AEG Power Solutions Limited

Annual report and financial statements

Registered number 00407689

31 December 2014

Contents

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Company information

Directors:	J Casper K Marriott
Secretary:	M Jordans
Registered Office:	Vision 25, Electric Avenue Innova Park Enfield Middlesex EN3 7GD
Registered Number:	00407689
Auditors:	KPMG LLP Botanic House 100 Hills Road Cambridge CB2 1AR

Strategic report

The directors present the strategic report and the audited financial statements for the year ended 31 December 2014.

Principal activity

The principal activity of the Company continues to be the sale of electronic power equipment.

Business review and future developments

The Company recorded a profit before tax of £223,000 in the year compared with a loss before tax of £1,259,000 in 2013.

The order intake for the year ended on £10,107,000. Compared to 2013 there is a 25% decrease in the total order intake, mainly due to a significant increase in 2013 in the sectors Oil & Gas, Petrochemical, Transportation and Power Generation, which also contributed to the revenue realised within 2014. Due to the outstanding performance of the sales team the total revenue realised compared to 2013 was flat.

In order to exceed increasing customer requirements for Service, AEG Power Solutions Limited has improved customer service processes, systems and offerings.

The year 2015 has made an excellent start, due to a healthy backlog of £6,507,483 as of 1 January 2015. The order intake for 2015 ended on £6,867,930 which compared to 2014 is a 32% decrease in the total order intake. This is mainly caused by delayed projects towards 2016 in the transportation sector and by a number of changes in the sales team. To support the growth strategy, AEG Power Solutions Limited has continued to strengthen the organisation with continued focus on Sales and Service in the traditional markets Oil & Gas, Petrochemical, Power Generation and Transportation.

On 17 November 2015, the Company received, from AEG Power Solutions BV, an additional loan of €1m, which was used immediately to reduce the Intercompany payable position with AEG Power Solutions GmbH.

The Ultimate Parent Company has provided the Company with a letter of financial support for at least a period of 12 months from the date of signing these financial statements, enabling the Company to ensure it meets its liabilities as they fall due and continue under the going concern assumption.

Risks

A significant part of the Company's purchases are Euro denominated. The directors do not consider it necessary to actively manage the foreign currency risk as other group companies' trade in Euros.

Going Concern Assumption

The financial statements have been prepared on the going concern basis, notwithstanding the net current liabilities of £352,000 *(2013: £3,197,000)* and net liabilities of £429,000 *(2014: £3,399,000)* which the directors believe to be appropriate for the following reason. The company has considered its forecasts for the period to February 2017 and it is reliant for its working capital on funds provided to it by the company's ultimate parent undertaking, which has provided the company with an undertaking that it will, for at least 12 months from the date of the approval of these financial statements, continue to make available such funds as are needed by the company. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. Based on this undertaking, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

However, the 2014 financial statement of the ultimate parent undertaking, 3W Power SA, notes that a material uncertainty exists that may cast significant doubt about the ability of the ultimate parent company to continue as a going concern. Consequently, this risk impacts the support provided to this company and therefore the going concern assessment. However, in 2015, the financial position of the ultimate parent company was significantly strengthened by the issue of a €14.0 million convertible bond by the ultimate parent undertaking to its main shareholders (in addition to the existing €50.0 million senior bond). 2015 also saw a significant implementation of major restructuring measures resulting in an overall improved cash position for the Group. However due to the nature of the ongoing group restructuring measures a material uncertainty remains over the ability of the ultimate parent undertaking to continue to provide the financial support projected by the company.

As such there remains a material uncertainty that may cast significant doubt on the the company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. However, the directors are confident that the Company can rely on this financial support directly from the ultimate parent company, 3W Power SA, for the next 12 months from the date of signing these financial statements and therefore continue to prepare the accounts on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Key performance indicators

Sales in the year were flat compared to 2013. The gross profit in 2014 was £2,511,000 *(2013:* £1,564,000*)* and gross profit margin increased from 13.6% in 2013 to 21,7% in 2014, mainly due to a major contract.

By order of the board,

Kevin Marriott
Director

Date: February 4, 2016

Vision 25
Electric Avenue
Innova Park
Enfield
Middlesex
EN3 7GD

Directors' report

The directors present the annual report and the audited financial statements for the year ended 31 December 2014.

Results and dividends

The profit for the year before taxation was £223,000 *(2013: loss £1,259,000)*.

The directors do not recommend the payment of a dividend *(2013: £nil)*.

Directors

The directors who held office during the year were as follows:

J Casper	(appointed 1 January 2014)
G Buist	(resigned 5 September 2014)
B Brock	(resigned 30 March 2014)

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and the directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

Kevin Marriott
Director

Date: February 4, 2016

Vision 25
Electric Avenue
Innova Park
Enfield
Middlesex
EN37GD

Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

KPMG LLP

Botanic House
100 Hills Road
Cambridge
CB2 1AR
United Kingdom

Independent auditor's report to the members of AEG Power Solutions Limited

We have audited the financial statements of AEG Power Solutions Limited for the year ended 31 December 2014 set out on pages 7 to 19. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, 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 members those matters we are required to state to them in an auditors' 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 members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of Matter – Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern. In particular, the uncertainty as to the continued support of the company's ultimate parent undertaking, and its ability to provide appropriate working capital support, indicates the existence of a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

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 year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of AEG Power Solutions Limited *(continued)*

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 company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Mark Prince (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Botanic House, 100 Hills Road
Cambridge
CB2 1AR

Date: 4 February 2016

Profit and loss account
for the year ended 31 December 2014

	Note	2014 £000	2013 £000
Turnover	2	**11,572**	11,542
Cost of sales		**(9,061)**	(9,978)
Gross profit		**2,511**	1,564
Administrative expenses		**(2,545)**	(2,579)
Operating loss		**(34)**	(1,015)
Interest payable and similar charges	6	**257**	(244)
Profit/(loss) on ordinary activities before taxation	3	**223**	(1,259)
Tax on profit/(loss) on ordinary activities	7	-	-
Profit/(loss) for the financial year		**223**	(1,259)

A statement of total recognised gains and losses has not been prepared as all recognised gains and losses are included within the above profit and loss account.

The results above relate to continuing activites.

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Balance sheet
at 31 December 2014

	Note	2014 £000	2014 £000	2013 £000	2013 £000
Fixed assets					
Tangible assets	*8*		32		41
Intangible assets	*9*		21		127
			53		168
Current assets					
Stocks	*10*	302		990	
Debtors	*11*	4,648		5,292	
Cash at bank and in hand		912		1,132	
		5,862		7,414	
Creditors: amounts falling due within one year	*12*	(6,214)		(10,611)	
Net current liabilities			(352)		(3,197)
Total assets less current liabilities			(299)		(3,029)
Provisions	*13*		(130)		(370)
Net liabilities			(429)		(3,399)
Capital and reserves					
Called up share capital	*14*		30,039		30,039
Capital reserve	*15*		5,270		5,270
Profit and loss account	*15*		(35,738)		(38,708)
Shareholders' deficit			(429)		(3,399)

These financial statements were approved by the directors on January 14, 2016 and were signed by:

Kevin Marriott
Director

Reconciliation of movements in shareholders' deficit
for the year ended 31 December 2014

	2014 £000	2013 £000
Profit/(loss) for the financial year	**223**	(1,259)
Opening shareholders' deficit	**(3,399)**	(2,140)
Received capital contribution	**2,747**	-
Closing shareholders' deficit	**(429)**	(3,399)

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1 (revised) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of 3W Power S.A., a company registered in Luxembourg, it has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of 3W Power S.A., within which this company is included, can be obtained from the address given in note 18.

Going Concern

The financial statements have been prepared on the going concern basis, notwithstanding the net current liabilities of £352,000 *(2013: £3,197,000)* and net liabilities of £429,000 *(2014: £3,399,000)* which the directors believe to be appropriate for the following reason. The company has considered its forecasts for the period to February 2017 and it is reliant for its working capital on funds provided to it by the company's ultimate parent undertaking, which has provided the company with an undertaking that it will, for at least 12 months from the date of the approval of these financial statements, continue to make available such funds as are needed by the company. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. Based on this undertaking, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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Notes *(continued)*

Turnover

Turnover represents amounts receivable for goods or services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes.

Revenue is recognised in respect of power systems on customer acceptance of the goods. Revenue is recognised in respect of other services (such as design and training) in line with contractual performance.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Intangible assets and amortisation

Intangible fixed assets purchased are capitalised at cost and amortised on a straight line basis over their estimated useful economic life.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant, equipment, furniture and fittings	15-33% pa	straight line

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The Company operates the AEG Power Solutions Stakeholder scheme, a defined contribution scheme. The amount charged to the profit and loss account with respect to this scheme represents the contributions payable to the scheme in respect of the accounting period.

Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Research and development costs

Expenditure on research and development costs is written off to the profit and loss account in the year in which it is incurred.

Notes *(continued)*

2 Analysis of turnover

	2014 £000	2013 £000
By geographical market		
United Kingdom	**6,065**	6,378
Rest of the world	**5,507**	5,164
	11,572	11,542

3 Profit/(loss) on ordinary activities before taxation

	2014 £000	2013 £000
Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation	**18**	13
Amortisation	**106**	105
Hire of plant and machinery	**4**	4
Hire of other assets – operating leases	**26**	39
Research and development contribution	**391**	375
Exchange (gain) / loss	**(372)**	56

The other non-operating costs in the prior year represent the write off of a receivable balance from a related party during the prior year. The current year and prior year severance costs represent cost saving initiatives.

Auditors' remuneration		
- audit of these financial statements	**20**	20
- other services relating to taxation	**7**	7

4 Remuneration of directors

	2014 £000	2013 £000
Directors' emoluments	**797**	44
Company contributions to money purchase pension schemes	**36**	5
	833	49

The remuneration of the highest paid director was:

	2014 £000	2013 £000
Emoluments	**833**	49
	833	49

Retirement benefits are accruing to the following number of directors under:

	Number of directors 2014	2013
Money purchase schemes	**1**	1

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2014	2013
Production	**6**	5
Sales	**12**	12
Administration	**13**	10
	31	27

The aggregate payroll costs of these persons were as follows:

	2014 £000	2013 £000
Wages and salaries	**2,879**	1,420
Social security costs	**239**	157
Other pension costs	**126**	93
	3,244	1,670

6 Interest payable and similar charges

	2014 £000	2013 £000
Group loan interest and other charges	**115**	188
Foreign Exchange (gain)/loss	**(372)**	56
	(257)	244

Notes *(continued)*

7 Tax on loss on ordinary activities

Analysis of charge in year

	2014	2013
	£000	£000
UK corporation tax		
Tax on profit on ordinary activities	-	-

Factors affecting the tax charge for the current year

The tax assessed on the loss on ordinary activities for the year differs from the standard rate of corporation tax in the United Kingdom ('UK'). The differences are explained below:

	2014	2013
	£000	£000
Current tax reconciliation		
Loss on ordinary activities before tax	**223**	(1,260)
Current tax at standard rate of 21% *(2013: 23.25%)*	**47**	(293)
Effects of:		
Expenses not deductible for tax purposes	**1**	2
Depreciation in excess of capital allowances	**4**	3
Other short term timing differences	**(51)**	79
Tax losses not utilised	**(1)**	209
Total current tax charge	-	-

The company has tax losses of £18,336,000 *(2013: £18,559,000)* available for offset against future taxable profits (subject to agreement with the tax authorities). In addition the company had accumulated accelerated depreciation of £1,573,000 (*2013: £1,470,000*) No deferred tax asset has been recognized in respect of these losses due to insufficient evidence of recoverability at the balance sheet date. The net unrecognised deferred tax asset at 31 December 2014 was approximately £ *(2013: £4,082,000)*.

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and 23% (effective 1 April 2013) were substantially enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantially enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. Any deferred tax asset at 31 December 2013 has been calculated at 20%.

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Notes *(continued)*

8 Tangible fixed assets

	Plant, equipment furniture and fittings £000
Cost	
At beginning of year	187
Additions	9
At end of year	196
Depreciation	
At beginning of year	146
Charge for year	18
At end of year	164
Net book value	
At 31 December 2014	**32**
At 31 December 2013	41

Notes *(continued)*

9 Intangible assets

	Software £000
Cost	
At beginning of year	481
Additions	-
At end of year	481
Amortisation	
At beginning of year	354
Charge for the year	106
At end of year	460
Net book value	
At 31 December 2014	**21**
At 31 December 2013	127

10 Stocks

	2014 £000	2013 £000
Finished goods and goods for sale	**86**	22
Work in progress	**216**	968
	302	990

Notes *(continued)*

11 Debtors

	2014	2013
	£000	£000
Trade debtors	**3,750**	4,922
Amounts owed by group undertakings	**810**	263
Prepayments and accrued income	**88**	107
	4,648	5,292

12 Creditors: amounts falling due within one year

	2014	2013
	£000	£000
Trade creditors	**372**	868
Amounts owed to group undertakings	**5,069**	8,522
Other taxation and social security	**(629)**	407
Other creditors	**587**	570
Accruals and deferred income	**815**	244
	6,214	10,611

13 Provisions

	Warranty provision £000
At beginning of year	370
Credited to the profit and loss account	(240)
At end of year	**130**

The warranty provision relates to services performed by onsite engineers and liquidated damages

Notes *(continued)*

14 Called up share capital

	2014 £	2013 £
Allotted, called up and fully paid		
Ordinary shares of £1 each	**30,039,301**	30,039,301

15 Reserves

	Capital Reserve £000	Profit and loss account £000
At beginning of year	5,270	(38,708)
Loss for the financial year	-	2,970
At end of year	**5,270**	(35,738)

16 Financial commitments

Annual commitments under non-cancellable operating leases are as follows:

	2014 Land and Buildings £000	**2014** Other £000	2013 Land and Buildings £000	2013 Other £000
Expiry date				
- within one year	**94**	**42**	145	40
- between two and five years	**-**	**744**	123	45
	94	**786**	268	85

17 Pension scheme

The Company operates the AEG Power Solutions Stakeholder scheme, a defined contribution scheme. The pension charge relating to contributions paid by the Company into this scheme was £125,740 *(2013: £93,000)*. The outstanding contributions at the end of the current year was *£0,* which was paid in full December 14, 2014. There were no outstanding pension contributions at the end of prior year.

Notes *(continued)*

18 Ultimate parent company and parent undertaking of largest group of which the Company is a member

The Company is a wholly owned subsidiary undertaking of AEG Power Solutions BV, a company registered in the Netherlands. AEG Power Solutions BV is wholly owned by 3W Power S.A. (formerly 3W Power Holdings S.A.), registered in Luxembourg.

The largest group in which the results of the Company are consolidated is that headed by 3W Power S.A. No other group financial statements include the results of the Company. The consolidated financial statements of 3W Power S.A. may be obtained from 19 Rue Eugene Ruppert, L-2453, Luxembourg.

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