

Ross-shire Engineering Limited

Unaudited

Report and financial statements

For the year ended 31 March 2018

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Ross-shire Engineering Limited

Company Information

Directors

A Dallas
J I MacGregor
I R MacGregor
R J MacGregor
J D MacDonald

Company secretary

A Dallas

Registered number

SC177939

Registered office

Muir of Ord Industrial Estate
Muir of Ord
Ross-shire
IV6 7UA

Bankers

Bank of Scotland
High Street
Beauly
IV4 7BS

Solicitors

Stronachs
34 Albyn Place
Aberdeen
AB10 1FW

Ross-shire Engineering Limited

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Ross-shire Engineering Limited

Strategic report For the year ended 31 March 2018

The directors present their strategic report and the financial statements for the year ended 31 March 2018.

Business review

The company's principal activity during the year continued to be that of providing specialist cross sector engineering and fabrication services. During the course of the 12 month accounting period the company delivered an exceptional 11.78% increase in turnover, maintaining net margins in the process. The key financial performance indicators during the year were as follows:

Turnover - £50,903,000 (2017 - £45,537,000)
Operating Profit – £3,354,000 – (2017 - £3,111,000)
Profit after tax – £2,689,000 – (2017 - £2,555,000)

The new Modular Assembly Workshop and ancillary facilities have greatly increased capacity enabling us to step up production and to engage with English Water Authorities where we have bid for a number of Framework Agreements. The first such submission was to Yorkshire Water where we successfully bid their Chemical Dosing Framework. We are at the final bid stages with a number of English Water Authorities in line with our diversification strategy and currently have several water treatment plants under construction for the English market.

Notwithstanding the well publicised slow down in the oil and gas market our niche spool base support services continue to be in high demand. As a market leader for the design and build of equipment to support pipe in pipe operations we delivered projects in the UK, Europe and USA during the financial year.

The business has a diverse blue chip client base and multiple cross-sector Framework Agreements. In order to support and promote this cross-sector specialisation we are developing and extending our workshop and machining capabilities at Muir of Ord on an ongoing basis. Our Cumbernauld base in Central Scotland has helped drive growth in both staffing and turnover in line with our objectives.

Business success requires an active recruitment strategy across all disciplines and this included additions to our senior management team. Throughout this busy period staff recruitment, training and retention are key. We run an active Graduate Recruitment Programme and Modern Apprenticeship Scheme.

Principal risks and uncertainties

In recent years the business has expanded its client base thereby spreading business risk and operations across multiple markets. Scottish Water are the company's single biggest client, however, successful framework submissions to the larger English Water sector are delivering diversification.

Exchange rates have been more volatile in recent times, particularly with the Brexit decision, however currency transactions are minimal.

Other key performance indicators

With the continued retention and reinvestment of profits, capability and capacity are advancing on an ongoing basis. Capital adequacy and working capital are in excellent shape, placing the company in a position of strength as it looks to the future. An increasing number of clients make use of credit ratings agencies and external analysis by all independent agencies shows ongoing positive growth in Ross-shire Engineering's recommended trading credit and contract limits.

The company continues to adopt first class HSEQ policies and achieves excellent statistics.

Ross-shire Engineering Limited

Strategic report (continued)
For the year ended 31 March 2018

This report was approved by the board on 11 DECEMBER 2018 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'R J MacGregor', with a long horizontal stroke extending to the right.

R J MacGregor
Director

Ross-shire Engineering Limited

Directors' report For the year ended 31 March 2018

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

Results and dividends

The profit for the year, after taxation, amounted to £2,689,000 (2017 - £2,555,000).

No dividends were paid during the year (2017 - £nil).

Directors

The directors who served during the year were:

A Dallas
J I MacGregor
I R MacGregor
R J MacGregor
J D MacDonald
S Johnston (resigned 3 May 2018)

Future developments

The directors believe that secured workflows and diversification will continue to drive progress and opportunities. Our comprehensive design expertise, ongoing product development and focus upon smart, modular solutions complement our traditional presence and specialisation in the power and utility sectors.

The Company is now pursuing wider UK opportunities and further expansion through acquisition if the correct target becomes available, complimentary to strategic direction.

Research and development activities

Ross-Shire Engineering continue to extend our off-site modular fabrication capacity, developing our product range and capability through advanced process technologies and in-house engineering solutions. The Company is committed to ongoing research & development expenditure to ensure that we continue to lead the field, particularly in specialist water treatment technologies.

Employee involvement

During the year, the policy of providing employees with information about the Global Energy group has continued through the newsletter "My Global Round Up" in which employees have also been encouraged to present their suggestions and views on the group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Ross-shire Engineering Limited

Directors' report (continued)
For the year ended 31 March 2018

Disabled employees

The Company, as part of its employment and ongoing practices has always and wishes to continue, to promote an environment of equality and fairness and therefore recognises and complies with the Disability Discrimination Act 1995 (DDA).

The Disability Discrimination Act defines 'disability' as a physical or mental impairment which has a substantial and long term adverse effect on a person's ability to carry out their normal day-to-day activities.

The act makes it unlawful for employers to discriminate against current or prospective workers who have a disability or who have had a disability in the past. When an employer treats a person with a disability less favourably than he treats other people and this treatment cannot be justified then discrimination has taken place. The employer also has a duty to make a 'reasonable adjustment' in relation to the disabled person and failure to do so is again discrimination, if it cannot be justified.

This report was approved by the board on 11 DECEMBER 2018 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'R J MacGregor', written over a horizontal line.

R J MacGregor
Director

Ross-shire Engineering Limited

**Directors' responsibilities statement
For the year ended 31 March 2018**

The directors are responsible for preparing the Strategic report, the 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments 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 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 to 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.

Ross-shire Engineering Limited

**Statement of comprehensive income
For the year ended 31 March 2018**

| | Note | 2018 £000 | 2017 £000 |
|--|------|--------------|--------------|
| Turnover | 2 | 50,903 | 45,537 |
| Cost of sales | | (43,648) | (37,887) |
| Gross profit | | <u>7,255</u> | <u>7,650</u> |
| Administrative expenses | | (3,929) | (4,565) |
| Other operating income | 3 | 28 | 26 |
| Operating profit | 4 | <u>3,354</u> | <u>3,111</u> |
| Interest payable and similar charges | 7 | (17) | (9) |
| Profit before tax | | <u>3,337</u> | <u>3,102</u> |
| Taxation on profit on ordinary activities | 8 | (648) | (547) |
| Profit for the year | | <u>2,689</u> | <u>2,555</u> |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | <u>2,689</u> | <u>2,555</u> |

The notes on pages 10 to 24 form part of these financial statements.

Ross-shire Engineering Limited
Registered number: SC177939

Balance sheet
As at 31 March 2018

| | Note | 2018 £000 | 2017 £000 |
|---|------|----------------------|----------------------|
| Fixed assets | | | |
| Intangible assets | 9 | 142 | 123 |
| Tangible assets | 10 | 7,198 | 7,036 |
| Investments | 11 | 3,489 | 4,240 |
| | | <u>10,829</u> | <u>11,399</u> |
| Current assets | | | |
| Stocks | 12 | 296 | 171 |
| Debtors : amounts falling due within one year | 13 | 9,836 | 11,647 |
| Cash at bank and in hand | | 3,494 | 765 |
| | | <u>13,626</u> | <u>12,583</u> |
| Creditors: amounts falling due within one year | 14 | (8,851) | (9,794) |
| Net current assets | | <u>4,775</u> | <u>2,789</u> |
| Total assets less current liabilities | | <u>15,604</u> | <u>14,188</u> |
| Creditors: amounts falling due after more than one year | 15 | (214) | (1,327) |
| Provisions for liabilities | | | |
| Deferred tax | 17 | (293) | (223) |
| Other provisions | 18 | (66) | (296) |
| | | <u>(359)</u> | <u>(519)</u> |
| Net assets | | <u><u>15,031</u></u> | <u><u>12,342</u></u> |
| Capital and reserves | | | |
| Called up share capital | 19 | 18 | 18 |
| Share premium account | 20 | 90 | 90 |
| Capital redemption reserve | 20 | 22 | 22 |
| Profit and loss account | 20 | 14,901 | 12,212 |
| Shareholders' funds | | <u><u>15,031</u></u> | <u><u>12,342</u></u> |

The directors considers that the Company is entitled to exemption from the requirement to have an audit under the provisions of section 479A of the Companies Act 2006.

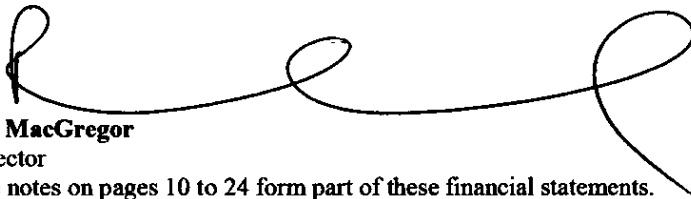
The members have not required the Company to obtain an audit for the year in question in accordance with section 476 of Companies Act 2006.

Ross-shire Engineering Limited
Registered number:SC177939

Balance sheet (continued)
As at 31 March 2018

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

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

A handwritten signature in black ink, appearing to be 'R J MacGregor', written over a horizontal line.

R J MacGregor
Director

The notes on pages 10 to 24 form part of these financial statements.

Ross-shire Engineering Limited

**Statement of changes in equity
For the year ended 31 March 2018**

| | Share capital | Share premium | Capital redemption reserve | Profit and loss account | Total equity |
|--|---------------|---------------|----------------------------------|----------------------------|---------------|
| | £000 | £000 | £000 | £000 | £000 |
| At 1 April 2017 | 18 | 90 | 22 | 12,212 | 12,342 |
| Profit for the year | - | - | - | 2,689 | 2,689 |
| Total comprehensive income for the year | - | - | - | 2,689 | 2,689 |
| At 31 March 2018 | 18 | 90 | 22 | 14,901 | 15,031 |

**Statement of changes in equity
For the year ended 31 March 2017**

| | Share capital | Share premium | Capital redemption reserve | Profit and loss account | Total equity |
|--|---------------|---------------|----------------------------------|----------------------------|---------------|
| | £000 | £000 | £000 | £000 | £000 |
| At 2 April 2016 | 18 | 90 | 22 | 9,657 | 9,787 |
| Profit for the year | - | - | - | 2,555 | 2,555 |
| Total comprehensive income for the year | - | - | - | 2,555 | 2,555 |
| At 31 March 2017 | 18 | 90 | 22 | 12,212 | 12,342 |

The notes on pages 10 to 24 form part of these financial statements.

1. Accounting policies

1.1 Statement of compliance and basis of preparation

Ross-shire Engineering Limited is a limited liability company incorporated in Scotland. The registered office is Muir of Ord Industrial Estate, Muir of Ord, Ross-Shire, IV6 7UA.

The financial statements have been prepared in compliance with Financial Reporting Standard 102, as it applies to the financial statements of the Company for the year ended 31 March 2018.

The financial statements have been prepared under the historical cost convention. The financial statements are prepared in sterling which is the functional currency of the Company.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group. The registered address of the parent company is 13 Henderson Road, Inverness, IV1 1SN.

1.2 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of GEG (Holdings) Limited as at 31 March 2018 and these financial statements may be obtained from 13 Henderson Road, Inverness, IV1 1SN.

1.3 Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in compliance with FRS 102 requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

There were no judgements affecting the reported financial performance in the current or prior year.

The following are the Company's key sources of estimation uncertainty:

Long term contracts

Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for the contract. Revenues derived from variations on contracts are recognised only when they are first foreseen.

**Notes to the financial statements
For the year ended 31 March 2018**

1. Accounting policies (continued)

1.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

1.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Statement of comprehensive income over its estimated economic life.

1.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

**Notes to the financial statements
For the year ended 31 March 2018**

1. Accounting policies (continued)

1.6 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

| | | |
|---------------------------|---|-------------------------|
| Freehold property | - | 2% straight line |
| Assets Under Construction | - | not depreciated |
| Plant & machinery | - | 15% on reducing balance |
| Motor vehicles | - | 20% straight line |
| Fixtures & fittings | - | 10% straight line |
| Computer equipment | - | 25% straight line |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

1.7 Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

1.8 Operating leases

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the period of the lease.

Lease incentives are recognised over the lease term on a straight line basis.

1.9 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.10 Leasing and hire purchases

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchases are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of Comprehensive Income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

**Notes to the financial statements
For the year ended 31 March 2018**

1. Accounting policies (continued)

1.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.14 Stocks

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

1.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Ross-shire Engineering Limited

**Notes to the financial statements
For the year ended 31 March 2018**

1. Accounting policies (continued)**1.16 Pensions****Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2. Turnover

The whole of the turnover is attributable to the rendering of services.

Analysis of turnover by country of destination:

| | 2018 £000 | 2017 £000 |
|-------------------|---------------|---------------|
| United Kingdom | 49,956 | 45,537 |
| Rest of the world | 947 | - |
| | <u>50,903</u> | <u>45,537</u> |

3. Other operating income

| | 2018 £000 | 2017 £000 |
|------------------------|--------------|--------------|
| Other operating income | 28 | 26 |
| | <u>28</u> | <u>26</u> |

Ross-shire Engineering Limited

**Notes to the financial statements
For the year ended 31 March 2018**

4. Operating profit

The operating profit is stated after charging/(crediting):

| | 2018 £000 | 2017 £000 |
|---|-------------------|-------------------|
| Depreciation of tangible fixed assets | 365 | 440 |
| Depreciation held under HP | 172 | - |
| Amortisation of intangible assets, including goodwill | 18 | 7 |
| Amortisation of government grants | (18) | (12) |
| Operating lease rental - Plant and machinery | 15 | 33 |
| Operating lease rental - Land and buildings | 93 | 176 |
| | <u> </u> | <u> </u> |

5. Employees

Staff costs, including directors' remuneration, were as follows:

| | 2018 £000 | 2017 £000 |
|-------------------------------------|-------------------|-------------------|
| Wages and salaries | 14,497 | 12,079 |
| Social security costs | 1,556 | 1,296 |
| Cost of defined contribution scheme | 320 | 246 |
| | <u> </u> | <u> </u> |
| | <u>16,373</u> | <u>13,621</u> |

The average monthly number of employees, including the directors, during the year was as follows:

| | 2018 No. | 2017 No. |
|--------------------------|-------------------|-------------------|
| Management | 6 | 7 |
| Production and Technical | 369 | 249 |
| Admin and Sales | 27 | 27 |
| Other | 3 | 3 |
| | <u> </u> | <u> </u> |
| | <u>405</u> | <u>286</u> |

Ross-shire Engineering Limited

**Notes to the financial statements
For the year ended 31 March 2018**

6. Directors' remuneration

| | 2018 £000 | 2017 £000 |
|---|--------------|--------------|
| Directors' emoluments | 223 | 372 |
| Company contributions to defined contribution pension schemes | 5 | 5 |
| | <u>228</u> | <u>377</u> |

During the year retirement benefits were accruing to 1 directors (2017 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £199,000 (2017 - £173,000).

7. Interest payable and similar charges

| | 2018 £000 | 2017 £000 |
|--|--------------|--------------|
| Other loan interest payable | - | 3 |
| Finance leases and hire purchase contracts | 17 | 6 |
| | <u>17</u> | <u>9</u> |

8. Taxation

| | 2018 £000 | 2017 £000 |
|--|--------------|--------------|
| Corporation tax | | |
| Current tax on profits for the year | 615 | 633 |
| Adjustments in respect of previous periods | (37) | (211) |
| | <u>578</u> | <u>422</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | 42 | 17 |
| Adjustments in respect of prior periods | 28 | 108 |
| | <u>70</u> | <u>125</u> |
| Taxation on profit on ordinary activities | <u>648</u> | <u>547</u> |

Ross-shire Engineering Limited

**Notes to the financial statements
For the year ended 31 March 2018**

8. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2017 - 20%). The differences are explained below:

| | 2018 £000 | 2017 £000 |
|--|--------------|--------------|
| Profit on ordinary activities before tax | 3,337 | 3,103 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%) | 634 | 621 |
| Effects of: | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 6 | 46 |
| Adjustments to tax charge in respect of prior periods | (8) | (103) |
| Non-taxable income | (3) | - |
| Other differences | (5) | (17) |
| Depreciation of non-qualifying assets | 24 | - |
| Total tax charge for the year | 648 | 547 |

Factors that may affect future tax charges

The UK corporation tax rate will reduce to 19% for financial years beginning 1 April 2017 and will reduce to 17% for financial years beginning 1 April 2020. Deferred tax balances have been calculated at a rate of 17% as this is the rate at which the majority of the timing differences are expected to reverse.

Ross-shire Engineering Limited

**Notes to the financial statements
For the year ended 31 March 2018**

9. Intangible assets

| | Software £000 | Development £000 | Goodwill £000 | Total £000 |
|-----------------------|------------------|---------------------|------------------|---------------|
| Cost | | | | |
| At 1 April 2017 | 110 | 51 | 20 | 181 |
| Additions | 37 | - | - | 37 |
| At 31 March 2018 | <u>147</u> | <u>51</u> | <u>20</u> | <u>218</u> |
| Amortisation | | | | |
| At 1 April 2017 | 1 | 38 | 19 | 58 |
| Charge for the year | 12 | 5 | 1 | 18 |
| At 31 March 2018 | <u>13</u> | <u>43</u> | <u>20</u> | <u>76</u> |
| Net book value | | | | |
| At 31 March 2018 | <u>134</u> | <u>8</u> | <u>-</u> | <u>142</u> |
| At 31 March 2017 | <u>109</u> | <u>13</u> | <u>1</u> | <u>123</u> |

Ross-shire Engineering Limited

Notes to the financial statements For the year ended 31 March 2018

10. Tangible assets

| | Freehold property £000 | Plant & machinery £000 | Motor vehicles £000 | Fixtures & fittings £000 | Computer equipment £000 | Total £000 |
|--|------------------------------|------------------------------|---------------------------|--------------------------------|-------------------------------|-------------------|
| Cost or valuation | | | | | | |
| At 1 April 2017 | 5,993 | 2,266 | 949 | 219 | 554 | 9,981 |
| Additions | 11 | 173 | 436 | 22 | 72 | 714 |
| Disposals | - | (54) | (128) | - | - | (182) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 March 2018 | 6,004 | 2,385 | 1,257 | 241 | 626 | 10,513 |
| Depreciation | | | | | | |
| At 1 April 2017 | 535 | 1,200 | 666 | 112 | 432 | 2,945 |
| Charge for the year on owned assets | 117 | 171 | 172 | 20 | 57 | 537 |
| Disposals | - | (42) | (125) | - | - | (167) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 March 2018 | 652 | 1,329 | 713 | 132 | 489 | 3,315 |
| Net book value | | | | | | |
| At 31 March 2018 | <hr/> 5,352 <hr/> | <hr/> 1,056 <hr/> | <hr/> 544 <hr/> | <hr/> 109 <hr/> | <hr/> 137 <hr/> | <hr/> 7,198 <hr/> |
| At 31 March 2017 | <hr/> 5,458 <hr/> | <hr/> 1,066 <hr/> | <hr/> 283 <hr/> | <hr/> 107 <hr/> | <hr/> 122 <hr/> | <hr/> 7,036 <hr/> |

Included in land and buildings is freehold land with a cost of £140,000 (2017 - £140,000) which is not depreciated.

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

| | 2018 £000 | 2017 £000 |
|----------------|--------------|--------------|
| Motor vehicles | 339 | 42 |
| | <hr/> | <hr/> |
| | 339 | 42 |
| | <hr/> | <hr/> |

Ross-shire Engineering Limited

**Notes to the financial statements
For the year ended 31 March 2018**

11. Investments

| | Investments in subsidiary company £000 |
|--------------------------|---|
| Cost or valuation | |
| At 1 April 2017 | 4,240 |
| Disposals | (751) |
| At 31 March 2018 | <u>3,489</u> |
| Net book value | |
| At 31 March 2018 | <u>3,489</u> |
| At 31 March 2017 | <u>4,240</u> |

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

| Name | Class of shares | Holding | Principal activity |
|--|----------------------------|----------------|---|
| Pipework Systems and Installation Limited | Ordinary | 75 % | Mansfield House, Muir of Ord Industrial Estate, Great North Road, Muir of Ord, Ross-Shire, IV6 7UA |

12. Stocks

| | 2018 £000 | 2017 £000 |
|-------------------------------|--------------|--------------|
| Raw materials and consumables | 296 | 171 |
| | <u>296</u> | <u>171</u> |

Ross-shire Engineering Limited

**Notes to the financial statements
For the year ended 31 March 2018**

13. Debtors

| | 2018 £000 | 2017 £000 |
|--|--------------|---------------|
| Trade debtors | 3,312 | 5,356 |
| Amounts owed by group undertakings | - | 214 |
| Prepayments and accrued income | 99 | 105 |
| Amounts recoverable on long term contracts | 6,425 | 5,972 |
| | <u>9,836</u> | <u>11,647</u> |

Amounts owed to group undertakings are unsecured and interest free.

14. Creditors: Amounts falling due within one year

| | 2018 £000 | 2017 £000 |
|---|--------------|--------------|
| Payments received on account | 993 | 1,875 |
| Trade creditors | 2,727 | 1,157 |
| Amounts owed to group undertakings | 166 | 1,120 |
| Corporation tax | 425 | 383 |
| Other taxation and social security | 1,438 | 1,687 |
| Obligations under finance lease and hire purchase contracts | 73 | 21 |
| Other creditors | 755 | 387 |
| Accruals and deferred income | 2,274 | 3,164 |
| | <u>8,851</u> | <u>9,794</u> |

Amounts owed to group undertakings are unsecured and interest free.

15. Creditors: Amounts falling due after more than one year

| | 2018 £000 | 2017 £000 |
|--|--------------|--------------|
| Net obligations under finance leases and hire purchase contracts | 214 | 15 |
| Other creditors | - | 1,312 |
| | <u>214</u> | <u>1,327</u> |

The hire purchase creditors are secured on the assets to which they relate.

Ross-shire Engineering Limited

**Notes to the financial statements
For the year ended 31 March 2018**

16. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

| | 2018 £000 | 2017 £000 |
|-------------------|--------------|--------------|
| Within one year | 113 | 21 |
| Between 1-2 years | 113 | 15 |
| Between 2-5 years | 61 | - |
| | <u>287</u> | <u>36</u> |

17. Deferred taxation

| | 2018 £000 | 2017 £000 |
|---------------------------|--------------|--------------|
| At beginning of year | 223 | 98 |
| Charged to profit or loss | 70 | 125 |
| At end of year | <u>293</u> | <u>223</u> |

The provision for deferred taxation is made up as follows:

| | 2018 £000 | 2017 £000 |
|--------------------------------|--------------|--------------|
| Accelerated capital allowances | 293 | 225 |
| Short term timing differences | - | (2) |
| | <u>293</u> | <u>223</u> |

Ross-shire Engineering Limited

**Notes to the financial statements
For the year ended 31 March 2018**

18. Deferred government grants

| | Deferred government grants £000 |
|-------------------------|--|
| At 1 April 2017 | 296 |
| Utilised in year | (230) |
| At 31 March 2018 | 66 |

The balance above relates to grants received for the construction of buildings and towards the purchase cost of some plant & machinery.

19. Share capital

| | 2018 £000 | 2017 £000 |
|---|--------------|--------------|
| Allotted, called up and fully paid | | |
| 18,000 Ordinary shares of £1 each | 18 | 18 |

20. Reserves**Share premium account**

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital redemption reserve

This reserve records the nominal value of shares repurchased by the company.

21. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £153,000 (2017: £246,000).

Contributions payable to the fund at the balance sheet date were £5,000 (2017: £8,000).

Ross-shire Engineering Limited

Notes to the financial statements For the year ended 31 March 2018

22. Commitments under operating leases

At 31 March 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2018 £000 | 2017 £000 |
|--|--------------|--------------|
| Not later than 1 year | 23 | 46 |
| Later than 1 year and not later than 5 years | 35 | 200 |
| Later than 5 years | - | 50 |
| | <u>58</u> | <u>296</u> |

23. Related party transactions

Ross-shire Engineering Limited is an 83% owned subsidiary of GEG (Process & Equipment) Limited, which is a wholly owned subsidiary of GEG (Holdings) Limited.

During the year the Company entered into transactions, in the normal course of business, with other related parties. Transactions entered into, and the trading balances outstanding at 31 March 2018 are as follows:

| | Purchases £000 | Creditors £000 |
|--|-------------------|-------------------|
| Ross County Football Club (1998) Limited | 13 | - |
| MacGregor Industrial Supplies Limited | 350 | 30 |
| Envoy Capital Management Limited | 55 | 10 |
| | <u>418</u> | <u>40</u> |

Ross County Football Club (1998) Limited is a company owned and controlled by the MacGregor family.

MacGregor Industrial Supplies Limited is a related party as J MacGregor, a close family member of R J MacGregor, has a shareholding in the company.

Envoy Capital Management Limited is a company owned and controlled by I R MacGregor.

24. Ultimate parent undertaking and controlling party

The ultimate parent undertaking is GEG (Holdings) Limited. The controlling party of GEG (Holdings) Limited is the MacGregor family.

GEG (Holdings) Limited is the parent undertaking of the smallest and largest groups of which Ross-shire Engineering Limited is a member and for which group financial statements are drawn up.

The group financial statements can be obtained from 13 Henderson Road, Inverness, IV1 1SN.