

Company Registration No. SC552705 (Scotland)

**Gael Force Group Holdings  
Limited**

**Annual Report and Financial  
Statements**

**For the year ended 31 December 2017**

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# GAEL FORCE GROUP HOLDINGS LIMITED

## COMPANY INFORMATION

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

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# **GAEL FORCE GROUP HOLDINGS LIMITED**

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# **GAEL FORCE GROUP HOLDINGS LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2017**

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The directors present the strategic report for the year ended 31 December 2017.

#### **Fair review of the business**

This is the first year in which the directors are reporting on results for the Gael Force Group as consolidated into the ultimate holding company of all Gael Force companies, Gael Force Group Holdings Limited.

At the end of 2016, the group companies were separated into a trading group, under the direct ownership of Gael Force Group Limited ("GFG"), which provides them 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.

2017 delivered a strong performance across the board, with turnover up 41% on 2016. Growth was centered on the aquaculture sector through the supply and rental of equipment, technology and services.

Margins were however reduced, which may have been a contributing factor to the substantial growth. The aggregate gross profit was down two percent to 27.7%, but the aggregate EBITDA of 8.8% (2016 – 3.9%) is testament to a transformational release of latent capacity and establishes a strong platform for sustained growth. Current year performance resulted in an increase in the net asset position from £5,677,139 to £7,267,995.

The trading group continues to reinvest in innovative new product and process development.

#### **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 each business unit is 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. Following the year-end, in April 2018, Gael Force purchased a controlling stake in Fusion Marine Limited, Scotland's pre-eminent manufacturer of fish farm pens. 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.

# GAEL FORCE GROUP HOLDINGS LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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### 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 consolidated audited accounts of the trading group reported with its parent company, Gael Force Group Limited.

	2017 Trading group
P & L	
Turnover growth %	41.0% (-7%)
Gross profit %	27.7% (29.7%)
EBITDA	£2.120m
EBITDA %	8.8% (3.9%)
Pre-tax profit %	6.7% (2.6%)
Balance sheet	
EBITDA / net debt (cover)	2.7 (0.2)
Leverage	15% (77%)
Return on capital employed	44% (12%)

### 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.

On behalf of the board



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S Graham

Director

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# **GAEI FORCE GROUP HOLDINGS LIMITED**

## **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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The directors present their annual report and financial statements for the year ended 31 December 2017.

### **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 8.

Ordinary dividends were paid amounting to £40,000. The directors do not recommend payment of a further dividend.

### **Post reporting date events**

Following the year end, the group purchased a controlling stake in Fusion Marine Limited.

### **Auditor**

Johnston Carmichael LLP were appointed as auditor to the group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

### **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 and group 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 and group 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



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S Graham

Director

8/11/18  
.....

# **Gael Force Group Holdings Limited**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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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.

# **GAEI FORCE GROUP HOLDINGS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF GAEI FORCE GROUP HOLDINGS LIMITED**

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#### **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 2017 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 2017 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.



# **GAEI FORCE GROUP HOLDINGS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF GAEI FORCE GROUP HOLDINGS LIMITED**

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#### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the Strategic Report and 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 where 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 GAEI FORCE GROUP HOLDINGS LIMITED

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#### 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.



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

12/19/18.....

Chartered Accountants  
Statutory Auditor

Clava House  
Cradlehall Business Park  
INVERNESS  
IV2 5GH

# GAEL FORCE GROUP HOLDINGS LIMITED

## GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

		2017	2016
	Notes	£	(pro-forma) £
Turnover	3	24,161,720	17,193,353
Cost of sales		(17,467,520)	(12,092,119)
<b>Gross profit</b>		<b>6,694,200</b>	<b>5,101,234</b>
Distribution costs		(9,319)	(13,994)
Administrative expenses		(4,696,896)	(4,526,768)
Other operating income		12,700	107,775
Exceptional costs	4	-	(100,862)
<b>Operating profit</b>	<b>5</b>	<b>2,000,685</b>	<b>567,385</b>
Interest receivable and similar income	9	39,528	14,067
Interest payable and similar expenses	10	(79,552)	(65,569)
Amounts written off investments	11	44,272	(76,800)
<b>Profit before taxation</b>		<b>2,004,933</b>	<b>439,083</b>
Taxation	12	(391,178)	(80,027)
<b>Profit for the financial year</b>	<b>29</b>	<b>1,613,755</b>	<b>359,056</b>
<b>Other comprehensive income</b>			
Tax relating to other comprehensive income		17,101	67,583
<b>Total comprehensive income for the year</b>		<b>1,630,856</b>	<b>426,639</b>
Profit for the financial year is attributable to:			
- Owners of the parent company		1,597,670	323,330
- Non-controlling interests		16,085	35,726
		<b>1,613,755</b>	<b>359,056</b>
Total comprehensive income for the year is attributable to:			
- Owners of the parent company		1,614,771	390,913
- Non-controlling interests		16,085	35,726
		<b>1,630,856</b>	<b>426,639</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

# Gael Force Group Holdings Limited

## GROUP BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017 £	£	2016 £	£
<b>Fixed assets</b>					
Intangible assets	14	417,045		-	
Tangible assets	15	5,398,452		5,255,534	
Investments	16	429,991		385,719	
		6,245,488		5,641,253	
<b>Current assets</b>					
Stocks	19	2,591,699		2,043,765	
Debtors falling due after one year	20	1,692,845		1,511,512	
Debtors falling due within one year	20	3,987,887		3,178,423	
Cash at bank and in hand		1,247,573		276,084	
		9,520,004		7,009,784	
<b>Creditors: amounts falling due within one year</b>	21	(5,958,859)		(5,778,452)	
<b>Net current assets</b>		3,561,145		1,231,332	
<b>Total assets less current liabilities</b>		9,806,633		6,872,585	
<b>Creditors: amounts falling due after more than one year</b>	22	(2,361,722)		(988,666)	
<b>Provisions for liabilities</b>	25	(176,916)		(206,780)	
<b>Net assets</b>		7,267,995		5,677,139	
<b>Capital and reserves</b>					
Called up share capital	28	1		1	
Revaluation reserve	29	1,350,245		1,333,144	
Other reserves	29	137,463		137,463	
Profit and loss reserves	29	5,624,207		4,066,537	
<b>Equity attributable to owners of the parent company</b>		7,111,916		5,537,145	
<b>Non-controlling interests</b>		156,079		139,994	
		7,267,995		5,677,139	

The financial statements were approved by the board of directors and authorised for issue on 8/1/18 and are signed on its behalf by:

S Graham  
Director

# GAEL FORCE GROUP HOLDINGS LIMITED

## COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017 £	£
<b>Fixed assets</b>			
Investments	16	2,015,554	
			2,015,554
<b>Current assets</b>			
Debtors falling due within one year	20	1,113,257	
<b>Creditors: amounts falling due within one year</b>	21	(1,153,257)	
<b>Net current liabilities</b>			(40,000)
<b>Net assets</b>			1,975,554
<b>Capital and reserves</b>			
Called up share capital	28		1
Profit and loss reserves	29	1,975,553	
<b>Total equity</b>			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 profit for the period was £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 8th 18 and are signed on its behalf by:

  
S. Graham  
Director

Company Registration No. SC522705

## GAEL FORCE GROUP HOLDINGS LIMITED

### GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Share capital £	Revaluation reserve £	Merger reserve £	Profit and loss reserves £	Total controlling interest £	Non-controlling interest £	Total £
<b>Balance at 1 January 2016 (pro-forma)</b>		1	1,265,561	137,463	3,938,640	5,341,665	-	5,341,665
<b>Year ended 31 December 2016:</b>								
Profit for the year (pro-forma)		-	-	-	323,330	323,330	35,726	359,056
Other comprehensive income:								
Tax relating to other comprehensive income (pro-forma)		-	67,583	-	-	67,583	-	67,583
Total comprehensive income for the year (pro-forma)		-	67,583	-	323,330	390,913	35,726	426,639
Dividends (pro-forma)	13	-	-	-	(195,433)	(195,433)	-	(195,433)
Acquisition of non-controlling interests (pro-forma)		-	-	-	-	-	104,268	104,268
<b>Balance at 31 December 2016</b>		1	1,333,144	137,463	4,066,537	5,537,145	139,994	5,677,139
<b>Year ended 31 December 2017:</b>								
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	13	-	-	-	(40,000)	(40,000)	-	(40,000)
<b>Balance at 31 December 2017</b>		1	1,350,245	137,463	5,624,207	7,111,916	156,079	7,267,995

# GAEL FORCE GROUP HOLDINGS LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY

**FOR THE PERIOD ENDED 31 DECEMBER 2017**

	Notes	Share capital £	Profit and loss reserves £	Total £
<b>Period ended 31 December 2017:</b>				
Profit and total comprehensive income for the period		-	2,015,553	2,015,553
Issue of share capital	28	1	-	1
Dividends	13	-	(40,000)	(40,000)
<b>Balance at 31 December 2017</b>		<u>1</u>	<u>1,975,553</u>	<u>1,975,554</u>

# GAEL FORCE GROUP HOLDINGS LIMITED

## GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	£	2016 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	35	2,842,110		1,427,150	
Interest paid		(79,552)		(65,569)	
Income taxes paid		(170,468)		(215,912)	
<b>Net cash inflow from operating activities</b>		<b>2,592,090</b>		<b>1,145,669</b>	
<b>Investing activities</b>					
Purchase of intangible assets		(444,161)		-	
Purchase of tangible fixed assets		(634,645)		(1,451,653)	
Proceeds on disposal of tangible fixed assets		177,370		114,980	
Purchase of shares in subsidiary from non-controlling interest		-		104,268	
Interest received		22,549		-	
Dividends received		16,979		14,067	
<b>Net cash used in investing activities</b>		<b>(861,908)</b>		<b>(1,218,338)</b>	
<b>Financing activities</b>					
Proceeds from issue of shares		-		1	
Proceeds from borrowings		-		614,400	
Proceeds of new bank loans		2,000,000		-	
Repayment of bank loans		(610,679)		(196,048)	
Payment of finance leases obligations		(81,463)		(108,307)	
Dividends paid to equity shareholders		(40,000)		(195,433)	
<b>Net cash generated from financing activities</b>		<b>1,267,858</b>		<b>114,613</b>	
<b>Net increase in cash and cash equivalents</b>		<b>2,998,040</b>		<b>41,944</b>	
Cash and cash equivalents at beginning of year		(1,750,467)		(1,792,411)	
<b>Cash and cash equivalents at end of year</b>		<b>1,247,573</b>		<b>(1,750,467)</b>	
<b>Relating to:</b>					
Cash at bank and in hand		1,247,573		276,084	
Bank overdrafts included in creditors payable within one year		-		(2,026,551)	



# **Gael Force Group Holdings Limited**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2017**

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#### **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 and comparative information is presented on a pro-forma basis as if the new group had been in existence from the beginning of the financial year in which the combination occurred.

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 2017

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### 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 2017. 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 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.

# GAEL FORCE GROUP HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 1 Accounting policies

(Continued)

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

#### 1.6 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	not depreciated
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.

Freehold land and buildings are not depreciated as they are subject to regular revaluations and the amount of depreciation that would otherwise have been provided is considered to be immaterial.

#### 1.7 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.

#### 1.8 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).

# GAEL FORCE GROUP HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 1 Accounting policies

(Continued)

##### 1.9 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 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.

##### 1.10 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 costs are recognised as expenses in the period in which they are incurred and contract revenue is recognised to the extent of contract costs incurred where it is probable that they will be recoverable.

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.

##### 1.11 Cash and cash equivalents

Cash and cash equivalents 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.

##### 1.12 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.

# GAEL FORCE GROUP HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 1 Accounting policies

(Continued)

##### **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.

##### **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.

#### 1.13 Equity instruments

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

#### 1.14 Taxation

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

# Gael Force Group Holdings Limited

## Notes to the Financial Statements (Continued)

### For the Year Ended 31 December 2017

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#### 1 Accounting policies

(Continued)

##### **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.

#### **1.15 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.

#### **1.16 Retirement benefits**

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

#### **1.17 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.

# **Gael Force Group Holdings Limited**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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### **1 Accounting policies**

**(Continued)**

#### **1.18 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.

#### **1.19 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.

### **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.

# GAEL FORCE GROUP HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 2 Judgements and key sources of estimation uncertainty

(Continued)

##### 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:

	2017	2016
	£	(pro-forma) £
<b>Turnover</b>		
Engineering works	8,177,329	3,934,879
Marine equipment	15,984,391	12,908,474
Flood alleviation	-	350,000
	<u>24,161,720</u>	<u>17,193,353</u>
<b>Other significant revenue</b>		
Interest income	22,549	-
Dividends received	16,979	14,067
Grants received	11,000	107,655
	<u></u>	<u></u>



# GAEL FORCE GROUP HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

<b>3</b>	<b>Turnover and other revenue</b>	<b>(Continued)</b>	
	Turnover analysed by geographical market		
		<b>2017</b>	<b>2016</b>
			<b>(pro-forma)</b>
		<b>£</b>	<b>£</b>
	UK	23,448,851	16,647,861
	EEA	712,869	545,492
		<u>24,161,720</u>	<u>17,193,353</u>
<b>4</b>	<b>Exceptional costs</b>	<b>2017</b>	<b>2016</b>
			<b>(pro-forma)</b>
		<b>£</b>	<b>£</b>
	Site closure costs	-	100,862
		<u>-</u>	<u>100,862</u>
<b>5</b>	<b>Operating profit</b>	<b>2017</b>	<b>2016</b>
			<b>(pro-forma)</b>
		<b>£</b>	<b>£</b>
	Operating profit for the year is stated after charging/(crediting):		
	Exchange (gains)/losses	(30,340)	7,400
	Research and development costs	4,051	-
	Government grants	(11,000)	(107,655)
	Depreciation of owned tangible fixed assets	388,063	163,476
	Depreciation of tangible fixed assets held under finance leases	31,815	82,267
	Profit on disposal of tangible fixed assets	(23,082)	(11,503)
	Amortisation of intangible assets	27,116	52,132
	Cost of stocks recognised as an expense	15,521,247	10,547,811
	Operating lease charges	79,549	79,735
		<u>15,521,247</u>	<u>10,547,811</u>
<b>6</b>	<b>Auditor's remuneration</b>	<b>2017</b>	<b>2016</b>
			<b>(pro-forma)</b>
		<b>£</b>	<b>£</b>
	Fees payable to the company's auditor and associates:		
	<b>For audit services</b>		
	Audit of the financial statements of the group and company	3,680	3,590
	Audit of the financial statements of the company's subsidiaries	37,440	36,520
		<u>41,120</u>	<u>40,110</u>

# Gael Force Group Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 7 Employees

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

	Group 2017 Number	2016 (pro-forma) Number	Company 2017 Number
Shop, yard, warehouse and workshop	105	94	-
Management, back-office and sales	56	59	2
	<u>161</u>	<u>153</u>	<u>2</u>

Their aggregate remuneration comprised:

	Group 2017 £	2016 (pro-forma) £	Company 2017 £
Wages and salaries	4,013,822	3,409,770	-
Social security costs	445,692	342,834	-
Pension costs	176,051	137,843	-
	<u>4,635,565</u>	<u>3,890,447</u>	<u>-</u>

### 8 Directors' remuneration

	2017 £	2016 (pro-forma) £
Remuneration for qualifying services	79,929	78,463
Company pension contributions to defined contribution schemes	773	740
	<u>80,702</u>	<u>79,203</u>

### 9 Interest receivable and similar income

	2017 £	2016 (pro-forma) £
Interest income		
Other interest income	22,549	-
Other income from investments		
Dividends received	16,979	14,067
Total income	<u>39,528</u>	<u>14,067</u>

# GAEL FORCE GROUP HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

<b>9</b>	<b>Interest receivable and similar income</b>	<b>(Continued)</b>	
	Investment income includes the following:		
	Dividends from financial assets measured at fair value through profit or loss	16,979	14,067
		<u>          </u>	<u>          </u>
<b>10</b>	<b>Interest payable and similar expenses</b>	<b>2017</b>	<b>2016</b>
			<b>(pro-forma)</b>
		£	£
	<b>Interest on financial liabilities measured at amortised cost:</b>		
	Interest on bank overdrafts and loans	70,576	47,053
	Interest on finance leases and hire purchase contracts	7,819	8,575
	Other interest on financial liabilities	-	9,897
		<u>          </u>	<u>          </u>
		78,395	65,525
	<b>Other finance costs:</b>		
	Other interest	1,157	44
		<u>          </u>	<u>          </u>
	Total finance costs	79,552	65,569
		<u>          </u>	<u>          </u>
<b>11</b>	<b>Amounts written off investments</b>	<b>2017</b>	<b>2016</b>
			<b>(pro-forma)</b>
		£	£
	<b>Fair value gains/(losses) on financial instruments</b>		
	Change in value of financial assets held at fair value through profit or loss	44,272	(76,800)
		<u>          </u>	<u>          </u>
<b>12</b>	<b>Taxation</b>	<b>2017</b>	<b>2016</b>
			<b>(pro-forma)</b>
		£	£
	<b>Current tax</b>		
	UK corporation tax on profits for the current period	383,959	47,984
	Adjustments in respect of prior periods	19,982	(17,143)
		<u>          </u>	<u>          </u>
	Total current tax	403,941	30,841
		<u>          </u>	<u>          </u>
	<b>Deferred tax</b>		
	Origination and reversal of timing differences	765	51,698
	Changes in tax rates	-	(2,512)
	Adjustment in respect of prior periods	(13,528)	-
		<u>          </u>	<u>          </u>
	Total deferred tax	(12,763)	49,186
		<u>          </u>	<u>          </u>
	Total tax charge	391,178	80,027
		<u>          </u>	<u>          </u>

# Gael Force Group Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 12 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:

	2017 £	2016 (pro-forma) £
Profit before taxation	2,004,933	439,083
Expected tax charge based on the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	385,950	87,817
Tax effect of expenses that are not deductible in determining taxable profit	7,348	23,026
Tax effect of income not taxable in determining taxable profit	(8,521)	(936)
Adjustments in respect of prior years	15,707	(17,143)
Chargeable gain	(2,260)	-
Deferred tax adjustments in respect of prior years	(13,528)	-
Deferred tax not recognised	(18,150)	(84,080)
Fixed asset difference	29,966	74,414
Chargeable gain	(3,268)	-
Adjust closing deferred tax rate to average rate	(2,066)	(3,071)
Taxation charge for the year	391,178	80,027

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:

	2017 £	2016 £
Deferred tax arising on: Revaluation of property	(17,101)	(67,583)

#### 13 Dividends

	2017 £	2016 (pro-forma) £
Final paid	40,000	195,433

# GAEI FORCE GROUP HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 14 Intangible fixed assets

Group	Goodwill	Patents & licences	Development costs	Design rights	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 January 2017	60,477	55,087	208,529	-	324,093
Additions - internally developed	-	-	429,161	-	429,161
Additions - separately acquired	-	-	-	15,000	15,000
At 31 December 2017	60,477	55,087	637,690	15,000	768,254
<b>Amortisation and impairment</b>					
At 1 January 2017	60,477	55,087	208,529	-	324,093
Amortisation charged for the year	-	-	26,178	938	27,116
At 31 December 2017	60,477	55,087	234,707	938	351,209
<b>Carrying amount</b>					
At 31 December 2017	-	-	402,983	14,062	417,045
At 31 December 2016	-	-	-	-	-

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

# GAEL FORCE GROUP HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 15 Tangible fixed assets

Group	Freehold land and buildings	Marine Vessels	Leasehold improvements	Plant and equipment	Fixtures and fittings	Computers	Motor vehicles	Total
	£	£	£	£	£	£	£	£
<b>Cost or valuation</b>								
At 1 January 2017	3,305,949	811,255	35,278	2,716,503	18,148	115,973	352,952	7,356,058
Additions	-	-	-	515,019	99,865	30,198	72,002	717,084
Disposals	(40,663)	-	-	-	-	-	(41,770)	(82,433)
Transfers	-	-	-	(109,125)	-	-	-	(109,125)
At 31 December 2017	3,265,286	811,255	35,278	3,122,397	118,013	146,171	383,184	7,881,584
<b>Depreciation and impairment</b>								
At 1 January 2017	-	16,901	6,484	1,799,702	15,452	49,250	212,735	2,100,524
Depreciation charged in the year	-	40,563	1,053	268,859	39,338	28,650	41,415	419,878
Eliminated in respect of disposals	-	-	-	-	-	-	(4,472)	(4,472)
Transfers	-	-	-	(32,798)	-	-	-	(32,798)
At 31 December 2017	-	57,464	7,537	2,035,763	54,790	77,900	249,678	2,483,132
<b>Carrying amount</b>								
At 31 December 2017	3,265,286	753,791	27,741	1,086,634	63,223	68,271	133,506	5,398,452
At 31 December 2016	3,305,949	794,354	28,794	916,801	2,696	66,723	140,217	5,255,534

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

# GAEL FORCE GROUP HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 15 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 2017 £	2016 £	Company 2017 £
Plant and equipment	177,393	149,800	-
Motor vehicles	40,586	-	-
Computers	10,131	18,236	-
	<u>228,110</u>	<u>168,036</u>	<u>-</u>
Depreciation charge for the year in respect of leased assets	<u>31,815</u>	<u>82,267</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 2017 £	2016 £	Company 2017 £
Cost	1,862,632	1,903,295	-
Accumulated depreciation	-	-	-
Carrying value	<u>1,862,632</u>	<u>1,903,295</u>	<u>-</u>

### 16 Fixed asset investments

	Notes	Group 2017 £	2016 £	Company 2017 £
Investments in subsidiaries	17	-	-	2,015,554
Listed investments		429,991	385,719	-
		<u>429,991</u>	<u>385,719</u>	<u>2,015,554</u>
Listed investments carrying amount		<u>429,991</u>	<u>385,719</u>	<u>-</u>

# Gael Force Group Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 16 Fixed asset investments (Continued)

#### Movements in fixed asset investments Group

	Shares £
<b>Valuation</b>	
At 1 January 2017	385,719
Valuation changes	44,272
At 31 December 2017	429,991
<b>Carrying amount</b>	
At 31 December 2017	429,991
At 31 December 2016	385,719

#### Movements in fixed asset investments Company

	Shares in group undertakings £
<b>Valuation</b>	
At 15 December 2016	-
Additions	2,015,554
At 31 December 2017	2,015,554
<b>Carrying amount</b>	
At 31 December 2017	2,015,554

### 17 Subsidiaries

Details of the company's subsidiaries at 31 December 2017 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
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 Engineering Limited	Scotland	Marine, Marina and Distillery Engineering	Ordinary		100.00
Gael Force Marine Technology Limited	Scotland	Manufacture and sale of Marine Equipment	Ordinary		75.00
Gael Force Rentals Limited	Scotland	Rental of Marine Equipment	Ordinary		100.00
Gael Force Aquahomes Limited	Scotland	Dormant	Ordinary		100.00
Gael Force Properties and Investments Limited	Scotland	Property rental and investment	Ordinary	100.00	



# Gael Force Group Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 18 Financial instruments

	Group 2017 £	2016 £	Company 2017 £
<b>Carrying amount of financial assets</b>			
Debt instruments measured at amortised cost	6,835,150	4,916,779	2,360,830
Equity instruments measured at cost less impairment	429,991	385,719	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Carrying amount of financial liabilities</b>			
Measured at fair value through profit or loss			
Measured at amortised cost	6,900,641	6,215,551	1,153,257
	<u>          </u>	<u>          </u>	<u>          </u>

### 19 Stocks

	Group 2017 £	2016 £	Company 2017 £
Raw materials and consumables	416,763	379,400	-
Work in progress	175,762	130,135	-
Finished goods and goods for resale	1,999,174	1,534,230	-
	<u>          </u>	<u>          </u>	<u>          </u>
	2,591,699	2,043,765	-
	<u>          </u>	<u>          </u>	<u>          </u>

### 20 Debtors

	Group 2017 £	2016 £	Company 2017 £
<b>Amounts falling due within one year:</b>			
Trade debtors	3,204,461	2,945,382	-
Unpaid share capital	1	1	-
Corporation tax recoverable	-	1,144	-
Amounts due from group undertakings	-	-	923,753
Other debtors	704,679	184,521	189,504
Prepayments and accrued income	78,746	47,375	-
	<u>          </u>	<u>          </u>	<u>          </u>
	3,987,887	3,178,423	1,113,257
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Amounts falling due after more than one year:</b>			
Other debtors	1,692,845	1,511,512	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total debtors</b>	<u>5,680,732</u>	<u>4,689,935</u>	<u>1,113,257</u>

Included within debtors at the year end is a provision for impairment of £25,572 (2016 - £15,000).

# Gael Force Group Holdings Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

### 21 Creditors: amounts falling due within one year

	Notes	Group 2017 £	2016 £	Company 2017 £
Bank loans and overdrafts	23	313,147	2,203,535	-
Obligations under finance leases	24	72,627	71,851	-
Trade creditors		2,428,171	2,206,702	-
Amounts due to group undertakings		-	-	1,113,257
Corporation tax payable		449,235	216,906	-
Other taxation and social security		788,083	334,661	-
Government grants	26	62,924	-	-
Other creditors		1,460,726	318,478	40,000
Accruals and deferred income		383,946	426,319	-
		<u>5,958,859</u>	<u>5,778,452</u>	<u>1,153,257</u>

### 22 Creditors: amounts falling due after more than one year

	Notes	Group 2017 £	2016 £	Company 2017 £
Bank loans and overdrafts	23	2,117,935	864,777	-
Obligations under finance leases	24	124,089	123,889	-
Government grants	26	119,698	-	-
		<u>2,361,722</u>	<u>988,666</u>	<u>-</u>

Amounts included above which fall due after five years are as follows:

Payable by instalments	-	87,777	-
	<u>-</u>	<u>87,777</u>	<u>-</u>

# Gael Force Group Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 23 Loans and overdrafts

	Group 2017 £	2016 £	Company 2017 £
Bank loans	2,431,082	1,041,761	-
Bank overdrafts	-	2,026,551	-
	<u>2,431,082</u>	<u>3,068,312</u>	<u>-</u>
Payable within one year	313,147	2,203,535	-
Payable after one year	<u>2,117,935</u>	<u>864,777</u>	<u>-</u>
Amounts included above which fall due after five years:			
Payable by instalments	-	87,777	-
	<u>-</u>	<u>87,777</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 further loan repayable in 20 quarterly instalments with interest payable at LIBOR plus an interest margin of 2.25%.

### 24 Finance lease obligations

	Group 2017 £	2016 £	Company 2017 £
Future minimum lease payments due under finance leases:			
Within one year	72,627	71,851	-
In two to five years	<u>124,089</u>	<u>123,889</u>	<u>-</u>
	<u>196,716</u>	<u>195,740</u>	<u>-</u>

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.

# Gael Force Group Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 25 Deferred taxation

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

	Liabilities 2017 £	Liabilities 2016 £
<b>Group</b>		
Accelerated capital allowances	81,626	94,389
Investment property	95,290	112,391
	<u>176,916</u>	<u>206,780</u>

The company has no deferred tax assets or liabilities.

	Group 2017 £	Company 2017 £
<b>Movements in the year:</b>		
Liability at 1 January 2017/15 December 2016	206,780	-
Credit to other comprehensive income	(17,101)	-
	<u>189,679</u>	<u>-</u>
Liability at 31 December 2017	<u>189,679</u>	<u>-</u>

#### 26 Government grants

	Group 2017 £	2016 £	Company 2017 £
Arising from government grants	182,622	-	-
	<u>182,622</u>	<u>-</u>	<u>-</u>

Deferred income is included in the financial statements as follows:

Current liabilities	62,924	-	-
Non-current liabilities	119,698	-	-
	<u>182,622</u>	<u>-</u>	<u>-</u>

# GAEL FORCE GROUP HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 27 Retirement benefit schemes

	2017	2016
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	176,051	137,843

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	Group
	2017	2016
Ordinary share capital	£	£
Issued and fully paid		
1 Ordinary share of £1 each	1	1

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.

### 30 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		Company
	2017	2016	2017
	£	£	£
Within one year	95,767	80,987	-
Between two and five years	270,723	238,509	-
In over five years	52,117	93,742	-
	418,607	413,238	-

# Gael Force Group Holdings Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

### 31 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group 2017 £	2016 £	Company 2017 £
Acquisition of tangible fixed assets	40,000	-	-
Acquisition of intangible assets	-	57,652	-
	<u>40,000</u>	<u>57,652</u>	<u>-</u>

### 32 Events after the reporting date

Following the year end, the group purchased a controlling stake in Fusion Marine Limited.

### 33 Related party transactions

#### Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2017 £	2016 £
Aggregate compensation	<u>278,146</u>	<u>368,050</u>

#### Transactions with related parties

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2017 £	2016 £
<b>Group and company</b>		
Entities over which the group has control, joint control or significant influence	<u>40,000</u>	<u>-</u>

# Gael Force Group Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 33 Related party transactions

(Continued)

The following amounts were outstanding at the reporting end date:

	Amounts owed by related parties	
	2017 Balance £	2016 Balance £
<b>Group</b>		
Entities over which the group has control, joint control or significant influence	1,670,295	1,511,512

Amounts owed from related parties are included within debtors at the year end. These amounts are interest free and have no fixed terms of repayment. No security has been provided on any balances.

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 £40,000 (2016 - £195,433) 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 £	Closing balance £
S Graham - advance	-	-	189,504	189,504
		-	189,504	189,504

# Gael Force Group Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 35 Cash generated from group operations

	2017	2016
	£	(pro-forma) £
Profit for the year after tax	1,613,755	359,056
Adjustments for:		
Taxation charged	391,178	80,027
Finance costs	79,552	65,569
Investment income	(39,528)	(14,067)
Gain on disposal of tangible fixed assets	(23,082)	(11,503)
Amortisation and impairment of intangible assets	27,116	52,132
Depreciation and impairment of tangible fixed assets	419,878	245,743
Amounts written off investments	(44,272)	76,800
Movements in working capital:		
(Increase)/decrease in stocks	(547,934)	378,527
(Increase) in debtors	(991,941)	(695,696)
Increase in creditors	1,774,766	890,562
Increase in deferred income	182,622	-
<b>Cash generated from operations</b>	<b>2,842,110</b>	<b>1,427,150</b>