Company Registration No. SC499034 (Scotland)

SPEX ENGINEERING (UK) LIMITED

UNAUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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SPEX ENGINEERING (UK) LIMITED

COMPANY INFORMATION

Directors	Mr N A Mahjoub Mr J G Oag Mr R K Strachan
Secretary	Blackwood Partners LLP
Company number	SC499034
Registered office	Blackwood House Union Grove Lane ABERDEEN AB10 6XU
Accountants	Johnston Carmichael LLP Bishop's Court 29 Albyn Place ABERDEEN AB10 1YL

SPEX ENGINEERING (UK) LIMITED

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SPEX ENGINEERING (UK) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2016

	Notes	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Intangible assets	3		939,934		289,500
Tangible assets	4		87,064		-
			1,026,998		289,500
Current assets					
Debtors	5	1,070,448		969,548	
Cash at bank and in hand		398,248		393,231	
		1,468,696		1,362,779	
Creditors: amounts falling due within one year	6	(1,452,548)		(1,386,113)	
Net current assets/(liabilities)			16,148		(23,334)
Total assets less current liabilities			1,043,146		266,166
Creditors: amounts falling due after more than one year	7		(271,445)		-
Provisions for liabilities			(101,643)		-
Net assets			670,058		266,166
Capital and reserves					
Called up share capital	9		1		1
Profit and loss reserves	10		670,057		266,165
Total equity			670,058		266,166

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

For the financial year ended 31 December 2016 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

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

The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies' regime.

SPEX ENGINEERING (UK) LIMITED

BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2016

The financial statements were approved by the board of directors and authorised for issue on 05/05/2017 and are signed on its behalf by:

R K Strachan

Mr R K Strachan
Director

Company Registration No. SC499034

1 Accounting policies

Company information

SPEX Engineering (UK) Limited is a limited company domiciled and incorporated in Scotland. The registered office is Blackwood House, Union Grove Lane, Aberdeen, AB10 6XU. The company's registration number is SC499034. The trading address is Unit 2, Dunnottar House, Howe Moss Drive, Kirkhill Industrial Estate, Aberdeen, AB21 0FN. The principal activities and nature of operations are set out in the Directors' Report on page 1.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

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

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

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of the exemption from the requirement under Section 33 'Related Party Disclosures' to disclose the compensation for key management personnel and transactions with fellow wholly owned group companies.

The financial statements of the company are consolidated in the financial statements of SPEX Group Holdings Limited. These consolidated financial statements are available from its registered office, Blackwood House, Union Grove Lane, Aberdeen, AB10 6XU.

1.2 Going concern

At the time of approving the financial statements, the directors reviewed trading and cash flow forecasts for SPEX Engineering (UK) Limited for the next 12 months and are satisfied that the company will have sufficient resources to continue in operational existence for the foreseeable future.

In making this assessment the directors have taken into account the support available from the parent company and from within the group. On this basis the directors consider it appropriate to prepare the financial statements on a going concern basis.

1.3 Turnover

Revenue from contracts for the provision of services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1 Accounting policies **(Continued)**

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Patents & licences	20% straight line
Development costs	Nil until commercialisation

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	25% straight line

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

1.7 Impairment of fixed assets

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

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

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

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1 Accounting policies **(Continued)**

1.9 Financial instruments

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

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include debtors, amounts due from fellow group companies and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

1 Accounting policies **(Continued)**

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans and amounts due to fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

There is no tax charge in the current period due to the group relief available.

1 Accounting policies **(Continued)**

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

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

1.14 Grants

Grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Grants relating to an asset will recognised in income systematically over the asset's expected useful life, on commercialisation of the asset. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Employees

The average monthly number of persons (including directors) employed by the company during the year was 10 (2015 - 0).

The employment contracts of the SPEX Engineering Limited personnel were transferred to SPEX Engineering (UK) Limited on 1 May 2016.

3 Intangible fixed assets

	Development costs £
Cost	
At 1 January 2016	289,500
Additions	665,005
At 31 December 2016	954,505
Amortisation and impairment	
At 1 January 2016	-
Amortisation charged for the year	14,571
At 31 December 2016	14,571
Carrying amount	
At 31 December 2016	939,934
At 31 December 2015	289,500

4 Tangible fixed assets

	Plant and machinery etc £
Cost	
At 1 January 2016	-
Additions	112,532
At 31 December 2016	112,532
Depreciation and impairment	
At 1 January 2016	-
Depreciation charged in the year	25,468
At 31 December 2016	25,468
Carrying amount	
At 31 December 2016	87,064
At 31 December 2015	-

5 Debtors

	2016	2015
Amounts falling due within one year:	**£**	**£**
Trade debtors	614,036	277,830
Corporation tax recoverable	271,874	60,098
Amounts due from group undertakings	78,611	86,757
Other debtors	105,927	544,863
	1,070,448	969,548

Trade debtors disclosed above are measured at amortised cost.

6 Creditors: amounts falling due within one year

	Notes	2016	2015
		£	**£**
Trade creditors		276,097	38,648
Amounts due to group undertakings		1,099,113	475,612
Other taxation and social security		39,533	-
Deferred income	8	12,223	671,794
Accruals and deferred income		25,582	200,059
		1,452,548	1,386,113

7 Creditors: amounts falling due after more than one year

	Notes	2016	2015
		£	**£**
Deferred income	8	271,445	-

8 Deferred income

	2016	2015
	£	£
Arising from grants	227,810	-
Other deferred income	55,858	671,794
	283,668	671,794
Deferred income is included in the financial statements as follows:		
Current liabilities	12,223	671,794
Non-current liabilities	271,445	-
	283,668	671,794

The grant income received may be repayable, in part or in full, in the event of the company entering administration or liquidation.

9 Called up share capital

	2016	2015
	£	£
Ordinary share capital		
Issued and fully paid		
1 Ordinary share of £1 each	1	1

10 Profit and loss reserves

The profit and loss reserves represent cumulative realisable profits and losses.

11 Related party transactions

Transactions with related parties

During the year, the company made purchases of £37,458 (2015 - £nil) from a company under common control. The balance due to this company as at 31 December 2016 was £1,818 (2015 - £nil).

12 Parent company

The company's immediate and ultimate parent company is SPEX Group Holdings Limited, a company registered in Scotland.

During the year, the parent company became SPEX Group Holdings Limited following a share for share transfer with SPEX Services Limited. The group financial statements of SPEX Group Holdings Limited are available from Blackwood House, Union Grove Lane, Aberdeen AB10 6XU.