

EthosEnergy Light Turbines Limited

Annual Report and Financial Statements

For year ended 31 December 2016

Registered Number - 01549768



EthosEnergy Light Turbines Limited

Directors

C E M Watson
S Jessiman
C Elder

Company Secretary

A McGregor

Registered office

Unit 3, Berkeley Business Park
Wainwright Road
Worcester
WR4 9FA

Bankers

HSBC PLC
95-99 Union Street
Aberdeen
AB10 6BD

Independent auditors

PricewaterhouseCoopers LLP
The Capitol
431 Union Street
Aberdeen
AB11 6DA

EthosEnergy Light Turbines Limited

**Annual report and financial statements
for the year ended 31 December 2016**

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EthosEnergy Light Turbines Limited
Strategic Report
for the year ended 31 December 2016

The directors present their strategic report on the Company for the year ended 31 December 2016.

Principal activities

EthosEnergy Light Turbines Limited is a limited liability company incorporated and domiciled in England. The principal place of business is at Kirkhill Drive, Kirkhill Industrial Estate, Aberdeen, AB21 0EU.

The company's principal activity is the repair and maintenance of gas turbines, manufacture and sale of turbine parts and spares along with the provision of managed maintenance services for critical rotating equipment used by the oil and gas industry.

Results

The loss for the financial year amounted to £2,774k (2015: loss of £3,916k).

Review of business

There was a drop in performance in 2016 compared to 2015. This was largely driven by lower revenues, predominantly as a result of the reduction in Oil & Gas activities although there was an offsetting reduction in costs. The company will continue to expand its activities into new geographical markets and new industries to offset the reliance on oil & gas customers.

Key performance indicators (KPIs)

The directors of Ethos Energy Group Limited (the group), the ultimate holding company, manage operations on a Group basis. For this reason the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development or position of this business.

The development and position of the EthosEnergy Group, which includes the Company, is discussed in the Group's annual report and financial statements.

Principal risks and uncertainties

At the year-end EthosEnergy Light Turbines Limited was a wholly owned subsidiary of the UK parent Ethos Energy Group Limited and enjoys financial support from that company. The principal risks and uncertainties relating to the company, are considered in the context of the group as a whole. Further discussion of these risks and uncertainties is provided in the Group's Annual Report and Accounts.

There is also some exposure to financial risks, which is discussed in note 18.

Approved by the board and signed on its behalf



C E M Watson
Director
10 August 2017

EthosEnergy Light Turbines Limited
Directors' Report
for the year ended 31 December 2016

The directors present their report and the audited financial statements for the year ended 31 December 2016.

Future developments

Despite the challenging market conditions, the company is focussed on delivering an improved performance in 2016. The company will continue to develop its people and capabilities and will seek to leverage the complementary strengths, customer relationships and geographic exposure available through relationships with its associated companies to expand its markets.

Having reviewed the plans and projections and based on the support of its parent company, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Dividends

The directors do not recommend the payment of a dividend (2015: £nil).

Financial instruments

The Company enters into forward currency contracts to manage the currency risks arising from its operations. See note 18 for further information.

Directors

The current directors of the Company are listed on page 1.

The directors who served during the year and at the date of this report, unless otherwise stated, were as follows:

C E M Watson
S Jessiman
C Elder

Donations

No donations were made to any registered political party nor were any political expenses incurred during 2016 or 2015.

Employees

As part of EthosEnergy Group, the Company places a strong emphasis on engaging and supporting employees so they can perform to the best of their abilities and draw satisfaction from working in the Group. They are an integral part of the Group's Ethos and help us in shaping the culture of our organisation.

Our global internal communication platform includes the EthosEnergy portal where employees can easily access information about their company and HR services available to them.

The Group Human Resource Department is responsible for promoting and implementing Group-wide best practices and the Group supports and endorses the principle of Equal Employment opportunities for all employees, applicants, contractors, vendors, and customers.

Employment of disabled persons

The Group gives full consideration to applications for employment from disabled persons where the candidate's attitudes and skills meet the requirements of the job. The Group is committed to providing equal opportunities to disabled persons and affords them the same career development opportunities as are available to other employees.

Corporate social responsibility (CSR)

As part of EthosEnergy Group, the Company is committed to being a socially responsible organisation. To achieve this, the Group adheres to the EthosEnergy beliefs that take account of the economic, social and environmental impact of all aspects of the business. People are the Group's business and their health and safety is its greatest responsibility. Taking that responsibility seriously means extending it to the communities where the Group works and where our employees live.

Health, safety and the environment (HS&E)

As part of EthosEnergy Group, the Company strives to build and sustain a safe working environment for our employees, free from accidents or incidents. It is equally important to also build and sustain a conscious approach of becoming a responsible corporate citizen by minimizing the adverse effects which our business activities may have on the community and environment.

The Group fulfils these business values by ensuring that:

- Leaders at all levels place HS&E at the top of their agenda.
- Leaders implement, maintain and contribute to the improvement of the Group HS&E Management System.
- Risks are routinely identified, mitigated and controlled.
- Clear annual objectives are established and performance against them is measured.
- It understands and complies with legislative and industry requirements.
- People are trained to improve their knowledge and skills.
- Incidents are monitored and investigated, with action taken to prevent recurrence.
- Those who work with the Group meet our standards.
- Leaders perform regular reviews of the program, historical data, and other information to develop improvements to the HS&E Management System and the workplace environment.
- Employees are involved in our HS&E program and our communications on HS&E are transparent and inclusive.

Our Ethos

Every Group employee strives to work abiding by Our Ethos beliefs. Our Ethos is how the Group is defined and communicates with its customers and employees. We have a one team culture.

Our Ethos is defined in five elements and these are depicted as five turbine blades in our logo.

Our Ethos defined

Safety:

- creating a culture where all our people are protected from danger, risk or injury;
- being constantly aware of the working environment, having people who always look out for each other, and
- providing our people with the knowledge, tools and training to recognize hazards, and prevent accidents.

Service Excellence:

- meeting or exceeding the expectations of our internal and external customers;
- the systematic approach to delivering EthosEnergy business requirements, and
- embodying a culture of innovation and continuous improvement to deliver customer value add and satisfaction over the long term.

People:

- a team that is united by a common culture and feels a sense of belonging;
- striving to perform at the highest levels to achieve success through a shared set of beliefs, and
- sharing a mutual respect and feeling of being valued.

Financial Responsibility:

- managing our assets and risks in a productive manner that is in the best interests of the Company and customers;
- creating value for our stakeholders by ensuring we manage our cash and costs effectively, whilst getting paid a fair price for work performed, and
- providing timely and accurate financial information.

EthosEnergy Light Turbines Limited
Directors' Report (continued)
for the year ended 31 December 2016

Integrity:

- the quality of being honest and having strong moral principles, doing the right thing;
- being accountable and acting in a responsible way as a Company representative, and
- displaying internal consistency and a lack of corruption.

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

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

Statement as to disclosure of information to auditors

The directors who were members of the Board at the time of approving this report are listed on page 1. Having made enquiries of fellow directors, each of these directors confirms that:

- to the best of each directors' knowledge and belief, there is no relevant information of which the Company's auditors are unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

EthosEnergy Light Turbines Limited
Directors' Report (continued)
for the year ended 31 December 2016

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed.

Approved by the board and signed on its behalf



C E M Watson
Director
10 August 2017

Independent auditors' report to the members of EthosEnergy Light Turbines Limited

Report on the financial statements

Our opinion

In our opinion, EthosEnergy Light Turbines Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Kevin Reynard (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
10 August 2017

EthosEnergy Light Turbines Limited
Statement of comprehensive income
for the year ended 31 December 2016

	Note	2016 £000	2015 £000
Turnover	3	22,898	29,889
Cost of sales		(22,208)	(29,262)
Gross profit		690	627
Administrative expenses		(3,891)	(5,413)
Operating loss	6	(3,201)	(4,786)
Interest payable and similar expenses	7	(256)	(70)
Loss before taxation		(3,457)	(4,856)
Tax on loss	8	683	940
Loss and total comprehensive expense for the financial year		(2,774)	(3,916)
Attributable to:			
Equity owners of the Company		(2,774)	(3,916)

The results have been derived wholly from continuing operations.

EthosEnergy Light Turbines Limited
Balance sheet
As at 31 December 2016

	Note	2016 £000	2015 £000
Fixed assets			
Tangible assets	9	2,868	3,267
		2,868	3,267
Current assets			
Stocks	10	18,347	17,498
Debtors	11	7,894	12,086
		26,241	29,584
Creditors: amounts falling due within one year	12	(31,618)	(32,766)
Net current liabilities		(5,377)	(3,182)
Total assets less current liabilities		(2,509)	85
Provisions for liabilities	13	(597)	(417)
Net liabilities		(3,106)	(332)
Capital and reserves			
Called up share capital	14	20,000	20,000
Profit and loss account		(23,106)	(20,332)
Total shareholders' deficit		(3,106)	(332)

The financial statements on pages 11 to Reference source not found. were approved by the Board of Directors on 10 August 2017 and were signed on its behalf by:



C E M Watson
Director

Registered number: 01549768

EthosEnergy Light Turbines Limited
Statement of changes in equity
for the year ended 31 December 2016

	Called up share capital £000	Profit and loss account £000	Total shareholders' funds/(deficit) £000
At 1 January 2015	20,000	(16,416)	3,584
Loss and total comprehensive expense for the financial year	-	(3,916)	(3,916)
At 31 December 2015	20,000	(20,332)	(332)
Loss and total comprehensive expense for the financial year	-	(2,774)	(2,774)
At 31 December 2016	20,000	(23,106)	(3,106)

EthosEnergy Light Turbines Limited
Notes to the financial statements (continued)
for the year ended 31 December 2016

1 General information

EthosEnergy Light Turbines Limited is a limited liability company incorporated and domiciled in United Kingdom. The principal activity of the Company is the repair and maintenance of gas turbines, manufacture and sale of turbine parts and spares along with the provision of managed maintenance services for critical rotating equipment used by the oil and gas industry.

2 Summary of significant accounting policies

The principal accounting policies, which have been applied in the preparation of these financial statements, are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with United Kingdom Accounting Standards - in particular FRS 101 - and the Companies Act 2006 ("the Act") under the historical cost convention as modified by the revaluation of financial assets and liabilities at fair value through the income statement when preparing the annual financial statements. FRS 101 sets out a reduced disclosure framework for a "qualifying entity", as defined in the Standard, which addressed the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted International Financial Reporting Standards ("IFRSs").

The Company is a qualifying entity for the purposes of FRS 101. Note 19 gives details of the Company's ultimate parent and from where consolidated financial statements prepared in accordance with IFRS may be obtained.

The application of FRS 101 has enabled the Company to take advantage of certain disclosure exemptions that would have been required had the Company adopted International Financial Reporting Standards in full. The only such exemptions that the directors consider to be significant are:

- no detailed disclosures in relation to financial instruments other than derivatives;
- no cash flow statement;
- no analysis of fixed asset movements for the prior year;
- no disclosure of related party transactions with fellow subsidiaries of its parent;
- no statement regarding the potential impact of forthcoming changes in financial reporting standards;
- for share-based payment, no details of the number and weighted-average exercise prices of share options and of how the fair value of goods or services received was determined;
- no disclosure of "key management compensation" for key management other than the directors, and
- no disclosures relating to the Company's policy on capital management.

The financial statements are presented in Pounds Sterling (GBP) and all values are rounded to the nearest thousand Pounds Sterling (£000) except where otherwise indicated.

Note 18 includes the Company's objectives, policies and processes for managing its financial risk management objectives; details of its financial instruments and hedging activities, and its exposures to interest rate risk and liquidity risk.

2.2 Going concern

Ethos Energy Group Limited has bank facility agreements which are available for a period beyond 12 months of the signing date of these financial statements. The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, Ethos Energy Group Limited.

Having considered the above and reviewed business plans and projections, the Directors continue to adopt the going concern basis of accounting under the historical cost convention as modified by the revaluation of financial assets and liabilities at fair value through the income statement when preparing the annual financial statements.

2 Summary of significant accounting policies - continued

2.3 Functional and reporting currency

The financial statements are presented in Pounds Sterling which is the functional currency of the Company and comprises the principal income stream of the Company.

2.4 Cash flows

The Company is a wholly owned subsidiary of Ethos Energy Group Limited and its cash flows are included in the consolidated group cash flow statements of that company (see note 19). Consequently the Company has taken advantage of the exemption available with FRS 101 from publishing a cash flow statement.

2.5 Foreign currency translation

Transactions in foreign currency are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Non-monetary items are translated using the exchange rates as at the date of the original transactions.

2.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Land is not depreciated and depreciation on other assets is calculated using the straight-line method to allocate their cost less estimated residual values over their estimated useful lives, as follows:

Plant and equipment	3-10 years
Leasehold improvements	length of lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2.7 Trade debtors

Trade debtors are recognised initially at fair value less an allowance for any amounts estimated to be uncollectible. An estimate for doubtful debts is made when there is objective evidence that the collection of the debt is no longer probable.

2.8 Interest-bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. Borrowing costs are expensed through the profit and loss account.

2.9 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

If the effect of the time value of money is material provisions are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 Summary of significant accounting policies - continued

2.10 De-recognition of financial assets and liabilities

Financial assets:

A financial asset (or where appropriate a part of a financial asset) is de-recognised where the rights to receive cash flows from the asset have expired.

Financial liabilities:

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

2.11 Long-term contracts

Revenue on fixed price or lump sum contracts for services, construction contracts and fixed price long-term service agreements is recognised according to the stage of completion reached in the contract by measuring the proportion of costs incurred for work performed to total estimated costs. An estimate of the profit attributable to work completed is recognised, on a basis that the directors consider to be appropriate, once the outcome of the contract can be estimated reliably, which is when a contract is not less than 20% complete. Expected losses are recognised in full as soon as losses are probable. The net amount of costs incurred to date plus recognised profits less the sum of recognised losses and progress billings is disclosed within Debtors/Creditors.

2.12 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception date, or whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys the right to use the asset.

The Company has entered into various operating leases, the payments for which are recognised as an expense in the profit and loss account on a straight-line basis over the lease terms.

2.13 Employee benefits

The Company operates a defined contribution pension scheme, and the expense incurred is taken to the profit and loss account. The defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The contributions are recognised as an employee benefit expense when they are due. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Company recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there has been a past practice that has created a constructive obligation.

The Company recognises amounts due to employees for holiday/vacation pay, which have been earned but not yet taken at the end of the financial year, and accrues for these costs in the balance sheet and expenses them to the profit and loss account.

2 Summary of significant accounting policies - continued

2.14 Taxation

The tax expense in the profit and loss account represents the sum of taxes currently payable and deferred taxes. The tax currently payable is based on taxable profit for the year and the Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Taxable profit differs from profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised only to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised. Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, tax is recognised in the profit and loss account.

2.15 Stock and work in progress

Stocks and work in progress are stated at the lower of cost and net reliable value. Cost comprises direct materials and direct labour plus an allocation of production overheads based on a normal level of activity. Net realisable value is based on estimated selling price less anticipated costs of disposal. Provision is made for obsolete and slow-moving items.

2 Summary of significant accounting policies - continued

2.16 Judgements and key sources of estimation or uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Taxation:

The Company is subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the appropriate authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for both current and deferred tax on the basis of professional advice and the nature of current discussions with the tax authority concerned. Details of carrying values are contained in note 8.

Estimates and assumptions

There are not considered to be any key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

EthosEnergy Light Turbines Limited
Notes to the financial statements (continued)
for the year ended 31 December 2016

3 Turnover

Analysis of turnover by geographical destination is as follows:

	2016	2015
	£000	£000
United Kingdom	7,717	10,736
Europe	3,865	5,158
Rest of World	11,316	13,995
Total	22,898	29,889

The directors consider that in all material aspects, turnover originates exclusively in the United Kingdom. The directors consider that there is only one class of business, which is the repair and maintenance of gas turbines and the manufacture and sale of turbine parts and spares.

4 Staff costs and employee information

	2016	2015
	£000	£000
Wages and salaries	7,186	8,000
Social security costs	793	939
Other pension costs	461	494
Total	8,440	9,433

Average monthly employee numbers by activity:

	2016	2015
	Number	Number
Direct Production workers	69	82
Management and staff	61	71
Total	130	153

5 Directors' remuneration

Staff costs include amounts payable to directors as follows:

	2016	2015
	£000	£000
Aggregate emoluments	167	108
Money purchase pension plan contributions	29	14
	196	122
Highest paid director:		
Aggregate emoluments including benefits	167	108

- directors exercised share options during the year (2015: -).

Retirement benefits are accruing to - directors (2015: -) under defined benefit schemes. At the end of the year the accrued defined benefit pension relating to the highest paid director was £- (2015: £-).

EthosEnergy Light Turbines Limited
Notes to the financial statements (continued)
for the year ended 31 December 2016

6 Operating loss

Operating loss is stated after charging/(crediting):

	2016	2015
	£000	£000
Depreciation of tangible assets (note 9)	683	736
Net foreign exchange (gain)/loss	(153)	159
Operating lease expenditure:		
- Land and buildings	375	399
- Other	40	32

The 2016 audit fee has been borne by Ethos Energy Group Limited, the value was £41k (2015: £40k).

7 Interest payable and similar expenses

	2016	2015
	£000	£000
Bank interest payable	256	70
	256	70

EthosEnergy Light Turbines Limited
Notes to the financial statements (continued)
for the year ended 31 December 2016

8 Tax on loss

	2016	2015
	£000	£000
Current tax		
UK corporation tax	(673)	(962)
Foreign taxes	-	25
Amounts under/(over) provided in previous years	4	(5)
Total current income tax	(669)	(942)
Deferred tax		
Origination and reversal of temporary differences	(32)	(35)
Amounts under provided in previous years	18	37
Total deferred tax	(14)	2
Tax on loss on ordinary activities	(683)	(940)

The tax in the profit and loss account for the year did not vary (2015: did vary) from the average standard rate of corporation tax in the UK due to the following factors:

	2016	2015
	£000	£000
Loss on ordinary activities of £3,457k (2015: loss of £4,856k) at average UK standard rate of corporation tax of 20% (2015: 20.25%)	(691)	(983)
Permanent differences	-	(13)
Higher taxes on overseas earnings	-	24
Other adjustments	(14)	-
Amounts under provided in previous years	22	32
Tax credit for the year	(683)	(940)

Deferred tax

The deferred tax included in the balance sheet is as follows:

	2016	2015
	£000	£000
Fixed asset timing differences	24	24
Short term timing differences and losses	297	283
Deferred tax (provision)/asset	321	307

EthosEnergy Light Turbines Limited
Notes to the financial statements (continued)
for the year ended 31 December 2016

8 Taxation on loss on ordinary activities - continued

Movement on deferred tax balance

	2016 £000	2015 £000
Asset at 1 January	307	309
Credit/(charge) to the profit and loss account	14	(2)
Asset at 31 December	321	307

The standard Corporation Tax rate in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the Company's losses for 2016 are taxed at 20%.

In addition, further reductions to 19% in April 2017 and 18% in April 2020 were enacted in the Finance Act 2015. These changes have no significant impact on these financial statements.

Deferred tax assets are recoverable over future projected profits of the company.

9 Tangible assets

	Leasehold improvements £000	Plant and equipment £000	Total £000
Cost			
At 1 January 2016	1,219	8,815	10,034
Additions	-	284	284
At 31 December 2016	1,219	9,099	10,318
Accumulated depreciation			
At 1 January 2016	636	6,131	6,767
Charge for the year	103	580	683
At 31 December 2016	739	6,711	7,450
Net book value			
At 31 December 2016	480	2,388	2,868
At 31 December 2015	583	2,684	3,267

EthosEnergy Light Turbines Limited
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10 Stocks

	2016	2015
	£000	£000
Work in progress	1,531	6,868
Finished goods	16,816	10,630
	18,347	17,498

The amount of stock expensed to the profit and loss account during 2016 was £6,094 (2015: £8,908).

11 Debtors

	2016	2015
	£000	£000
Trade debtors – third parties	4,337	5,674
Trade debtors – Group companies	370	3,920
Bad Debt Provision	(235)	-
Prepayments and accrued revenue	539	104
Corporation tax	2,378	1,580
Other taxes and social security	-	259
Deferred tax	321	307
Other debtors	184	242
	7,894	12,086

Third party trade debtors are non-interest bearing and are generally on 30-60 days payment terms.

12 Creditors: amounts falling due within one year

	2016	2015
	£000	£000
Trade creditors – third party	1,107	2,089
Trade creditors – Group companies	1,207	3,417
Loans from Group companies	-	19,000
Bank loans and overdrafts	27,105	5,811
Accrued expenses and deferred income	2,128	2,449
Social security and other taxes	71	-
	31,618	32,766

Third party trade creditors are non-interest bearing and are normally settled on 30-60 days terms.

The loans from Group companies do not contain formal repayment terms and are repayable on demand. Interest at normal market rates applies.

The bank overdraft forms part of EthosEnergy Group's cash pooling arrangements.

EthosEnergy Light Turbines Limited
Notes to the financial statements (continued)
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13 Provisions for liabilities

	2016	2015
	£000	£000
Warranties	597	417
	597	417

	Warranties	Total
	£000	£000
At 1 January 2016	417	417
Charge to the P&L account	372	372
Utilisation of provision	(192)	(192)
At 31 December 2016	597	597

The warranty provision of £597k at 31 December 2016 (2015:£417k) arose in the normal course of business.

14 Called up share capital

	2016	2015
	£000	£000
Allotted and fully paid:		
20,000,100 (2015: 20,000,100) Ordinary shares of £1 each	20,000	20,000
Total	20,000	20,000

15 Lease commitments

The Company has financial commitments under non-cancellable operating leases. The future minimum rental commitments under these leases are as follows:

	2016	2016	2015	2015
	Land & buildings	Other	Land & buildings	Other
	£000	£000	£000	£000
Within one year	336	28	336	27
Between one year and five years	1,262	15	1,313	35
After more than five years	2,148	-	2,435	-
	3,746	43	4,084	62

16 Contingent liabilities

The Company has a contingent liability arising from a guarantee without limit extended to EthosEnergy Group's principal bankers in respect of sums advanced to the Company and to certain other members of the Group.

17 Related party transactions

Transactions and balances with fellow group companies

The Company has taken advantage of the exemptions within Financial Reporting Standard 101 not to disclose transactions and balances with Ethos Energy Group Limited and its wholly owned subsidiaries, on the grounds that the Company itself is a wholly owned subsidiary of Ethos Energy Group Limited, for which the consolidated financial statements are publicly available.

18 Financial risk management objectives and policies

18.1 General

The Company's principal financial liabilities, other than derivatives, comprise intercompany loans and trade creditors. The main purpose of these financial liabilities is to finance the Company's operations. The Company has various other financial assets such as trade debtors and cash at bank, which arise directly from its operations.

The Company enters into forward currency contracts to manage the currency risks arising from its operations. It is, and has been throughout 2016 and 2015, the Company's policy that no speculative trading in derivatives shall be undertaken.

The main risks arising from the Company's financial instruments are (a) cash flow interest rate risk, (b) foreign currency risk, and (c) credit risk. The policies for managing each of these risks are summarised below, together with comments on liquidity risk (d).

(a) Cash flow interest rate risk:

The Company's exposure to the risk of changes in market interest rates relates primarily to intercompany borrowings.

In light of the fact that virtually all of the Company's interest income and charges are inter-Group, the directors have decided currently not to hedge any of its interest rate exposures. This decision will be regularly reviewed.

(b) Foreign currency risk:

The Company is exposed to foreign currency risk on transactions where sales, purchases and borrowings which are in currencies other than the Company's functional currency. The Company strives to bill its customers in the currency in which the costs have been incurred, and maintain intercompany loans in the functional currency of the Company, to eliminate the currency exposure wherever possible.

(c) Credit risk:

The Company trades only with recognised, creditworthy third parties which are typically large companies. It is the Company's policy that credit terms for all new major customers are approved by Ethos Energy Group's executive management committee, who also monitor receivable balances on an ongoing basis, with the result that the Company's exposure to bad debts is not considered significant.

With respect to credit risk from other financial assets, these primarily relate to cash and cash equivalents and the Company's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments.

(d) Liquidity risk:

The Company monitors its risk to a shortage of funds by regular projected cash flow forecasts from operations which also consider the maturity of its financial assets and liabilities. Any additional funding required is supplied by its ultimate parent company.

18 Financial risk management objectives and policies - continued

18.2 Derivative instruments

As noted above, the Company enters into forward currency contracts to manage the currency risks arising from its operations. Although an economic hedge exists, for accounting purposes the contracts are classified as held for trading, in accordance with IAS 39, and thus the Company bears the impact of the changes in the fair value of these contracts in the profit and loss account.

The fair values of the Company's forward currency contracts at the balance sheet date were as follows:

	2016	2015
	£000	£000
Reported under Debtors	-	-

19 Ultimate parent undertaking

The Company is a wholly owned subsidiary of Ethos Energy Group Limited.

The directors regard Ethos Energy Group Limited a company registered in Scotland, as the ultimate parent undertaking and controlling party which is owned 51% by John Wood Group PLC and 49% by Siemens AG.

Ethos Energy Group Limited is the only undertaking for which consolidated financial statements that include the financial statements of the Company, are prepared. Copies of Ethos Energy Group Limited financial statements can be obtained from the Company Secretary at Ethos House, Craigshaw Road, Aberdeen, AB12 3QH.