requirement for both finance leases and overdraft. In negotiating for such facilities the Company also seeks to receive competitive interest rates. The Company does not undertake any hedging activity in this area.

Specialised Management Services Limited

Strategic report (continued)
For the year ended 30 September 2019

Operational risk

The principal operational risk faced by the Company is the Company's exposure to the contingent liabilities as disclosed in note 17. The Company has implemented appropriate quality control procedures to mitigate the risk that these amounts will become payable.

The business is taking the steps described above under Response to COVID-19 to work towards mitigating the operational risks arising from the pandemic and the associated actions of international governments.

In spite of these steps there are operational risks which may not be mitigable in the event they arise, including but not limited to:

- Acts of government forcing the closure of production sites in use by the Company or the Company's suppliers
- Disruption to international logistics channels due to border lockdowns
- Availability of customer staff to review and approve key documentation

If any of the issues in the above list (or any similar issues) were to arise the Company would strive to reduce the impact through all contractual mechanisms available including force majeure and variation claims where applicable. These risks are considered short term risks, and would not impact the business model of the Company beyond relatively short time horizons.

Contracting and estimation risk

The Company is exposed to the risk that actual contract costs exceed the budgeted levels. The Company's operations and the size and long term nature of some contracts require the Company to estimate budgeted contract costs and then to manage contract activity so that variances from budget are minimised. The Company has contract budgeting and review procedures in place to mitigate this risk under normal circumstances.

The operational risks arising from COVID-19 and associated actions of international governments in turn increase risks around estimating contract costs and delays experienced due to operational issues could lead to increased costs. As referred to above the Company already has procedures in place that are effective in dealing with estimating risk, and so in practice this additional risk simply reflects another facet of the operational risk discussed in the previous section.

General market risk

The principal market risk faced by the Company is its exposure to fluctuations within the oil and gas market. The group headed by Alderley plc (the "Group") operates within a range of different technologies and a range of different geographical markets. The Company's geographical diversification and focus on gas as well as oil projects partially mitigates the risk associated with these fluctuations.

The recent fall in hydrocarbon pricing seen following government action to combat COVID-19 has shown little impact in the volume or value of contracts being awarded to the Company. While a downturn is expected in the medium-term, the long-cycle nature of the majority of the Company's work provides sufficient time for any necessary restructuring to be carried out to mitigate the impact. The cyclical nature of hydrocarbon pricing is considered a routine part of operating in the industry, the Company has dealt with such market conditions before and will be able to do so again. The Company continues to look at further market diversification.

This report was approved by the board on 25 June 2020 and signed on its behalf.



C D Elcoate
Director

Specialised Management Services Limited

Directors' report For the year ended 30 September 2019

The directors present their report together with the audited financial statements for the year ended 30 September 2019.

The directors have chosen, in accordance with section 414C(11) of the Companies Act 2006, to set out in the Company Strategic report information required by Schedule 7 to the Accounting Regulations to be contained in the Directors' report. This information includes future developments of the Company, the existence of branches outside the UK and the risks associated with the use of financial instruments.

Directors

The directors who served during the year were:

R Fox Carter
D A Howlett
G Morrow
C D Elcoate (appointed 30 September 2019)

Results and dividends

The profit for the year, after taxation, amounted to £326,428 (2018 - £477,073).

No dividend has been declared during the year (2018 - £Nil).

Specialised Management Services Limited

Directors' report (continued) For the year ended 30 September 2019

Going concern

The Group's banking facilities are operated through facilities led by the ultimate parent company, Alderley plc, and provided by Lloyds Bank plc ("Lloyds") and UK Export Finance (UKEF). Under the facilities the Company's assets are collateralised as security along with the assets of its subsidiaries ("the Group") in a group wide bank facility (refer to note 17). Consequently, the ability of the Company to continue as a going concern is dependent on the overall Group's financial condition and performance.

In preparing the financial statements on the going concern basis, the Directors have considered the following areas:

Financing

The Directors have considered the Group's overdraft, trade finance and bonding requirements together with the availability of appropriate facilities to the Group. An overdraft facility of £1.9m and bonding facility of £9.0m is in place with Lloyds, and the next anticipated review date for these facilities is 31 July 2020 and the Group is dependent on the continued availability of these facilities. Based on the relationship with Lloyds, the history of renewal and the additional separate facilities recently secured, the Directors fully anticipate renewal of the facilities. Additional working capital and bonding facilities with Lloyds backed by UKEF worth £12m have also recently been secured with maturity dates linked to expected project delivery dates in August 2020 and May 2021. Such additional facilities are applied for and approved on a project-by-project basis, and the recent approvals support the ongoing nature of the relationship with UKEF and Lloyds on these facilities. The Directors consider that these facilities are sufficient to fund the current level of business activity (assuming that there is no extended total lockdown of business activity or significant delay in execution of projects supported by working capital facilities as discussed in the subsequent section on COVID-19), and additional funds will be sought if necessary to finance any working capital shortfall or particular strategic initiatives requiring additional funds.

Trading Outlook

The Directors have prepared consolidated trading projections through to the period ending September 2021, which reflect current knowledge in particular around the impact of COVID-19 and suppressed hydrocarbon pricing on the Group.

Specialised Management Services Limited

Directors' report (continued) For the year ended 30 September 2019

COVID-19

The Directors have considered the potential impact of COVID-19 and associated government actions on the ability of the Group to achieve its forecasts and on its liquidity. A scenario was modelled factoring in hypothetical delays in execution of contracts and a drop off in contract awards commensurate with continued travel restrictions (for services) and the current low oil price (for capital projects). This exercise highlighted the following two key uncertainties impacting the consideration of going concern status:

- In the event of an extended total lockdown of business activity (which has not yet occurred) a number of issues would be encountered, principally that mitigation strategies included in the forecasts may prove ineffective leading to uncertainty over the Group's ability to obtain ongoing financing (in common with many other businesses in the current environment).
- In the event that completion of one or more contracts supported by working capital facilities are delayed the Group may have difficulty repaying such facilities from operational cashflows at the end date specified in the terms (the first occurring facility end date on such a contract is currently August 2020) should this coincide with disruption of operational cashflows caused by COVID-19. This in turn would require the Group's bankers to be willing to extend the end date of the impacted facilities accordingly and if they were unwilling the Group would need to seek financing from new lenders. Such delays have occurred in the past and historically the facility providers have been supportive in such situations, however there remains the possibility that the willingness of existing or new lenders to support the business in the future is impacted by any future deterioration in trading and project execution performance as a result of COVID-19 and the associated weakness in the oil and gas market.

While the Directors consider the going concern basis preparation to be appropriate, the conditions outlined above indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and therefore their ability to realise assets and settle liabilities in the normal course of business. However, based on the information currently available and the scenarios examined the Directors are of the opinion that:

- The impact of COVID-19 should be manageable in the short term and mitigation options are available to reduce any impact in the mid to long term to acceptable levels
- The Company should have sufficient working capital and available facilities to meet its liabilities as they fall due for a period of at least the next 12 months under normal conditions with the anticipated delivery schedules for projects supported by specific working capital facilities
- The Company should be able to continue to source the funding it requires either from existing or new lenders as necessary given the long-standing relationship with its lenders and the recent history of support

As the accounts are prepared on a going concern basis, the financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Qualifying third party indemnity provisions

The Company has granted an indemnity to its directors and officers against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such a qualifying third party indemnity provision remains in force as at the date of approving the Directors' report.

Specialised Management Services Limited

Directors' report (continued)
For the year ended 30 September 2019

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.


Auditor

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

Post balance sheet events

At the date of approval of these financial statements, Covid-19 continues to spread internationally, contributing to a sharp decline in global financial markets and a significant decrease in global economic activity. On 11 March 2020, the Covid-19 outbreak was declared a global pandemic by the World Health Organization and has since then resulted in numerous governments and companies, including Alderley, introducing a variety of measures to contain the spread of the virus in each of its operating locations. The outbreak has also created significant volatility in financial markets and is considered to have negatively impacted commodity prices, including oil prices. The combination of disruption on the Company's operations, the adverse effect on global economies and the reduction in oil prices is relevant to financial performance since year end and may impact future asset values including the valuation of property, plant and equipment and carrying value of property should the trading environment remain depressed for a prolonged period.

This report was approved by the board on 25 June 2020 and signed on its behalf.



C D Elcoate
Director

Specialised Management Services Limited

Directors' responsibilities statement For the year ended 30 September 2019

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Specialised Management Services Limited

Independent Auditor's Report to the Members of Specialised Management Services Limited

Opinion

We have audited the financial statements of Specialised Management Services Limited ("the Company") for the year ended 30 September 2019 which comprise the Statement of comprehensive income, the Statement of financial position, 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 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw your attention to note 2.3 to the financial statements, which indicates the directors' considerations regarding the going concern of the Company. As stated in note 2.3, these conditions 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.

Specialised Management Services Limited

Independent Auditor's Report to the Members of Specialised Management Services Limited (continued)

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and 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 and 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.

Specialised Management Services Limited

Independent Auditor's Report to the Members of Specialised Management Services Limited (continued)

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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.



Ryan Ferguson (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

Date: 25 June 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Specialised Management Services Limited

Statement of comprehensive income For the year ended 30 September 2019

	Note	2019 £	2018 £
Turnover	4	11,521,347	11,929,712
Other operating income		75,014	34,103
Raw materials and consumables		(6,064,423)	(6,243,409)
Staff costs	6	(4,031,132)	(3,899,657)
Depreciation and amortisation		(106,313)	(111,862)
Reversal of impairment of freehold property		289,624	-
Impairment of amounts owed by group undertakings		(133,723)	-
Other operating expenses		(1,090,477)	(804,675)
Operating profit	5	459,917	904,212
Tax on profit	8	(133,489)	(427,139)
Profit and total comprehensive income for the year		326,428	477,073

There was no other comprehensive income for 2019 (2018 - £Nil).

The notes on pages 15 to 32 form part of these financial statements.

Specialised Management Services Limited

Registered number: 03763419

Statement of financial position As at 30 September 2019

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Tangible assets	9		2,665,891		2,400,327
Investments	10		65,100		65,060
			<u>2,730,991</u>		<u>2,465,387</u>
Current assets					
Stocks	11	64,561		39,159	
Debtors: amounts falling due within one year	12	4,580,569		8,076,315	
Cash at bank and in hand		204,923		1,726	
		<u>4,850,053</u>		<u>8,117,200</u>	
Creditors: amounts falling due within one year	13	(3,095,293)		(6,416,198)	
Net current assets			<u>1,754,760</u>		<u>1,701,002</u>
Total assets less current liabilities			<u>4,485,751</u>		<u>4,166,389</u>
Provisions for liabilities					
Deferred tax	14		(78,045)		(85,111)
Net assets			<u><u>4,407,706</u></u>		<u><u>4,081,278</u></u>
Capital and reserves					
Called up share capital	15		480,201		480,201
Profit and loss account	16		3,927,505		3,601,077
Total equity			<u><u>4,407,706</u></u>		<u><u>4,081,278</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 June 2020.



C D Elcoate
Director

The notes on pages 15 to 32 form part of these financial statements.

Specialised Management Services Limited

Statement of changes in equity For the year ended 30 September 2019

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 October 2018	480,201	3,601,077	4,081,278
Comprehensive income for the year			
Profit for the year	-	326,428	326,428
Total comprehensive income for the year	-	326,428	326,428
At 30 September 2019	480,201	3,927,505	4,407,706

Statement of changes in equity For the year ended 30 September 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 October 2017	480,201	3,124,004	3,604,205
Comprehensive income for the year			
Profit for the year	-	477,073	477,073
Total comprehensive income for the year	-	477,073	477,073
At 30 September 2018	480,201	3,601,077	4,081,278

The notes on pages 15 to 32 form part of these financial statements.

Specialised Management Services Limited

Notes to the Financial Statements For the year ended 30 September 2019

1. General information

Specialised Management Services Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act. The address of the registered office is given on the Company information page and the nature of the Company's operations and its principal activities are set out in the Strategic report.

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 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 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 presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Alderley plc as at 30 September 2019 and these financial statements may be obtained from Alderley House, Arnolds Field Estate, The Downs, Wickwar, Wotton-Under-Edger, Gloucestershire, GL12 8JD.

Specialised Management Services Limited

Notes to the Financial Statements For the year ended 30 September 2019

2. Accounting policies (continued)

2.3 Going concern

The Group's banking facilities are operated through facilities led by the ultimate parent company, Alderley plc, and provided by Lloyds Bank plc ("Lloyds") and UK Export Finance (UKEF). Under the facilities the Company's assets are collateralised as security along with the assets of its subsidiaries ("the Group") in a group wide bank facility (refer to note 17). Consequently, the ability of the Company to continue as a going concern is dependent on the overall Group's financial condition and performance.

In preparing the financial statements on the going concern basis, the Directors have considered the following areas:

Financing

The Directors have considered the Group's overdraft, trade finance and bonding requirements together with the availability of appropriate facilities to the Group. An overdraft facility of £1.9m and bonding facility of £9.0m is in place with Lloyds, and the next anticipated review date for these facilities is 31 July 2020 and the Group is dependent on the continued availability of these facilities. Based on the relationship with Lloyds, the history of renewal and the additional separate facilities recently secured, the Directors fully anticipate renewal of the facilities. Additional working capital and bonding facilities with Lloyds backed by UKEF worth £12m have also recently been secured with maturity dates linked to expected project delivery dates in August 2020 and May 2021. Such additional facilities are applied for and approved on a project-by-project basis, and the recent approvals support the ongoing nature of the relationship with UKEF and Lloyds on these facilities. The Directors consider that these facilities are sufficient to fund the current level of business activity (assuming that there is no extended total lockdown of business activity or significant delay in execution of projects supported by working capital facilities as discussed in the subsequent section on COVID-19), and additional funds will be sought if necessary to finance any working capital shortfall or particular strategic initiatives requiring additional funds.

Trading Outlook

The Directors have prepared consolidated trading projections through to the period ending September 2021, which reflect current knowledge in particular around the impact of COVID-19 and suppressed hydrocarbon pricing on the Group.

COVID-19

The Directors have considered the potential impact of COVID-19 and associated government actions on the ability of the Group to achieve its forecasts and on its liquidity. A scenario was modelled factoring in hypothetical delays in execution of contracts and a drop off in contract awards commensurate with continued travel restrictions (for services) and the current low oil price (for capital projects). This exercise highlighted the following two key uncertainties impacting the consideration of going concern status:

- In the event of an extended total lockdown of business activity (which has not yet occurred) a number of issues would be encountered, principally that mitigation strategies included in the forecasts may prove ineffective leading to uncertainty over the Group's ability to obtain ongoing financing (in common with many other businesses in the current environment).

Specialised Management Services Limited

Notes to the Financial Statements For the year ended 30 September 2019

2. Accounting policies (continued)

2.3 Going concern (continued)

- In the event that completion of one or more contracts supported by working capital facilities are delayed the Group may have difficulty repaying such facilities from operational cashflows at the end date specified in the terms (the first occurring facility end date on such a contract is currently August 2020) should this coincide with disruption of operational cashflows caused by COVID-19. This in turn would require the Group's bankers to be willing to extend the end date of the impacted facilities accordingly and if they were unwilling the Group would need to seek financing from new lenders. Such delays have occurred in the past and historically the facility providers have been supportive in such situations, however there remains the possibility that the willingness of existing or new lenders to support the business in the future is impacted by any future deterioration in trading and project execution performance as a result of COVID-19 and the associated weakness in the oil and gas market.

While the Directors consider the going concern basis preparation to be appropriate, the conditions outlined above indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and therefore their ability to realise assets and settle liabilities in the normal course of business. However, based on the information currently available and the scenarios examined the Directors are of the opinion that:

- The impact of COVID-19 should be manageable in the short term and mitigation options are available to reduce any impact in the mid to long term to acceptable levels
- The Company should have sufficient working capital and available facilities to meet its liabilities as they fall due for a period of at least the next 12 months under normal conditions with the anticipated delivery schedules for projects supported by specific working capital facilities
- The Company should be able to continue to source the funding it requires either from existing or new lenders as necessary given the long-standing relationship with its lenders and the recent history of support

As the accounts are prepared on a going concern basis, the financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

2.4 Parent company exemption

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of Alderley plc, which prepares consolidated financial statements that are publicly available. Accordingly, group financial statements have not been prepared and information in the financial statements is presented for the individual company rather than the Group.

2.5 Foreign currency translation

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

Specialised Management Services Limited

Notes to the Financial Statements For the year ended 30 September 2019

2. Accounting policies (continued)

2.5 Foreign currency translation (continued)

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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

2.6 Revenue recognition

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 the significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch of the goods.

Long term contracts

Revenue on long term contracts is recognised by reference to the stage of completion. The stage of completion of a contract is determined by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Amounts recoverable on contracts

Revenue on long-term contracts is recognised by reference to the stage of completion. Revenue recognised in advance of being invoiced is held on the Statement of financial position as amounts recoverable on contracts. The stage of completion of a contract is determined by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. An estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. The costs on long-term contracts not yet taken to the Statement of comprehensive income less related foreseeable losses and payments on account are shown in stocks and long-term contract balances. Costs included on long-term contracts include interest which is specifically attributable to those contracts through contract financing. Where payments are received from customers in advance of services provided the amounts are recorded as payments received on account and included as part of creditors due within one year. If a contract is assessed to be loss-making then the total estimated contract loss is provided for in full as soon as the loss is foreseen.

2.7 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

Specialised Management Services Limited

Notes to the Financial Statements For the year ended 30 September 2019

2. Accounting policies (continued)

2.8 Pensions

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 Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.9 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 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. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.10 Tangible fixed assets

Individual freehold properties are carried at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Statement of financial position date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the statement of comprehensive income.

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

Specialised Management Services Limited

Notes to the Financial Statements For the year ended 30 September 2019

2. Accounting policies (continued)

2.10 Tangible fixed assets (continued)

Depreciation is provided on the following basis:

Freehold property	- 2% per annum straight line
Plant and machinery	- 2% per month reducing balance
Motor vehicles	- 2% per month reducing balance
Fixtures and fittings	- 2% per month reducing balance
IT equipment	- 25% per month reducing balance
Assets under construction	- no depreciation provided

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.

2.11 Valuation of Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.12 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 reporting 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.

2.13 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.

Specialised Management Services Limited

Notes to the Financial Statements For the year ended 30 September 2019

2. Accounting policies (continued)

2.14 Financial instruments

The Company enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an outright short term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.15 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Specialised Management Services Limited

Notes to the Financial Statements For the year ended 30 September 2019

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

Other key sources of estimation uncertainty

- Long term contracts and revenue recognition

As described in note 2, revenue on long term contracts is recognised by reference to the stage of completion. The stage of completion of a contract is determined by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Therefore management make estimates regarding costs to contract completion, taking into consideration factors such as the original contract plan, agreed changes to the original plan, and experience of similar contracts and customers. Forecast revenues are based on contractual terms and approved variation orders when there is sufficient certainty of approval based on work performance, contractual entitlement and the customer relationship. Where contracts are estimated to incur losses and are onerous in nature, estimates of the total loss are made and fully recorded.

Recognised contract receivables are treated as impaired, and a provision recorded against the receivable, where there is objective evidence of impairment. Factors taken into consideration when measuring the provision for impairment include: post year end receipts, any correspondence with customers and their advisors regarding outstanding debts; management's experience of similar customers and contracts; and any issues relating to the extraction of funds from specific countries or regions.

- Tangible fixed assets (see note 9)

Property is valued annually. The property was valued externally by a professional valuer at 30 September 2019 using analysis of market rental values and yields, together with comparable sales data and market factors. There is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market itself.

4. Turnover

Analysis of turnover by country of destination, all from the sale of goods:

	2019 £	2018 £
United Kingdom	9,153,055	9,419,188
Rest of Europe	1,319,341	1,690,810
Rest of the World	1,048,951	819,714
	<u>11,521,347</u>	<u>11,929,712</u>

The turnover is attributable to the principal activity of the Company.

Specialised Management Services Limited

Notes to the Financial Statements For the year ended 30 September 2019

5. Operating profit

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

	2019 £	2018 £
Depreciation of owned fixed assets	106,313	111,862
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	28,200	22,700
Fees payable to the company's auditors for other services to the group:		
- Taxation compliance services	5,500	5,500
- Taxation other services	5,979	12,250
Operating lease costs - land and buildings	-	94,841
- other	8,013	11,882
Exchange differences	5,726	(3,684)
Defined contribution pension cost	127,190	104,550
	<u>127,190</u>	<u>104,550</u>

6. Employees

Staff costs were as follows:

	2019 £	2018 £
Wages and salaries	3,529,182	3,431,062
Social security costs	374,760	364,045
Cost of defined contribution scheme	127,190	104,550
	<u>4,031,132</u>	<u>3,899,657</u>

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

	2019 No.	2018 No.
Administration and management	21	21
Sales and production	59	60
	<u>80</u>	<u>81</u>

Specialised Management Services Limited

Notes to the Financial Statements For the year ended 30 September 2019

7. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	290,548	298,783
Value of company pension contributions to money purchase scheme	36,484	24,153
	<u>327,032</u>	<u>322,936</u>

During the year retirement benefits were accruing to 3 directors (2018 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £126,535 (2018 - £140,859).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £26,995 (2018 - £15,457).

8. Taxation

	2019 £	2018 £
Corporation tax		
Adjustments in respect of previous periods	-	(32,678)
Group taxation relief	(31,295)	454,333
	<u>(31,295)</u>	<u>421,655</u>
Foreign tax		
Foreign tax on income for the year	171,850	-
Total current tax charge	<u>140,555</u>	<u>421,655</u>
Deferred tax		
Origination and reversal of timing differences	(7,066)	5,483
Adjustment in respect of previous periods	-	1
Total deferred tax	<u>(7,066)</u>	<u>5,484</u>
Taxation on profit	<u>133,489</u>	<u>427,139</u>

Specialised Management Services Limited

Notes to the Financial Statements For the year ended 30 September 2019

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit before tax	<u>459,917</u>	<u>904,212</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	87,384	171,800
Effects of:		
Fixed assets differences	34,251	8,843
Expenses not deductible for tax purposes	763	186
Group relief surrendered/(claimed)	31,296	(174,701)
(Receipt)/payment for group relief	(31,295)	454,333
Income not taxable	(55,029)	-
Other permanent differences	(32,651)	-
Transfer pricing adjustments	(73,910)	-
Higher rate taxes on overseas earnings	171,850	-
Adjustments to tax charge in respect of previous periods	-	(32,678)
Adjustments to tax charge in respect of previous periods - deferred tax	-	1
Adjust deferred tax to average rate of 19% (2018 - 19%)	830	(645)
Total tax charge for the year	<u>133,489</u>	<u>427,139</u>

Specialised Management Services Limited

Notes to the Financial Statements For the year ended 30 September 2019

9. Tangible fixed assets

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	IT equipment £	Assets under construction £	Total £
Cost or valuation							
At 1 October 2018	2,300,000	445,207	6,795	112,892	245,446	-	3,110,340
Additions	-	1,600	-	2,458	22,497	55,698	82,253
Disposals	-	-	-	-	(32,720)	-	(32,720)
Revaluations	150,000	-	-	-	-	-	150,000
At 30 September 2019	2,450,000	446,807	6,795	115,350	235,223	55,698	3,309,873
Depreciation							
At 1 October 2018	93,083	348,529	1,130	63,104	204,167	-	710,013
Charge for the year	46,541	21,079	1,219	11,127	26,347	-	106,313
Disposals	-	-	-	-	(32,720)	-	(32,720)
On revalued assets	(139,624)	-	-	-	-	-	(139,624)
At 30 September 2019	-	369,608	2,349	74,231	197,794	-	643,982
Net book value							
At 30 September 2019	2,450,000	77,199	4,446	41,119	37,429	55,698	2,665,891
At 30 September 2018	2,206,917	96,678	5,665	49,788	41,279	-	2,400,327

Specialised Management Services Limited

Notes to the Financial Statements For the year ended 30 September 2019

9. Tangible assets (continued)

Freehold property comprising factory and office premises in Great Yarmouth was valued at fair value as at 30 September 2019, for the purposes of the financial statements, by Roche Chartered Surveyors who are members of the Royal Institute of Chartered Surveyors at £2,450,000. Valuations are performed every three years by external valuers or more frequently if there are indications the values have materially changed. In the intervening periods, director valuations are used having assessed market data.

In respect of freehold property stated at valuation, the comparable historical cost and depreciation values are as follows:

	2019 £	2018 £
Historic cost	2,667,348	2,667,348
Depreciation	(178,399)	(131,858)
	<u>2,488,949</u>	<u>2,535,490</u>

10. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 October 2018	315,628
Additions	40
At 30 September 2019	<u>315,668</u>
Impairment	
At 1 October 2018	250,568
At 30 September 2019	<u>250,568</u>
Net book value	
At 30 September 2019	<u>65,100</u>
At 30 September 2018	<u>65,060</u>

Specialised Management Services Limited

Notes to the Financial Statements For the year ended 30 September 2019

10. Fixed asset investments (continued)

Subsidiary undertakings

During the year the company acquired the remaining share capital of SMS Eastern Limited.

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
C & M Hydraulics Limited	Ordinary	100 %	Non-trading
SMS Eastern Limited	Ordinary	100 %	The manufacture of hydraulic hoses

The registered office of both C & M Hydraulics Limited and SMS Eastern Limited is Alderley House, Arnolds Field Estate, The Downs, Wickwar, Wotton under Edge, Gloucestershire, GL12 8JD.

11. Stocks

	2019 £	2018 £
Raw materials	64,561	39,159

There is no material difference between the Statement of financial position date value of stocks and their replacement cost.

12. Debtors: amounts falling due within one year

	2019 £	2018 £
Trade debtors	2,919,768	4,071,192
Amounts owed by group undertakings	194,421	793,844
Other debtors	40,162	13,595
Prepayments and accrued income	62,999	91,777
Amounts recoverable on contracts	1,356,544	3,105,907
Tax recoverable	6,675	-
	<u>4,580,569</u>	<u>8,076,315</u>

Amounts owed by group undertakings are trading balances and do not bear interest.

Specialised Management Services Limited

Notes to the Financial Statements For the year ended 30 September 2019

13. Creditors: amounts falling due within one year

	2019 £	2018 £
Bank overdrafts	-	2,636,828
Payments received on account	252,855	196,133
Trade creditors	1,086,791	1,058,935
Amounts owed to group undertakings	541,947	1,119,504
Taxation and social security	94,791	188,106
Other creditors	22,596	18,900
Accruals and deferred income	1,096,313	1,197,792
	<u>3,095,293</u>	<u>6,416,198</u>

Amounts owed to group undertakings are trading balances and do not bear interest.

14. Deferred taxation

	2019 £	2018 £
At beginning of year	85,111	79,627
Credited to profit or loss	(7,066)	5,484
At end of year	<u>78,045</u>	<u>85,111</u>

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	89,634	86,226
Tax losses carried forward	(10,308)	-
Other timing differences	(1,281)	(1,115)
	<u>78,045</u>	<u>85,111</u>

Specialised Management Services Limited

Notes to the Financial Statements For the year ended 30 September 2019

15. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
480,201 ordinary shares of £1 each	480,201	480,201

16. Reserves

The Company's reserves are as follows:

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

17. Contingent liabilities

Bank overdrafts and trade finance facilities in the UK are secured by a fixed and floating charge on the assets of the Group in favour of Lloyds Bank plc. The Group's bank overdraft amounted to £Nil at 30 September 2019 (2018 - £1,106,736) and trade finance facilities amounted to £6,307,372 at 30 September 2019 (2018 - £2,208,270). The overdrafts and other facilities in the UK held with Lloyds Bank plc as at 30 September 2019 are secured by:

- An omnibus guarantee and set-off agreement covering Alderley Asia Pacific Pte Limited, Alderley Farms Limited, Alderley plc, Alderley Systems Limited, Alderley FZE, C&M Hydraulics Limited, Specialised Management Services Limited, Alderley Process Technologies Limited and Kelton Engineering Limited.
- Unlimited debentures from Alderley plc, Specialised Management Services Limited, Alderley Systems Limited, Alderley Farms Limited, Kelton Engineering Limited, Alderley Process Technologies Limited and C&M Hydraulics Limited.
- A commercial mortgage and unlimited all monies guarantee from Alderley AFZE.
- A legal charge over Alderley Farms Limited's freehold land and buildings.
- A first legal charge over Alderley plc's freehold land and buildings.

The Company has also given advance payment guarantees and performance bonds totalling £Nil (2018 - £964,815).

Bonds become payable if the Company does not meet its contractual obligations, at the request of the customer with whom the bond was issued. The Company therefore seeks to ensure that such contractual obligations are met and historically no bonds have had to be paid.

Specialised Management Services Limited

Notes to the Financial Statements For the year ended 30 September 2019

18. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £127,190 (2018 - £104,550).

Included within other creditors there were £22,596 contributions unpaid at the year end (2018 - £18,900).

19. Commitments under operating leases

At 30 September 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	3,966	7,103
Later than 1 year and not later than 5 years	3,240	726
	<u>7,206</u>	<u>7,829</u>

20. Related party transactions

The Company has taken advantage of the exemption available in Section 33.1A of FRS 102 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the Group.

During the year, the Company made sales to SMS Eastern Limited of £162,325 and made purchases from SMS Eastern Limited of £76,666. Upon incorporation of SMS Eastern Limited on 30 May 2018, Specialised Management Services Limited held 60% of the issued share capital of the Company. On 25 September 2019, Specialised Management Services Limited acquired the remaining 40% of the issued share capital.

21. Post balance sheet events

At the date of approval of these financial statements, Covid-19 continues to spread internationally, contributing to a sharp decline in global financial markets and a significant decrease in global economic activity. On 11 March 2020, the Covid-19 outbreak was declared a global pandemic by the World Health Organization and has since then resulted in numerous governments and companies, including Alderley, introducing a variety of measures to contain the spread of the virus in each of its operating locations. The outbreak has also created significant volatility in financial markets and is considered to have negatively impacted commodity prices, including oil prices. The combination of disruption on the Company's operations, the adverse effect on global economies and the reduction in oil prices is relevant to financial performance since year end and may impact future asset values including the valuation of property, plant and equipment and carrying value of property should the trading environment remain depressed for a prolonged period.

Specialised Management Services Limited

Notes to the Financial Statements For the year ended 30 September 2019

22. Controlling party

The Company's ultimate parent company is Alderley plc, a company incorporated in the United Kingdom, and registered in England and Wales. Alderley plc prepares group financial statements and copies can be obtained from its registered office, Alderley House, Arnolds Field Estate, The Downs, Wickwar, Wotton-under-Edge, Gloucestershire, GL12 8JD.

The ultimate controlling party of the Company and Alderley plc is considered to be A J V Shepherd.