

Evotek Limited
Financial Statements
30 September 2016



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

Evotek Limited
Financial Statements
Period from 3 October 2015 to 30 September 2016

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	4
Directors' responsibilities statement	5
Independent auditor's report to the member	6
Consolidated statement of income and retained earnings	8
Company statement of income and retained earnings	9
Consolidated statement of financial position	10
Company statement of financial position	11
Consolidated statement of cash flows	12
Notes to the financial statements	13

Evotek Limited
Officers and Professional Advisers

The board of directors	K.D. Crawford L.A. Crawford
Company secretary	J.S. McLaren
Registered office	Stannergate House 41 Dundee Road West Broughty Ferry Dundee DD5 1NB
Auditor	FourM Limited Chartered Accountants & Statutory Auditor Stannergate House 41 Dundee Road West Broughty Ferry Dundee DD5 1NB
Bankers	Clydesdale Bank 1 Queen's Cross Aberdeen AB15 4XU
Solicitors	Thorntons Law LLP Whitehall House 33 Yeaman Shore Dundee DD1 4BJ

Evotek Limited

Strategic Report

Period from 3 October 2015 to 30 September 2016

The directors present their strategic report for the period ended 30 September 2016.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the company is that of providing business and management consultancy to its subsidiaries.

The principal activity of Pacson Limited, a subsidiary incorporated in Scotland, continues to be that of the design, manufacture and testing of high specification isolation valves and associated pressure containing equipment.

The principal activity of B&A Hydraulics Limited, a subsidiary company incorporated in Scotland, continues to be that of rental, service and sale of oilfield equipment.

Following the oil price 'crash' in 2014, the uncertainty remained in the market throughout 2016 and continued into 2017. Whilst the oil price did recover in 2016, and has remained around the US \$50 a barrel, this has not been sufficient recovery to allay the uncertainty and so has continued to impact on the sanctioning of new projects / capex and opex spends.

Pacson Limited have actively tracked the market and the feedback from customers throughout the year to September 2016 and reacted accordingly, resulting in a further round of redundancies necessary for Pacson to right-size the business to the order book and market conditions.

The significant drop in turnover in Pacson Limited accounts reflects the delayed impact of the 'crash', as the previous year's turnover reflected the unwinding of a sizeable order book, which had accumulated prior to the crash. The results for 2016 reflected the reduced order intake during the latter part of 2015 and early 2016.

Despite the continued, adverse market conditions, Pacson Limited has continued to make significant improvements and continued with the research and development, both on the existing product range but also developing a new range of high specification process valves, and is well positioned to take advantage when the market improves.

B&A Hydraulics Limited's turnover has decreased slightly due to the ongoing adverse trading conditions as mentioned previously. However, due to the company operating with a relatively low cost base insulates the business from these adverse conditions to contribute positively towards the Group's net profit performance.

The group continues to adapt to the market conditions, and the projections reflect this. The group continues to develop its customer base and to introduce new products.

PRINCIPAL RISKS AND UNCERTAINTIES

Liquidity Risk

The group 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.

Credit Risk

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

Evotek Limited

Strategic Report *(continued)*

Period from 3 October 2015 to 30 September 2016

RESULTS FOR THE YEAR

The group's profit for the year, after taxation, amounted to £249,856 (2015 - £96,961).

DEVELOPMENT AND PERFORMANCE OF GROUP'S BUSINESS OVER THE YEAR

The group continued with its principal activities based around the oil services industry.

POSITION AT THE YEAR END

The significant drop in the world wide price of oil has had an adverse impact on the level of business being done by the group in the period through to the year-end and since then. The group has taken measures to achieve cost reductions as a consequence, which have helped to balance the drop in business revenues. These measures have helped to limit the adverse impact presently.

KEY PERFORMANCE INDICATORS

The group used a number of appropriate key performance measures to monitor the performance of the businesses during the period to 30 September 2016.

FUTURE DEVELOPMENTS

The group intends to continue to focus on its activities in the oil services industry and does not envisage any significant changes to the operations of the group over the next 12 months.

This report was approved by the board of directors on 23 June 2017 and signed on behalf of the board by:



K.D. Crawford
Director

Registered office:
Stannergate House
41 Dundee Road West
Broughty Ferry
Dundee
DD5 1NB

Evotek Limited

Directors' Report

Period from 3 October 2015 to 30 September 2016

The directors present their report and the financial statements of the group for the period ended 30 September 2016.

Directors

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

K.D. Crawford
L.A. Crawford

Dividends

Particulars of recommended dividends are detailed in note 14 to the financial statements.

Auditor

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

- so far as they are aware, there is no relevant audit information of which the group and the company's auditor is unaware; and
- they have 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 group and the company's auditor is aware of that information.

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 23 June 2017 and signed on behalf of the board by:

K.D. Crawford
Director



Registered office:
Stannergate House
41 Dundee Road West
Broughty Ferry
Dundee
DD5 1NB

Evotek Limited

Directors' Responsibilities Statement

Period from 3 October 2015 to 30 September 2016

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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.

Evotek Limited

Independent Auditor's Report to the Member of Evotek Limited

Period from 3 October 2015 to 30 September 2016

We have audited the financial statements of Evotek Limited for the period ended 30 September 2016, on pages 8 to 27. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's member, 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 member 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 member 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, 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 group's and the parent 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 strategic report and 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 group's and of the parent company's affairs as at 30 September 2016 and of the group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Evotek Limited

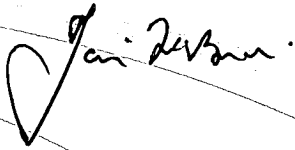
Independent Auditor's Report to the Member of Evotek Limited *(continued)*

Period from 3 October 2015 to 30 September 2016

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



Stannergate House
41 Dundee Road West
Broughty Ferry
Dundee
DD5 1NB

23 June 2017

Iain McBride M.A., C.A. (Senior Statutory Auditor)

For and on behalf of
FourM Limited
Chartered Accountants & Statutory Auditor

Evotek Limited
Consolidated Statement of Income and Retained Earnings
Period from 3 October 2015 to 30 September 2016

		Period from 3 Oct 15 to 30 Sep 16 £	Period from 4 Oct 14 to 2 Oct 15 £
Turnover	Note 4	7,911,659	12,495,139
Cost of sales		2,511,140	6,397,983
Gross profit		5,400,519	6,097,156
Distribution costs		93,841	185,212
Administrative expenses		4,934,760	5,699,374
Other operating income	5	12,648	12,648
Redundancy costs		79,023	132,529
Operating profit	6	305,543	92,689
Other interest receivable and similar income	10	353	242
Interest payable and similar charges	11	68,440	48,989
Profit on ordinary activities before taxation		237,456	43,942
Tax on profit on ordinary activities	12	(12,400)	(53,019)
Profit for the financial period and total comprehensive income		<u>249,856</u>	<u>96,961</u>
Dividends paid and payable	14	(80,000)	(81,600)
Retained earnings at the start of the period		5,940,326	5,924,965
Retained earnings at the end of the period		<u>6,110,182</u>	<u>5,940,326</u>

All the activities of the group are from continuing operations.

The notes on pages 13 to 27 form part of these financial statements.

Evotek Limited
Company Statement of Income and Retained Earnings
Period from 3 October 2015 to 30 September 2016

		Period from 3 Oct 15 to 30 Sep 16 £	Period from 4 Oct 14 to 2 Oct 15 £
Profit for the financial period and total comprehensive income	Note 13	228,446	351,183
Dividends paid and payable	14	(80,000)	(81,600)
Retained earnings at the start of the period		<u>1,284,870</u>	<u>1,015,287</u>
Retained earnings at the end of the period		<u><u>1,433,316</u></u>	<u><u>1,284,870</u></u>

The notes on pages 13 to 27 form part of these financial statements.

Evotek Limited
Consolidated Statement of Financial Position
30 September 2016

	Note	30 Sep 16 £	2 Oct 15 £
Fixed assets			
Intangible assets	15	453,867	495,127
Tangible assets	16	1,438,404	1,714,889
		<u>1,892,271</u>	<u>2,210,016</u>
Current assets			
Stocks	18	3,667,430	3,249,175
Debtors	19	2,975,556	2,138,219
Cash at bank and in hand	20	1,278,173	1,244,284
		<u>7,921,159</u>	<u>6,631,678</u>
Creditors: amounts falling due within one year	21	<u>3,095,434</u>	<u>2,132,859</u>
Net current assets		<u>4,825,725</u>	<u>4,498,819</u>
Total assets less current liabilities		<u>6,717,996</u>	<u>6,708,835</u>
Creditors: amounts falling due after more than one year	22	327,847	449,892
Provisions for liabilities			
Deferred tax	24	205,145	243,795
Net assets		<u>6,185,004</u>	<u>6,015,148</u>
Capital and reserves			
Called up share capital	28	74,822	74,822
Profit and loss account	29	6,110,182	5,940,326
Member funds		<u>6,185,004</u>	<u>6,015,148</u>

These financial statements were approved by the board of directors and authorised for issue on 23 June 2017, and are signed on behalf of the board by:



K.D. Crawford
Director

Company registration number: SC270149

The notes on pages 13 to 27 form part of these financial statements.

Evotek Limited
Company Statement of Financial Position
30 September 2016

	Note	30 Sep 16 £	2 Oct 15 £
Fixed assets			
Investments	17	1,313,042	1,313,042
Current assets			
Debtors	19	656	5,073
Cash at bank and in hand		450,641	342,232
		<u>451,297</u>	<u>347,305</u>
Creditors: amounts falling due within one year	21	192,205	168,663
Net current assets		<u>259,092</u>	<u>178,642</u>
Total assets less current liabilities		1,572,134	1,491,684
Creditors: amounts falling due after more than one year	22	63,996	131,992
Net assets		<u>1,508,138</u>	<u>1,359,692</u>
Capital and reserves			
Called up share capital	28	74,822	74,822
Profit and loss account	29	1,433,316	1,284,870
Member funds		<u>1,508,138</u>	<u>1,359,692</u>

These financial statements were approved by the board of directors and authorised for issue on 23 June 2017, and are signed on behalf of the board by:

K.D. Crawford
Director



Company registration number: SC270149

The notes on pages 13 to 27 form part of these financial statements.

Evotek Limited

Consolidated Statement of Cash Flows

Period from 3 October 2015 to 30 September 2016

	Note	30 Sep 16 £	2 Oct 15 £
Cash flows from operating activities			
Profit for the financial period		249,856	96,961
<i>Adjustments for:</i>			
Depreciation of tangible assets		402,172	324,841
Amortisation of intangible assets		41,260	41,260
Government grant income		(12,648)	(12,648)
Other interest receivable and similar income		(353)	(242)
Interest payable and similar charges		68,440	48,989
Tax on profit on ordinary activities		(12,400)	(53,019)
<i>Changes in:</i>			
Stocks		(418,255)	2,180,594
Trade and other debtors		(930,124)	1,025,798
Trade and other creditors		(137,973)	(1,489,280)
Cash generated from operations		(750,025)	2,163,254
Interest paid		(68,440)	(48,988)
Interest received		353	242
Tax received/(paid)		91,559	(224,612)
Net cash (used in)/from operating activities		<u>(726,553)</u>	<u>1,889,896</u>
Cash flows from investing activities			
Purchase of tangible assets		(125,687)	(469,920)
Net cash used in investing activities		<u>(125,687)</u>	<u>(469,920)</u>
Cash flows from financing activities			
Repayment of borrowings		(67,768)	(87,647)
Net (repayment)/ proceeds (of)/from finance lease liabilities		(48,536)	209,386
Dividends paid		(80,000)	(81,600)
Net cash (used in)/from financing activities		<u>(196,304)</u>	<u>40,139</u>
Net (decrease)/increase in cash and cash equivalents		(1,048,544)	1,460,115
Cash and cash equivalents at beginning of period		507,310	(952,805)
Cash and cash equivalents at end of period	20	<u>(541,234)</u>	<u>507,310</u>

The notes on pages 13 to 27 form part of these financial statements.

Evotek Limited

Notes to the Financial Statements

Period from 3 October 2015 to 30 September 2016

1. General information

The company is a private company limited by shares, registered in Scotland. The address of the registered office is Stannergate House, 41 Dundee Road West, Broughty Ferry, Dundee, DD5 1NB.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Transition to FRS 102

The entity transitioned from previous UK GAAP to FRS 102 as at 4 October 2014. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 32.

Disclosure exemptions

The parent company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS 102:

- (a) No cash flow statement has been presented for the company.
- (b) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The financial statements consolidate the financial statements of the Group and all of its subsidiary undertakings.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not included its individual statement of income and retained earnings.

Judgements 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 Statement of Financial Position date and the amounts reported during the year for revenue and costs. However, the nature of estimation means that actual outcomes could differ from those estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following judgements and estimates have had the most significant impact on amounts recognised in the financial statements.

Evotek Limited

Notes to the Financial Statements *(continued)*

Period from 3 October 2015 to 30 September 2016

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty *(continued)*

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Stock provision

In arriving at the valuation of stock it may be necessary for management to make an assessment over the carrying value of stock items and, where applicable, apply a provision to amend this carrying value to an approximation to net realisable value. These provisions are arrived at using management's knowledge and understanding of the business and the industry in which it operates and focuses on potentially obsolete or old items for which the full value may no longer be recoverable.

Bad debt provision

During the course of the year and during the year end process, management are required to determine whether any debts should be regarded as bad debts. This process is based on their knowledge of the business coupled with post year end information identifying debts not recovered relating to the previous financial period.

Provision for liquidated damages

Management uses post year end information and correspondence with customers to estimate provisions for liquidated damages. This identifies costs that are expected to be incurred by way of goods and services provided to other parties. Liquidated damages provisions are only released when there is a reasonable expectation that these costs will not be incurred in the future.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the useful economic lives and residual values of the assets. Useful lives and residual values are reassessed annually. They are assessed where necessary to reflect current estimates based on economic utilisation and physical condition.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

Corporation tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Evotek Limited

Notes to the Financial Statements *(continued)*

Period from 3 October 2015 to 30 September 2016

3. Accounting policies *(continued)*

Corporation tax *(continued)*

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Goodwill

Goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the company's interest in the net amount of the identifiable assets, liabilities and contingent liabilities of the acquired business.

Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a straight-line basis over its useful life.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Intangible assets acquired as part of a business combination are recorded at the fair value at the acquisition date.

Amortisation

Under FRS102, goodwill is required to be written off over 10 years as a maximum. The group has taken the exemption under paragraph 35.10 not to restate their current policy at transition date, as the Directors' believe that the expected remaining useful life is still valid.

Goodwill	- 20% straight line
Design Rights	- 10% straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Evotek Limited

Notes to the Financial Statements *(continued)*

Period from 3 October 2015 to 30 September 2016

3. Accounting policies *(continued)*

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

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

Plant & Machinery	- 6.67% - 25% straight line
Fixtures & Fittings	- 10%-25% straight line
Motor Vehicles	- 20%-33% straight line

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Evotek Limited

Notes to the Financial Statements *(continued)*

Period from 3 October 2015 to 30 September 2016

3. Accounting policies *(continued)*

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Work in progress

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

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Government grants

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

Evotek Limited

Notes to the Financial Statements *(continued)*

Period from 3 October 2015 to 30 September 2016

4. Turnover

Turnover arises from:

	Period from 3 Oct 15 to 30 Sep 16 £	Period from 4 Oct 14 to 2 Oct 15 £
Sale of goods	7,154,307	12,060,296
Services	757,352	434,843
	<u>7,911,659</u>	<u>12,495,139</u>

The turnover is attributable to the one principal activity of the group. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	Period from 3 Oct 15 to 30 Sep 16 £	Period from 4 Oct 14 to 2 Oct 15 £
United Kingdom	3,802,874	6,006,983
Overseas	4,108,785	6,488,156
	<u>7,911,659</u>	<u>12,495,139</u>

5. Other operating income

	Period from 3 Oct 15 to 30 Sep 16 £	Period from 4 Oct 14 to 2 Oct 15 £
Amortisation of government grants	<u>12,648</u>	<u>12,648</u>

6. Operating profit

Operating profit or loss is stated after charging:

	Period from 3 Oct 15 to 30 Sep 16 £	Period from 4 Oct 14 to 2 Oct 15 £
Amortisation of intangible assets	41,260	41,260
Depreciation of tangible assets	402,172	324,841
Impairment of trade debtors	—	2,079
Foreign exchange differences	(26,057)	(3,704)
Redundancy costs	79,023	132,529
Operating lease expenses	<u>221,987</u>	<u>179,659</u>

Evotek Limited

Notes to the Financial Statements *(continued)*

Period from 3 October 2015 to 30 September 2016

7. Auditor's remuneration

	Period from 3 Oct 15 to 30 Sep 16 £	Period from 4 Oct 14 to 2 Oct 15 £
Fees payable for the audit of the financial statements	<u>20,841</u>	<u>19,668</u>
Fees payable to the company's auditor and its associates for other services:		
Accountancy support	11,871	11,068
Other non-audit services	<u>5,688</u>	<u>4,176</u>
	<u>17,559</u>	<u>15,244</u>

8. Staff costs

The average number of persons employed by the group during the period, including the directors, amounted to:

	30 Sep 16 No.	2 Oct 15 No.
Production staff	80	97
Administrative staff	10	12
Management staff	<u>8</u>	<u>8</u>
	<u>98</u>	<u>117</u>

The aggregate payroll costs incurred during the period, relating to the above, were:

	Period from 3 Oct 15 to 30 Sep 16 £	Period from 4 Oct 14 to 2 Oct 15 £
Wages and salaries	2,998,545	3,570,564
Social security costs	306,044	381,068
Other pension costs	<u>98,341</u>	<u>114,233</u>
	<u>3,402,930</u>	<u>4,065,865</u>

9. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services for the group was:

	Period from 3 Oct 15 to 30 Sep 16 £	Period from 4 Oct 14 to 2 Oct 15 £
Remuneration	292,416	286,771
Company contributions to defined contribution pension plans	<u>13,037</u>	<u>12,536</u>
	<u>305,453</u>	<u>299,307</u>

The number of directors who accrued benefits under company pension plans within the group was as follows:

	30 Sep 16 No.	2 Oct 15 No.
Defined contribution plans	<u>3</u>	<u>2</u>

Evotek Limited

Notes to the Financial Statements *(continued)*

Period from 3 October 2015 to 30 September 2016

9. Directors' remuneration *(continued)*

Remuneration of the highest paid director in respect of qualifying services for the group:

	Period from 3 Oct 15 to 30 Sep 16	Period from 4 Oct 14 to 2 Oct 15
	£	£
Aggregate remuneration	88,509	89,193
Company contributions to defined contribution pension plans	6,528	6,067
	<u>95,037</u>	<u>95,260</u>

10. Other interest receivable and similar income

	Period from 3 Oct 15 to 30 Sep 16	Period from 4 Oct 14 to 2 Oct 15
	£	£
Interest on cash and cash equivalents	<u>353</u>	<u>242</u>

11. Interest payable and similar charges

	Period from 3 Oct 15 to 30 Sep 16	Period from 4 Oct 14 to 2 Oct 15
	£	£
Interest on banks loans and overdrafts	56,448	41,213
Interest on obligations under finance leases and hire purchase contracts	11,992	7,776
	<u>68,440</u>	<u>48,989</u>

12. Tax on profit on ordinary activities

Major components of tax income

	Period from 3 Oct 15 to 30 Sep 16	Period from 4 Oct 14 to 2 Oct 15
	£	£
Current tax:		
UK current tax expense	25,025	–
Adjustments in respect of prior periods	–	(91,932)
Under provision - prior year	1,225	1,710
Total current tax	<u>26,250</u>	<u>(90,222)</u>
Deferred tax:		
Origination and reversal of timing differences	(38,650)	37,203
Tax on profit on ordinary activities	<u>(12,400)</u>	<u>(53,019)</u>

Evotek Limited

Notes to the Financial Statements *(continued)*

Period from 3 October 2015 to 30 September 2016

12. Tax on profit on ordinary activities *(continued)*

Reconciliation of tax income

The tax assessed on the profit on ordinary activities for the period is lower than (2015: lower than) the standard rate of corporation tax in the UK of 20% (2015: 20%).

	Period from 3 Oct 15 to 30 Sep 16 £	Period from 4 Oct 14 to 2 Oct 15 £
Profit on ordinary activities before taxation	237,456	43,942
Profit on ordinary activities by rate of tax	47,491	8,788
Adjustment to tax charge in respect of prior periods	(1,998)	(1,710)
Effect of expenses not deductible for tax purposes	(654)	(551)
Effect of capital allowances and depreciation	–	(21,608)
Effect of different UK tax rates on some earnings	–	1,873
Amortisation of goodwill	8,252	8,252
Tax credit on R&D expenditure	(65,491)	(138,489)
Losses carried back and tax reclaimed	–	91,932
Marginal relief	–	(1,506)
Tax on profit on ordinary activities	<u>(12,400)</u>	<u>(53,019)</u>

13. Profit for the period of the parent company

The profit for the financial period of the parent company was £228,446 (2015: £351,183).

14. Dividends

Dividends paid during the period (excluding those for which a liability existed at the end of the prior period):

	30 Sep 16 £	2 Oct 15 £
Dividends on equity shares	<u>80,000</u>	<u>81,600</u>

15. Intangible assets

Group	Goodwill £	Design Rights £	Total £
Cost			
At 3 Oct 2015 and 30 Sep 2016	<u>825,207</u>	<u>50,000</u>	<u>875,207</u>
Amortisation			
At 3 October 2015	330,080	50,000	380,080
Charge for the period	41,260	–	41,260
At 30 September 2016	<u>371,340</u>	<u>50,000</u>	<u>421,340</u>
Carrying amount			
At 30 September 2016	<u>453,867</u>	<u>–</u>	<u>453,867</u>
At 2 October 2015	<u>495,127</u>	<u>–</u>	<u>495,127</u>

The company has no intangible assets.

Evotek Limited

Notes to the Financial Statements *(continued)*

Period from 3 October 2015 to 30 September 2016

16. Tangible assets

Group	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 3 October 2015	5,161,313	1,189,657	113,747	6,464,717
Additions	120,688	4,999	–	125,687
At 30 September 2016	<u>5,282,001</u>	<u>1,194,656</u>	<u>113,747</u>	<u>6,590,404</u>
Depreciation				
At 3 October 2015	3,732,534	953,095	64,199	4,749,828
Charge for the period	312,765	76,668	12,739	402,172
At 30 September 2016	<u>4,045,299</u>	<u>1,029,763</u>	<u>76,938</u>	<u>5,152,000</u>
Carrying amount				
At 30 September 2016	<u>1,236,702</u>	<u>164,893</u>	<u>36,809</u>	<u>1,438,404</u>
At 2 October 2015	<u>1,428,779</u>	<u>236,562</u>	<u>49,548</u>	<u>1,714,889</u>
Company			Fixtures and fittings £	Total £
Cost				
At 3 Oct 2015 and 30 Sep 2016			1,268	1,268
Depreciation				
At 3 Oct 2015 and 30 Sep 2016			1,268	1,268
Carrying amount				
At 30 September 2016			–	–

Finance leases and hire purchase contracts

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

Group	Plant and machinery £	Motor vehicles £	Total £
At 30 September 2016	<u>437,787</u>	<u>18,208</u>	<u>455,995</u>
At 2 October 2015	<u>430,018</u>	<u>24,276</u>	<u>454,294</u>

The company has no tangible assets held under finance lease or hire purchase agreements.

17. Investments

The group has no investments.

Evotek Limited

Notes to the Financial Statements *(continued)*

Period from 3 October 2015 to 30 September 2016

17. Investments *(continued)*

Company	Shares in group undertakings £
Cost	
At 3 Oct 2015 and 30 Sep 2016	<u>1,313,042</u>
Impairment	
At 3 Oct 2015 and 30 Sep 2016	<u>-</u>
Carrying amount	
At 3 Oct 2015 and 30 Sep 2016	<u>1,313,042</u>

Subsidiaries, associates and other investments

Details of the investments in which the parent company has an interest of 20% or more are as follows:

	Country of incorporation	Class of share	Percentage of shares held
Subsidiary undertakings			
Pacson Limited	Scotland	Ordinary	100
B&A Hydraulics Limited	Scotland	Ordinary	100

The principal activity of Pacson Limited continues to be that of the design, manufacture and testing of high specification isolation valves and associated pressure containing equipment. The principal activity of B&A Hydraulics Limited continues to be that of the rental, service and sale of oilfield equipment.

All the above subsidiaries are included in the consolidation.

18. Stocks

	Group		Company	
	30 Sep 16	2 Oct 15	30 Sep 16	2 Oct 15
	£	£	£	£
Raw materials and consumables	1,909,860	1,816,023	-	-
Work in progress	1,757,570	1,433,152	-	-
	<u>3,667,430</u>	<u>3,249,175</u>	<u>-</u>	<u>-</u>

19. Debtors

	Group		Company	
	30 Sep 16	2 Oct 15	30 Sep 16	2 Oct 15
	£	£	£	£
Trade debtors	2,838,567	1,851,871	-	-
Amounts owed by group undertakings	-	-	656	2,656
Prepayments and accrued income	124,989	86,116	-	-
Corporation tax repayable	-	92,784	-	852
Other debtors	12,000	107,448	-	1,565
	<u>2,975,556</u>	<u>2,138,219</u>	<u>656</u>	<u>5,073</u>

Evotek Limited

Notes to the Financial Statements *(continued)*

Period from 3 October 2015 to 30 September 2016

20. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	30 Sep 16	2 Oct 15
	£	£
Cash at bank and in hand	1,278,173	1,244,284
Bank overdrafts	(1,819,407)	(736,974)
	<u>(541,234)</u>	<u>507,310</u>

21. Creditors: amounts falling due within one year

	Group		Company	
	30 Sep 16	2 Oct 15	30 Sep 16	2 Oct 15
	£	£	£	£
Bank loans and overdrafts	1,887,403	803,123	67,996	66,149
Trade creditors	442,161	394,430	—	—
Amounts owed to group undertakings	—	—	88,714	91,185
Accruals and deferred income	461,458	685,297	4,600	3,824
Corporation tax	25,025	—	25,025	—
Social security and other taxes	134,012	95,941	1,436	1,452
Obligations under finance leases and hire purchase contracts	88,160	95,295	—	—
Director loan accounts	26,427	28,046	4,434	6,053
Other creditors	30,788	30,727	—	—
	<u>3,095,434</u>	<u>2,132,859</u>	<u>192,205</u>	<u>168,663</u>

The bank borrowings are secured by means of a bond and floating charge over the assets of the company. There is a cross corporate guarantee between the company and its subsidiaries, respectively Pacson Limited and B&A Hydraulics Limited.

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

	Group		Company	
	30 Sep 16	2 Oct 15	30 Sep 16	2 Oct 15
	£	£	£	£
Bank loans and overdrafts	63,996	131,992	63,996	131,992
Accruals and deferred income	63,461	76,109	—	—
Obligations under finance leases and hire purchase contracts	200,390	241,791	—	—
	<u>327,847</u>	<u>449,892</u>	<u>63,996</u>	<u>131,992</u>

Evotek Limited

Notes to the Financial Statements *(continued)*

Period from 3 October 2015 to 30 September 2016

23. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	Group		Company	
	30 Sep 16	2 Oct 15	30 Sep 16	2 Oct 15
	£	£	£	£
Not later than 1 year	95,049	107,252	–	–
Later than 1 year and not later than 5 years	222,369	266,227	–	–
	<u>317,418</u>	<u>373,479</u>	<u>–</u>	<u>–</u>
Less: future finance charges	(28,868)	(36,393)	–	–
Present value of minimum lease payments	<u>288,550</u>	<u>337,086</u>	<u>–</u>	<u>–</u>

24. Provisions for liabilities

Group

Deferred tax (note 25)

At 3 October 2015	£	243,795
Charge against provision		(38,650)
At 30 September 2016		<u>205,145</u>

The company does not have any provisions.

25. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	Group		Company	
	30 Sep 16	2 Oct 15	30 Sep 16	2 Oct 15
	£	£	£	£
Included in provisions for liabilities (note 24)	<u>205,145</u>	<u>243,795</u>	<u>–</u>	<u>–</u>

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

	Group		Company	
	30 Sep 16	2 Oct 15	30 Sep 16	2 Oct 15
	£	£	£	£
Accelerated capital allowances	<u>205,145</u>	<u>243,795</u>	<u>–</u>	<u>–</u>

26. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £98,341 (2015: £114,233).

Evotek Limited

Notes to the Financial Statements *(continued)*

Period from 3 October 2015 to 30 September 2016

27. Government grants

The amounts recognised in the financial statements for government grants are as follows:

	Group		Company	
	30 Sep 16	2 Oct 15	30 Sep 16	2 Oct 15
	£	£	£	£
Recognised in creditors:				
Deferred government grants due within one year	12,648	12,648	—	—
Deferred government grants due after more than one year	63,461	76,109	—	—
	<u>76,109</u>	<u>88,757</u>	<u>—</u>	<u>—</u>
Recognised in other operating income:				
Government grants released to profit or loss	12,648	12,648	—	—
	<u>12,648</u>	<u>12,648</u>	<u>—</u>	<u>—</u>

28. Called up share capital

Issued, called up and fully paid

	30 Sep 16		2 Oct 15	
	No.	£	No.	£
Ordinary shares of £0.01 each	<u>7,482,200</u>	<u>74,822</u>	<u>7,482,200</u>	<u>74,822</u>

29. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

30. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	30 Sep 16	2 Oct 15	30 Sep 16	2 Oct 15
	£	£	£	£
Not later than 1 year	228,125	221,987	—	—
Later than 1 year and not later than 5 years	284,133	426,439	—	—
Later than 5 years	132,000	176,000	—	—
	<u>644,258</u>	<u>824,426</u>	<u>—</u>	<u>—</u>

31. Directors' advances, credits and guarantees

The company was under the control of its managing director, K.D. Crawford, throughout the current and previous period.

At the year end, the company was due to repay K.D. Crawford, a director, £4,434 (2015 - £6,053). There are no set repayment terms and no interest is being charged on the amount outstanding. This amount is shown in the above note on Creditors: Amounts falling due within one year.

During the year, K.D. Crawford received £80,000 (2015 - £81,600) of dividends from the company.

Additionally, at the year end, B&A Hydraulics Limited was due to repay M. McLauchlan, a director, £21,992 (2015 - £21,992). There are no set repayment terms and no interest is being charged on the amount outstanding. This amount is shown in the above note on Creditors: Amounts falling due within one year.

Evotek Limited

Notes to the Financial Statements *(continued)*

Period from 3 October 2015 to 30 September 2016

32. Transition to FRS 102

These are the first financial statements that comply with FRS 102. The group and the company transitioned to FRS 102 on 4 October 2014.

Reconciliation of equity

Group	4 October 2014			2 October 2015		
	As previously stated £	Effect of transition £	FRS 102 (as restated) £	As previously stated £	Effect of transition £	FRS 102 (as restated) £
Fixed assets	2,106,196	–	2,106,196	2,210,016	–	2,210,016
Current assets	9,380,860	–	9,380,860	6,631,678	–	6,631,678
Creditors: amounts falling due within one year	(5,010,864)	(8,092)	(5,018,956)	(2,124,767)	(8,092)	(2,132,859)
Net current assets	4,369,996	(8,092)	4,361,904	4,506,911	(8,092)	4,498,819
Total assets less current liabilities	6,476,192	(8,092)	6,468,100	6,716,927	(8,092)	6,708,835
Creditors: amounts falling due after more than one year	(254,939)	(6,782)	(261,721)	(443,110)	(6,782)	(449,892)
Provisions for liabilities	(206,592)	–	(206,592)	(243,795)	–	(243,795)
Net assets	6,014,661	(14,874)	5,999,787	6,030,022	(14,874)	6,015,148
Capital and reserves	6,014,661	(14,874)	5,999,787	6,030,022	(14,874)	6,015,148

Reconciliation of equity

No transitional adjustments were required for the company.

Reconciliation of profit or loss for the year

No transitional adjustments were required.

Group adjustments

No transitional adjustments were required.

Subsidiary adjustments

FRS 102 requires that an accrual for holiday pay entitlement earned but not taken at the year-end requires to be recognised as a liability. Following the date of transition of 4 October 2014, a cumulative adjustment of £8,092 has been made to the results for the year to 2 October 2015, which has decreased the net profit before tax for that year. The Accruals figure included under Creditors: amounts falling due within one year was increased by this amount at 2 October 2015.

Additionally, to account for hire purchase agreement amounts at their amortised cost based on the effective interest rate, a transition adjustment of £6,782 was required and made at 4 October 2014 to increase the outstanding balance included under Creditors: amounts falling due after more than one year. This also decreased the net profit before tax for that year by the same amount.