

Company Registration No. SC394817 (Scotland)

Gael Force Engineering Limited

**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2015

THURSDAY



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GAEL FORCE ENGINEERING LIMITED

COMPANY INFORMATION

Directors	S Graham TRH Phillips FCA J S Offord
Secretary	T R H Phillips FCA
Company number	SC394817
Registered office	136 Anderson Street INVERNESS IV3 8DH
Auditor	Johnston Carmichael LLP Clava House Cradlehall Business Park INVERNESS IV2 5GH

Gael Force Engineering Limited

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GAEL FORCE ENGINEERING LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present the strategic report and financial statements for the year ended 31 December 2015.

Fair review of the business

Our trading results set out in these reports represent a satisfactory year for Gael Force Engineering Limited in its second full year of operating within the structure of the Gael Force Group. The business is operating in aquaculture markets with its production of feeding barges and the provision of engineering services for that industry; building and installing of marina pontoons and provision of engineering services to the distillery and process industries in the north of Scotland. The full twelve month's trading is set out in the attached accounts which show reasonable levels of profitability and cash generation, a sound balance sheet with no bank borrowing and significantly improving Net Asset Value and Net Current Assets.

The main risk to the business is a serious downturn in demand from any of the sectors in which it operates.

In the first half of 2015 our expectation of strong growth was met. During the second half of the year, however, there was a significant slow down in demand due largely to biological and production challenges faced by the aquaculture market which is the largest part of the companies business.

The company operated during the year to an annual business plan and set clear financial and other key targets and objectives for the business which were monitored and managed through monthly reporting. A major focus has been improved management of working capital to improve free cash flow. Profitability has been clearly established in the new business and good progress has been made too on financial and KPI reporting to the management.

Various accreditations were gained and renewed during the year and ongoing improvements to the existing ISO 9001 accredited Quality Management System were also made.

The business is well founded for further development with an established Management Team, Business Plan, Reporting and Management Systems all in place. The Directors believe that the business will need to develop more focussed resources and business plans for each of the three main sectors in which the business currently operates and future business plans will require further investment to realise the opportunities in each market sector.

On behalf of the board



S Graham

Director

9/9/16

GAEL FORCE ENGINEERING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their annual report and financial statements for the year ended 31 December 2015.

Principal activities

The principal activities continued to be the fabrication of feed barges for the aquaculture industry, the manufacture and installation of marinas and general engineering services, in particular for the distilling industry.

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
TRH Phillips FCA
J S Offord

Results and dividends

The results for the year are set out on page 6.

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

Auditor

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

Statement of directors' responsibilities

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

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

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

Statement of disclosure to auditor

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

Gael Force Engineering Limited

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

On behalf of the board


.....
S Graham

Director

.....
9/9/16

Gael Force Engineering Limited

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GAEI FORCE ENGINEERING LIMITED

We have audited the financial statements of Gael Force Engineering Limited for the year ended 31 December 2015 set out on pages 6 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Gael Force Engineering Limited

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF GAEI FORCE ENGINEERING LIMITED

Matters on which we are required to report by exception

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

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

Johnston Carmichael LLP

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

20/9/16

Chartered Accountants
Statutory Auditor

Clava House
Cradlehall Business Park
INVERNESS
IV2 5GH

GAEL FORCE ENGINEERING LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £	2014 £
Turnover - continuing	3	6,813,060	6,945,378
Turnover - exceptional		253,264	126,000
Cost of sales		(4,756,674)	(4,851,688)
Gross profit		2,309,650	2,219,690
Administrative expenses		(1,833,613)	(1,701,386)
Other operating income		-	418
Operating profit	4	476,037	518,722
Interest payable and similar charges	8	(4,462)	(6,037)
Profit before taxation		471,575	512,685
Taxation	9	(77,661)	(114,137)
Profit for the financial year	21	393,914	398,548
Total comprehensive income for the year		393,914	398,548
Retained earnings at 1 January 2015		398,548	-
Retained earnings at 31 December 2015		792,462	398,548

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

GAEL FORCE ENGINEERING LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2015

	Notes	2015 £	£	2014 £	£
Fixed assets					
Tangible assets	10		401,724		301,698
Investments	11		71,858		71,858
			<u>473,582</u>		<u>373,556</u>
Current assets					
Stocks	12	451,298		91,515	
Debtors	13	1,457,383		1,568,419	
Cash at bank and in hand		11,805		10,529	
		<u>1,920,486</u>		<u>1,670,463</u>	
Creditors: amounts falling due within one year	14	<u>(1,573,374)</u>		<u>(1,576,016)</u>	
Net current assets			<u>347,112</u>		<u>94,447</u>
Total assets less current liabilities			<u>820,694</u>		<u>468,003</u>
Creditors: amounts falling due after more than one year	15		(10,056)		(42,593)
Provisions for liabilities	17		(18,175)		(26,861)
Net assets			<u>792,463</u>		<u>398,549</u>
Capital and reserves					
Called up share capital	20		1		1
Profit and loss reserves	21		792,462		398,548
Total equity			<u>792,463</u>		<u>398,549</u>

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

9/9/16

S Graham
Director

Company Registration No. SC394817

GAEL FORCE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

Company information

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

1.1 Accounting convention

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

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

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

The company has taken advantage of the reduced disclosure framework of FRS 102 available to certain qualifying subsidiaries; namely:

- The requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the financial period;
- The requirement to present a Statement of Cash Flows;
- Certain disclosure requirements in relation to financial instruments;
- The disclosure requirements in relation to certain share-based payment arrangements; and
- The requirement to disclose key management personnel compensation in total.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Gael Force Engineering Limited is a wholly owned subsidiary of Gael Force Group Limited and the results of Gael Force Engineering Limited are included in the consolidated financial statements of Gael Force Group Limited which are publicly available.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company 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 professional 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.

GAEL FORCE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

1.4 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 of assets less their residual values over their useful lives on the following bases:

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

Assets in the course of construction are not depreciated.

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

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

1.5 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

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

1.6 Impairment of fixed assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

GAEL FORCE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Stocks

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

Cost is calculated using the weighted average cost method.

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.

1.8 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.

GAEL FORCE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

1.9 Financial instruments

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

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Fair value measurement of financial instruments

Cash and cash equivalents 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.

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables, except for short-term receivables when the recognition of interest would be immaterial, are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit or 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.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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 receipts discounted at a market rate of interest. Other financial liabilities classified as fair value through profit or loss are measured at fair value.

Financial liabilities classified as other financial liabilities are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

GAEL FORCE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

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

1.10 Equity instruments

Equity instruments issued by the company 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 company.

1.11 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 company'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 when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

GAEL FORCE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

1.12 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.

1.13 Retirement benefits

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

1.14 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.

2 Judgements and key sources of estimation uncertainty

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

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

Critical judgements

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

Construction contracts

The company undertakes construction contracts which take place over a period of time and revenue and profits are recognised as the company 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.

GAEL FORCE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

3 Turnover and other revenue

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

	2015 £	2014 £
Turnover		
Engineering works	6,813,060	6,945,378
Flood alleviation works	253,264	126,000
	<u>7,066,324</u>	<u>7,071,378</u>

Turnover analysed by geographical market

	2015 £	2014 £
UK	7,066,324	7,057,305
International	-	14,073
	<u>7,066,324</u>	<u>7,071,378</u>

4 Operating profit

	2015 £	2014 £
Operating profit for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	95,851	97,504
Depreciation of tangible fixed assets held under finance leases	26,475	18,178
Profit on disposal of tangible fixed assets	(6,555)	(19,007)
Cost of stocks recognised as an expense	2,888,131	2,866,807
Operating lease charges	57,503	15,398
	<u></u>	<u></u>

5 Auditors' remuneration

	2015 £	2014 £
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the company's financial statements	-	10,200
	<u></u>	<u></u>

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

GAEL FORCE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

6 Employees

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

	2015 Number	2014 Number
Directors	3	3
Staff	77	62
	<u>80</u>	<u>65</u>

Their aggregate remuneration comprised:

	2015 £	2014 £
Wages and salaries	2,465,934	1,997,302
Social security costs	241,783	147,217
Pension costs	63,446	22,243
	<u>2,771,163</u>	<u>2,166,762</u>

7 Directors' remuneration

	2015 £	2014 £
Remuneration for qualifying services	75,370	45,870
Company pension contributions to defined contribution schemes	50,385	-
	<u>125,755</u>	<u>45,870</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2014 - 0).

8 Interest payable and similar charges

	2015 £	2014 £
Interest on finance leases and hire purchase contracts	4,387	5,646
Other interest	75	391
	<u>4,462</u>	<u>6,037</u>

GAEL FORCE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

9 Taxation

	2015 £	2014 £
Current tax		
UK corporation tax on profits for the current period	86,438	87,276
Adjustments in respect of prior periods	(91)	-
Total current tax	<u>86,347</u>	<u>87,276</u>
Deferred tax		
Origination and reversal of timing differences	(6,988)	26,861
Changes in tax rates	(2,796)	-
Adjustment in respect of prior periods	1,098	-
Total deferred tax	<u>(8,686)</u>	<u>26,861</u>
Total tax charge	<u>77,661</u>	<u>114,137</u>

The charge for the year can be reconciled to the profit per the profit and loss account as follows:

	2015 £	2014 £
Profit before taxation	<u>471,575</u>	<u>512,685</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%)	95,494	110,176
Tax effect of expenses that are not deductible in determining taxable profit	117	-
Adjustments in respect of prior years	(91)	-
Group relief	(19,747)	-
Permanent capital allowances in excess of depreciation	-	(1,989)
Deferred tax adjustments in respect of prior years	1,098	-
Tax credits	-	(1,196)
Fixed asset differences	2,713	7,146
Adjust closing deferred tax to average rate	(1,923)	-
Tax expense for the year	<u>77,661</u>	<u>114,137</u>

Gael Force Engineering Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

10 Tangible fixed assets							
		Assets under construction	Plant and equipment	Fixtures and fittings	Computer equipment	Motor vehicles	Total
		£	£	£	£	£	£
Cost							
At 1 January 2015		-	227,341	15,297	91,940	80,745	415,323
Additions		179,918	8,150	8,167	26,117	-	222,352
Disposals		-	-	-	-	(23,233)	(23,233)
At 31 December 2015		179,918	235,491	23,464	118,057	57,512	614,442
Depreciation and impairment							
At 1 January 2015		-	72,570	9,885	7,075	24,095	113,625
Depreciation charged in the year		-	75,329	9,868	16,202	20,927	122,326
Eliminated in respect of disposals		-	-	-	-	(23,233)	(23,233)
At 31 December 2015		-	147,899	19,753	23,277	21,789	212,718
Carrying amount							
At 31 December 2015		179,918	87,592	3,711	94,780	35,723	401,724
At 31 December 2014		-	154,771	5,412	84,865	56,650	301,698

GAEL FORCE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

10 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. The depreciation charge in respect of such assets amounted to £26,475 (2014 - £18,178) for the year.

	2015 £	2014 £
Plant and equipment	2,949	3,932
Motor vehicles	35,495	52,882
Computer equipment	26,341	34,445
	<u>64,785</u>	<u>91,259</u>

11 Fixed asset investments

	Notes	2015 £	2014 £
Investments in subsidiaries	27	<u>71,858</u>	<u>71,858</u>

Fair value of financial assets carried at amortised cost

The directors consider that the carrying amounts of financial assets carried at amortised cost in the financial statements approximate to their fair values.

Movements in fixed asset investments

	Shares £
Cost	
At 1 January 2014 & 31 December 2014	<u>71,858</u>
Carrying amount	
At 31 December 2015	<u>71,858</u>
At 31 December 2014	<u>71,858</u>

12 Stocks

	2015 £	2014 £
Raw materials and consumables	42,651	64,659
Work in progress	408,647	26,856
	<u>451,298</u>	<u>91,515</u>

GAEL FORCE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

13 Debtors

	2015 £	2014 £
Amounts falling due within one year:		
Trade debtors	540,869	387,276
Amounts due from fellow group undertakings	442,625	534,481
Other debtors	237,725	-
Prepayments and accrued income	236,164	646,662
	<u>1,457,383</u>	<u>1,568,419</u>

14 Creditors: amounts falling due within one year

	Notes	2015 £	2014 £
Obligations under finance leases	16	35,611	46,036
Trade creditors		274,030	546,167
Amounts due to fellow group undertakings		511,936	315,129
Corporation tax		173,623	87,276
Other taxation and social security		153,024	339,061
Accruals and deferred income		425,150	242,347
		<u>1,573,374</u>	<u>1,576,016</u>

15 Creditors: amounts falling due after more than one year

	Notes	2015 £	2014 £
Obligations under finance leases	16	10,056	42,593

16 Finance lease obligations

	2015 £	2014 £
Future minimum lease payments due under finance leases:		
Within one year	35,611	46,036
In two to five years	10,056	42,593
	<u>45,667</u>	<u>88,629</u>

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

Finance lease obligations are secured over the related assets.

GAEL FORCE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

17 Provisions for liabilities

		2015 £	2014 £
Deferred tax liabilities	18	18,175	26,861
		<u>18,175</u>	<u>26,861</u>

18 Deferred taxation

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

	Liabilities 2015 £	Liabilities 2014 £
Balances:		
Accelerated capital allowances	18,175	26,861
	<u>18,175</u>	<u>26,861</u>
Movements in the year:		2015 £
Liability at 1 January 2015		26,861
Credit to profit and loss		(8,686)
Liability at 31 December 2015		<u>18,175</u>

19 Retirement benefit schemes

Defined contribution schemes

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

The charge to profit or loss in respect of defined contribution schemes was £63,446 (2014 - £22,243).

20 Share capital

	2015 £	2014 £
Ordinary share capital		
Issued and fully paid		
1 Ordinary share of £1	1	1
	<u>1</u>	<u>1</u>

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

GAEL FORCE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

21 Profit and loss reserves

	2015 £	2014 £
At the beginning of the year	398,548	-
Profit for the year	393,914	398,548
At the end of the year	792,462	398,548

Retained earnings represent accumulated profits less losses and distributions.

22 Financial commitments, guarantees and contingent liabilities

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

23 Operating lease commitments

Lessee

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

	2015 £	2014 £
Within one year	45,095	10,210
Between two and five years	19,889	24,674
	64,984	34,884

24 Related party transactions

The company has taken advantage of the section 33.1A exemption available in FRS 102 from the requirement to disclose related party transactions with wholly owned group companies.

25 Events after the reporting date

Subsequent to the year end the company received £350,000 from the Highland Council as a result of their on-going negotiations surrounding the flood alleviation works being finalised.

26 Controlling party

The parent company of Gael Force Engineering Limited is Gael Force Group Limited.

The ultimate controlling party is S Graham.

Gael Force Engineering Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

27 Subsidiaries

These financial statements are separate company financial statements for Gael Force Engineering Limited.

Separate company financial statements are required to be prepared by law. The company is a wholly owned subsidiary of Gael Force Group Limited and is exempt from the requirement to prepare consolidated accounts under section 400 of the Companies Act 2006. Consolidated financial statements for Gael Force Group Limited are prepared and are publicly available.

Details of the company's subsidiaries at 31 December 2015 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held	
			Direct	Indirect
Varis Engineering Limited · Scotland	Marina, distillery and water-works engineering	Ordinary	100.00	-