

Registered number: SC163213

EAST KILBRIDE ENGINEERING SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016



EAST KILBRIDE ENGINEERING SERVICES LIMITED

CONTENTS

	Page (s)
Company information	1
Strategic Report	2
Directors' Report	3 - 4
Independent Auditors' Report to the members of East Kilbride Engineering Services Limited	5 - 7
Statement of Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Statement of cash flows	11
Notes to the Financial Statements	12 - 24

EAST KILBRIDE ENGINEERING SERVICES LIMITED

COMPANY INFORMATION

Directors

R T Davies (appointed 29 February 2016)
N Macleod (appointed 29 February 2016)
N R Montour (appointed 1 September 2016)
A Steedman
M Wirth (appointed 29 February 2016)
C M Cohen (appointed 1 September 2016, resigned 14 February 2017)
W R Hall (resigned 1 September 2016)
C Logan (resigned 29 February 2016)
W Reid (resigned 29 February 2016)

Registered number

SC163213

Registered office

Scottish Enterprise Technology Park
Kelvin Building
Bramah Avenue
East Kilbride
Lanarkshire
G75 0RD

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
141 Bothwell Street
Glasgow
G2 7EQ

EAST KILBRIDE ENGINEERING SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their strategic report of the company for the year ended 31 December 2016.

Business review

The results for the year show an operating loss of £0.044m (2015: operating profit of £2.562m) on turnover of £16.0m (2015: £12.9m) for the financial year compared to a 9 month comparative period. The company has a net balance sheet value of £10.900m at 31 December 2016 (2015: £12.963m).

Principal risks and uncertainties

We believe that the company can meet key business risks of competition, both local and national, and also of employee retention.

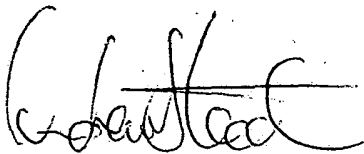
Financial key performance indicators (KPIs)

Given the straightforward nature of the business, the directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Future developments

The company continues to work closely with its customers to provide the highest standard of services both in the UK and abroad.

This report was approved by the board on 27th Oct 2017 and signed on its behalf by:



A Steedman
Director

EAST KILBRIDE ENGINEERING SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their annual report and the audited financial statements of East Kilbride Engineering Services Limited (the "company") for the year ended 31 December 2016.

Principal activity

The principal activity of the company in the year under review was that of the provision of engineering services.

Results and dividends

The loss for the financial year amounted to £69,590 (2015: profit £3,436,035).

The directors recommend the payment of a dividend of £2,000,000 (2015: £85,357).

Directors

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

R T Davies (appointed 29 February 2016)
N Macleod (appointed 29 February 2016)
N R Montour (appointed 1 September 2016)
A Steedman
M Wirth (appointed 29 February 2016)
C M Cohen (appointed 1 September 2016, resigned 14 February 2017)
W R Hall (resigned 1 September 2016)
C Logan (resigned 29 February 2016)
W Reid (resigned 29 February 2016)

Future developments

The future developments of the company are discussed in the Strategic Report.

Financial risk management

Foreign exchange risk

The company is not materially exposed to foreign exchange risk.

Cash flow risk

The cash flow of the company is exposed to non-payment risk by customers. The company manages this risk by carefully appraising the credit quality of customers prior to entering into contracts and thereafter engaging in credit control measures.

Liquidity risk

The directors review the liquidity position on a regular basis and are confident that the business has sufficient cash resources to meet its trading needs.

Credit risk

Credit risk is managed by careful review of customers' financial standing and appropriate credit checks on potential customers prior to sale.

EAST KILBRIDE ENGINEERING SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Directors' responsibilities statement

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 prepared 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, comprising FRS 102, 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.

Disclosure of information to auditors

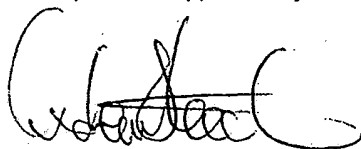
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 27th October 2017 and signed on its behalf by:



A Steedman
Director

EAST KILBRIDE ENGINEERING SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EAST KILBRIDE ENGINEERING SERVICES LIMITED

Report on the financial statements

Our opinion

In our opinion, East Kilbride Engineering Services Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss and cash flows 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.
-

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Balance sheet as at 31 December 2016;
- the Statement of comprehensive income for the year then ended;
- the Statement of cash flows for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
 - 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.
-

EAST KILBRIDE ENGINEERING SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EAST KILBRIDE ENGINEERING SERVICES LIMITED

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

EAST KILBRIDE ENGINEERING SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EAST KILBRIDE ENGINEERING SERVICES LIMITED

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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Other matter

The company financial statements for the year ended 31 December 2015, forming the corresponding figures of these financial statements are unaudited.

Kenneth Wilson

Kenneth Wilson (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow

Date: 27 October 2017

EAST KILBRIDE ENGINEERING SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

		Year ended 31 December 2016 £	9 month period ended 31 December 2015 £
	Note		
Turnover	4	16,027,085	12,928,826
Cost of sales		(11,204,735)	(10,023,375)
Gross profit		4,822,350	2,905,451
Administrative expenses		(5,523,454)	(669,707)
Other operating income	5	656,763	326,250
Operating (loss)/profit	6	(44,341)	2,561,994
Interest receivable and similar income	10	5,226	1,759
Interest payable and similar expenses	11	(45,183)	(22,149)
(Loss)/profit before taxation		(84,298)	2,541,604
Tax on (loss)/profit	12	14,708	894,431
(Loss)/profit for the financial year/period		(69,590)	3,436,035

There was no other comprehensive income for 2016 (2015: £NIL).

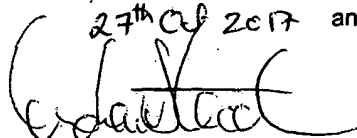
The notes on pages 12 to 24 form part of these financial statements.

EAST KILBRIDE ENGINEERING SERVICES LIMITED
REGISTERED NUMBER: SC163213

BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	14	355,825	363,488
Investments	15	23,451	20,392
		<u>379,276</u>	<u>383,880</u>
Current assets			
Stocks	16	1,335,828	1,966,962
Debtors	17	12,096,508	10,744,284
Cash at bank and in hand	18	3,371,056	2,538,087
		<u>16,803,392</u>	<u>15,249,333</u>
Creditors: amounts falling due within one year	19	(2,750,629)	(2,642,317)
Net current assets		<u>14,052,763</u>	<u>12,607,016</u>
Total assets less current liabilities		<u>14,432,039</u>	<u>12,990,896</u>
Provisions for liabilities			
Deferred tax	21		(27,827)
Other provisions	22	3,532,260	-
Net assets		<u>10,899,779</u>	<u>12,963,069</u>
Capital and reserves			
Called up share capital	23	31,405	25,105
Profit and loss account	24	10,868,374	12,937,964
Total shareholders' funds		<u>10,899,779</u>	<u>12,963,069</u>

The financial statements on pages 8 to 23 were approved by the Board of Directors on 27th Oct 2017 and signed on its behalf by:



A Steedman
Director

The notes on pages 12 to 24 form part of these financial statements.

EAST KILBRIDE ENGINEERING SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £	Profit and loss account £	Total shareholders' funds £
At 1 April 2015	25,105	9,587,286	9,612,391
Comprehensive income for the period			
Profit for the financial period	-	3,436,035	3,436,035
Total comprehensive income for the period	-	3,436,035	3,436,035
Contributions by and distributions to owners			
Dividends: Equity capital	-	(85,357)	(85,357)
Total transactions with owners	-	(85,357)	(85,357)
At 1 January 2016	25,105	12,937,964	12,963,069
Comprehensive expense for the year			
Loss for the financial year	-	(69,590)	(69,590)
Total comprehensive expense for the year	-	(69,590)	(69,590)
Contributions by and distributions to owners			
Dividends: Equity capital	-	(2,000,000)	(2,000,000)
Shares issued during the year	6,300	-	6,300
Total transactions with owners	6,300	(2,000,000)	(1,993,700)
At 31 December 2016	31,405	10,868,374	10,899,779

EAST KILBRIDE ENGINEERING SERVICES LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
Cash flows from operating activities		
(Loss)/profit for the financial year	(69,590)	3,436,035
Adjustments for:		
Interest payable and similar expenses	45,183	22,149
Interest receivable and similar income	(5,226)	(1,759)
Tax on loss/profit	(14,708)	(894,431)
Depreciation of tangible assets	109,497	56,234
Decrease/(increase) in stocks	631,134	(241,350)
Increase in debtors	(1,368,179)	(1,423,406)
Increase in creditors	108,312	119,131
Increase in provisions	3,532,260	-
Corporation tax received	2,836	155,504
Net cash from operating activities	2,971,519	1,228,107
Cash flows used in investing activities		
Purchase of tangible assets	(101,834)	(140,006)
Purchase of investments in subsidiaries	-	(861)
Foreign exchange movement on investments in subsidiaries	(3,059)	-
Interest received	5,226	1,759
Net cash used in investing activities	(99,667)	(139,108)
Cash flows used in financing activities		
Issue of ordinary shares	6,300	-
Loans repaid to directors	-	(1,150,000)
Dividends paid	(2,000,000)	(85,357)
Interest paid	(45,183)	-
Net cash used in financing activities	(2,038,883)	(1,235,357)
Net increase/(decrease) in cash and cash equivalents	832,969	(146,358)
Cash and cash equivalents at beginning of year	2,538,087	2,684,445
Cash and cash equivalents at the end of year	3,371,056	2,538,087
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	3,371,056	2,538,087

EAST KILBRIDE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. General information

East Kilbride Engineering Services Limited is a private company, limited by shares, registered in Scotland. The company's registered number and registered office address can be found on the Company Information page.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied consistently throughout the year:

2.2 Turnover

Turnover relates to the provision of engineering services and is represented by net invoiced sales of goods and services, excluding value added tax.

Turnover is recognised when the a service has been delivered against defined milestones contracts.

Turnover that has been recognised but not invoiced at the year end is included in debtors as accrued income.

2.3 Tangible assets

Tangible 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.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

Depreciation is provided on the following basis:

Improvement to property	- Over the period of the lease
Plant and machinery	- 15%
Fixtures and fittings	- 15%
Computer equipment	- 33%

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.

EAST KILBRIDE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.4 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 by equal annual instalments.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

2.5 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.6 Stocks

Stocks are stated at the lower of cost and net realisable value.

Work in progress includes the cost of direct materials and labour plus attributable overheads based on a normal level of activity. Net realisable value is based on estimated selling price less any costs expected to be incurred to completion.

2.7 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.

2.8 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.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

2.9 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at

EAST KILBRIDE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.9 Financial instruments (continued)

amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an 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.

2.10 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.

2.11 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.12 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.13 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.

EAST KILBRIDE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.14 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.16 Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, 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.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements 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.

EAST KILBRIDE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

4. Turnover

The turnover and profit before taxation are attributable to the one principal activity of the company.

All turnover arose within the United Kingdom.

5. Other operating income

	Year ended 31 December 2016 £	9 month period ended 31 December 2015 £
Management charges	<u>656,763</u>	<u>326,250</u>

6. Operating (loss)/profit

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

	Year ended 31 December 2016 £	9 month period ended 31 December 2015 £
Depreciation of tangible assets	109,497	56,234
Operating lease rentals	<u>191,189</u>	<u>81,196</u>

7. Auditors' remuneration

	Year ended 31 December 2016 £	9 month period ended 31 December 2015 £
Fees payable to the company's auditors and their associates for the audit of the company's annual financial statements	<u>30,000</u>	<u>7,750</u>
Fees payable to the company's auditors and their associates in respect of:		
Taxation compliance services	<u>-</u>	<u>1,545</u>

EAST KILBRIDE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

8. Employees

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

	Year ended 31 December 2016 £	9 month period ended 31 December 2015 £
Wages and salaries	4,039,548	3,061,528
Social security costs	459,934	345,776
Other pension costs	333,733	118,914
	<u>4,833,215</u>	<u>3,526,218</u>

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

	Year ended 31 December 2016 No.	9 month period ended 31 December 2015 No.
Direct	70	77
Administration	17	17
Directors	5	4
	<u>92</u>	<u>98</u>

9. Directors' remuneration

	Year ended 31 December 2016 £	9 month period ended 31 December 2015 £
Directors' emoluments	333,456	124,521
Company contributions to defined contribution pension schemes	43,556	43,100
	<u>377,012</u>	<u>167,621</u>

During the year retirement benefits were accruing to 4 directors (2015 - 4) in respect of defined contribution pension schemes.

EAST KILBRIDE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

10. Interest receivable and similar income

	Year ended 31 December 2016 £	9 month period ended 31 December 2015 £
Other interest receivable	<u>5,226</u>	<u>1,759</u>

11. Interest payable and similar expenses

	Year ended 31 December 2016 £	9 month period ended 31 December 2015 £
Other loan interest payable	<u>45,183</u>	<u>22,149</u>

12. Tax on (loss)/profit

	Year ended 31 December 2016 £	9 month period ended 31 December 2015 £
Corporation tax		
Current tax on loss/profit for the year/period	33,379	(136,259)
Adjustments in respect of previous periods	-	(745,528)
Total current tax	<u>33,379</u>	<u>(881,787)</u>
Deferred tax		
Origination and reversal of timing differences	(12,393)	(1,048)
Changes to tax rates	(2,315)	(3,092)
Adjustments in respect of previous periods	-	(8,504)
R&D notional tax	(33,379)	-
Total deferred tax	<u>(48,087)</u>	<u>(12,644)</u>
Tax on loss/profit	<u>(14,708)</u>	<u>(894,431)</u>

EAST KILBRIDE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

12. Tax on (loss)/profit (continued)

Factors affecting tax credit for the year/period

The tax assessed for the year/period is higher than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015: 20%). The differences are explained below:

	Year ended 31 December 2016 £	9 month period ended 31 December 2015 £
(Loss)/profit before taxation	(84,298)	2,541,604
(Loss)/profit before taxation multiplied by standard rate of corporation tax in the UK of 20% (2015: 20%)	(16,860)	508,321
Effects of:		
Expenses not deductible for tax purposes	7,666	4,103
Non-taxable income	(3,199)	-
Changes to tax rate	(2,315)	(3,092)
Adjustments in respect of previous periods - deferred tax	-	(8,504)
Surrender of tax losses for R&D tax credit refund	-	51,684
R&D tax credits in respect of current periods	-	(702,334)
R&D tax credits in respect of previous periods	-	(745,528)
Other differences	-	919
Total tax credit for the year/period	(14,708)	(894,431)

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

13. Dividends

	2016 £	2015 £
Dividends paid	2,000,000	85,357

EAST KILBRIDE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

14. Tangible assets

	Improvement to property £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 January 2016	256,111	154,069	585,342	995,522
Additions	-	2,055	99,779	101,834
At 31 December 2016	<u>256,111</u>	<u>156,124</u>	<u>685,121</u>	<u>1,097,356</u>
Accumulated depreciation				
At 1 January 2016	95,493	69,422	467,119	632,034
Charge for the year	24,093	12,784	72,620	109,497
At 31 December 2016	<u>119,586</u>	<u>82,206</u>	<u>539,739</u>	<u>741,531</u>
Net book value				
At 31 December 2016	<u>136,525</u>	<u>73,918</u>	<u>145,382</u>	<u>355,825</u>
At 31 December 2015	<u>160,618</u>	<u>84,647</u>	<u>118,223</u>	<u>363,488</u>

15. Investments

	Investments in subsidiary companies £
Cost	
At 1 January 2016	20,392
Foreign exchange movement	3,059
At 31 December 2016	<u>23,451</u>
Net book value	
At 31 December 2016	<u>23,451</u>
At 31 December 2015	<u>20,392</u>

EAST KILBRIDE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

15. Investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
East Kilbride Engineering Services GmbH	Ordinary	100 %	Engineering consultants
EKES Poland SP.Z.O.O	Ordinary	100 %	Engineering consultants

Name	Registered office
East Kilbride Engineering Services GmbH	The Townhouse, Ludwig-Erhard-Ring 4, 15827 Blankenfelde-Mahlow, Germany
EKES Poland SP.Z.O.O	Inkubator Technologiczny, Podkarpackiego Parku Naukowo-Technologicznego, Jasionka 954A, 36-002 Jasionka, Poland

16. Stocks

	2016 £	2015 £
Work in progress	1,335,828	1,966,962

Stock recognised in cost of sales during the year as an expense was £Nil (2015: £Nil).

An impairment loss of £Nil (2015: £Nil) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

17. Debtors

	2016 £	2015 £
Trade debtors	5,702,469	5,883,093
Amounts owed by group undertakings	5,830,869	3,889,286
Other debtors	7,198	27,921
Tax recoverable	295,492	331,707
Prepayments and accrued income	240,220	612,277
Deferred taxation	20,260	-
	12,096,508	10,744,284

18. Cash at bank and in hand

	2016 £	2015 £
Cash at bank and in hand	3,371,056	2,538,087

EAST KILBRIDE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

19. Creditors: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	749,099	916,854
Amounts owed to group undertakings	87,932	-
Other taxation and social security	954,897	860,132
Other creditors	255,990	32,203
Accruals and deferred income	702,711	833,128
	<u>2,750,629</u>	<u>2,642,317</u>

20. Financial instruments

	2016 £	2015 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>11,540,536</u>	<u>9,800,300</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(1,795,732)</u>	<u>(1,782,185)</u>

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, other creditors and accruals.

21. Deferred taxation

	2016 £
At beginning of year	(27,827)
Credited to profit or loss	48,087
At end of year	<u>20,260</u>

EAST KILBRIDE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

21. Deferred taxation (continued)

The deferred taxation balance is made up as follows:

	2016 £	2015 £
Accelerated capital allowances	(30,162)	(27,827)
Tax losses carried forward	17,043	-
RDEC	33,379	-
	<u>20,260</u>	<u>(27,827)</u>

22. Provisions

	German tax provision £
At 1 January 2016	-
Charged to profit or loss	3,532,260
At 31 December 2016	<u>3,532,260</u>

The company has an ongoing dispute with the German tax authorities relating to employee social security costs dating back to the period 2006-2010. A provision has been made for the current best estimate of the amount that may be settled.

23. Called up share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
25,105 (2015: 25,105) Ordinary shares of £1 each	25,105	25,105
6,300 (2015: Nil) Ordinary B shares of £1 each	6,300	-
	<u>31,405</u>	<u>25,105</u>

In February 2016 the company issued 6,300 Ordinary B shares of £1 each for consideration of £6,300.

24. Reserves

Profit and loss account

The profit and loss account includes cumulative retained profits and losses, and is a distributable reserve.

EAST KILBRIDE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

25. 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 charge amounted to £333,733 (2015: £118,914).

26. Commitments under operating leases

At 31 December the company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	137,000	137,000
Later than 1 year and not later than 5 years	464,000	536,000
Later than 5 years	243,750	308,750
	<u>844,750</u>	<u>981,750</u>

27. Related party transactions

In the financial year related party transactions occurred between East Kilbride Engineering Services Ltd and East Kilbride Retirement Benefit Scheme as part of the leasing arrangements for the rented property at Kelvin Building, Bramah Avenue, Scottish Enterprise Technology Park, East Kilbride, G75 0RD. East Kilbride Retirement Benefit Scheme is controlled by William Robert Hall and Callum Logan. The transactions in the year totalled £98,967 (2015: £69,700) and £31,416 (2015: £10,875) remained due to East Kilbride Retirement Benefit Scheme remained outstanding at the year end.

28. Controlling party

The company's immediate parent undertaking is Applied Technology Consultants Limited. Applied Technology Consultants Limited is the largest and smallest group of undertaking for which consolidated financial statements are drawn up. Applied Technology Consultants Limited's registered address is Cheltenham House, 34 Hill Road, Clevedon, North Somerset, BS21 7PH.

Its ultimate parent undertaking is Belcan LLC, a company incorporated in the United States of America.