

Company Registration No. SC394817 (Scotland)

GAEL FORCE ENGINEERING LIMITED
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020



COMPANIES HOUSE

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GAEL FORCE ENGINEERING LIMITED

COMPANY INFORMATION

Directors	S Graham S J J Offord R Foster J M Young	(Appointed 1 June 2020) (Appointed 1 June 2020)
Secretary	R Foster	
Company number	SC394817	
Registered office	136 Anderson Street INVERNESS IV3 8DH	
Auditor	Johnston Carmichael LLP Clava House Cradlehall Business Park INVERNESS IV2 5GH	

GAEL FORCE ENGINEERING LIMITED

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GAEL FORCE ENGINEERING LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report for the year ended 31 December 2020.

Fair review of the business

The principal activities of the company continued to be the manufacture and supply of feed barges to the aquaculture industry; the manufacture and supply of pontoons; and general marine engineering services.

2019 was the strongest year in the history of the company and demonstrates the normally strong demand and the growth potential of the company. In 2020 demand was inline with 2019 as many of the projects were already committed to by customers pre Covid. As a result turnover increased by 4% to £11.6M increasing operating profit to £0.7M. While turnover will be significantly impacted in 2021, the Directors believe that the markets in which we operate, provide strong and sustainable underlying growth opportunities for the business over the medium to long term despite annual variations. The company's focus on reinvestment in continual business improvement and product development across the group position us strongly for long term sustained and significant growth.

We continue to adhere to our ambitious growth strategy which is founded, in continual business improvement through Innovation, Quality Assurance, Manufacturing Excellence, Best in Sector Service, Sustainability, Developing our Export Markets and Developing a Sector Leading Workforce to deliver solid financial returns for continual reinvestment. Underpinning that strategy and all our activities and business planning are our Gael Force Group Vision and Core Values, which remain our guiding principles

Net profit increased in 2020 as a result of very strong demand, increased gross margin and a slight reduced overhead as costs stabilised from the exceptional 2019 growth.

Principal risks and uncertainties

The main risk to the company is a serious downturn in the Scottish aquaculture industry or loss of, or financial failure of, a major customer within that sector. The company works to a detailed business plan which seeks to achieve continuing growth within a long term strategy for the group as a whole. There are clear financial and other key targets and objectives for the business, which are monitored and managed continuously. A high priority continues to be managing working capital and to improving free cash flow for ongoing investment in growth.

GAEL FORCE ENGINEERING LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Key performance indicators

Performance measured against financial and other KPIs. The following financial KPIs are derived from values as stated in the audited accounts.

	2020 / 2019
Turnover growth %	3.9% / 37%
Gross profit %	20.8% / 18%
Overheads as % gross profit	67% / 79%
EBITDA	£0.87m / £0.44m
EBITDA %	7.5% / 4%
Pre-tax profit %	6% / 1.9%
Net profit/direct employee cost %	31.4% / 8%
Balance sheet	
Days sales outstanding	28 / 53
Days purchases outstanding	46 / 22

With funding and cash management provided on a group basis by the company's parent, Gael Force Group Limited, KPI's relating to capital are measured at group rather than company level and are reported on in the consolidated accounts.

On behalf of the board



S Graham

Director

30/09/21

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GAEL FORCE ENGINEERING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

Principal activities

The principal activities of the company continued to be the manufacture and supply of feed barges to the aquaculture industry; the manufacture and supply of pontoons; and general marine engineering services.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

S Graham	
T R H Phillips FCA	(Resigned 30 June 2020)
S J J Offord	
R Foster	(Appointed 1 June 2020)
J M Young	(Appointed 1 June 2020)

Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Auditor

The auditor, Johnston Carmichael LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of future developments and financial risk management.

On behalf of the board



S Graham
Director

Date: 30/09/21

GAEL FORCE ENGINEERING LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors are responsible for preparing the strategic report, 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 judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

GAEL FORCE ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GAEL FORCE ENGINEERING LIMITED

Opinion

We have audited the financial statements of Gael Force Engineering Limited (the 'company') for the year ended 31 December 2020 which comprise the statement of income and retained earnings, the balance sheet 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 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 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 UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The 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.

GAEL FORCE ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF GAEL FORCE ENGINEERING LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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.

GAEL FORCE ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF GAEL FORCE ENGINEERING LIMITED

Extent to which the audit is considered capable of detecting irregularities, including fraud

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- UK GAAP
- Companies Act 2006
- Corporation Tax legislation

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management and those charged with governance including management and those charged with governance of component entities where necessary. We corroborated these enquiries through our review of submitted returns, board meeting minutes and legal fees.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk.

The following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance;
- Reviewing the level of and reasoning behind the company's procurement of legal and professional services;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatements due to fraud;
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias; and
- Procedures to confirm the existence and completeness of revenue, ensuring recognised in line with the company's accounting policies.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material risk due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

GAEL FORCE ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF GAEL FORCE ENGINEERING LIMITED

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.

Johnston Carmichael LLP

Allison Dalton (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP

30/09/21
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Chartered Accountants
Statutory Auditor

Clava House
Cradlehall Business Park
INVERNESS
IV2 5GH

GAEL FORCE ENGINEERING LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Turnover	3	11,636,352	11,194,229
Cost of sales		(9,220,667)	(9,132,712)
Gross profit		<u>2,415,685</u>	<u>2,061,517</u>
Administrative expenses		(1,791,589)	(1,838,466)
Other operating income		116,472	-
Operating profit	4	<u>740,568</u>	<u>223,051</u>
Interest receivable and similar income	8	408	-
Interest payable and similar expenses	9	(3,189)	(4,847)
Profit before taxation		<u>737,787</u>	<u>218,204</u>
Tax on profit	10	(160,982)	241,328
Profit for the financial year		<u>576,805</u>	<u>459,532</u>
Retained earnings brought forward		<u>1,693,637</u>	<u>1,234,105</u>
Retained earnings carried forward		<u><u>2,270,442</u></u>	<u><u>1,693,637</u></u>

The income statement has been prepared on the basis that all operations are continuing operations.

GAEL FORCE ENGINEERING LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Intangible assets	12		11,033		18,389
Tangible assets	13		268,619		386,926
			<u>279,652</u>		<u>405,315</u>
Current assets					
Stocks	14	341,595		275,682	
Debtors	15	4,387,365		4,217,257	
Cash at bank and in hand		633,720		501,027	
		<u>5,362,680</u>		<u>4,993,966</u>	
Creditors: amounts falling due within one year	16	<u>(3,312,584)</u>		<u>(3,597,389)</u>	
Net current assets			<u>2,050,096</u>		<u>1,396,577</u>
Total assets less current liabilities			<u>2,329,748</u>		<u>1,801,892</u>
Creditors: amounts falling due after more than one year	17		(28,763)		(71,577)
Provisions for liabilities	19		(30,542)		(36,677)
Net assets			<u>2,270,443</u>		<u>1,693,638</u>
Capital and reserves					
Called up share capital	23		1		1
Profit and loss reserves	24		2,270,442		1,693,637
Total equity			<u>2,270,443</u>		<u>1,693,638</u>

Although amounts due from and to group undertakings are treated as falling due within one year, the directors confirm that there is no intention that the group counterparty, all under common control, seek settlement within that period. The directors consider that adjustments should be made in respect of these values to obtain a fair view of the company's 'current' balance sheet ratios for third party purposes.

30/09/21

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



S Graham
Director

Company Registration No. SC394817

GAEL FORCE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Gael Force Engineering Limited is a limited company domiciled and incorporated in Scotland. The registered office is 136 Anderson Street, INVERNESS, IV3 8DH.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches.

1.2 Going concern

Whilst there is uncertainty and risk arising from Covid-19 the directors feel that the impact to the business in the short term is limited and does not pose a significant material threat to the business. The core aquaculture market has remained strong through the pandemic in 2020 and industry outlook remains positive on investment in growing capacity.

Therefore, the directors consider that the company is well placed to adapt to any future challenges, and will have adequate resources to continue in operation as a going concern for at least 12 months from the approval date of these financial statements. Consequently, the directors consider the going concern basis to remain appropriate.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

GAEL FORCE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Revenue from the provision of construction contracts is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Development costs	20% straight line
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1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Plant and equipment	- 10-33% straight line and 25% reducing balance
Fixtures and fittings	- 20-25% straight line
Computer equipment	- 20% straight line
Motor vehicles	- 25-33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit or loss account.

Assets transferred at book value from other group companies are depreciated by reference to the original historic cost to the group.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

1.8 Stocks

Stocks and work in progress are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Cost is calculated using the weighted average cost method.

GAEL FORCE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.9 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting end date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable that they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When costs incurred in securing a contract are recognised as an expense in the period in which they are incurred, they are not included in contract costs if the contract is obtained in a subsequent period.

The "percentage of completion method" is used to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These costs are presented as stocks, prepayments or other assets depending on their nature, and provided it is probable they will be recovered.

1.10 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand and deposits held at call with banks.

1.11 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

GAEL FORCE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.12 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of income and retained earnings because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

GAEL FORCE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

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

1.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.17 Government grants

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

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

GAEL FORCE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Government grants relating to assets are treated as deferred income and released to profit or loss over the expected useful lives of the assets concerned.

Government grants relating to turnover and the Coronavirus job retention scheme are recognised as income over the periods when the related costs are incurred.

1.18 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Construction contracts

The company's turnover recognition and margin recognition policies are central to how the company values the work it has carried out in each financial year. These policies require forecasts to be made of the expected outcomes of construction contracts, which require assessments and judgements to be made on the recovery of pre-contract costs, changes in work scope, contract programmes, defects and maintenance liabilities, changes in expected costs to complete and retentions receivable and payable. The company regularly reviews these estimates to ensure they reflect the latest known position. Related balances recognised at the year end include gross amounts due from contract customers of £723,067 (2019 - £361,389) and contract accruals and deferred income of £795,907 (2019 - £2,283,571).

3 Turnover and other revenue

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

	2020	2019
	£	£
Turnover analysed by class of business		
Engineering works	11,636,352	11,194,229

GAEL FORCE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

3	Turnover and other revenue	(Continued)	
		2020	2019
		£	£
	Other significant revenue		
	Interest income	408	-
	Grants received	82,569	-
		<u> </u>	<u> </u>
		2020	2019
		£	£
	Turnover analysed by geographical market		
	UK	6,974,562	6,768,646
	International	4,661,790	4,425,583
		<u> </u>	<u> </u>
		<u>11,636,352</u>	<u>11,194,229</u>

Grants received relates to amounts received under the Coronavirus job retention scheme.

4	Operating profit	2020	2019
		£	£
	Operating profit for the year is stated after charging/(crediting):		
	Exchange losses/(gains)	31,836	(39,868)
	Government grants	(82,569)	-
	Depreciation of owned tangible fixed assets	122,160	99,792
	Depreciation of tangible fixed assets held under finance leases	38,807	35,136
	(Profit)/loss on disposal of tangible fixed assets	-	9,000
	Amortisation of intangible assets	7,355	7,355
	Impairment of intangible assets	-	73,249
	Operating lease charges	7,680	5,565
		<u> </u>	<u> </u>

5 Auditors' remuneration

The audit fee payable has been incurred by the parent company, Gael Force Group Limited.

6 Employees

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

	2020	2019
	Number	Number
Management, back-office and sales	12	15
Shop, yard, warehouse and workshop	50	64
	<u> </u>	<u> </u>
	<u>62</u>	<u>79</u>

GAEL FORCE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

6	Employees	(Continued)	
	Their aggregate remuneration comprised:		
		2020	2019
		£	£
	Wages and salaries	1,980,210	2,532,232
	Social security costs	202,907	264,502
	Pension costs	58,720	74,903
		<u>2,241,837</u>	<u>2,871,637</u>
7	Directors' remuneration	2020	2019
		£	£
	Remuneration for qualifying services	85,474	113,742
	Company pension contributions to defined contribution schemes	13,814	1,188
		<u>99,288</u>	<u>114,930</u>
8	Interest receivable and similar income	2020	2019
		£	£
	Interest income		
	Other interest income	408	-
		<u>408</u>	<u>-</u>
9	Interest payable and similar expenses	2020	2019
		£	£
	Interest on finance leases and hire purchase contracts	3,189	4,441
	Other interest	-	406
		<u>3,189</u>	<u>4,847</u>
10	Taxation	2020	2019
		£	£
	Current tax		
	UK corporation tax on profits for the current period	99,194	2,218
	Adjustments in respect of prior periods	-	(95,349)
	Benefit arising from a previously unrecognised tax loss or credit	52,605	(130,426)
		<u>151,799</u>	<u>(223,557)</u>
	Total current tax	<u>151,799</u>	<u>(223,557)</u>

GAEL FORCE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

10 Taxation

(Continued)

	2020 £	2019 £
Current tax		
Deferred tax		
Origination and reversal of timing differences	(18,137)	80,655
Changes in tax rates	5,357	(8,723)
Adjustment in respect of prior periods	21,963	(89,703)
Total deferred tax	<u>9,183</u>	<u>(17,771)</u>
Total tax charge/(credit)	<u>160,982</u>	<u>(241,328)</u>

The actual charge/(credit) for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2020 £	2019 £
Profit before taxation	<u>737,787</u>	<u>218,204</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	140,180	41,459
Tax effect of expenses that are not deductible in determining taxable profit	-	76,021
Tax effect of income not taxable in determining taxable profit	(6,520)	(165,032)
Adjustments in respect of prior years	21,963	(185,052)
Group relief	-	130,426
Payment/(receipt) for group relief	-	(130,426)
Adjust closing deferred tax to average rate	5,359	(8,724)
Taxation charge/(credit) for the year	<u>160,982</u>	<u>(241,328)</u>

GAEL FORCE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

11 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	Notes	2020 £	2019 £
In respect of: Intangible assets	12	-	73,249
Recognised in: Administrative expenses		-	73,249

12 Intangible fixed assets

	Development costs £
Cost	
At 1 January 2020 and 31 December 2020	112,246
Amortisation and impairment	
At 1 January 2020	93,858
Amortisation charged for the year	7,355
At 31 December 2020	101,213
Carrying amount	
At 31 December 2020	11,033
At 31 December 2019	18,389

GAEL FORCE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

13 Tangible fixed assets

	Plant and equipment £	Fixtures and fittings £	Computer equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2020	856,781	31,125	120,362	3,636	1,011,904
Additions	50,320	2,849	-	-	53,169
Disposals	(196,046)	(23,537)	-	-	(219,583)
At 31 December 2020	711,055	10,437	120,362	3,636	845,490
Depreciation and impairment					
At 1 January 2020	502,680	28,363	91,746	2,189	624,978
Depreciation charged in the year	153,805	768	6,394	-	160,967
Eliminated in respect of disposals	(187,723)	(21,351)	-	-	(209,074)
At 31 December 2020	468,762	7,780	98,140	2,189	576,871
Carrying amount					
At 31 December 2020	242,293	2,657	22,222	1,447	268,619
At 31 December 2019	354,101	2,762	28,616	1,447	386,926

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

	2020 £	2019 £
Plant and equipment	137,913	201,478

14 Stocks

	2020 £	2019 £
Raw materials and consumables	46,924	47,009
Work in progress	294,671	228,673
	341,595	275,682

GAEL FORCE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

15 Debtors

	2020	2019
Amounts falling due within one year:	£	£
Trade debtors	902,657	1,627,642
Corporation tax recoverable	-	36,529
Amounts owed by group undertakings	2,699,366	2,046,533
Other debtors	785,342	423,753
Prepayments and accrued income	-	82,800
	<u>4,387,365</u>	<u>4,217,257</u>

16 Creditors: amounts falling due within one year

	2020	2019
Notes	£	£
Obligations under finance leases	18 27,015	41,015
Trade creditors	1,091,410	470,062
Amounts owed to group undertakings	151,831	187,653
Corporation tax	131,966	-
Other taxation and social security	552,779	153,741
Government grants	21 83,816	22,000
Other creditors	557,412	2,022,813
Accruals and deferred income	716,355	700,105
	<u>3,312,584</u>	<u>3,597,389</u>

17 Creditors: amounts falling due after more than one year

	2020	2019
Notes	£	£
Obligations under finance leases	18 28,763	71,577
	<u>28,763</u>	<u>71,577</u>

18 Finance lease obligations

	2020	2019
Future minimum lease payments due under finance leases:	£	£
Within one year	27,015	41,015
In two to five years	28,763	71,577
	<u>55,778</u>	<u>112,592</u>

GAEL FORCE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

18 Finance lease obligations

(Continued)

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Finance lease obligations are secured over the related assets.

19 Provisions for liabilities

	Notes	2020 £	2019 £
Deferred tax liabilities	20	30,542	36,677

20 Deferred taxation

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

	Liabilities 2020 £	Liabilities 2019 £
Balances:		
ACAs	30,542	36,677
Movements in the year:		2020 £
Liability at 1 January 2020		36,677
Credit to profit or loss		(6,135)
Liability at 31 December 2020		30,542

21 Government grants

	2020 £	2019 £
Arising from government grants	83,816	22,000

GAEL FORCE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

22 Retirement benefit schemes	2020	2019
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	58,720	74,903
	<u> </u>	<u> </u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

23 Share capital	2020	2019
	£	£
Ordinary share capital Issued and fully paid		
1 Ordinary share of £1 each	1	1
	<u> </u>	<u> </u>

The company has one class of ordinary shares which carry full voting rights but no right to fixed income or repayment of capital. Distributions are at the discretion of the company.

24 Profit and loss reserves

Retained earnings represent accumulated profits less losses and distributions.

25 Financial commitments, guarantees and contingent liabilities

There is a cross corporate guarantee in place between Gael Force Engineering Limited and other group companies.

Local Enterprise government grants (Note 21) are subject to terms and conditions, any breach of which, may result in the grants having to be repaid in part or in full.

GAEL FORCE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

26 Related party transactions

Transactions with related parties

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

	Sales	
	2020	2019
	£	£
Other related parties	61,303	269,654

	2020	2019
	£	£
Amounts due to related parties		
Other related parties	44,415	5,235

The following amounts were outstanding at the reporting end date:

	2020	2019
	£	£
Amounts due from related parties		
Other related parties	219,451	275,397

Other related parties represents other group entities which are not wholly owned within the group. Amounts owed by/to other related parties are included within debtors/creditors at the year end. These amounts are unsecured, interest-free and have no fixed terms of repayment.

The company has taken advantage of the exemption within FRS 102 Section 33 paragraph 33.1A from the requirement to disclose transactions with its parent company.

27 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020	2019
	£	£
Within one year	-	4,178
Between two and five years	-	5,300
	-	9,478

GAEL FORCE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

28 Ultimate controlling party

The immediate parent company is Gael Force Group Limited.

The ultimate parent company is Gael Force Group Holdings Limited and the registered office is 136 Anderson Street, INVERNESS, IV3 8DH.

The ultimate controlling party is Stewart Graham.