

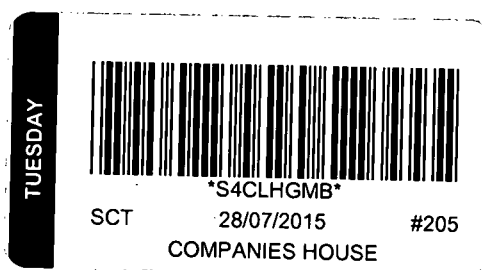
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DALES ENGINEERING SERVICES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014



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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014**

INTRODUCTION

The principal activity of the company is that of the fabrication of materials and the provision of engineering services to the energy industry.

BUSINESS REVIEW

The external commercial environment is expected to remain competitive in 2015; however the directors are optimistic with regards to the future.

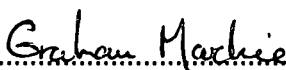
PRINCIPAL RISKS AND UNCERTAINTIES

The directors have considered the principal risks and uncertainties to be associated with the global oil and gas market where changes in political and operational landscapes could impact favourably or otherwise upon business and as such are continually monitoring new opportunities.

FINANCIAL KEY PERFORMANCE INDICATORS

The directors consider turnover and gross profit to be key performance indicators and monitor these on an ongoing basis.

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


.....
G Mackie
Director

Date: 22/7/2015

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014**

The directors present their report and the financial statements for the year ended 31 December 2014.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,382,991 (2013 - £1,640,710).

No dividends were paid in the year (2013 - £nil).

DIRECTORS

The directors who served during the year were:

G Mackie
W Duncan
C Lawson (deceased April 2015)
K Thomson
N Mackie
J B Duncan

DISCLOSURE OF INFORMATION TO AUDITORS

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

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that 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 auditors are aware of that information.

AUDITORS

The auditors, Anderson Anderson & Brown LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

Graham Mackie
.....
G Mackie
Director

Date: 22/7/2015

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014**

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 the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
DALES ENGINEERING SERVICES LIMITED**

We have audited the financial statements of Dales Engineering Services Limited for the year ended 31 December 2014, set out on pages 6 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 Auditors' 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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 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.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion 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.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
DALES ENGINEERING SERVICES LIMITED**

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Anderson Anderson & Brown LLP

Ishbel Sutherland (Senior statutory auditor)

for and on behalf of

Anderson Anderson & Brown LLP

Statutory Auditor

Registered Auditors

9 Queens Road

Aberdeen

AB15 4YL

Date: *22 July 2015*

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014 £	2013 £
TURNOVER	2	16,544,576	15,816,456
Cost of sales		<u>(11,848,080)</u>	<u>(10,860,324)</u>
GROSS PROFIT		4,696,496	4,956,132
Administrative expenses		<u>(2,938,419)</u>	<u>(2,856,207)</u>
OPERATING PROFIT	3	1,758,077	2,099,925
Interest receivable and similar income		11,636	29,601
Interest payable and similar charges	6	<u>(30)</u>	<u>(118)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,769,683	2,129,408
Tax on profit on ordinary activities	7	<u>(386,692)</u>	<u>(488,698)</u>
PROFIT FOR THE FINANCIAL YEAR	14	<u><u>1,382,991</u></u>	<u><u>1,640,710</u></u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the Profit and loss account.

The notes on pages 8 to 15 form part of these financial statements.

**BALANCE SHEET
AS AT 31 DECEMBER 2014**

	Note	£	2014 £	£	2013 £
FIXED ASSETS					
Tangible assets	8		639,450		521,978
CURRENT ASSETS					
Stocks	9	554,857		903,895	
Debtors	10	6,437,528		6,139,951	
Cash at bank and in hand		4,504,782		3,632,093	
		<u>11,497,167</u>		<u>10,675,939</u>	
CREDITORS: amounts falling due within one year	11	<u>(2,066,479)</u>		<u>(2,544,497)</u>	
NET CURRENT ASSETS			<u>9,430,688</u>		<u>8,131,442</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>10,070,138</u>		<u>8,653,420</u>
PROVISIONS FOR LIABILITIES					
Deferred tax	12		<u>(95,845)</u>		<u>(62,118)</u>
NET ASSETS			<u><u>9,974,293</u></u>		<u><u>8,591,302</u></u>
CAPITAL AND RESERVES					
Called up share capital	13		50,400		50,400
Share premium account	14		2,100		2,100
Profit and loss account	14		<u>9,921,793</u>		<u>8,538,802</u>
SHAREHOLDERS' FUNDS	15		<u><u>9,974,293</u></u>		<u><u>8,591,302</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Gehan Mackie
.....
G Mackie
Director

Date: 22/7/2015.

The notes on pages 8 to 15 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

1. ACCOUNTING POLICIES

1.1 Going concern

The directors, having made due and careful enquiry and preparing forecasts, are of the opinion that the company has adequate working capital to execute its operations over the next 12 months. The directors, therefore, have made an informed judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. As a result, the directors have continued to adopt the going concern basis of accounting in preparing the annual financial statements.

1.2 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

1.3 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant & machinery	- 15% reducing balance
Motor vehicles	- 20-25% reducing balance
Office equipment	- 15% straight line

1.5 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

1.6 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

1.7 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

1. ACCOUNTING POLICIES (continued)

1.8 Taxation

Current tax, including UK corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have been originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the accounts that arise from the inclusion of gains and losses in tax assessments in the period which are different from those recognised in the accounts. Deferred tax has been measured on a non-discounted basis.

1.9 Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow-moving items. Cost includes all direct expenditure.

Work in progress is valued at cost less progress payments and any foreseeable losses. A prudent estimate of the profit attributable to work completed is recognised on contracts once the outcome of the contract can be assessed with reasonable certainty.

2. TURNOVER

Turnover represents net invoiced sales of goods, excluding value added tax.

All turnover arose within the United Kingdom.

3. OPERATING PROFIT

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

	2014 £	2013 £
Depreciation of tangible fixed assets:		
- owned by the company	106,975	95,565
Auditors' remuneration	13,000	12,500
Auditors' remuneration - non-audit	3,750	3,700
Operating lease rentals:		
- plant and machinery	4,776	4,464
Loss on sale of tangible assets	(3,299)	50

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

4. STAFF COSTS

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

	2014 £	2013 £
Wages and salaries	4,116,979	3,831,969
Social security costs	457,355	430,263
Other pension costs	119,826	379,503
	<u>4,694,160</u>	<u>4,641,735</u>

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

	2014 No.	2013 No.
Administration	25	24
Production	84	78
	<u>109</u>	<u>102</u>

5. DIRECTORS' REMUNERATION

	2014 £	2013 £
Remuneration	<u>261,844</u>	<u>221,686</u>
Company pension contributions to defined contribution pension schemes	<u>91,440</u>	<u>364,069</u>

During the year retirement benefits were accruing to 4 directors (2013 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £111,666 (2013 - £NIL).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £5,740 (2013 - £177,500).

6. INTEREST PAYABLE

	2014 £	2013 £
On bank overdrafts	<u>30</u>	<u>118</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
7. TAXATION

	2014 £	2013 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	352,162	471,644
Adjustments in respect of prior periods	803	(897)
Total current tax	<u>352,965</u>	<u>470,747</u>
Deferred tax		
Origination and reversal of timing differences	33,723	23,712
Effect of increased tax rate on opening liability	-	(5,761)
Adjustments in respect of prior periods	4	-
Total deferred tax (see note 12)	<u>33,727</u>	<u>17,951</u>
Tax on profit on ordinary activities	<u><u>386,692</u></u>	<u><u>488,698</u></u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2013 - lower than) the standard rate of corporation tax in the UK of 21.49% (2013 - 23.25%). The differences are explained below:

	2014 £	2013 £
Profit on ordinary activities before tax	<u>1,769,683</u>	<u>2,129,408</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.49% (2013 - 23.25%)	380,305	495,087
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	8,709	4,191
Capital allowances for year in excess of depreciation	(36,907)	(27,635)
Adjustments to tax charge in respect of prior periods	803	(897)
Short term timing difference leading to an increase (decrease) in taxation	666	1
Adjustment to brought forward values	(611)	-
Current tax charge for the year (see note above)	<u><u>352,965</u></u>	<u><u>470,747</u></u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

8. TANGIBLE FIXED ASSETS

	Plant & machinery £	Motor vehicles £	Office equipment £	Total £
Cost				
At 1 January 2014	1,306,123	182,475	47,235	1,535,833
Additions	187,215	26,881	27,316	241,412
Disposals	(15,195)	(33,324)	(7,603)	(56,122)
At 31 December 2014	1,478,143	176,032	66,948	1,721,123
Depreciation				
At 1 January 2014	892,963	92,407	28,485	1,013,855
Charge for the year	74,800	25,049	7,126	106,975
On disposals	(12,926)	(22,716)	(3,515)	(39,157)
At 31 December 2014	954,837	94,740	32,096	1,081,673
Net book value				
At 31 December 2014	523,306	81,292	34,852	639,450
At 31 December 2013	413,160	90,068	18,750	521,978

9. STOCKS

	2014 £	2013 £
Raw materials	401,567	427,742
Work in progress	153,290	476,153
	554,857	903,895

10. DEBTORS

	2014 £	2013 £
Due after more than one year		
Other debtors	250,000	250,000
Due within one year		
Trade debtors	1,747,270	1,916,811
Amounts owed by group undertakings	2,890,973	2,773,436
Prepayments and accrued income	1,549,285	1,199,704
	6,437,528	6,139,951

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

**11. CREDITORS:
Amounts falling due within one year**

	2014 £	2013 £
Bank overdraft	-	13,859
Trade creditors	887,092	1,461,978
Corporation tax	173,924	170,959
Other taxation and social security	412,240	500,526
Accruals and deferred income	593,223	397,175
	<u>2,066,479</u>	<u>2,544,497</u>

The bank borrowings are secured by a bond and floating charge over the assets of the company.

Cross guarantees exist with Dales 2002 Limited in respect of total bank borrowings.

12. DEFERRED TAXATION

	2014 £	2013 £
At beginning of year	62,118	44,167
Charge for year (P&L)	33,727	17,951
	<u>95,845</u>	<u>62,118</u>

The provision for deferred taxation is made up as follows:

	2014 £	2013 £
Accelerated capital allowances	96,932	62,585
Short term timing differences	(1,087)	(467)
	<u>95,845</u>	<u>62,118</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
13. SHARE CAPITAL

	2014 £	2013 £
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	50,000	50,000
400 'A' Ordinary shares of £1 each	400	400
	<hr/>	<hr/>
	50,400	50,400
	<hr/>	<hr/>

14. RESERVES

	Share premium account £	Profit and loss account £
At 1 January 2014	2,100	8,538,802
Profit for the year	-	1,382,991
	<hr/>	<hr/>
At 31 December 2014	2,100	9,921,793
	<hr/>	<hr/>

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2014 £	2013 £
Opening shareholders' funds	8,591,302	6,950,592
Profit for the financial year	1,382,991	1,640,710
	<hr/>	<hr/>
Closing shareholders' funds	9,974,293	8,591,302
	<hr/>	<hr/>

16. OPERATING LEASE COMMITMENTS

At 31 December 2014 the company had annual commitments under non-cancellable operating leases as follows:

	2014 £	2013 £
Expiry date:		
Between 2 and 5 years	4,776	4,464
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

17. RELATED PARTY TRANSACTIONS

Control

Throughout the year the company was controlled by the directors.

Transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from disclosing transactions within the group on the basis that the company is a 100% subsidiary and its results are included in the consolidated results of the group.

18. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent company is Dales 2002 Limited, a company registered in Scotland.

Dales 2002 Limited has included the company's results in its group accounts, copies of which are available from its registered office, Broad House, Broad Street, Peterhead.