

ABERDEEN FABRICATION LIMITED
FINANCIAL STATEMENTS
28 FEBRUARY 2015



SCT 30/11/2015 #277
COMPANIES HOUSE

FOURM LIMITED
Chartered Accountants & Statutory Auditor
Stannergate House
41 Dundee Road West
Broughty Ferry
Dundee
DD5 1NB

ABERDEEN FABRICATION LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 28 FEBRUARY 2015

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ABERDEEN FABRICATION LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	J M Mitchell M Mitchell
Company secretary	M Mitchell
Registered office	Links Place Aberdeen AB11 5DY
Auditor	FourM Limited Chartered Accountants & Statutory Auditor Stannergate House 41 Dundee Road West Broughty Ferry Dundee DD5 1NB
Bankers	Clydesdale Bank plc 1 Queens Cross Aberdeen AB15 4XU

ABERDEEN FABRICATION LIMITED

STRATEGIC REPORT

YEAR ENDED 28 FEBRUARY 2015

The directors present their strategic report for the year ended 28 February 2015.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activities of the company continued to be that of steel fabrication and the provision of offshore manpower.

In the current economic conditions the directors consider that the company has produced an acceptable result for the year in which turnover has reduced against the previous year and margins have remained consistent in testing market conditions.

The company has delivered a solid operating performance in the year to 28 February 2015. The company's balance sheet remained strong throughout the year and provides confidence for clients and other stakeholders in the business. Cash reserves also remained strong. The directors recognise that as a result of a significant fall in the global price of oil during 2015, the oil and gas sector has been less buoyant with a resultant reduction in business being placed by the company's main oil and gas industry services customers. Consequently, the company has seen a drop in its trading activity in the fabrication sector in the period since the year-end. Despite the currently challenging nature of the market place, the directors are confident that the company is well positioned to continue to attract business from its existing customers and, potentially, gain business from new customers.

PRINCIPAL RISKS AND UNCERTAINTIES

LIQUIDITY RISK

The company aims to mitigate liquidity risk by managing cash generated by its operations and having access to adequate working capital borrowing facilities. Cash resources are formally monitored weekly to ensure funds are always available to meet company requirements.

BUSINESS RISK

The principal risks and uncertainties affecting the company include the following:

- Litigation and contract disputes: the company seeks to exercise dispute resolution measures in line with industry good practice in the event of claims to avoid formal litigation. From time to time the company has to resort to or engage in litigation. The outcome of dispute resolution and legal action is always uncertain and there is always the risk that these prove more costly and time consuming than expected. Outcomes from these activities are again uncertain but are not expected to represent material risk.
 - Environmental risks: the company places considerable emphasis upon environmental compliance. Waste management and recycling practices have been established to seek to move towards environmental best practice.
 - Debtors: the company maintains strong relationships with its principal customers and through contractual terms has established credit control limits. Dispute resolution arrangements have been established.
 - Business continuity and disaster recovery risks: while no formal business continuity and disaster recovery plans have been established, the directors have recognised the key issues and risks that would require to be addressed in the event of business disruption. Good practice has been established in IT security and business continuity planning.
 - Legislative and regulatory risk: the company considers forthcoming and current legislation regularly through information received from trade associations and advice from professional advisors.
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ABERDEEN FABRICATION LIMITED

STRATEGIC REPORT *(continued)*

YEAR ENDED 28 FEBRUARY 2015

- Financial risk: this has been limited by the development of a strong balance sheet as a result of prudent commercial policies.

CREDIT RISK

The company undertakes periodic assessments of its external debtors in order to ensure that credit is not extended if there is any likelihood of default. The amount of exposure to individual customers is subject to a limit, and this is reassessed regularly by the accounts team reporting to the directors.

INTEREST RATE RISK

The company may make use of bank borrowings to finance its operations during peak trading periods. Due to current cash resources, the directors do not deem it necessary at this time to hedge against interest rate fluctuations.

FINANCIAL PERFORMANCE INDICATORS

The company measures its ongoing performance at every activity level against annual budgets and certain key performance indicators, including working capital controls.

RESULTS FOR THE YEAR

The profit for the year, after taxation, amounted to £26,023. The directors do not recommend the payment of a dividend for the year.

DEVELOPMENT AND PERFORMANCE OF THE COMPANY'S BUSINESS OVER THE YEAR

The company continued with its principal activities based around steel fabrication in the oil and gas industry.

POSITION AT THE YEAR END

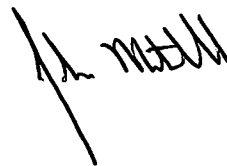
As a result of the downturn in the oil and gas industry in early 2015, the company has performed less well at the year-end, and since then. The directors are confident that the company is performing as well as can be expected in the challenging circumstances and is well placed to take advantage of the opportunities which will arise when the oil price starts to rise again, which is anticipated to happen later in 2016.

FUTURE DEVELOPMENTS

The company intends to continue to focus on its activities in the steel fabrication industry and the directors do not envisage any significant changes to the operations of the company over the next 12 months. While there is higher than normal uncertainty due to the current economic situation in Scotland's oil and gas industry, the short to medium term prospects for the company remain solid given the company's strong track record, sound financial strength and the skills and experience of the management team.

Signed on behalf of the directors

J M Mitchell
Director



Approved by the directors on 30 November 2015

ABERDEEN FABRICATION LIMITED

DIRECTORS' REPORT

YEAR ENDED 28 FEBRUARY 2015

The directors present their report and the financial statements of the company for the year ended 28 February 2015.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £26,023. The directors have not recommended a dividend.

DIRECTORS

The directors who served the company during the year were as follows:

J M Mitchell

M Mitchell

STRATEGIC REPORT

The company, in accordance with section 414C(11) of the Companies Act 2006, has chosen to include information regarding the principal risks and uncertainties facing the company and a fair review of the company's business is included in the company's strategic report.

AUDITOR

FourM are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Each of the persons who is a director at the date of approval of this report confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Registered office:

Links Place

Aberdeen

AB11 5DY

Signed on behalf of the directors

J M Mitchell

Director



Approved by the directors on 30 November 2015

ABERDEEN FABRICATION LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
YEAR ENDED 28 FEBRUARY 2015

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year.

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.

ABERDEEN FABRICATION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF
ABERDEEN FABRICATION LIMITED
YEAR ENDED 28 FEBRUARY 2015

We have audited the financial statements of Aberdeen Fabrication Limited for the year ended 28 February 2015 on pages 8 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's shareholder, 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 shareholder 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 shareholder 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 5, 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 directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 February 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.

ABERDEEN FABRICATION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF
ABERDEEN FABRICATION LIMITED *(continued)*
YEAR ENDED 28 FEBRUARY 2015

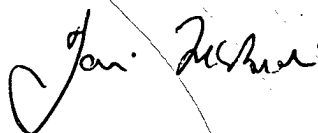
OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

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.



IAIN McBRIDE MA CA (Senior
Statutory Auditor)
For and on behalf of
FourM Limited
Chartered Accountants
& Statutory Auditor

Stannergate House
41 Dundee Road West
Broughty Ferry
Dundee DD5 1NB
30 November 2015

ABERDEEN FABRICATION LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 28 FEBRUARY 2015

	Note	2015 £	2014 £
TURNOVER	2	7,702,031	8,537,680
Cost of sales		<u>5,092,319</u>	<u>5,518,801</u>
GROSS PROFIT		2,609,712	3,018,879
Administrative expenses		<u>2,430,196</u>	<u>2,522,501</u>
OPERATING PROFIT	3	179,516	496,378
Interest receivable		1,770	483
Interest payable and similar charges	6	<u>(31,194)</u>	<u>(403,931)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		150,092	92,930
Tax on profit on ordinary activities	7	<u>124,069</u>	<u>58,620</u>
PROFIT FOR THE FINANCIAL YEAR		26,023	34,310
Balance brought forward		<u>1,150,150</u>	<u>1,115,840</u>
Balance carried forward		<u><u>1,176,173</u></u>	<u><u>1,150,150</u></u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 10 to 19 form part of these financial statements.

ABERDEEN FABRICATION LIMITED

BALANCE SHEET

28 FEBRUARY 2015

	Note	2015 £	2014 £
FIXED ASSETS			
Tangible assets	8	205,697	311,015
CURRENT ASSETS			
Stocks	9	31,986	84,036
Debtors	10	3,279,152	3,582,686
Cash at bank and in hand		395,487	604,155
		3,706,625	4,270,877
CREDITORS: Amounts falling due within one year	12	2,353,049	2,910,257
NET CURRENT ASSETS		1,353,576	1,360,620
TOTAL ASSETS LESS CURRENT LIABILITIES		1,559,273	1,671,635
CREDITORS: Amounts falling due after more than one year	13	333,000	471,385
		1,226,273	1,200,250
CAPITAL AND RESERVES			
Called up equity share capital	16	50,100	50,100
Profit and loss account		1,176,173	1,150,150
SHAREHOLDER'S FUNDS	17	1,226,273	1,200,250

These accounts were approved by the directors and authorised for issue on 30 November 2015, and are signed on their behalf by:

J M Mitchell
Director

Company Registration Number: SC081672

The notes on pages 10 to 19 form part of these financial statements.

ABERDEEN FABRICATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 28 FEBRUARY 2015

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Going concern

The company's forecast and projections, taking account of reasonable changes in trading performance, indicate that the company plans to operate within cash generated. The directors confirm that, after making appropriate enquiries, they have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing these financial statements.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Turnover

Turnover arises wholly from the principal activities of the company and represents the value of goods and services supplied, net of value added tax.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant & Machinery	- 25% straight line
Fixtures & Fittings	- 25% straight line
Motor Vehicles	- 25% straight line

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

ABERDEEN FABRICATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 28 FEBRUARY 2015

1. ACCOUNTING POLICIES *(continued)*

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates two defined contribution pension schemes. The costs charged to the profit and loss account in the year represent the amounts payable under the rules of the schemes during the year.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

ABERDEEN FABRICATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 28 FEBRUARY 2015

2. TURNOVER

Turnover arises wholly from the principal activities of the company and represents the invoiced value of goods and services supplied net of value added tax.

No analysis of turnover or profit by geographical area is given since the directors are of the opinion that to disclose such information could be prejudicial to the interests of the company.

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2015	2014
	£	£
Depreciation of owned fixed assets	97,712	96,151
Loss/(Profit) on disposal of fixed assets	1,115	(12,800)
Auditor's remuneration		
- as auditor	17,650	18,127
Operating lease costs:		
- Plant and equipment	49,531	48,324
- Other	236,189	224,942

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2015	2014
	No	No
Production staff	59	59
Administrative staff	13	13
	<u>72</u>	<u>72</u>

The aggregate payroll costs of the above were:

	2015	2014
	£	£
Wages and salaries	3,623,453	3,783,913
Social security costs	446,618	460,942
Other pension costs	14,631	7,390
	<u>4,084,702</u>	<u>4,252,245</u>

ABERDEEN FABRICATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 28 FEBRUARY 2015

5. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were:

	2015	2014
	£	£
Remuneration receivable	217,370	332,933
Value of company pension contributions to money purchase schemes	153	675
	<u>217,523</u>	<u>333,608</u>

Remuneration of highest paid director:

	2015	2014
	£	£
Total remuneration (excluding pension contributions)	199,154	190,768
Value of company pension contributions to money purchase schemes	153	675
	<u>199,307</u>	<u>191,443</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	2015	2014
	No	No
Money purchase schemes	<u>1</u>	<u>2</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2015	2014
	£	£
Finance charges	31,194	400,294
Other similar charges payable	—	3,637
	<u>31,194</u>	<u>403,931</u>

ABERDEEN FABRICATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 28 FEBRUARY 2015

7. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2015	2014
	£	£
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 21% (2014 - 23%)	248,814	56,714
Over/under provision in prior year	8,037	1,906
Total current tax	<u>256,851</u>	<u>58,620</u>
Deferred tax:		
Origination and reversal of timing differences (note 11)		
Capital allowances	24,718	-
Other	(157,500)	-
Total deferred tax (note 11)	<u>(132,782)</u>	<u>-</u>
Tax on profit on ordinary activities	<u>124,069</u>	<u>58,620</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 21% (2014 - 23%).

	2015	2014
	£	£
Profit on ordinary activities before taxation	<u>150,092</u>	<u>92,930</u>
Profit on ordinary activities by rate of tax	31,519	21,374
Disallowed expenses	49,431	69,649
Deferred tax	165,868	(30,507)
Over provision in prior year	8,037	1,906
Marginal relief	-	(3,755)
Tax charged at higher rates	1,996	224
Double tax relief	-	(271)
Total current tax (note 7(a))	<u>256,851</u>	<u>58,620</u>

ABERDEEN FABRICATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 28 FEBRUARY 2015

8. TANGIBLE ASSETS

	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Total £
COST				
At 1 March 2014	713,925	295,263	187,832	1,197,020
Additions	42,382	627	–	43,009
Disposals	–	–	(115,691)	(115,691)
At 28 February 2015	<u>756,307</u>	<u>295,890</u>	<u>72,141</u>	<u>1,124,338</u>
DEPRECIATION				
At 1 March 2014	544,173	245,435	96,397	886,005
Charge for the year	58,896	22,440	16,376	97,712
On disposals	–	–	(65,076)	(65,076)
At 28 February 2015	<u>603,069</u>	<u>267,875</u>	<u>47,697</u>	<u>918,641</u>
NET BOOK VALUE				
At 28 February 2015	<u>153,238</u>	<u>28,015</u>	<u>24,444</u>	<u>205,697</u>
At 28 February 2014	<u>169,752</u>	<u>49,828</u>	<u>91,435</u>	<u>311,015</u>

9. STOCKS

	2015 £	2014 £
Raw materials	2,540	2,540
Work in progress	29,446	81,496
	<u>31,986</u>	<u>84,036</u>

10. DEBTORS

	2015 £	2014 £
Trade debtors	1,656,609	1,555,852
Amounts owed by group undertakings	1,270,837	1,454,545
Remuneration Trust loan	25,538	–
Other debtors	46,747	62,008
Director's loan	–	318,148
Prepayments and accrued income	146,639	192,133
Deferred taxation (note 11)	132,782	–
	<u>3,279,152</u>	<u>3,582,686</u>

ABERDEEN FABRICATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 28 FEBRUARY 2015

11. DEFERRED TAXATION

The deferred tax included in the Balance sheet is as follows:

	2015 £	2014 £
Included in debtors (note 10)	132,782	-

The movement in the deferred taxation account during the year was:

	2015 £	2014 £
Profit and loss account movement arising during the year	132,782	-
Balance carried forward	132,782	-

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2015 £	2014 £
Excess of taxation allowances over depreciation on fixed assets	(24,718)	-
Other timing differences	157,500	-
	132,782	-

12. CREDITORS: Amounts falling due within one year

	2015 £	2014 £
Directors' pension fund loans	111,000	111,000
Remuneration Trust loan	-	314,637
Bank loans	-	106,918
Trade creditors	226,311	272,850
Corporation tax	245,504	56,714
PAYE and social security	103,690	68,748
VAT	225,199	320,296
Other creditors	4,953	18,709
Director's loan	54,058	-
Accruals and deferred income	1,382,334	1,640,385
	2,353,049	2,910,257

The Remuneration Trust loan bears interest at bank base rate plus 5% and has no fixed repayment terms set.

ABERDEEN FABRICATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 28 FEBRUARY 2015

12. CREDITORS: Amounts falling due within one year *(continued)*

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2015	2014
	£	£
Bank loans	—	106,918
	<u> </u>	<u> </u>

The bank borrowings are secured by means of a bond and floating charge over the assets of the company, along with a standard security over the premises at Links Place, Aberdeen, which is owned by the parent company, AFAB Holdings Limited. There is also a cross guarantee between Aberdeen Fabrication Limited and AFAB Holdings Limited.

13. CREDITORS: Amounts falling due after more than one year

	2015	2014
	£	£
Bank loans and overdrafts	—	27,385
Directors' pension fund loans	333,000	444,000
	<u>333,000</u>	<u>471,385</u>

The Directors' pension fund loans bear interest at bank base rate plus 3%.

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	2015	2014
	£	£
Bank loans and overdrafts	—	27,385
	<u> </u>	<u> </u>

14. COMMITMENTS UNDER OPERATING LEASES

At 28 February 2015 the company had annual commitments under non-cancellable operating leases as set out below.

	2015		2014	
	Land and	Other	Land and	Other
	buildings	Items	buildings	Items
	£	£	£	£
Operating leases which expire:				
Within 1 year	236,189	49,532	236,189	51,976
	<u>236,189</u>	<u>49,532</u>	<u>236,189</u>	<u>51,976</u>

ABERDEEN FABRICATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 28 FEBRUARY 2015

15. RELATED PARTY TRANSACTIONS

The company was under the control of the holding company, AFAB Holdings Limited. The managing director and majority shareholder of the holding company is J M Mitchell.

During the year, the company incurred property rental costs of £236,189 (2014 - £224,942) and costs for the use of licensed welding procedures of £49,531 (2014 - £48,324), from its parent company.

At the year end, there was an amount of £1,270,835 due from AFAB Holdings Limited (2014 - £1,454,545). There is no interest being charged on this amount and there are no terms of repayment.

The company has paid a significant value of the costs of a hotel development undertaken by The Rox Hotel LLP, a business under common control by virtue of the directors of the company, J Mitchell and M Mitchell, being designated members of The Rox Hotel LLP. The company has completed contracted construction works in relation to the hotel development. The Rox Hotel LLP has made significant loan repayments in the year. Following these transactions, at the year end, there was an amount due to The Rox Hotel LLP by the company of £4,313 (2014 - £15,141 due from The Rox Hotel LLP) in relation to costs paid by the company on behalf of The Rox Hotel LLP. There was a further amount due by The Rox Hotel LLP to the company of £838,465 (2014 - £838,465) in relation to the value of the contracted works, which is included in trade debtors. The contracted construction works were undertaken on a commercial basis. Since 30 November 2009, neither J Mitchell or M Mitchell has an ownership interest in The Rox Hotel LLP.

At the year end, there was an amount due by the company by J Mitchell of £54,059 (2014 - due to the company £318,148). This amount is disclosed in the above note on creditors.

The company has previously received several term loans from the Directors' pension schemes. Following loan repayments made during the year and further loans received, the amount payable at the year end was £444,000 (2014 - £555,000).

All of the loans from the pension schemes bear interest at the bank base rate plus 3%. Certain of the loans are repayable by instalments and one loan is interest only, presently.

Pension fund loans are disclosed in the above notes on Creditors: Amounts falling due within one year and after one year.

No further transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8, other than those described in the above notes.

ABERDEEN FABRICATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 28 FEBRUARY 2015

16. SHARE CAPITAL

Allotted, called up and fully paid:

	2015		2014	
	No	£	No	£
Ordinary shares of £1 each	50,000	50,000	50,000	50,000
'A' Ordinary shares of £1 each	100	100	100	100
	<u>50,100</u>	<u>50,100</u>	<u>50,100</u>	<u>50,100</u>

The 'A' ordinary shares have no voting rights, rank behind the ordinary shares with respect to capital and are redeemable at par at any time provided the company obtains at least six months notice in writing.

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2015	2014
	£	£
Profit for the financial year	26,023	34,310
Opening shareholder's funds	<u>1,200,250</u>	<u>1,165,940</u>
Closing shareholder's funds	<u>1,226,273</u>	<u>1,200,250</u>

18. CONTINGENCIES

Aberdeen Fabrication Limited has granted a Bond & Floating charge to the group's bankers and has provided an unlimited guarantee for the obligations of AFAB Holdings Limited.

During the period 1 March 1999 to 28 February 2015, the company has made total contributions of £8,900,000 to a Remuneration Trust.

These contributions have been deducted in calculating taxable profits. HM Revenue & Customs (HMRC) have challenged the eligibility of the contributions as deductions from taxable profits and have determined, essentially, that only the distributions made by the Trustees of the Remuneration Trust should qualify as deductions from taxable profit for corporation tax purposes.

The company has obtained specialist legal advice on this matter and the company's legal representatives have advised that they consider that all contributions made to the Remuneration Trust by the company are deductible expenses for the purposes of calculating taxable profits. Accordingly, based on legal advice the company is appealing against HMRC's determination. The company has, accordingly, appealed against HMRC's findings and HMRC have listed the appeal for hearing by the Special Commissioners.

19. ULTIMATE PARENT COMPANY

The ultimate parent company is AFAB Holdings Limited, a company registered in Scotland.