

Company Registration No. SC552705 (Scotland)

**GAEL FORCE GROUP HOLDINGS
LIMITED**

**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

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GAEL FORCE GROUP HOLDINGS LIMITED

COMPANY INFORMATION

Directors	S Graham T R H Phillips FCA
Secretary	T R H Phillips FCA
Company number	SC552705
Registered office	136 Anderson Street INVERNESS IV3 8DH
Auditor	Johnston Carmichael LLP Clava House Cradlehall Business Park INVERNESS IV2 5GH

Gael Force Group Holdings Limited

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GAEL FORCE GROUP HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the strategic report for the year ended 31 December 2018.

Fair review of the business

Gael Force Group Holdings Limited is the ultimate holding company of all Gael Force companies. These are organised into a trading group, under the direct ownership of Gael Force Group Limited ("GFG"), which provides its trading subsidiaries with shared corporate services, and a non-trading arm, currently comprising, solely, Gael Force Properties & Investments Limited ("GFPI").

The consolidated performance, assets and liabilities of GFG and its subsidiaries, and GFPI are presented here.

The principal activities of the trading group continued to be the provision of equipment, technology and services for the aquaculture, commercial marine and leisure marine markets through; the construction of feed barges; the manufacture, sale and rental of aquaculture and marine equipment; service engineering to the aquaculture and other industries; and the manufacture and installation of marina pontoons.

The principal activities of the non-trading operations is investment in heritable property and the holding of listed investments.

2018 marked a significant step towards the completion of an integrated and comprehensive portfolio of capital equipment for offer to the offshore aquaculture market, with the acquisition in April of a 75% stake in Fusion Marine Limited, now Gael Force Fusion Limited. Over many years, Fusion Marine has developed a dominant position as trusted supplier of fish pens and ancillary equipment. It brings to the group a really strong team, reputation and revenue stream. We see great opportunities to add value and accelerate its growth prospects.

In October, the Group took a 75% stake in Corpach Boatbuilding Limited, now Gael Force Boatbuilding Limited. The company has occupied a position as a niche boat-repairer on the West coast and we see its great potential to build a new generation of steel barges, already being realised with our first order in early 2018.

Alongside growth through acquisition, in 2018 we have prioritised product development. This has been an essential strand in our growth, and, with the recruitment of specialist staff and the launching of two major development projects, will continue to provide key strategic focus.

In recent years, the domestic market has been the group's primary target. Through 2018 we undertook desk and 'on the ground' research and evaluation of prospective export markets and have positioned ourselves to make a substantial impact in 2019.

Trading performance, was below budget in 2018, largely reflecting timing shifts and deferrals of anticipated client projects. While reported performance against KPI's is down against an exceptionally strong year in 2017 the Directors consider 2018 to have been a transformational year in the company's outlook and market position with very significant capacity building and product developments completed. We end the year as a result of trading and acquisition with the net worth of the consolidated balance sheet up by 23% on the previous year. As a result of this capacity building a very strong trading position is being enjoyed in 2019 and we fully expect to be reporting a record position across all trading companies at the year end.

GAEL FORCE GROUP HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Principal risks and uncertainties

We continue to adhere to our ambitious growth strategy which is founded, in operations, on leveraging our core competencies and, financially, in maintaining conservative gearing and other key ratios. Underpinning that strategy and all of our activities and business planning are our Gael Force group vision and core values, which remain our guiding principles.

The main risk to the trading group as a whole is a serious downturn in the Scottish Aquaculture industry or loss of, or financial failure of, a major customer within that sector. Within the group we are working to a detailed business plan which seeks to achieve continuing growth within a long term strategy for the group as a whole. Each annual plan sets 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.

In implementing the strategy and in pursuit of a position of market leadership, the Group is actively extending capability and reach through substantial investment in innovative new product and service development as well as acquisition. In May 2018 the Group acquired the remaining 25% of Gael Force Marine Technology which it did not own.

The Directors see considerable potential for long term growth in the Group's key markets and will continue to target resources on those opportunities which deliver the best long term growth.

Key performance indicators

Performance of the trading group companies is measured against financial KPIs. At a consolidated level the composite measures reflect specific factors bearing on the component parts and their relative weighting.

The following financial KPIs are derived from values as stated in the audited accounts.

	Trading group:
P&L	2018 / 2017
Turnover growth %	13% / 41%
Gross profit %	26.9% / 27.7%
Overheads as % gross profit	84% / 75%
EBITDA	£2.06m / £2.45m
EBITDA %	7.6% / 10.1%
Pre-tax profit %	4.0% / 8.3%
Net profit/direct employee cost %	13% / 32%
Balance sheet	
Days sales outstanding	57 / 49
Days purchases outstanding	52 / 54
Liquidity ('quick') ratio	104% / 116%
EBITDA/net debt (cover)	48% / 89%
Leverage	48% / 35%
Return on capital employed	15% / 44%

Gael Force Group Holdings Limited

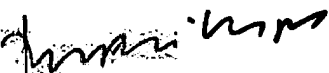
STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Other activities

GFPI owns properties in Inverness and Stornoway which it lets to other Gael Force group companies. To this degree it is subject to the same risks as the trading group. However the properties have substantial open market value which mitigates this exposure. Investments are legacy holdings in two primary UK listed plc's, which are held for the long term and not considered to carry unusual or exceptional risk. After the year-end, in May 2019, GFPI acquired the ex- Sea Life Centre at Barcaldine, by Oban

On behalf of the board



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T R H Phillips FCA

Director 27/7/19
.....

GAEL FORCE GROUP HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and financial statements for the year ended 31 December 2018.

Principal activities

The principal activity of the group is the provision of commercial marine, leisure marine and fish-farm supplies, the fabrication of feed barges, service engineering to the distillery and aquaculture industries, and the manufacture and installation of pontoons.

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

Results and dividends

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

Ordinary dividends were paid amounting to £215,004. The directors do not recommend payment of a further dividend.

Auditor

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

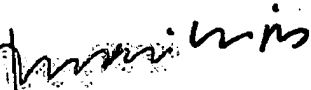
Statement of disclosure to auditor

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 auditor of the company 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 auditor of the company is aware of that information.

Strategic Report

The group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group'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 research and development.

On behalf of the board



T R H Phillips FCA

Director 27/1/19

Date:

GAEL FORCE GROUP HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GAEL FORCE GROUP HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GAEL FORCE GROUP HOLDINGS LIMITED

Opinion

We have audited the financial statements of Gael Force Group Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows 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 group's and the parent company's affairs as at 31 December 2018 and of the group's 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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Gael Force Group Holdings Limited

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF GAEI FORCE GROUP HOLDINGS 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 the knowledge and understanding of the group and the parent 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 group's and the parent 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 group or the parent 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 GROUP HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF GAEL FORCE GROUP HOLDINGS LIMITED

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- **Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.**
- **Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.**
- **Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.**
- **Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.**
- **Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.**
- **Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.**

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

**David McBain (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP**

**Chartered Accountants
Statutory Auditor**

30/9/19
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**Clava House
Cradlehall Business Park
INVERNESS
IV2 5GH**

GAEL FORCE GROUP HOLDINGS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Turnover	3	27,273,945	24,161,720
Cost of sales		(19,941,480)	(17,487,520)
Gross profit		7,332,465	6,694,200
Distribution costs		(9,639)	(9,319)
Administrative expenses		(6,186,783)	(4,696,898)
Other operating income		90,488	12,700
Operating profit	4	1,226,531	2,000,685
Interest receivable and similar income	8	66,588	39,528
Interest payable and similar expenses	9	(88,438)	(79,552)
Amounts written off investments	10	(101,195)	44,272
Profit before taxation		1,103,486	2,004,933
Tax on profit	11	(286,081)	(391,178)
Profit for the financial year	29	817,405	1,613,755
Other comprehensive income			
Tax relating to other comprehensive income		-	17,101
Total comprehensive income for the year		817,405	1,630,856
Profit for the financial year is attributable to:			
- Owners of the parent company		779,870	1,597,670
- Non-controlling interests		37,535	16,085
		817,405	1,613,755
Total comprehensive income for the year is attributable to:			
- Owners of the parent company		779,870	1,614,771
- Non-controlling interests		37,535	16,085
		817,405	1,630,856

The Group Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

GAEL FORCE GROUP HOLDINGS LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2018

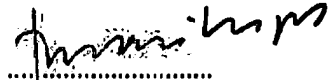
	Notes	2018 £	£	2017 £	£
Fixed assets					
Goodwill	13	1,961,125		-	
Other intangible assets	13	401,687		417,045	
Total intangible assets		2,362,812		417,045	
Tangible assets	14	6,118,992		5,398,452	
Investment properties	15	253,484		-	
Investments	16	328,786		429,991	
		9,084,094		6,245,488	
Current assets					
Stocks	19	3,376,168	2,591,699		
Debtors falling due after more than one year	20	1,755,000	1,692,845		
Debtors falling due within one year	20	5,478,447	3,987,887		
Cash at bank and in hand		1,450,198	1,247,573		
		12,059,813	9,520,004		
Creditors: amounts falling due within one year	21	(8,317,212)	(5,958,859)		
Net current assets		3,742,601		3,561,145	
Total assets less current liabilities		12,806,695		9,806,633	
Creditors: amounts falling due after more than one year	22	(3,558,704)	(2,361,722)		
Provisions for liabilities	25	(280,841)	(176,916)		
Net assets		8,967,150		7,267,995	
Capital and reserves					
Called up share capital	28	1	1		
Revaluation reserve	29	1,350,245	1,350,245		
Other reserves	29	137,463	137,463		
Profit and loss reserves	29	6,189,073	5,624,207		
Equity attributable to owners of the parent company		7,676,782	7,111,916		
Non-controlling interests		1,290,368	156,079		
		8,967,150	7,267,995		

GAEL FORCE GROUP HOLDINGS LIMITED

GROUP BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2018

The financial statements were approved by the board of directors and authorised for issue on 27/9/19
and are signed on its behalf by:



.....
T R H Phillips FCA
Director

GAEL FORCE GROUP HOLDINGS LIMITED

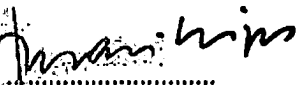
COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018 £	£	2017 £	£
Fixed assets					
Investments	16		2,015,554		2,015,554
Current assets					
Debtors falling due after more than one year	20	1,755,000			
Debtors falling due within one year	20	295,911		1,113,257	
		2,050,911		1,113,257	
Creditors: amounts falling due within one year	21	(2,307,168)		(1,153,257)	
Net current liabilities			(256,257)		(40,000)
Total assets less current liabilities			1,759,297		1,975,554
Capital and reserves					
Called up share capital	28		1		1
Profit and loss reserves	29		1,759,296		1,975,553
Total equity			1,759,297		1,975,554

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £1,253 (2017 - profit of £2,015,553 including group dividends received of £2,015,553).

The financial statements were approved by the board of directors and authorised for issue on 27/9/19... and are signed on its behalf by:



R H Phillips FCA
Director

Company Registration No. SC522705

GAEL FORCE GROUP HOLDINGS LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital	Revaluation reserve	Other reserves	Profit and loss reserves	Total controlling interest	Non-controlling interest	Total
		£	£	£	£	£	£	£
Balance at 1 January 2017		1	1,333,144	137,463	4,066,537	5,537,145	139,994	5,677,139
Year ended 31 December 2017:								
Profit for the year		-	-	-	1,597,670	1,597,670	16,085	1,613,755
Other comprehensive income:								
Tax relating to other comprehensive income		-	17,101	-	-	17,101	-	17,101
Total comprehensive income for the year		-	17,101	-	1,597,670	1,614,771	16,085	1,630,856
Dividends	12	-	-	-	(40,000)	(40,000)	-	(40,000)
Balance at 31 December 2017		1	1,350,245	137,463	5,624,207	7,111,916	156,079	7,267,995
Year ended 31 December 2018:								
Profit and total comprehensive income for the year		-	-	-	779,870	779,870	37,535	817,405
Dividends	12	-	-	-	(215,004)	(215,004)	-	(215,004)
Acquisition of non-controlling interests		-	-	-	-	-	1,252,833	1,252,833
Disposal of non-controlling interests		-	-	-	-	-	(156,079)	(156,079)
Balance at 31 December 2018		1	1,350,245	137,463	6,189,073	7,676,782	1,290,368	8,967,150

GAEL FORCE GROUP HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital £	Profit and loss reserves £	Total £
Period ended 31 December 2017:				
Profit and total comprehensive income for the year		-	2,015,553	-
Dividends	12	-	(40,000)	-
Balance at 31 December 2017		1	1,975,553	1,975,554
Year ended 31 December 2018:				
Loss and total comprehensive expenditure for the year		-	(1,253)	(1,253)
Dividends	12	-	(215,004)	(215,004)
Balance at 31 December 2018		1	1,759,296	1,759,297

GAEL FORCE GROUP HOLDINGS LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	£	2017 £	£
Cash flows from operating activities					
Cash generated from operations	35	1,408,457		2,842,110	
Interest paid		(88,438)		(79,552)	
Income taxes paid		(198,042)		(170,488)	
Net cash inflow from operating activities		<u>1,119,977</u>		<u>2,592,090</u>	
Investing activities					
Purchase of business		(503,749)		-	
Purchase of intangible assets		(108,765)		(444,161)	
Purchase of tangible fixed assets		(72,467)		(634,645)	
Proceeds on disposal of tangible fixed assets		234,748		177,370	
Purchase of shares in subsidiary from non-controlling interest		(156,079)		-	
Interest received		49,538		22,549	
Dividends received		17,050		16,979	
Net cash used in investing activities		<u>(539,724)</u>		<u>(861,808)</u>	
Financing activities					
Proceeds from borrowings		304,227		-	
Proceeds of new bank loans		-		2,000,000	
Repayment of bank loans		(397,802)		(610,679)	
Payment of finance leases obligations		(159,968)		(81,463)	
Dividends paid to equity shareholders		(189,504)		(40,000)	
Net cash (used in)/generated from financing activities		<u>(443,047)</u>		<u>1,267,858</u>	
Net increase in cash and cash equivalents		<u>137,208</u>		<u>2,998,040</u>	
Cash and cash equivalents at beginning of year		<u>1,247,573</u>		<u>(1,750,467)</u>	
Cash and cash equivalents at end of year		<u><u>1,384,779</u></u>		<u><u>1,247,573</u></u>	
Relating to:					
Cash at bank and in hand		1,450,198		1,247,573	
Bank overdrafts included in creditors payable within one year		<u>(65,419)</u>		-	

GAEL FORCE GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company Information

Gael Force Group Holdings Limited ("the company") is a private limited company domiciled and incorporated in Scotland. The registered office is 136 Anderson Street, INVERNESS, IV3 8DH.

The group consists of Gael Force Group Holdings Limited and all of its subsidiaries.

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, modified to include the revaluation of freehold properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The parent 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 parent company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- 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.

Gael Force Group Holdings Limited was incorporated on 15 December 2016 and acquired the entire share capital of Gael Force Group Limited via share by share exchange on 23 December 2016. As the use of merger accounting is not prohibited by company law or other relevant legislation, the ultimate equity holders remain the same, the rights of each equity holder, relative to the others, are unchanged and no non-controlling interest is altered by transfer, merger accounting provisions have been adopted in relation to this transaction.

Accordingly, no goodwill, other intangibles fair value adjustments are recognised on the business combination.

The difference between the nominal value of the shares issued and the nominal value of the shares received in exchange is shown as a merger reserve.

GAEL FORCE GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

The consolidated financial statements incorporate those of Gael Force Group Holdings Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Other than in respect of business combinations accounted for as group reconstructions using the merger method of accounting, subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2018. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

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.

Revenue from contracts for the provision of services 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 - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

GAEL FORCE GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.6 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.

Intangible assets comprise both development costs and intellectual property rights which are defined as having finite useful lives and the costs are amortised on a straight line basis over their estimated useful life. Intangible assets are stated at cost less amortisation and are reviewed for impairment whenever there is an indication that the carrying value may be impaired.

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

Patents & licences	Fully amortised
Development costs	20% straight line
Design rights	25% straight line

1.7 Tangible fixed assets

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

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

Freehold land and buildings	nil
Marine Vessels	5% straight line
Leasehold improvements	20% reducing balance
Plant and equipment	20-33% straight line and 25% reducing balance
Fixtures and fittings	13-33% straight line and 25% reducing balance
Computers	20-25% straight line and 25% reducing balance
Motor vehicles	25% 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 profit or loss.

1.8 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. The surplus or deficit on revaluation is recognised in profit or loss.

Where fair value cannot be achieved without undue cost or effort, investment property is accounted for as tangible fixed assets.

Gael Force Group Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.9 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. In the event of an acquisition of a subsidiary via share by share exchange and falling within the merger relief provisions of the Companies Act, cost is the nominal value of shares issued in exchange for shares received.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.10 Impairment of fixed assets

At each reporting period end date, the group 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).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

1.11 Stocks

Stocks 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.

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.

1.12 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.

GAEL FORCE GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

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.

1.13 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.14 Financial Instruments

The group 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 group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and 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.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, 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. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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 group transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

GAEL FORCE GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

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 group after deducting all of its 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 group's contractual obligations expire or are discharged or cancelled.

1.15 Equity instruments

Equity instruments issued by the group 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 group.

1.16 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 profit or loss 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 group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

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 if, and only if, there is 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.

GAEL FORCE GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.17 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.

1.18 Retirement benefits

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

1.19 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 income 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 lease asset are consumed.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

1.20 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.

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.

1.21 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 or loss for the period.

GAEL FORCE GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

2 Judgements and key sources of estimation uncertainty

In the application of the group'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.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Construction contracts

The group undertakes construction contracts which takes place over a period of time and revenue and profits are recognised as the group performs under these contracts. The extent to which revenue and profits have been earned involves estimating a percentage of completion under ongoing contracts which is based on costs incurred to date as a proportion of total estimated costs.

Tangible fixed assets

Freehold land and buildings are included on the balance sheet at fair value. Calculation of this fair value requires estimation taking into account the condition of the property and the current property market. The directors utilise experienced third party professional valuers in arriving at these valuations.

Intangible assets

The group has intangible assets of which the carrying value involves assumptions regarding the period over which economic benefits are expected to be generated.

Stock provision

In common with all businesses carrying trading stock, the group faces the possibility that stock held will not recover its carrying value at point of sale. The directors calculate a specific provision to allow for this based on the time that items have been held in stock. As with any estimate, this is subject to events proving otherwise where tested, but the directors do not consider that this amounts to significant risk.

3 Turnover and other revenue

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

	2018 £	2017 £
Turnover analysed by class of business		
Engineering works	8,157,776	8,177,329
Marine equipment	18,536,690	15,501,839
Rental of equipment	579,579	482,552
	<u>27,273,945</u>	<u>24,161,720</u>

GAEL FORCE GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 Turnover and other revenue

(Continued)

	2018 £	2017 £
Other significant revenue		
Interest income	49,538	22,549
Dividends received	17,050	16,979
Grants received	50,238	11,000
Other income	40,250	1,700
	<u>27,027,411</u>	<u>23,448,851</u>
	248,534	712,869
	<u>27,273,945</u>	<u>24,161,720</u>

4 Operating profit

	2018 £	2017 £
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(14,440)	(30,340)
Research and development costs	(3,631)	4,051
Government grants	(50,238)	(11,000)
Depreciation of owned tangible fixed assets	579,048	388,083
Depreciation of tangible fixed assets held under finance leases	18,809	31,815
Profit on disposal of tangible fixed assets	(11,785)	(23,082)
Amortisation of intangible assets	249,383	27,116
Cost of stocks recognised as an expense	16,805,535	15,043,623
Operating lease charges	87,279	79,549

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £14,440 (2017 - £30,340).

5 Auditor's remuneration

	2018 £	2017 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	3,800	3,680
Audit of the financial statements of the company's subsidiaries	62,280	37,440
	<u>66,080</u>	<u>41,120</u>

GAEL FORCE GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

6 Employees

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

	Group 2018 Number	2017 Number	Company 2018 Number	2017 Number
Shop, yard, warehouse and workshop	125	105	-	-
Management, back-office and sales	72	56	2	2
	<u>197</u>	<u>161</u>	<u>2</u>	<u>2</u>

Their aggregate remuneration comprised:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Wages and salaries	5,680,653	4,491,504	-	-
Social security costs	580,223	445,692	-	-
Pension costs	163,118	176,051	-	-
	<u>6,423,994</u>	<u>5,113,247</u>	<u>-</u>	<u>-</u>

7 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	83,759	79,929
Company pension contributions to defined contribution schemes	-	773
	<u>83,759</u>	<u>80,702</u>

8 Interest receivable and similar income

	2018 £	2017 £
Interest income		
Interest on bank deposits	1,538	-
Other interest income	48,000	22,549
Total interest revenue	<u>49,538</u>	<u>22,549</u>
Other income from investments		
Dividends received	17,050	16,979
Total income	<u>66,588</u>	<u>39,528</u>

GAEL FORCE GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

8 Interest receivable and similar income

(Continued)

Investment income includes the following:

Dividends from financial assets measured at fair value through profit or loss	17,050	16,979
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9 Interest payable and similar expenses

	2018	2017
	£	£
Interest on bank overdrafts and loans	68,676	70,576
Interest on finance leases and hire purchase contracts	21,230	7,819
Other interest on financial liabilities	379	-
Other interest	153	1,157
Total finance costs	88,438	79,552

10 Amounts written off investments

	2018	2017
	£	£
Fair value gains/(losses) on financial instruments		
Change in value of financial assets held at fair value through profit or loss	(101,195)	44,272

11 Taxation

	2018	2017
	£	£
Current tax		
UK corporation tax on profits for the current period	282,092	383,959
Adjustments in respect of prior periods	(24,864)	19,982
Total current tax	257,228	403,941
Deferred tax		
Origination and reversal of timing differences	11,022	765
Adjustment in respect of prior periods	17,831	(13,528)
Total deferred tax	28,853	(12,763)
Total tax charge	286,081	391,178

GAEL FORCE GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

11 Taxation

(Continued)

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

	2018 £	2017 £
Profit before taxation	1,103,486	2,004,933
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	209,662	385,950
Tax effect of expenses that are not deductible in determining taxable profit	67,563	7,348
Tax effect of income not taxable in determining taxable profit	-	(8,521)
Adjustments in respect of prior years	(31,896)	15,707
Share based payment charge	-	(2,260)
Deferred tax adjustments in respect of prior years	17,831	(13,528)
Deferred tax not recognised	25,383	(18,150)
Fixed asset difference	2,054	29,988
Chargeable gain	513	(3,268)
Adjust closing deferred tax rate to average rate	(6,229)	(2,066)
Taxation charge	286,081	391,178

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2018 £	2017 £
Deferred tax arising on: Revaluation of property	-	(17,101)

12 Dividends

	2018 £	2017 £
Final paid	215,004	40,000

Gael Force Group Holdings Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2018

13 Intangible fixed assets

Group	Goodwill	Patents & licences	Development costs	Design rights	Total
	£	£	£	£	£
Cost					
At 1 January 2018	60,477	55,087	637,890	15,000	768,254
Additions - internally developed	-	-	75,489	-	75,489
Additions - separately acquired	2,119,681	-	-	-	2,119,681
At 31 December 2018	2,180,158	55,087	713,159	15,000	2,963,404
Amortisation and Impairment					
At 1 January 2018	60,477	55,087	234,707	938	351,209
Amortisation charged for the year	158,556	-	87,077	3,750	249,383
At 31 December 2018	219,033	55,087	321,784	4,688	600,592
Carrying amount					
At 31 December 2018	1,961,125	-	391,375	10,312	2,362,812
At 31 December 2017	-	-	402,983	14,082	417,065

The company had no intangible fixed assets at 31 December 2018 or 31 December 2017.

Gael Force Group Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

14 Tangible fixed assets

Group	Freehold land and buildings	Marine Vessels	Leasehold improvements	Plant and equipment	Fixtures and fittings	Computers	Motor vehicles	Total
	£	£	£	£	£	£	£	£
Cost or valuation								
At 1 January 2018	3,265,286	811,255	35,278	3,122,397	118,014	146,170	383,184	7,881,584
Additions	75,208	-	13,269	1,207,439	38,518	37,317	169,409	1,541,160
Disposals	-	-	-	(246,695)	-	-	(5,532)	(252,227)
At 31 December 2018	3,340,494	811,255	48,547	4,083,141	156,532	183,487	547,061	9,170,517
Depreciation and impairment								
At 1 January 2018	-	57,464	7,537	2,035,763	54,791	77,899	249,678	2,483,132
Depreciation charged in the year	583	42,573	1,330	402,986	45,447	34,544	70,184	597,657
Eliminated in respect of disposals	-	-	-	(26,843)	-	-	(2,421)	(29,264)
At 31 December 2018	583	100,037	8,867	2,411,916	100,238	112,443	317,441	3,051,525
Carrying amount								
At 31 December 2018	3,339,911	711,218	39,680	1,671,225	56,294	71,044	229,620	6,118,992
At 31 December 2017	3,265,286	753,791	27,741	1,086,634	63,223	68,271	133,506	5,398,452

The company had no tangible fixed assets at 31 December 2018 or 31 December 2017.

GAEL FORCE GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

14 Tangible fixed assets

(Continued)

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

	Group 2018 £	2017 £	Company 2018 £	2017 £
Plant and equipment	18,750	177,393	-	-
Motor vehicles	152,402	40,586	-	-
Computers	29,482	10,131	-	-
	<u>200,614</u>	<u>228,110</u>	<u>-</u>	<u>-</u>
Depreciation charge for the year in respect of leased assets	<u>18,609</u>	<u>31,815</u>	<u>-</u>	<u>-</u>

The fair value of the land and buildings has been arrived at on the basis of a valuation made on an on-going market basis carried out by Graham Sibbald Chartered Surveyors, who are not connected with the group.

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Cost	1,862,632	1,862,632	-	-
Accumulated depreciation	-	-	-	-
Carrying value	<u>1,862,632</u>	<u>1,862,632</u>	<u>-</u>	<u>-</u>

15 Investment property

	Group 2018 £	Company 2018 £
Fair value		
At 1 January 2018	-	-
Additions through external acquisition	<u>253,494</u>	<u>-</u>
At 31 December 2018	<u>253,494</u>	<u>-</u>

The fair value of the investment property is reassessed by the directors at each reporting date and is considered to remain representative of the fair value as at 31 December 2018.

The fair value of the investment properties is equal to the historic cost.

Gael Force Group Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

18 Fixed asset investments

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Investments in subsidiaries	17	-	-	2,015,554	2,015,554
Listed investments		328,798	429,991	-	-
		<u>328,798</u>	<u>429,991</u>	<u>2,015,554</u>	<u>2,015,554</u>
Listed investments included above:					
Listed investments carrying amount		<u>328,798</u>	<u>429,991</u>	<u>-</u>	<u>-</u>
Movements in fixed asset investments					
Group					Investments other than loans £
Cost					
At 1 January 2018					429,991
Valuation changes					(101,195)
At 31 December 2018					<u>328,798</u>
Carrying amount					
At 31 December 2018					<u>328,798</u>
At 31 December 2017					<u>429,991</u>
Movements in fixed asset investments					
Company					Shares in group undertakings £
Cost					
At 1 January 2018 and 31 December 2018					2,015,554
Carrying amount					
At 31 December 2018					<u>2,015,554</u>
At 31 December 2017					<u>2,015,554</u>

GAEL FORCE GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

17 Subsidiaries

Details of the company's subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Gael Force Aquahomes Limited	Scotland	Dormant	Ordinary		100.00
Gael Force Engineering Limited	Scotland	Marine, Marine and Distillery Engineering	Ordinary		100.00
Gael Force Group Limited	Scotland	Holding company	Ordinary	100.00	
Gael Force Marine Equipment Limited	Scotland	Manufacture and supply of marine equipment	Ordinary		100.00
Gael Force Marine Technology Limited	Scotland	Manufacture and sale of Marine Equipment	Ordinary		100.00
Gael Force Properties and Investments Limited	Scotland	Property rental and investment	Ordinary	100.00	
Gael Force Rentals Limited	Scotland	Rental of Marine Equipment	Ordinary		100.00
Gael Force Fusion Limited	Scotland	Marine, Marine and Distillery Engineering	Ordinary		75.00
Gael Force Boatbuilding Limited	Scotland	Repairs to Marine Equipment	Ordinary		75.00

18 Financial Instruments

	Group 2018 £	2017 £	Company 2018 £	2017 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	8,357,623	6,835,150	n/a	n/a
Equity instruments measured at cost less impairment	328,786	429,991	n/a	n/a
Carrying amount of financial liabilities				
Measured at amortised cost	10,110,300	6,900,641	n/a	n/a

As permitted by the reduced disclosure framework within FRS 102, the company has taken advantage of the exemption from disclosing the carrying amount of certain classes of financial instruments, denoted by 'n/a' above.

19 Stocks

	Group 2018 £	2017 £	Company 2018 £	2017 £
Raw materials and consumables	486,373	416,763	-	-
Work in progress	272,491	175,762	-	-
Finished goods and goods for resale	2,637,304	1,999,174	-	-
	3,376,168	2,591,699	-	-

GAEL FORCE GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

20 Debtors

	Group 2018	2017	Company 2018	2017
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	4,244,588	3,204,481	-	-
Unpaid share capital	1	1	-	-
Amounts owed by group undertakings	-	-	294	923,753
Other debtors	953,008	704,679	295,617	189,504
Prepayments and accrued income	280,850	78,746	-	-
	<u>5,478,447</u>	<u>3,987,887</u>	<u>295,911</u>	<u>1,113,257</u>
Amounts falling due after more than one year:				
Amount owed by related parties	<u>1,755,000</u>	<u>1,692,845</u>	<u>1,755,000</u>	<u>-</u>
Total debtors	<u><u>7,233,447</u></u>	<u><u>5,680,732</u></u>	<u><u>2,050,911</u></u>	<u><u>1,113,257</u></u>

21 Creditors: amounts falling due within one year

		Group 2018	2017	Company 2018	2017
	Notes	£	£	£	£
Bank loans and overdrafts	23	383,002	313,147	-	-
Obligations under finance leases	24	344,887	72,827	-	-
Other borrowings	23	139,093	-	-	-
Trade creditors		2,743,432	2,428,171	-	-
Amounts owed to group undertakings		-	-	2,281,888	1,113,257
Corporation tax payable		637,416	449,235	-	-
Other taxation and social security		830,882	788,083	-	-
Deferred income	28	37,882	62,924	-	-
Dividends payable		25,500	-	25,500	-
Other creditors		2,493,971	1,460,726	-	40,000
Accruals and deferred income		681,347	383,946	-	-
		<u>8,317,212</u>	<u>5,958,859</u>	<u>2,307,168</u>	<u>1,153,257</u>

GAEL FORCE GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

22 Creditors: amounts falling due after more than one year

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Bank loans and overdrafts	23	1,800,352	2,117,935	-	-
Obligations under finance leases	24	653,573	124,089	-	-
Deferred Income	26	259,636	119,698	-	-
Other creditors		845,143	-	-	-
		<u>3,558,704</u>	<u>2,361,722</u>	<u>-</u>	<u>-</u>

23 Loans and overdrafts

	Group 2018 £	2017 £	Company 2018 £	2017 £
Bank loans	2,117,935	2,431,082	-	-
Bank overdrafts	85,419	-	-	-
Other loans	139,093	-	-	-
	<u>2,322,447</u>	<u>2,431,082</u>	<u>-</u>	<u>-</u>
Payable within one year	522,095	313,147	-	-
Payable after one year	<u>1,800,352</u>	<u>2,117,935</u>	<u>-</u>	<u>-</u>

The bank loans and overdraft are secured by a bond and floating charge over the assets of the group and by a standard security over the quay and the industrial premises at Inverness, property at Island Road, Stornoway and the warehouse, offices and land at Anderson Street, Inverness.

Bank loans include a bank loan repayable in 120 monthly instalments with interest payable at base rate plus 2.94% per annum. There is a further loan repayable in 20 quarterly instalments with interest payable at LIBOR plus an interest margin of 2.25%.

24 Finance lease obligations

	Group 2018 £	2017 £	Company 2018 £	2017 £
Future minimum lease payments due under finance leases:				
Within one year	344,887	72,627	-	-
In two to five years	653,573	124,089	-	-
	<u>998,460</u>	<u>196,716</u>	<u>-</u>	<u>-</u>

GAEL FORCE GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 DECEMBER 2018**

24 Finance lease obligations

(Continued)

Finance lease payments represent rentals payable by the company or group 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.

25 Deferred taxation

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

	Liabilities 2018 £	Liabilities 2017 £
Group		
Accelerated capital allowances	185,551	81,626
Investment property	95,290	95,290
	<u>280,841</u>	<u>176,916</u>

The company has no deferred tax assets or liabilities.

	Group 2018 £	Company 2018 £
Movements in the year:		
Liability at 1 January 2018	176,916	-
Charge to profit or loss	28,853	-
Liability acquired on acquisition of subsidiary	61,445	-
Other	13,627	-
	<u>280,841</u>	<u>-</u>
Liability at 31 December 2018	280,841	-

GAEL FORCE GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

26 Deferred income

	Group 2018 £	2017 £	Company 2018 £	2017 £
Arising from government grants	281,636	182,622	-	-
Other deferred income	15,882	-	-	-
	<u>297,518</u>	<u>182,622</u>	<u>-</u>	<u>-</u>

Deferred income is included in the financial statements as follows:

Current liabilities	37,882	62,924	-	-
Non-current liabilities	259,636	119,698	-	-
	<u>297,518</u>	<u>182,622</u>	<u>-</u>	<u>-</u>

27 Retirement benefit schemes

	2018 £	2017 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>163,118</u>	<u>176,051</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

28 Share capital

	Group and company 2018 £	2017 £
Ordinary share capital issued and fully paid		
1 Ordinary share of £1 each	<u>1</u>	<u>1</u>

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

29 Reserves

Revaluation reserve

The revaluation reserve represents increases in the valuation of land and buildings over the original cost price, net of deferred tax.

Profit and loss reserves

Retained earnings represent accumulated profits less losses and distributions.

GAEL FORCE GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

30 Acquisitions

On 11 April 2018 the group acquired 75 percent of the issued capital of Gael Force Fusion Limited (previously Fusion Marine Limited).

	Book Value £	Adjustments £	Fair Value £
Property, plant and equipment	345,889	-	345,889
Investment property	253,494	-	253,494
Inventories	449,589	-	449,589
Trade and other receivables	785,882	-	785,882
Cash and cash equivalents	4,443,444	-	4,443,444
Trade and other payables	(1,302,086)	-	(1,302,086)
Tax liabilities	(123,795)	-	(123,795)
Deferred tax	(61,445)	-	(61,445)
Total identifiable net assets	4,790,772	-	4,790,772
Non-controlling interests			(1,197,568)
Goodwill			2,082,067
Total consideration			5,675,271
The consideration was satisfied by:			£
Cash			4,834,333
Deferred consideration			840,938
			5,675,271
Contribution by the acquired business for the reporting period included in the consolidated statement of comprehensive income since acquisition:			£
Turnover			3,876,569
Profit after tax			208,637

The goodwill on the acquisition of the business is attributable to the anticipated profitability going forward.

Gael Force Group Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

30 Acquisitions

(Continued)

On 22 October 2018 the group acquired 75 percent of the issued capital of Gael Force Boatbuilding Limited (previously Corpach Boatbuilding Company Limited).

	Book Value £	Adjustments £	Fair Value £
Property, plant and equipment	161,292	-	161,292
Inventories	42,476	-	42,476
Trade and other receivables	168,529	-	168,529
Cash and cash equivalents	58,258	-	58,258
Trade and other payables	(203,289)	-	(203,289)
Tax liabilities	(5,200)	-	(5,200)
Total identifiable net assets	222,066	-	222,066
Non-controlling interests			(55,266)
Goodwill			4,318
Total consideration			171,118
The consideration was satisfied by:			£
Cash			171,118
Contribution by the acquired business for the reporting period included in the consolidated statement of comprehensive income since acquisition:			£
Turnover			144,470
Loss after tax			(22,284)

31 Operating lease commitments

Lessee

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

	Group 2018 £	2017 £	Company 2018 £	2017 £
Within one year	148,819	95,767	-	-
Between two and five years	395,705	270,723	-	-
In over five years	58,492	52,117	-	-
	603,016	418,607	-	-

GAEL FORCE GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

32 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Acquisition of tangible fixed assets	193,210	40,000	-	-

33 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2018 £	2017 £
Aggregate compensation	880,847	278,146

Transactions with related parties

The following amounts were outstanding at the reporting end date:

Amounts due to related parties	2018 £	2017 £
Group		
Entities over which the group has control, joint control or significant influence	-	40,000
Company		
Entities over which the company has control, joint control or significant influence	-	40,000

The following amounts were outstanding at the reporting end date:

Amounts due from related parties	2018 Balance £	2017 Balance £
Group		
Entities over which the group has control, joint control or significant influence	1,826,050	1,670,295
Company		
Other related parties	1,826,050	-

GAEL FORCE GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

33 Related party transactions

(Continued)

Amounts owed from related parties are included within debtors at the year end. Amounts are repayable in 40 quarterly instalments of £11,250 with interest payable at 0.25% above base rate per annum. There is a final balancing payment due in 2028, subject to any agreed refinancing arrangements prior to this.

The company has taken advantage of section 33.1A available in FRS 102 from the requirement to disclose related party transactions.

34 Directors' transactions

Dividends totalling £215,004 (2017 - £40,000) were paid in the year in respect of shares held by the company's directors.

Advances to directors in the year are interest free and have no fixed terms of repayment.

Advances or credits have been granted by the group to its directors as follows:

Description	% Rate	Opening balance £	Amounts advanced £	Amounts repaid £	Closing balance £
S Graham - advance	-	189,504	251,359	(189,504)	251,359
		<u>189,504</u>	<u>251,359</u>	<u>(189,504)</u>	<u>251,359</u>

35 Cash generated from group operations

	2018 £	2017 £
Profit for the year after tax	817,405	1,613,755
Adjustments for:		
Taxation charged	286,081	391,178
Finance costs	88,438	79,552
Investment income	(68,588)	(39,528)
Gain on disposal of tangible fixed assets	(11,785)	(23,082)
Amortisation and impairment of intangible assets	249,383	27,116
Depreciation and impairment of tangible fixed assets	597,657	419,878
Amounts written off investments	101,195	(44,272)
Movements in working capital:		
(Increase) in stocks	(292,404)	(547,934)
(Increase) in debtors	(509,951)	(991,941)
Increase in creditors	197,264	1,774,766
(Decrease)/increase in deferred income	(50,238)	182,622
Cash generated from operations	1,406,457	2,842,110