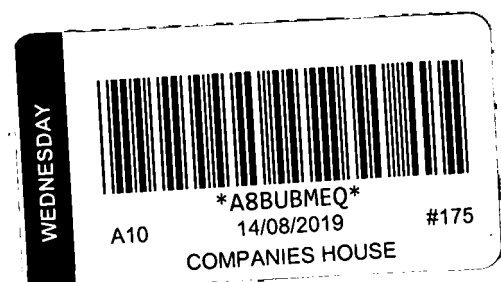


# **EthosEnergy Light Turbines Limited**

## **Annual Report and Financial Statements**

**For year ended 31 December 2018**

**Registered Number - 01549768**



**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 2018**

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**EthosEnergy Light Turbines Limited**  
**Strategic Report**  
**for the year ended 31 December 2018**

The directors present their strategic report on the Company for the year ended 31 December 2018.

**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 £14,693k (2017: loss of £3,901k).

**Review of business**

The performance in the year saw an improvement on 2017 with turnover increasing by more than a third and there were also improvements in gross profit margins. During the year the Company reviewed its operations and as a result booked an impairment charge of £13,831k, primarily against inventory, as it decided to reduce its exposure on certain product lines to concentrate on those that provided better returns.

The Company recorded an adjusted operating loss of £2,606k (before the impairment charge of £13,831k) which compares to the operating loss of £4,429k in the previous year. The directors believe that the Company will perform better in the forthcoming year with no impairment charges expected.

**Key performance indicators (KPIs)**

The directors of Ethos Energy Group Limited, 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 Ethos Energy 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.

**Approved by the board and signed on its behalf**



C E M Watson  
Director  
2 August 2019

**EthosEnergy Light Turbines Limited**  
**Directors' report**  
**for the year ended 31 December 2018**

The directors present their report and the audited financial statements for the year ended 31 December 2018.

**Future developments**

Despite the challenging market conditions, the Company is focussed on delivering an improved performance in 2019. 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 (2017: £nil).

**Financial instruments**

The Company enters into forward currency contracts to manage the currency risks arising from its operations.

**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

The Company has made qualifying third party indemnity provisions throughout the year for the benefit of its directors. These remain in force at the date of the report.

**Going concern**

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, Ethos Energy Group. The directors have received confirmation that Ethos Energy Group intend to support the company for at least twelve months after these financial statements are signed.

**Donations**

No donations were made to any registered political party nor were any political expenses incurred during 2018 or 2017.

**Employees**

As part of Ethos Energy 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.

**EthosEnergy Light Turbines Limited**  
**Directors' report (continued)**  
**for the year ended 31 December 2018**

**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 Ethos Energy 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 Ethos Energy 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.

**EthosEnergy Light Turbines Limited**  
**Directors' report (continued)**  
**for the year ended 31 December 2018**

**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.

**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.

**Statement of directors' responsibilities in respect of the financial statements**

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 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.

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.

**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 2018**

**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  
2 August 2019



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

**Report on the audit of the financial statements  
Opinion**

In our opinion, EthosEnergy Light Turbines Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the statement of comprehensive income, 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.

**Basis for opinion**

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 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.

**Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

**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 on, 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.

**EthosEnergy Light Turbines Limited**  
**Independent auditors' report to the members of EthosEnergy Light Turbines Limited (continued)**  
**for the year ended 31 December 2018**

With respect to the Strategic Report and Directors' 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.

**Strategic Report and Directors' Report**

In our opinion, 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 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, 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 Directors' responsibilities statement, 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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

**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.

**EthosEnergy Light Turbines Limited**  
**Independent auditors' report to the members of EthosEnergy Light Turbines Limited (continued)**  
**for the year ended 31 December 2018**

**Other required reporting**

**Companies Act 2006 exception reporting**

- 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 by the company, or 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.



Bruce Collins (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Aberdeen  
2 August 2019

**EthosEnergy Light Turbines Limited**  
**Statement of comprehensive income**  
**for the year ended 31 December 2018**

	<b>Note</b>	<b>2018</b> £000	<b>2017</b> £000
Turnover	3	27,427	20,507
Cost of sales		(25,251)	(20,906)
<b>Gross profit/ (loss)</b>		<b>2,176</b>	<b>(399)</b>
Administrative expenses		(3,790)	(3,161)
Impairment		(13,831)	-
<b>Operating loss</b>	6	<b>(15,445)</b>	<b>(3,560)</b>
Interest Receivable and similar income	7	2	-
Interest payable and similar expenses	8	(994)	(869)
<b>Loss before taxation</b>		<b>(16,437)</b>	<b>(4,429)</b>
Tax on loss	9	1,744	528
<b>Loss and total comprehensive expense for the financial year</b>		<b>(14,693)</b>	<b>(3,901)</b>
<b>Attributable to:</b>			
Equity owners of the Company		<b>(14,693)</b>	<b>(3,901)</b>

The results have been derived wholly from continuing operations.

**EthosEnergy Light Turbines Limited**  
**Balance sheet**  
**As at 31 December 2018**

	<b>Note</b>	<b>2018</b> £000	<b>2017</b> £000
<b>Fixed assets</b>			
Tangible assets	10	-	2,441
		-	<b>2,441</b>
<b>Current assets</b>			
Stocks	11	9,050	19,038
Debtors	12	14,580	8,866
		<b>23,630</b>	<b>27,904</b>
<b>Creditors: amounts falling due within one year</b>	13	<b>(44,726)</b>	<b>(36,947)</b>
<b>Net current liabilities</b>		<b>(21,096)</b>	<b>(9,043)</b>
<b>Total assets less current liabilities</b>		<b>(21,096)</b>	<b>(6,602)</b>
Provisions for liabilities	14	(604)	(405)
<b>Net liabilities</b>		<b>(21,700)</b>	<b>(7,007)</b>
<b>Capital and reserves</b>			
Called up share capital	15	20,000	20,000
Profit and loss account		(41,700)	(27,007)
<b>Total shareholders' deficit</b>		<b>(21,700)</b>	<b>(7,007)</b>

The financial statements on pages 11 to 24 were approved by the Board of Directors on 2 August 2019 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 2018**

	<b>Called up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total shareholders' deficit £000</b>
<b>At 1 January 2017</b>	<b>20,000</b>	<b>(23,106)</b>	<b>(3,106)</b>
Loss and total comprehensive expense for the financial year	-	(3,901)	(3,901)
<b>At 31 December 2017</b>	<b>20,000</b>	<b>(27,007)</b>	<b>(7,007)</b>
Loss and total comprehensive expense for the financial year	-	(14,693)	(14,693)
<b>At 31 December 2018</b>	<b>20,000</b>	<b>(41,700)</b>	<b>(21,700)</b>

**EthosEnergy Light Turbines Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2018**

**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;
- 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.

**2.2 Going concern**

Ethos Energy Group Limited has bank facility agreements which are available for a period beyond twelve 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.

**EthosEnergy Light Turbines Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2018**

**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 receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

The Group applies the simplified approach to measuring expected credit losses which is based on a lifetime expected loss allowance (ECL) for trade receivables and gross amounts due from customers. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. Evidence that a financial asset is credit-impaired includes a customer being in significant financial difficulty or a breach of contract such as a default. The gross carrying amount of a financial asset is written off when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery.

**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.



**EthosEnergy Light Turbines Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2018**

**2 Summary of significant accounting policies - continued**

**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.

**2.10 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.

**EthosEnergy Light Turbines Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2018**

**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 realisable 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.

**2.16 Critical accounting judgements and estimates**

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 9.

**Revenue:**

Revenue on 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. Estimating the costs to completion and therefore the total contract costs is a key judgment in respect of the revenue recognition on these contracts.

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 2018**

**2 Summary of significant accounting policies - continued**

**Disclosure of impact of new and future accounting standards**

The following standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2018.

IFRS 15 'Revenue from contracts with customers' is effective for accounting periods beginning on or after 1 January 2018. This standard is based on the principal that revenue is recognised when control of a good or service transfers to a customer when they have the ability to direct the use of and obtain the benefits from the good or service provided. Variable consideration is to be included when it is highly probable that there will be no significant reversal of the cumulative revenue recognised.

This standard has been adopted using the cumulative effect method which means that the Company has applied the standard as at 1 January 2018 but will not apply the requirements of the standard to the comparative period.

The main areas of focus and judgement noted were:

The Company carries out low margin procurement activity on certain contracts for customers. As part of the IFRS 15 transition these contracts were reviewed to assess whether the Company was acting as 'principal' or 'agent' Where the Company controls the goods before title passes to the customer then the Company is acting as principal and the related revenue is recognised. The review did not identify any material instances where revenue was being incorrectly recognised.

The Company has contracts that give the right to profit based on achievement of key performance indicators (KPI's). Under IFRS 15, an estimate of variable consideration must be made at the start of the contract although any revenue and profit recognised is constrained to the extent that it is highly probable there will not be a significant reversal in future periods. Historically, the Company's approach to recognising KPI revenue has been to recognise revenue only when the contract is sufficiently far advanced, it is probable that the performance targets have been achieved and payment can be measured reliably. Consequently, the application of IFRS 15 has not resulted in a material change to revenue and profit recognised in the period.

The Company carries out fixed price or lump sum contracts for services and construction contracts. These contracts were reviewed to determine the appropriate method to measure the Company's performance over time and recognise revenue in accordance with IFRS 15. The Company continues to recognise revenue according to the stage of completion reached in the contract by measuring the proportion of costs incurred for work performed to date to estimated total contract costs. No significant differences were identified and adopting the new standard has had no significant effect on the profit recognised in the period.

IFRS 9 'Financial instruments' which replaces IAS 39 and is effective for accounting periods on or after 1 January 2018.

This standard addresses the classification, measurement and recognition of financial assets and liabilities and introduces new rules for hedge accounting and a new impairment model for financial assets.

The Company applied the new standard from 1 January 2018 with the practical expedient permitted under the standard that prior year comparatives will not be restated.

The new standard also introduces an impairment model which requires the recognition of impairment provisions based on expected credit losses rather than on incurred credit losses. The new standard has had no material impact on the Company's financial statements. The Company has experienced no credit losses and has no expectation of incurring any. The Company has no financial assets at fair value.

**EthosEnergy Light Turbines Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2018**

**3 Turnover**

Analysis of turnover by geographical destination is as follows:

	<b>2018</b>	<b>2017</b>
	£000	£000
United Kingdom	11,452	8,593
Europe	2,532	2,054
Rest of World	13,443	9,860
<b>Total</b>	<b>27,427</b>	<b>20,507</b>

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.

**Revenue by category is as follows:**

Sale of goods	18,320	8,694
Rendering of services	9,107	11,813
	<b>27,427</b>	<b>20,507</b>

**Timing of revenue recognition**

Products and services transferred at a point in time	22,852
Products and services transferred over time	4,575
	<b>27,427</b>

**4 Staff costs and employee information**

	<b>2018</b>	<b>2017</b>
	£000	£000
Wages and salaries	6,157	6,538
Social security costs	697	722
Other pension costs	393	588
<b>Total</b>	<b>7,247</b>	<b>7,848</b>

Average monthly employee numbers by activity:

	<b>2018</b>	<b>2017</b>
	Number	Number
Direct Production workers	54	63
Management and staff	47	53
<b>Total</b>	<b>101</b>	<b>116</b>

**5 Directors' remuneration**

Staff costs include amounts payable to directors as follows:

	<b>2018</b>	<b>2017</b>
	£000	£000
Aggregate emoluments	182	138
Money purchase pension plan contributions	40	34
	<b>222</b>	<b>172</b>

**Highest paid director:**

Aggregate emoluments including benefits	182	138
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**EthosEnergy Light Turbines Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2018**

**6 Operating loss**

Operating loss is stated after charging/(crediting):

	<b>2018</b>	<b>2017</b>
	£000	£000
Depreciation of tangible assets (note 10)	554	635
Net foreign exchange (gain)/loss	(105)	48
Operating lease expenditure:		
- Land and buildings	259	370
- Other	50	47

The 2018 audit fee has been borne by Ethos Energy Group Limited, the value was £42k (2017: £40k).

**7 Interest receivable and similar income**

	<b>2018</b>	<b>2017</b>
	£000	£000
Bank interest receivable	2	-
	<b>2</b>	<b>-</b>

**8 Interest payable and similar expenses**

	<b>2018</b>	<b>2017</b>
	£000	£000
Bank interest payable	994	869
	<b>994</b>	<b>869</b>

**EthosEnergy Light Turbines Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2018**

**9 Tax on loss**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Current tax</b>		
UK corporation tax	(1,433)	(827)
Amounts under provided in previous years	26	10
<b>Total current income tax</b>	<b>(1,407)</b>	<b>(817)</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(330)	(10)
Amounts under provided in previous years	- (7)	299
<b>Total deferred tax</b>	<b>(337)</b>	<b>289</b>
<b>Tax on loss</b>	<b>(1,744)</b>	<b>(528)</b>

The tax in the profit and loss account for the year varied (2017: varied) from the average standard rate of corporation tax in the UK due to the following factors:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Loss before taxation of £16,437k (2017: loss of £4,429k) at average UK standard rate of corporation tax of 19% (2017: 19.25%)	(3,123)	(853)
Permanent differences	62	13
Effect of deferred tax	19	-
Other adjustments	-	3
Amounts under provided in previous years	19	309
Movement in unprovided deferred tax	1,279	-
<b>Tax credit for the year</b>	<b>(1,744)</b>	<b>(528)</b>

**Deferred tax**

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

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Fixed asset timing differences	363	32
Short term timing differences	6	-
<b>Deferred tax asset</b>	<b>369</b>	<b>32</b>

**Movement on deferred tax balance**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Asset at 1 January	32	321
Credit/(charge) to the profit and loss account	337	(289)
<b>Asset at 31 December</b>	<b>369</b>	<b>32</b>

A reduction in the standard Corporation Tax rate in the UK to 17% in April 2020 was enacted in the Finance Act 2016. This change has no significant impact on these financial statements.

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

**EthosEnergy Light Turbines Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2018**

**10 Tangible assets**

	<b>Leasehold improvements</b>	<b>Plant and equipment</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost</b>			
At 1 January 2018	1,219	9,051	10,270
Additions	-	10	10
<b>At 31 December 2018</b>	<b>1,219</b>	<b>9,061</b>	<b>10,280</b>
<b>Accumulated depreciation</b>			
At 1 January 2018	802	7,027	7,829
Charge for the year	58	496	554
Impairment	359	1,538	1,897
<b>At 31 December 2018</b>	<b>1,219</b>	<b>9,061</b>	<b>10,280</b>
<b>Net book value</b>			
<b>At 31 December 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>
At 31 December 2017	417	2,024	2,441

Following a review of the fixed assets, an impairment was charged to bring the total value of fixed assets down to nil.

**11 Stocks**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Work in progress	1,012	1,163
Finished goods	8,038	17,875
	<b>9,050</b>	<b>19,038</b>

The amount of stock expensed to the profit and loss account during 2018 was £4,986k (2017: £5,727k).

Following a review of stocks, there was an impairment charge of £11,934k to finished goods in the year.

**12 Debtors**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Trade debtors – third parties	6,205	4,302
Trade debtors – Group companies	1,012	1,872
Loans to Group companies	-	572
Prepayments and accrued revenue	2,289	453
Amounts recoverable on long-term contracts	1,229	-
Corporation tax	2,390	1,417
Foreign tax	3	-
Other taxes and social security	327	-
Deferred tax	369	32
Other debtors	756	218
	<b>14,580</b>	<b>8,866</b>

Third party trade debtors are non-interest bearing and are generally on 30-60 days payment terms. All outstanding trade and other receivables were within contracted terms and management have decided that there is no requirement for any impairment provision.

The application of IFRS 9 has had no material impact on the Company's financial statements. The company did not incur credit losses in the year to 31 December 2017 and the year to 31 December 2018.

**EthosEnergy Light Turbines Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2018**

**13 Creditors: amounts falling due within one year**

	<b>2018</b>	<b>2017</b>
	£000	£000
Trade creditors – third party	2,365	1,638
Trade creditors – Group companies	1,111	1,820
Bank loans and overdrafts	39,074	31,810
Accrued expenses and deferred income	2,176	1,200
Social security and other taxes	-	479
	<b>44,726</b>	<b>36,947</b>

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 Ethos Energy Group's cash pooling arrangements.

**14 Provisions for liabilities**

	<b>2018</b>	<b>2017</b>
	£000	£000
Warranties	604	405
	<b>604</b>	<b>405</b>

	<b>Warranties</b>	<b>Total</b>
	£000	£000
<b>At 1 January 2018</b>	405	405
Charge to the P&L account	247	247
Utilisation of provision	(48)	(48)
<b>At 31 December 2018</b>	<b>604</b>	<b>604</b>

The warranty provision of £604k at 31 December 2018 (2017:£405k) arose in the normal course of business.

**15 Called up share capital**

	<b>2018</b>	<b>2017</b>
	£000	£000
Allotted and fully paid:		
20,000,100 (2017: 20,000,100) Ordinary shares of £1 each	20,000	20,000
<b>Total</b>	<b>20,000</b>	<b>20,000</b>



**EthosEnergy Light Turbines Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2018**

**16 Lease commitments**

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

	<b>2018 Land &amp; buildings</b>	<b>2018 Other</b>	<b>2017 Land &amp; buildings</b>	<b>2017 Other</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within one year	371	45	370	29
Between one year and five years	1,441	117	1,345	73
After more than five years	2,659	5	1,890	-
	<b>4,471</b>	<b>167</b>	<b>3,605</b>	<b>102</b>

**17 Contingent liabilities**

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

**18 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.

**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's financial statements can be obtained from the Company Secretary at Ethos House, Craigshaw Road, Aberdeen, AB12 3QH.