

AEG Power Solutions LTD.

Annual report and financial statements

Registered number 00407689

31 December 2017



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Company information

Directors: J.R. Casper (resigned 6 February 2019)
A.P.M. van der Harten (appointed 1 October 2018)
F.B.L. Audrain (appointed 18 March 2019)

Registered Office: Suite 16, Wenta Business Centre
1 Electric Avenue
Innova Park
Enfield
Middlesex
EN3 7XU

Registered Number: 00407689

Strategic report

The directors present the strategic report and the audited financial statements for the year ended 31 December 2017.

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 loss before tax of £354,000 in the year compared with a loss before tax of £1,738,000 in 2016.

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

The order intake for 2017 ended on £6,496,000, which compared to 2016 is a 16.5% increase in the total order intake. Revenue for 2017 was £6,880,000 which is a growth of 41.5% compared to 2016. 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 and introduced new products on the UK market.

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 £2,982,000 (2016: £2,219,000) and net liabilities of £3,112,000 (2016: £2,758,000) which the directors believe to be appropriate for the below reasoning.

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.

According to our management accounts, order intake for 2018 ended at £4.8m while sales are £6.2m. The company has the expectation it will report a small loss for the full year.

However, uncertainties do exist and the Company has taken measures in order to mitigate these. The Company is heavily involved in the UK transportation business and dependent on the level of investments regulated by the public sector. The Company is diversifying its product offering towards the oil & gas industry and other market segments. The forecast cash flows are dependent on external market conditions and the speed of recovery of the business performance. There is a risk that this recovery does not fully occur due to deteriorating market conditions, delay in order intake or slower than expected business performance recovery.

The Company is aware that 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 indication of intent that it will continue to make available such funds as are needed by the company, including not seeking repayment of amounts currently made available for at least for the next twelve months from the date of the approval of these financial statements and thereafter for the foreseeable future to enable it to continue to trade. However the ultimate parent is also in a net liability position currently and therefore this gives rise to uncertainty over their ability to continue to support the entity.

Strategic report *(Continued)*

Going Concern Assumption *(Continued)*

Based on the above, there remains a material uncertainty that may cast significant doubt on 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 the 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.

By order of the board,



Paul van der Harten
Director

Date: 3 April 2019

Suite 16, Wenta Business Centre
1 Electric Avenue
Innova Park
Enfield
Middlesex
EN3 7XU

Directors' report

The directors present the annual report and the audited financial statements for the year ended 31 December 2017.

Results and dividends

The loss for the year before taxation was £354,000 (2016: loss 1,738,000).

The directors do not recommend the payment of a dividend (2016: *£nil*).

Directors

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

J.R. Casper (resigned 6 February 2019)
A.P.M Van der Harten (appointed 1 October 2018)
F.B.L Audrain (appointed 18 March 2019)

Disclosure of information to auditors

Each of the directors who held office at the date of approval of this directors' report confirms that, so far as each is 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

The audit the accounts of the company for the 12 month period ended 31 December 2017, was performed by PricewaterhouseCoopers LLP, being the auditors of the Company's parent, AEG Power Solutions BV.

By order of the board



Paul van der Harten
Director

Date: 3 April 2019

Suite 16, Wenta Business Centre
1 Electric Avenue
Innova Park
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Middlesex
EN3 7XU

Statement of Directors' Responsibilities in Respect of 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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of AEG Power Solutions LTD

Report on the audit of the financial statements

Qualified opinion on the balance sheet and disclaimer of opinion on the loss for the year

In our opinion, except for the possible effects of the matters described in the "Basis for the qualified opinion on the balance sheet and disclaimer of opinion on the loss for the year" paragraph below, AEG Power Solutions LTD's financial statements give a true and fair view of the state of the company's affairs as at 31 December 2017.

Because of the significance of the matters described in the Basis for disclaimer of opinion paragraph below, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly we do not express an opinion on:

- The company's loss for the year ended 31 December 2017;
- whether the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- whether the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We were engaged to audit the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the profit and loss account and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Basis for the disclaimer of opinion on the loss for the year

We were unable to obtain sufficient appropriate audit evidence in relation to opening balances held at 1 January 2017 as the directors were unable to provide support related to stock (£436k), trade debtors (£1,457k), deferred income (£16k) and the warranty and liquidated damages provisions (£556k) because accounting records were no longer available and due to lack of appropriate personnel. Because these balances enter into the determination of the financial performance, we were unable to determine whether adjustments might have been necessary in respect of the loss for the year of £354k reported in the profit and loss account and the statement of changes in equity.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

Notwithstanding our disclaimer of an opinion on the loss for the year and qualified opinion on the state of affairs, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company's ability to continue in operational existence for a period of 12 months from the date of signing these financial statements is dependent on the continued support of the company's shareholder and their ability to provide appropriate loan facilities, however the parent is also in a net liability position and therefore the support is considered uncertain. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about 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.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Director's report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Reporting on the Strategic Report and Directors' Report

Notwithstanding our disclaimer of an opinion on the financial statements, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements.

Because of the significance of the matter described in the Basis of disclaimer paragraph above we have been unable to form an opinion whether, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 has been prepared in accordance with applicable legal requirements.

Notwithstanding our disclaimer of an opinion on the financial statements, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit and performed subject to the pervasive limitation described above, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the financial statements in accordance with ISAs (UK) and to issue an auditors' report. However, because of the matters described in the Basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Use of this report

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

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

Other required reporting

Companies Act 2006 exception reporting

Arising from the limitation of our work referred to in the Basis for disclaimer of opinion paragraph above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- in our opinion adequate accounting records have not been kept by the company.

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

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

We have no exceptions to report arising from this responsibility.



**Robert Girdlestone (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors

St Albans

3 April 2019

Profit and loss account
for the year ended 31 December 2017

| | <i>Note</i> | 2017 £000 | 2016 £000 |
|--|-------------|----------------------------|----------------------------|
| Turnover | 2 | 6,880 | 4,862 |
| Cost of sales | | (4,899) | (3,918) |
| | | <hr/> | <hr/> |
| Gross profit | | 1,981 | 944 |
| Administrative expenses | | (2,361) | (2,306) |
| | | <hr/> | <hr/> |
| Operating loss | | (380) | (1,362) |
| Interest payable and similar charges | 6 | (364) | (376) |
| Non-operating income/(expense) | | 390 | - |
| | | <hr/> | <hr/> |
| Loss on ordinary activities before taxation | 3 | (354) | (1,738) |
| Tax on loss on ordinary activities | 7 | - | - |
| | | <hr/> | <hr/> |
| Loss for the financial year | | (354) | (1,738) |
| | | <hr/> <hr/> | <hr/> <hr/> |

The notes on pages 12 to 20 form part of these financial statements.

There were no other recognised gains and losses for the year other than those stated above.

All of the above results relate to continuing activities.

Balance sheet
at 31 December 2017

| | <i>Note</i> | 2017 £000 | 2017 £000 | 2016 £000 | 2016 £000 |
|---|-------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Fixed assets | | | | | |
| Tangible assets | <i>8</i> | | 11 | | 16 |
| Intangible assets | <i>9</i> | | - | | 1 |
| | | | <hr/> | | <hr/> |
| | | | 11 | | 17 |
| Current assets | | | | | |
| Stocks | <i>10</i> | 246 | | 436 | |
| Debtors | <i>11</i> | 2,941 | | 3,082 | |
| Cash at bank and in hand | | 249 | | 81 | |
| | | <hr/> | | <hr/> | |
| | | 3,436 | | 3,599 | |
| Creditors: amounts falling due within one year | <i>12</i> | (6,418) | | (5,820) | |
| | | <hr/> | | <hr/> | |
| Net current liabilities | | | (2,982) | | (2,219) |
| | | | <hr/> | | <hr/> |
| Total assets less current liabilities | | | (2,971) | | (2,202) |
| Provisions | <i>13</i> | | (141) | | (556) |
| | | | <hr/> | | <hr/> |
| Net liabilities | | | (3,112) | | (2,758) |
| | | | <hr/> | | <hr/> |
| Capital and reserves | | | | | |
| Called up share capital | <i>14</i> | | 30,039 | | 30,039 |
| Capital reserve | | | 5,270 | | 5,270 |
| Profit and loss account | | | (38,421) | | (38,067) |
| | | | <hr/> | | <hr/> |
| Shareholders' deficit | | | (3,112) | | (2,758) |
| | | | <hr/> | | <hr/> |

The notes on pages 12 to 20 form an integral part of these financial statements.

These financial statements were approved by the directors on 3 April, 2019 and were signed by:


Paul van der Harten
Director

Statement of Changes in Equity
for the year ended 31 December 2017

| | 2017 £000 | 2016 £000 |
|--------------------------------------|----------------------------|----------------------------|
| Opening shareholders' deficit | (2,758) | (1,020) |
| Loss for the financial year | (354) | (1,738) |
| Closing shareholders' deficit | (3,112) | (2,758) |

The notes on pages 12 to 20 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

AEG Power Solutions LTD. (the “Company”) is a company limited by shares and incorporated and domiciled in the UK.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”) as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

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 102 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 16. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemption available under FRS 102 in respect of presenting a statement of cash flows.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going Concern

The financial statements have been prepared on the going concern basis, notwithstanding the net current liabilities of £2,982,000 (2016: £2,219,000) and net liabilities of £3,112,000 (2016: £2,758,000) which the directors believe to be appropriate for the below reasoning.

According to our management accounts, order intake for 2018 ended at £4.8 mln while sales are £6.2 mln. The company has the expectation it will report a small loss for the full year.

However, uncertainties do exist and the Company has taken measures in order to mitigate these. The Company is heavily involved in the UK transportation business and dependent on the level of investments regulated by the public sector. The Company is diversifying its product offering towards the oil & gas industry and other market segments. The forecast cash flows are dependent on external market conditions and the speed of recovery of the business performance. There is a risk that this recovery does not fully occur due to deteriorating market conditions, delay in order intake or slower than expected business performance recovery.

The Company is aware that 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 indication of intent that it will continue to make available such funds as are needed by the company, including not seeking repayment of amounts currently made available for at least for the next twelve months from the date of the approval of these financial statements and thereafter for the foreseeable future to enable it to continue to trade.

Based on the above, there remains a material uncertainty that may cast significant doubt on 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 the 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.

Notes (continued)

1 Accounting policies (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, based on materials used and billable hours spent.

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 on all fixed assets, 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 102.

Research and development costs

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

Notes (continued)

2 Analysis of turnover

| | 2017 | 2016 |
|-------------------------------|-------|-------|
| | £000 | £000 |
| <i>By geographical market</i> | | |
| United Kingdom | 4,265 | 2,197 |
| Rest of the world | 2,615 | 2,665 |
| | 6,880 | 4,862 |
| | 6,880 | 4,862 |

3 Loss on ordinary activities before taxation

| | 2017 | 2016 |
|--|-------|-------|
| | £000 | £000 |
| <i>Loss on ordinary activities before taxation is stated after charging/(crediting):</i> | | |
| Depreciation | 6 | 10 |
| Amortisation | 1 | 4 |
| Hire of plant and machinery | 5 | 3 |
| Hire of other assets – operating leases | 30 | 31 |
| Research and development costs | 259 | 133 |
| Exchange loss | 288 | 308 |
| | 6,880 | 4,862 |
| | 6,880 | 4,862 |

The non-operating costs in the prior year represent the write off of a balances from a related party during the current year.

Auditors' remuneration

| | | |
|---------------------------------------|----|----|
| - audit of these financial statements | 90 | 30 |
| - other services relating to taxation | 7 | 7 |
| | 97 | 37 |
| | 97 | 37 |

4 Remuneration of directors

| | 2017 | 2016 |
|---|------|------|
| | £000 | £000 |
| Directors' emoluments | 303 | 564 |
| Company contributions to money purchase pension schemes | 39 | 47 |
| | 342 | 611 |
| | 342 | 611 |

The remuneration of the highest paid director was:

| | 2017 | 2016 |
|------------|------|------|
| | £000 | £000 |
| Emoluments | 303 | 401 |
| | 303 | 401 |
| | 303 | 401 |

Notes *(continued)*

4 Remuneration of directors *(continued)*

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

| | Number of directors | |
|------------------------|----------------------------|-------------|
| | 2017 | 2016 |
| 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 | |
|----------------|----------------------------|-------------|
| | 2017 | 2016 |
| Production | 7 | 7 |
| Sales | 8 | 11 |
| Administration | 8 | 10 |
| | 23 | 28 |

The aggregate payroll costs of these persons were as follows:

| | 2017 | 2016 |
|-----------------------|--------------|--------------|
| | £000 | £000 |
| Wages and salaries | 1,857 | 2,275 |
| Social security costs | 298 | 322 |
| Other pension costs | 119 | 164 |
| | 2,274 | 2,761 |

6 Interest payable and similar charges

| | 2017 | 2016 |
|---------------------------------------|-------------|-------------|
| | £000 | £000 |
| Group loan interest and other charges | 76 | 68 |
| Foreign exchange loss | 288 | 308 |
| | 364 | 376 |

Notes (continued)

7 Tax on loss on ordinary activities

Analysis of total tax recognised in profit and loss

| | 2017 £000 | 2016 £000 |
|---------------------------|--------------|--------------|
| <i>UK corporation tax</i> | | |
| Current tax for the year | - | - |
| Deferred tax | - | - |
| | - | - |

Factors affecting the tax charge for the 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:

| | 2017 £000 | 2016 £000 |
|---|--------------|--------------|
| (Loss)/profit on ordinary activities before tax | (354) | (1,738) |
| Current tax at standard rate of 19.25% (2016: 19.25%) | (68) | (347) |
| <i>Effects of:</i> | | |
| Expenses not deductible for tax purposes | (95) | 1 |
| Rate changes | - | 259 |
| Losses carried forward | - | - |
| Deferred tax not recognized | 163 | 87 |
| | - | - |
| Total tax charge for the year | - | - |

The company has trade losses of £18,713,310 (2016: £18,130,973) available for offset against future taxable profits (subject to agreement with the tax authorities). In addition the company has non-trade relationship losses of £1,391,878 (2016: £1,033,899) and capital losses of £1,378,107 (2016: £1,378,107). The company had accumulated accelerated depreciation of £1,531,706 (2016: £1,522,752). The company also has other short term time differences of £144,159 (2016: £245,803). 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 2017 was approximately £3,937,057 (2016: £3,097,316).

Factors that may affect future tax charges

From 1 April 2016, the main rate of corporation tax is 20%. A reduction to 19.25% (effective from 1 April 2017) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

No deferred tax asset/liability was recognised at year end.

Notes (continued)

8 Tangible fixed assets

| | Plant, equipment furniture and fittings £000 |
|-----------------------------|---|
| <i>Cost</i> | |
| Balance at 1 January 2017 | 210 |
| Additions | 4 |
| Disposals | (9) |
| | <hr/> |
| Balance at 31 December 2017 | 206 |
| | <hr/> <hr/> |
| <i>Depreciation</i> | |
| Balance at 1 January 2017 | (194) |
| Charge for the year | (6) |
| Disposals | 5 |
| | <hr/> |
| Balance at 31 December 2017 | (195) |
| | <hr/> <hr/> |
| <i>Net book value</i> | |
| At 31 December 2017 | 11 |
| | <hr/> <hr/> |
| At 31 December 2016 | 16 |
| | <hr/> <hr/> |

9 Intangible assets

| | Software £000 |
|-----------------------------|--------------------------|
| <i>Cost</i> | |
| Balance at 1 January 2017 | 481 |
| Additions | - |
| | <hr/> |
| Balance at 31 December 2017 | 481 |
| | <hr/> <hr/> |
| <i>Amortisation</i> | |
| Balance at 1 January 2017 | (480) |
| Charge for the year | (1) |
| | <hr/> |
| Balance at 31 December 2017 | (481) |
| | <hr/> <hr/> |
| <i>Net book value</i> | |
| At 31 December 2017 | - |
| | <hr/> <hr/> |
| At 31 December 2016 | 1 |

Notes (continued)

10 Stocks

| | 2017 £000 | 2016 £000 |
|-----------------------------------|--------------|--------------|
| Finished goods and goods for sale | 48 | 147 |
| Work in progress | 198 | 289 |
| | 246 | 436 |
| | 246 | 436 |

11 Debtors

| | 2017 £000 | 2016 £000 |
|------------------------------------|--------------|--------------|
| Trade debtors | 2,227 | 1,457 |
| Amounts owed by group undertakings | 662 | 1,585 |
| Prepayments and accrued income | 52 | 40 |
| | 2,941 | 3,082 |
| | 2,941 | 3,082 |

Amounts due from group undertakings are unsecured, bear no interest and have no fixed term of repayment

12 Creditors: amounts falling due within one year

| | 2017 £000 | 2016 £000 |
|------------------------------------|--------------|--------------|
| Trade creditors | 643 | 422 |
| Amounts owed to group undertakings | 5,026 | 4,447 |
| Other taxation and social security | 281 | 132 |
| Other creditors | 37 | 531 |
| Accruals and deferred income | 431 | 288 |
| | 6,418 | 5,820 |
| | 6,418 | 5,820 |

Amounts due to group undertakings are unsecured, bear no interest and have no fixed term of repayment

Notes (continued)

13 Provisions

| | Warranty provision | Liquidated damages |
|---|---------------------------|---------------------------|
| | £000 | £000 |
| At 1 January 2017 | 276 | 280 |
| Provisions (released)/charged during the year | (200) | 69 |
| Provisions used during the year | (4) | (280) |
| | 72 | 69 |
| At 31 December 2017 | 72 | 69 |

The warranty provision is measured based on the probability of the goods requiring repair or replacement and the best estimate of the costs to be incurred in respect to defective products sold on or before the reporting date.

The liquidated damages provision relates to damages whose amount the parties designate during the formation of a contract for the injured party to collect as compensation upon a specific breach (e.g., late performance). These are expected to be utilised within the next financial year.

14 Called up share capital

| | 2017 | 2016 |
|---|-------------------|------------|
| | £ | £ |
| <i>Allotted, called up and fully paid</i> | | |
| Ordinary shares of £1 each | 30,039,301 | 30,039,301 |
| | 30,039,301 | 30,039,301 |

15 Financial commitments

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

| | 2017 | | 2016 | |
|------------------------------|----------------------------|---------------|----------------------------|---------------|
| | Land and Buildings £000 | Other £000 | Land and Buildings £000 | Other £000 |
| Expiry date | | | | |
| - within one year | 39 | 93 | 144 | 699 |
| - between two and five years | 11 | 285 | 375 | 324 |
| | 50 | 378 | 519 | 1,023 |
| | 50 | 378 | 519 | 1,023 |

Notes (continued)

16 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 £118,596 (2016: £158,643).

The outstanding contributions at the end of the current year was £18,559, of which £17,835 was paid on 11 January, 2018 and £724 on 21 August, 2018. The outstanding pension contributions at the end of prior year were £16,255, which was paid in full 16 January, 2017.

17 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.