Registered number: 00592720

CENTRAX LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

CENTRAX LIMITED

COMPANY INFORMATION

Directors	R H H Barr, OBE C R Barr, MBE R A Barr, MBE A N Barr C H Barr I A Duffin K J Steele
Company secretary	I R Birt
Registered number	00592720
Registered office	Shaldon Road Newton Abbot Devon TQ12 4SQ
Independent auditor	KPMG LLP Chartered Accountant and Statutory Auditor Plym House 3 Longbridge Road Plymouth Devon PL6 8LT
Bankers	Lloyds Bank plc 8 Royal Parade Plymouth Devon PL1 1LX
Solicitors	Ashfords LLP Ashford House Grenadier Road Exeter Devon EX1 3LH

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

The Directors present the strategic report for the year ended 31 December 2018.

Business review

Following the exceptional performance in 2017, 2018 saw a return to more normal levels of activity with turnover of £63.9 million (2017: £92.4 million) and operating profit of £4.7 million (2017: £4.7 million). Strong cash generation resulted in cash balances, net of borrowing, at the end of the year totalling £14.6 million (2017: net debt £1.5 million), with year end net assets growing to £27.8 million (2017 : £25.6 million).

Despite continuing uncertainty in the global economic outlook, the order book remains strong with new contracts secured for both original equipment and continuing maintenance of installed equipment. The order book extends well beyond the current year.

Following the decision of the UK Electorate to leave the European Union, the resultant negotiations have been monitored carefully as the position has continued to evolve. The Company believes that, given the existence of already well-established operations in a number of countries in the European Union, it is well placed to mitigate any adverse impact of a disorderly withdrawal, should this occur. The main focus will be to ensure that stocks of appropriate parts, together with the required personnel, will be available in market to enable the Company to fulfil its contractual obligations. The position will continue to be carefully monitored and further action taken if and when deemed appropriate.

The outlook for 2019 and beyond remains encouraging.

Ethics and values

Employees
The Company has a commitment to its employees and a number of initiatives are in place to maintain and improve the health and well-being of all employees. A policy of recruitment and development of all employees is adopted such that the Company does not discriminate on the grounds of race, religion, ethnicity, gender, age, sexuality or disability. This policy is to recruit the best person for the role and develop all employees to their maximum potential.

Bribery and corruption
The Company operates a zero tolerance on bribery and corruption worldwide. All employees are briefed on the requirements of The Bribery Act 2010 and are instructed never to offer, pay or solicit bribes in any form.

Suppliers
The Company's policy is to select, develop and maintain relations with suppliers on a long-term basis. This ensures that the suppliers meet the quality requirements of the Company as well as maintaining the ethical standards by a worldwide Company.

Principal risks and uncertainties

Markets

End user destinations for the Company's products and services continue to be mainly focused on the United Kingdom, Europe, Russia and North Africa. During the year under review, close attention has been paid to the Company's developing business interests in Russia, particularly with the continuing threat of further international sanctions. The Board is very aware of the geo-political risk attaching to some of the territories in which the Company does business and, in order to mitigate the risk, continues to pursue a strategy of diversification in order to reduce dependence on a limited number of specific markets.

Products

The Company has strengthened its product portfolio over recent years and continues to introduce new derivatives of gas turbine generator packages with power outputs in the range of 5MW to 14MW. The Company has a number of key suppliers on which it depends for the supply of engines, gearboxes and other major components and with which it seeks to maintain close and mutually beneficial ties. In particular, the continuing timely supply of quality engines and spare parts by Siemens is central to the Company's original equipment and maintenance contract businesses.

Employees

The flexibility and capability of the Company's employee base continues to be a key component of its operating capability. In addition to the apprenticeship scheme, the Company is committed to ongoing training and education across all areas of operations.

Finance

The Company has benefited from strong cash generation during the year under review, supported by the availability and underlying security of the financial facilities made available by its bankers. These facilities cover a variety of requirements and meet the needs of ongoing short, medium and long-term financing as well as enabling the Company to provide appropriate guarantees to its customers to meet contractual requirements. With a predominantly sterling cost base, coupled to revenue streams in overseas currencies, the Company is exposed to movements in foreign currency exchange rates and, in particular, the Euro, US Dollar and Russian Rouble. The Company's policy, where appropriate,is to secure forward currency cover.

Research and development

The Company is committed to retaining its position at the forefront of gas turbine power generation technology and there is a programme of research and development activities to ensure new products and process development. The Company works with its gas turbine engine suppliers to maximise power output and meet emission and other environmental requirements.

Cyber and IT risks

IT systems are increasingly under malevolent and sustained external threat. The Company is reliant upon the integrity of its IT systems and their inter-connectivity worldwide. The Company ensures that all firewalls and similar software is maintained at the most up to date level and all devices have full security software. Where work is performed on customer sites cloud managed connectivity is used to minimise the risk of exposure to both parties.

The following table sets out the key financial performance indicators:

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

Financial key performance indicators

	2018	2017
Turnover (£m)	63.9	92.4
Operating Profit (£m)	4.7	4.7
Net cash/(debt) (£m)	14.6	(1.5)
Capital and reserves (£m)	27.8	25.6
Exports (%)	90.9	85.4

This report was approved by the Board on 28 February 2019 and signed on its behalf.

I A Duffin
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

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

Principal activity

The Company is engaged in the design, manufacture, installation and maintenance of gas turbine generator sets for the industrial power generation market including combined heat and power, peaking and associated gas applications.

Results and dividends

The profit for the year, after taxation, amounted to £4,222,296 *(2017 : £4,166,135)*.

There were dividends paid in the year of £2,026,200 (2017 : £1,677,390). The Directors do not recommend the payment of a further dividend for the year.

Directors

The Directors who served during the year were:

R H H Barr, OBE
C R Barr, MBE
R A Barr, MBE
A N Barr
C H Barr
I A Duffin
K J Steele

Charitable and political contributions

The value of charitable contributions made by the Company in the year was £3,149 (2017 : £5,321) made to a number of local charitable organisations and in support of employee charitable fundraising. The value of contributions to political organisations was £nil (2017 : £nil).

Health and safety of employees

The well-being of the Company's employees is safeguarded through strict adherence to health and safety standards. The Safety, Health and Welfare at Work Act 1989 imposes certain requirements on employers and the Company has taken the necessary action to ensure compliance with the Act, including the adoption of a Safety Statement.

Compliance with all statutory regulations and codes of practice is achieved by incorporating health and safety in all senior management decisions and the development of a group culture committed to health and safety. This is further amplified with regular inspections, benchmarking against best practice and monthly reporting.

Environmental matters

The Company will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The Company has complied with all applicable legislation and regulations.

The Company is committed to the proactive management of environmental issues associated with the Company's business and its commercial practices. This is reflected in the development, production and promotion of quality products that have a beneficial impact upon the environment. The aim is to comply fully with the statutory and regulatory codes of practice and co-operate fully with relevant regulatory bodies. Accreditation to ISO 14001 has been maintained.

Future developments

The future development of the Company is expected to be in its current business which has opportunities for growth in the immediate future in the sale of gas turbine generator sets and the related maintenance contracts.

Financial instruments

The Company operates a central treasury function, its role being to:

1) minimise exposure to exchange rate movements by the use of forward contracts at the time of commitment;

2) operate a conservative investment policy for the use of surplus funds utilising highly rated financial institutions;

3) monitor and minimise interest rate exposure on borrowings and deposits. Interest rate differentials between foreign currency borrowings and sterling deposits can give rise to a net interest charge for the Company; and

4) not undertake speculative transactions.

The Company's operations expose it to certain financial risks that include the effects of credit risk, liquidity risk, interest rate risk and exchange rate risk. It monitors and takes action in each of these areas as follows:

Credit risk
The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. In addition, credit checks are made regularly on those customers who are deemed to be a significant credit risk to the Company. Stage payments are obtained from customers prior to release of high value generator sets;

Liquidity risk
The Company actively maintains a mixture of medium-term and short-term debt finance that is designed to ensure the Company has sufficient available funds for operations and planned expansions;

Interest rate risk
The Company's policy is to maintain the majority of its facilities at floating rates. The Directors review the appropriateness of this policy in response to actual or anticipated changes in interest rates in the principle trading currencies; and

Exchange rate risk
The Company monitors its exposures in the foreign currencies in which it regularly transacts. In order to minimise the risk of excessive fluctuations, it tends to buy or sell its net projected requirement or surplus up to twenty four months in advance. Significant one off transactions are protected individually within a short period of customer commitment.

Company's policy for payment of creditors

It is the Company's policy to settle all amounts due to creditors in accordance with contractually agreed terms of payment.

Research and development activities

There is a programme of research and development activities to focus on opportunities for new product and process development. Major projects to develop new products and processes are capitalised in the Statement of Financial position where there is an identifiable profitable net revenue stream.

All other research and development expenditure is written off in the Income Statement in the period in which it is incurred.

Employee involvement

The Company has continued its practice of keeping employees informed of financial, economic and various other matters which affect the performance of the Company. This is largely achieved through meetings between Company management and employees, including an Employee Forum, supplemented by meetings and newsletters sent to employees when appropriate.

Disabled employees

The Company complies with statutory requirements and gives full consideration to applications for employment from disabled persons. It is the policy of the Company that training, career development and promotion opportunities should be available to all employees. Where employees become disabled it is the Company's policy that flexibility in working arrangements, where practical, is used to ensure continued useful employment.

Employee training and development

The Company is committed to the ongoing training and development of all its employees and runs a well established and respected apprenticeship scheme. Development reviews are carried out regularly where individual needs are identified and training arranged as appropriate.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

The auditor, KPMG LLP, will be proposed for reappointment in accordance with Section 485, Companies Act 2006.

This report was approved by the Board on 28 February 2019 and signed on its behalf.

I R Birt
Company secretary

Shaldon Road
Newton Abbot
Devon
TQ12 4SQ

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CENTRAX LIMITED

Opinion

We have audited the financial statements of Centrax Limited (the 'Company') for the year ended 31 December 2018, which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.
Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Conclusions relating to going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.
Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CENTRAX LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 Auditor's 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Ian Brokenshire (Senior Statutory Auditor)

for and on behalf of
KPMG LLP

Chartered Accountant and Statutory Auditor

Plym House
3 Longbridge Road
Plymouth
Devon
PL6 8LT

8 March 2019

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	*2017* *£*
Turnover	4	**63,927,413**	*92,422,946*
Change in stocks of finished goods and work in progress		**(1,223,031)**	*(1,054,077)*
Own work capitalised		**10,463**	*7,950*
Other operating income	5	**(28,194)**	*735,465*
Raw materials and consumables		**(34,094,219)**	*(64,070,135)*
Other external charges		**(11,649,013)**	*(12,082,865)*
Staff costs	8	**(9,502,358)**	*(8,549,548)*
Depreciation and other amounts written off tangible and intangible fixed assets		**(1,421,750)**	*(1,334,079)*
Other operating expenses		**(1,297,857)**	*(1,377,342)*
Operating profit	6	**4,721,454**	*4,698,315*
Income from shares in Group undertakings		**286,050**	*596,193*
Impairment charge - investment in subsidiaries		**(129,028)**	*-*
Interest receivable and similar income	10	**112,533**	*41,197*
Interest payable and similar expenses	11	**(156,391)**	*(135,409)*
Profit before tax		**4,834,618**	*5,200,296*
Tax on profit	12	**(612,322)**	*(1,034,161)*
Profit for the financial year		**4,222,296**	*4,166,135*

The notes on pages 18 to 49 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	2017 £
Profit for the financial year		**4,222,296**	*4,166,135*
Other comprehensive income			
Unrealised surplus on revaluation of tangible fixed assets		**-**	*147,694*
Actuarial (loss)/gain on defined benefit schemes		**(32,000)**	*57,000*
Decrease/(increase) in pension surplus not recognised		**89,000**	*(57,000)*
Movement in fair value of foreign currency hedging derivatives		**(6,952)**	*(102,693)*
Other comprehensive income for the year		**50,048**	*45,001*
Total comprehensive income for the year		**4,272,344**	*4,211,136*

The notes on pages 18 to 49 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note		2018 £		2017 £
Fixed assets					
Intangible assets	14		**633,751**		*282,620*
Tangible assets	15		**7,713,152**		*8,486,804*
Investments	16		**5,662,795**		*3,336,481*
			14,009,698		*12,105,905*
Current assets					
Stocks	17	**24,036,232**		*15,486,801*	
Debtors: amounts falling due within one year	18	**16,283,919**		*22,939,885*	
Cash at bank and in hand	19	**9,694,100**		*7,357,271*	
		50,014,251		*45,783,957*	
Creditors: amounts falling due within one year	20	**(29,711,060)**		*(23,657,641)*	
Net current assets			**20,303,191**		*22,126,316*
Total assets less current liabilities			**34,312,889**		*34,232,221*
Creditors: amounts falling due after more than one year	21		**(4,717,316)**		*(4,847,533)*
Provisions for liabilities					
Deferred tax	25	**(392,855)**		*(628,456)*	
Other provisions	26	**(1,383,256)**		*(3,182,914)*	
			(1,776,111)		*(3,811,370)*
Net assets			**27,819,462**		*25,573,318*

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2018

	Note	2018 £	*2017* *£*
Capital and reserves			
Share capital	27	**330,000**	*330,000*
Share premium account	28	**2,055,484**	*2,055,484*
Revaluation reserve	28	**459,303**	*459,303*
Capital redemption reserve	28	**116,000**	*116,000*
Foreign exchange reserve	28	**(9,364)**	*(156,564)*
Profit and loss account	28	**24,868,039**	*22,769,095*
		27,819,462	*25,573,318*

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 28 February 2019.

R A Barr, MBE
Director

C R Barr, MBE
Director

The notes on pages 18 to 49 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Share premium account	Capital redemption reserve	Revaluation reserve	Foreign exchange reserve	Profit and loss account	Total equity
	£	£	£	£	£	£	£
At 1 January 2018	330,000	2,055,484	116,000	459,303	(156,564)	22,769,095	25,573,318
Comprehensive income for the year							
Profit for the financial year	-	-	-	-	-	4,222,296	4,222,296
Actuarial gains on pension scheme	-	-	-	-	-	57,000	57,000
Movement in fair value of foreign currency hedging derivatives	-	-	-	-	(6,952)	-	(6,952)
Dividends (note 13)	-	-	-	-	-	(2,026,200)	(2,026,200)
Transfer to profit and loss account	-	-	-	-	-	-	-
Net fair value profits on foreign exchange recognised in income statement	-	-	-	-	154,152	-	154,152
Net fair value profits on foreign exchange recognised in income statement	-	-	-	-	-	(154,152)	(154,152)
At 31 December 2018	330,000	2,055,484	116,000	459,303	(9,364)	24,868,039	27,819,462

The notes on pages 18 to 49 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Share premium account	Capital redemption reserve	Revaluation reserve	Foreign exchange reserve	Profit and loss account	Total equity
	£	£	£	£	£	£	£
At 1 January 2017	330,000	2,055,484	116,000	458,461	181,502	19,897,925	23,039,372
Comprehensive income for the year							
Profit for the financial year	-	-	-	-	-	4,166,135	4,166,135
Surplus on revaluation of freehold property	-	-	-	147,694	-	-	147,694
Movement in fair value of foreign currency hedging derivatives	-	-	-	-	(102,693)	-	(102,693)
Dividends (note 13)	-	-	-	-	-	(1,677,390)	(1,677,390)
Transfer (to)/from profit and loss account	-	-	-	(146,852)	-	146,852	-
Net fair value profits on foreign exchange recognised in income statement	-	-	-	-	(235,373)	-	(235,373)
Net fair value profits on foreign exchange recognised in income statement	-	-	-	-	-	235,573	235,573
At 31 December 2017	330,000	2,055,484	116,000	459,303	(156,564)	22,769,095	25,573,318

The notes on pages 18 to 49 form part of these financial statements.

1. General information

The Company is a private limited company, limited by shares, registered in England and Wales with its registered office at Shaldon Road, Newton Abbot, Devon TQ12 4SQ.

The principal activity of the Company is the design, manufacture, installation and maintenance of gas turbine generator sets for the industrial power generation market including combined heat and power, peaking and associated gas applications.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historic cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' (FRS 102) and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

2.2 Going concern

The financial statements have been prepared on a going concern basis as the Company is able to meet its liabilities as they fall due.

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is the pound sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'other external costs'. All other foreign exchange gains and losses are presented in the Income Statement within 'other operating income'.

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Revenue relating to long-term contracts in the year represents the value of work completed, measured as the proportion of total costs incurred on the contract as a proportion of the total forecast contract costs. An appropriate portion of the anticipated contract profit is recognised in the Income Statement where the contract is sufficiently advanced to identify the contract profitability.

Any losses on contracts are taken directly to the Income Statement as soon as they are foreseen. The amount by which recorded turnover exceeds payments received on account is classified separately as contract debtors.

Where goods are supplied to customers under finance leases, the revenue and profit are recognised over the period of the lease. Amounts receivable for providing equipment under operating leases are recognised based on customer usage with costs being recognised as they are incurred. All revenues and costs are taken directly to the Income Statement.

2. Accounting policies (continued)

2.4 Revenue (continued)

The Company operates a number of long-term maintenance contracts with its customers ranging in duration for up to 15 years. Revenue is taken to the Income Statement based on customer usage, with costs taken as incurred. The contracts involve servicing to be carried out throughout the life of the products. The periodic nature of the service means that costs on individual contracts can vary disproportionately to revenue. However, on a portfolio basis revenue and costs are likely to correlate reasonably closely. Where major overhauls or repairs have been identified and a present contractual obligation exists at year end, an accrual is made for these costs.

2.5 Operating leases: the Company as lessor

Rentals income from operating leases is credited to the Income Statement on a straight line basis over the term of the relevant lease.

2.6 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Income Statement on a straight line basis over the lease term.

2.7 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if, and only if, certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.8 Interest income

Interest income is recognised in the Income Statement using the effective interest method.

2.9 Finance costs

Finance costs are charged to the Income Statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Borrowing costs

All borrowing costs are recognised in the Income Statement in the year in which they are incurred.

2. Accounting policies (continued)

2.11 Pensions

The Company operates defined contribution plans for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

The Company also operates a defined benefits pension plan for its employees. A defined benefits plan is a pension scheme under which the Company pays fixed contributions into a separate entity and the benefits payable to the employee is guaranteed. There is a legal obligation for the company to cover any deficit that may arise in the scheme.

The contributions paid are taken directly to the Pension scheme asset or liability. The assets of the plan are held separately from the Company in independently administered funds.

The actuarial gain or loss is recognised in the Statement of Other Comprehensive Income. This is based on a FRS 102 Employee Benefits report for the year ending 31 December 2018 prepared by the schemes actuary.

2.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2. Accounting policies (continued)

2.13 Intangible fixed assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on the following bases:

Licences	-	20 % of cost
Software	-	25 % of cost

2.14 Development costs

Development costs are capitalised within intangible fixed assets where they can be indentified with a specific product or project anticipated to produce future net benefits and are amortised on a straight line basis over the anticipated life of the benefits arising from the completed product or project. All other development costs are written off to the Income Statement when incurred.

Capitalised development costs are reviewed annually and where further benefits are deemed to have ceased or to be in doubt, the balance of any related development is written off to the Income Statement.

2.15 Tangible fixed assets

Tangible fixed assets are initially recognised at cost.

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

2. Accounting policies (continued)

2.15 Tangible fixed assets (continued)

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method.

Depreciation is provided on the following basis:

Freehold property	- 2% straight line
Short-term leasehold property	- over the life of the lease
Plant and machinery	- 10% to 25% of cost

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income Statement.

Assets in the course of construction are not depreciated until brought into use.

2.16 Revaluation of tangible fixed assets

Individual freehold properties are carried at the value of the most recent revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using the fair value at the Statement of Financial Position date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Statement of Comprehensive Income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in the Income Statement.

2.17 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2. Accounting policies (continued)

2.18 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

The Company values salvaged stock items at 0% to 30% of the equivalent new stock cost.

Long-term contracts - balances included in stock are stated at cost after provision has been made for any foreseeable losses and the deduction of applicable payments on account. The Directors review contracts in progress to determine whether any should be treated as long-term contracts within the meaning of FRS 102 Section 23. In applying the Standard, the Directors consider that an uncompleted contract falls to be classified as long-term in the context of the Company's business only if:

a) it is a major contract for one or more generator sets extending over a period of more than one year; or

b) it is a significant contract and by applying the measurement criteria laid down by the Standard, profits (net of all foreseeable losses) calculated to have been earned on that and on all other significant uncompleted contracts, in aggregate would have a material effect on the Company's profit for the accounting period.

Notwithstanding the above, an anticipated net loss on any individual uncompleted contract is provided for.

2.19 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.20 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.21 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2. Accounting policies (continued)

2.22 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

2.23 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income Statement in the year that the Company becomes aware of the obligation and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.24 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income Statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

2. Accounting policies (continued)

2.24 Financial instruments (continued)

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.25 Hedge accounting

The Group has other financial instruments in the form of contracts to sell foreign currency at a future date. These contracts are accounted for using the hedge accounting rules under FRS 102, Section 12. The mark to market value of the contracts outstanding at the date of the financial statements is shown under financial instruments in either debtors (profit) or creditors (loss) due within one year.

2.26 Dividends

Dividends are recognised when they become legally payable.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The Company has applied judgement in the application of its accounting policies and in reviewing key sources of estimation uncertainty in the following areas:

Going concern
The Directors have reviewed the position of the Company and their ability to meet liabilities as they fall due and have concluded that the use of the going concern assumption is appropriate.

Recoverability of assets
The Company assumes that all amounts owing from customers will be recovered in full. Where uncertainty exists as to the recovery a provision has been made for the anticipated unrecoverable amount.

Usability of stocks and work in progress
Where there is uncertainty over the usability of stocks or the saleability of work in progress a provision is made to cover the estimated unrecoverable amount.

Valuation of recovered parts
Where parts are recovered from repairs and overhauls management judgement is used as to the subsequent usability of the part and its value net of any estimated refurbishment costs.

Revenue recognition
Where the Company has a long-term contract judgement is applied to the amount of revenue recognised in the Income Statement. Revenue is only recognised to the extent that the work required under the contract has been completed and provision is made for any rebates due to the customer as soon as they are identified.

Provisions for major repairs
Where the Company has a liability for a major repair at the year end management judgement is applied in estimating the amount of the provision required to cover the cost of the repair. Any surplus or shortfall of the provision is taken to the Income Statement when that cost is incurred.

Recoverability of investments
The Company considers that the value of investments in subsidiary companies is at least equal to the carrying value in the financial statements.

4. Turnover

Analysis of turnover by country of destination:

	2018	*2017*
	£	*£*
United Kingdom	**5,800,039**	*13,520,759*
Rest of Europe	**47,995,034**	*51,749,779*
North America	**921,218**	*935,119*
Rest of World	**9,211,122**	*26,217,289*
	63,927,413	*92,422,946*

5. Other operating income

	2018 £	2017 £
Net rents receivable	**18,931**	*18,220*
Service charge receivable	**12,050**	*12,050*
Research and development tax credit	**(65,306)**	*65,306*
Sundry income	**6,131**	*639,889*
	(28,194)	*735,465*

6. Operating profit

The operating profit is stated after charging / (crediting):

	2018 £	2017 £
Research and development charged as an expense	**790,968**	*45,321*
Exchange (gain)/loss	**(175,687)**	*798,701*
Operating lease rentals	**95,953**	*116,012*

7. Auditor's remuneration

	2018 £	2017 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**38,000**	*47,100*

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the Group accounts of the parent Company.

8. Employees

Staff costs, including Directors' remuneration, were as follows:

	2018 £	2017 £
Wages and salaries	**8,330,933**	*7,419,584*
Social security costs	**721,085**	*767,235*
Defined benefit pension scheme costs	**57,000**	-
Defined contribution pension scheme contributions	**393,340**	*362,729*
	9,502,358	*8,549,548*

The average monthly number of employees, including the Directors, during the year was as follows:

	2018 No.	2017 No.
Production	**97**	*98*
Other	**87**	*85*
Directors	**7**	*7*
	191	*190*

9. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	**233,619**	*127,064*
Company contributions to defined contribution pension schemes	**17,828**	*53,222*
	251,447	*180,286*

During the year retirement benefits were accruing to 1 Director *(2017 : 1)* in respect of defined contribution pension schemes.

10. Interest receivable and similar income

	2018 £	2017 £
Other interest receivable	**112,533**	*41,197*
	112,533	*41,197*

11. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	**103,370**	*90,086*
Finance lease and hire purchase interest payable	**16,185**	*16,816*
Other interest payable	**36,836**	*28,507*
	156,391	*135,409*

12. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	**628,693**	*671,069*
Adjustments in respect of prior periods	**(93,736)**	*25,385*
	534,957	*696,454*
Double taxation relief	**305,948**	*(2,541)*
Group taxation relief	**(23,777)**	*293,184*
	817,128	*987,097*
Foreign tax		
Foreign tax on income for the year	**30,795**	*21,563*
	30,795	*21,563*
Total current tax	**847,923**	*1,008,660*
Deferred tax		
Origination and reversal of timing differences	**(199,341)**	*62,755*
Adjustments in respect of prior periods	**(36,260)**	*(37,254)*
Total deferred tax	**(235,601)**	*25,501*
Tax on profit on ordinary activities	**612,322**	*1,034,161*

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2017 : higher than)* the standard rate of corporation tax in the UK of 19% *(2017 : 19.25%)*. The differences are explained below:

	2018 £	*2017 £*
Profit on ordinary activities before tax	**4,834,618**	*5,200,296*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 : 19.25%)	**918,577**	*1,001,057*
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**19,318**	*53,365*
Capital allowances for year less than depreciation	**23,670**	*95,774*
Higher rate taxes on overseas earnings	**7,018**	*21,563*
Adjustments to tax charge in respect of prior periods	**(129,996)**	*(11,869)*
Adjustment in research and development tax credit leading to an increase in the tax charge	**(195,369)**	*-*
Dividends from UK companies	**(54,350)**	*(114,747)*
Double taxation relief	**-**	*(2,451)*
Difference in rate applied to deferred tax	**23,452**	*(8,293)*
Other differences leading to an increase/(decrease) in the tax charge	**2**	*(238)*
Total tax charge for the year	**612,322**	*1,034,161*

Factors that may affect future tax charges

The Finance Act 2016 substantively enacted a reduction in the rate of UK Corporation Tax to 19% with effect from 31 March 2017 and 17% from 31 March 2020.

All deferred tax provisions have been provided at 17% (2017 : 17%).

13. Dividends

	2018	*2017*
	£	*£*
First dividend of £0.945 per ordinary share (2017 : £1.40)	**311,850**	*462,000*
Second dividend of £1.485 per ordinary share (2017 : £0.823)	**490,050**	*271,590*
Third dividend of £1.35 per ordinary share (2017 : £2.86)	**445,500**	*943,800*
Fourth dividend of £2.36 per ordinary share (2017 : £nil)	**778,800**	*-*
	2,026,200	*1,677,390*

14. Intangible assets

	Licences	**Software**	**Total**
	£	**£**	**£**
Cost			
At 1 January 2018	**-**	**1,050,415**	**1,050,415**
Additions	**449,185**	**67,817**	**517,002**
Disposals	**-**	**(15,554)**	**(15,554)**
At 31 December 2018	**449,185**	**1,102,678**	**1,551,863**
Amortisation			
At 1 January 2018	**-**	**767,795**	**767,795**
Charge for the year	**59,891**	**105,980**	**165,871**
On disposals	**-**	**(15,554)**	**(15,554)**
At 31 December 2018	**59,891**	**858,221**	**918,112**
Net book value			
At 31 December 2018	**389,294**	**244,457**	**633,751**
At 31 December 2017	*-*	*282,620*	*282,620*

15. Tangible fixed assets

	Freehold property £	Short-term leasehold property £	Plant and machinery £	Total £
Cost or valuation				
At 1 January 2018	1,900,000	23,800	21,230,477	23,154,277
Additions	93,879	3,423	1,224,496	1,321,798
Disposals	(15,527)	-	(1,766,784)	(1,782,311)
At 31 December 2018	1,978,352	27,223	20,688,189	22,693,764
Depreciation				
At 1 January 2018	-	793	14,666,680	14,667,473
Charge for the year on owned assets	136,131	2,508	1,007,739	1,146,378
Charge for the year on financed assets	-	-	73,440	73,440
Disposals	(10,219)	-	(896,460)	(906,679)
At 31 December 2018	125,912	3,301	14,851,399	14,980,612
Net book value				
At 31 December 2018	1,852,440	23,922	5,836,790	7,713,152
At 31 December 2017	*1,900,000*	*23,007*	*6,563,797*	*8,486,804*

The net book value of land and buildings may be further analysed as follows:

	2018 £	*2017 £*
Freehold	1,852,440	*1,900,000*
Short-term leasehold	23,922	*23,007*
	1,876,362	*1,923,007*

15. Tangible fixed assets (continued)

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2018 £	*2017* £
Plant and machinery	**766,973**	*1,086,350*
	766,973	*1,086,350*

Cost or valuation at 31 December 2018 is as follows:

	Land and buildings £
At cost	**3,260,004**
At valuation:	
The freehold land and buildings were valued by Jones Lang Lasalle Limited on 31 December 2017 resulting in an impairment of	**(1,254,429)**
	2,005,575

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2018 £	*2017* £
Cost	**3,260,004**	*3,206,149*
Accumulated depreciation	**(1,676,378)**	*(1,538,740)*
Net book value	**1,583,626**	*1,667,409*

A revaluation deficit of £1,741,652 was previously written off to profit and loss reserve relating to freehold property so the element of depreciation reresenting the devaluation of freehold property of £10,219 for the year has been retained in profit and loss reserve.

The balance in the revaluation reserve of £459,303 represents the increase in valuation of freehold land over cost.

16. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2018	**3,336,481**
Additions	**2,495,770**
Disposals	**(40,428)**
At 31 December 2018	**5,791,823**
Impairment	
Charge for the period	**129,028**
At 31 December 2018	**129,028**
Net book value	
At 31 December 2018	**5,662,795**
At 31 December 2017	*3,336,481*

See note 36 for a list of subsidiary undertakings.

The aggregate of the share capital and reserves as at 31 December 2018 and the profit or loss for the year ended on that date for the subsidiary undertaking was as follows:

17. Stocks

	2018 £	*2017 £*
Raw materials and consumables	**15,055,321**	*9,059,759*
Work in progress	**2,263,728**	*2,086,340*
Finished goods and goods for resale	**6,020,990**	*4,340,702*
Long term contract balances	**696,193**	*-*
	24,036,232	*15,486,801*

Stock recognised in the Income Statement during the year as an expense was £33,878,692 *(2017 : £66,257,820)* .

An impairment loss of £237,560 *(2017 : £52,919 profit)* was recognised in the Income Statement against stock during the year due to the disposal of slow-moving and obsolete stock.

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Long-term contract balances consist of:

	2018 £	*2017 £*
Costs to date less provision for losses	**2,379,493**	*433,665*
Applicable payments on account	**(1,683,300)**	*(433,665)*
	696,193	*-*

18. Debtors: amounts due within one year

	2018 £	2017 £
Trade debtors	**11,305,863**	*9,390,587*
Amounts owed by Group undertakings	**2,384,387**	*11,138,533*
Other debtors	**623,763**	*401,828*
Prepayments and accrued income	**1,923,805**	*1,852,367*
Tax recoverable	**6,650**	*28,727*
Financial instruments	**39,451**	*127,843*
	16,283,919	*22,939,885*

Amounts owed by Group undertakings are trading balances, repayable on demand and non-interest bearing.

19. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	**9,694,100**	*7,357,271*
	9,694,100	*7,357,271*

20. Creditors: amounts falling due within one year

	2018 £	2017 £
Other loans	-	*781,232*
Trade creditors	**10,547,226**	*11,963,387*
Amounts owed to Group undertakings	**9,229,630**	*829,366*
Corporation tax	**664,399**	*569,577*
Other taxation and social security	**208,509**	*211,420*
Obligations under finance lease and hire purchase contracts	**146,274**	*181,285*
Other creditors	**655,354**	*348,015*
Accruals and deferred income	**8,210,853**	*8,488,952*
Financial instruments	**48,815**	*284,407*
	29,711,060	*23,657,641*

Amounts owed to Group undertakings are trading balances, repayable on demand and are non-interest bearing.

21. Creditors : amounts falling due after more than one year

	2018 £	*2017* £
Bank loans	**4,312,500**	*4,312,500*
Net obligations under finance lease and hire purchase contracts	**404,816**	*535,033*
	4,717,316	*4,847,533*

All bank borrowings are secured by a debenture over the assets of the Group and by cross guarantees with all companies in the Centrax Holdings Limited Group registered in England and Wales.

The bank loan is a three-year revolving credit facility. The facility is due for renewal in March 2021.

Interest is payable on overdrafts at 1% over bank base rate.
Interest is payable on the bank loan at 1% over 3-month LIBOR.
Interest is payable on the finance lease and hire purchase contracts at between 1% and 3% over bank base rate.

22. Loans

Analysis of the maturity of loans is given below:

	2018 £	*2017* £
Amounts falling due within one year		
Other loans	-	*781,232*
	-	*781,232*
Amounts falling due 2-5 years		
Bank loans	**4,312,500**	*4,312,500*
	4,312,500	*5,093,732*

23. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2018 £	*2017* £
Within one year	**146,274**	*181,285*
Between 2-5 years	**404,816**	*535,033*
	551,090	*716,318*

24. Financial instruments

	2018 £	2017 £
Financial assets		
Financial assets measured at fair value through Income Statement	**9,733,551**	*7,485,114*
Financial assets that are debt instruments measured at amortised cost	**13,690,854**	*20,743,132*
	23,424,405	*28,228,246*
Financial liabilities		
Derivative financial instruments measured at fair value through Income Statement held as part of a trading portfolio	**(48,815)**	*(284,407)*
Financial liabilities measured at amortised cost	**(29,280,036)**	*(20,883,207)*
	(29,328,851)	*(21,167,614)*

Financial assets measured at fair value through the Income Statement comprise cash in hand or at bank *and gains due on foreign exchange contracts undertaken by the Company.*

Financial assets that are debt instruments measured at amortised cost comprise amounts due from customers and other debtors including amounts due from other Group companies.

Derivative financial instruments measured at fair value through Income Statement held as part of a trading portfolio comprise unrealised fair value losses on foreign exchange contracts undertaken by the Company.

Financial liabilities measured at amortised cost comprise amounts due to third parties or costs accrued including amounts due to other Group companies.

25. Deferred taxation

	2018 £
At beginning of year	**(628,456)**
Charged to Income Statement	**235,601**
At end of year	**(392,855)**

25. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2018 £	*2017 £*
Accelerated capital allowances	**(314,917)**	*(550,518)*
Revaluation surplus on land & buildings	**(77,938)**	*(77,938)*
	(392,855)	*(628,456)*

26. Provisions

	Maintenance & warranty £	Contract provisions £	Total £
At 1 January 2018	**2,957,460**	**225,454**	**3,182,914**
Charged to profit or loss	**851,266**	**359,250**	**1,210,516**
Utilised in year	**(2,784,720)**	**(225,454)**	**(3,010,174)**
At 31 December 2018	**1,024,006**	**359,250**	**1,383,256**

The maintenance and warranty provision represents a liability to perform major repairs under the Company's long term maintenance contracts and under the terms of supply for new equipment delivered during the year. The repairs provided under maintenance contracts are identified and certain, and would be realised within a short period after the year end, whereas the provision against the supply of new equipment is based on future events which are uncertain and will reverse during the 12 to 24 months following handover to the customer.

The contract provisions are against commercial contracts where a loss has been identified.

27. Share capital

	2018 £	*2017 £*
Allotted, called up and fully paid		
4,614 *(2017 : 4,614)* A shares of £1.00 each	**4,614**	*4,614*
323,895 *(2017 : 323,895)* B shares of £1.00 each	**323,895**	*323,895*
1,491 *(2017 : 1,491)* C shares of £1.00 each	**1,491**	*1,491*
	330,000	*330,000*

The A ordinary shares carry full voting rights. The B and C ordinary shares are non-voting. All shares rank equally on winding up.

28. Reserves

Share premium account

Share premium represents the amount of value received by the Company on the issue of shares over and above the nominal value of those shares.

Revaluation reserve

Revaluation reserve is the unrealised surplus in the valuation of the Company's freehold land over their depreciated cost, adjusted for the depreciation of the revalued amount.

Capital redemption reserve

Capital redemption reserve is an amount equivalent to the value of ordinary shares redeemed or bought back by the company.

Foreign exchange reserve

Foreign exchange reserve represents the value of surplus or deficit on foreign exchange contracts undertaken by the Company.

Profit and loss account

Profit and loss account is the cumulative surplus (or deficit) from the operations of the Company, after taxation, available for distribution to the shareholders.

29. Contingent liabilities

The Company operates a customs warehouse (authorised by HMRC) to defer the duty and VAT on imported parts. There is a contingent liability to pay the duty and VAT on any parts brought into free circulation in the EU. The amount of duty and VAT deferred under the scheme at 31 December 2018 is £2,414,608 (2017 : £761,108).

30. Capital commitments

At 31 December 2018 the Company had capital commitments as follows:

	2018	*2017*
	£	*£*
Contracted for but not provided in these financial statements	**105,742**	*33,448*
	105,742	*33,448*

31. Pension commitments

Defined contribution pension scheme

The Company operates defined contribution pension schemes. Pension contributions in respect of these schemes amounted to £393,340 (2017 : £362,729). Contributions totaling £4,592 (2017 : £2,557) were payable to the fund at the date of the Statement of Financial Position and are included in creditors.

Defined benefit pension scheme

The scheme provides pensions to its members who are past employees of the founder company, Centrax Limited ("employer"), and certain other companies which were from time to time accepted as adherent companies. The scheme closed to new entrants with effect from 31 July 1993, and all future benefit accruals ceased with effect from that date. The assets of the scheme are administered by trustees in a fund independent of the Company.

The numbers shown in this disclosure have been based on calculations carried out by a qualified actuary (BBS Consultants and Actuaries Limited) to take account of the requirements of FRS 102 in order to assess the liabilities of the scheme at 31 December 2018. The valuation of the schemes' assets is based on the premium paid for the bulk annuity policy on 6 December 2017 to secure the obligations of the scheme.

The scheme membership comprises 2 deferred members and 51 pensioners (including beneficiaries).

The actuarial valuation of the scheme's assets as at 31 March 2017 reported a surplus of £482,000 at the valuation date, corresponding to a funding level of 119% (31 March 2014 : shortfall of £161,000, corresponding to a funding level of 94%) of the estimated amount required to fund each member's accrued benefits. A new Schedule of Contributions was agreed by the employer on 28 February 2018 stating that with effect from 1 March 2018, the trustees will meet any expenses of management and administration of the scheme (including any PPF levies) legitimately incurred.

Subject to retaining such funds as they deem necessary to meet the schemes obligations to members and other beneficiaries, the trustees may also reimburse the employer for any such expenses prior to the date of the Schedule of Contributions where such costs have been met by the employer.

The trustees of the scheme entered into a Bulk Purchase Annuity Agreement on 5 December 2017 with Legal & General Assurance Society Limited in order to secure the benefits payable to the members in the future. An initial premium of £2,620,000 was paid on 6 December 2017 which is subject to final adjustment on completion, expected to occur in 2019.

During the year Centrax Limited made a contribution to the scheme of £nil (2017 : £nil).

Reconciliation of present value of scheme liabilities:

	2018	*2017*
	£	*£*
At the beginning of the year	**2,262,000**	*2,446,000*
Interest cost	**47,000**	*56,000*
Actuarial gains	**(27,000)**	*(23,000)*
Benefits paid	**(224,000)**	*(217,000)*
Past service cost	**14,000**	-

31. Pension commitments (continued)

At the end of the year	**2,072,000**	*2,262,000*

Reconciliation of fair value of scheme assets:

	2018 £	2017 £
At the beginning of the year	**2,898,000**	*3,025,000*
Interest income	**61,000**	*70,000*
Actuarial (loss)/gain	**(59,000)**	*20,000*
Benefits paid	**(224,000)**	*(217,000)*
Scheme expenses	**(43,000)**	-
At the end of the year	**2,633,000**	*2,898,000*

	2018 £	2017 £
Fair value of plan assets	**2,633,000**	*2,898,000*
Present value of scheme obligations	**(2,072,000)**	*(2,262,000)*
Derecognition of surplus	**(561,000)**	*(636,000)*
Net pension scheme liability	-	-

The amounts recognised in the Income Statement are as follows:

	2018 £	2017 £
Past service cost	**(14,000)**	-
Scheme expenses	**(43,000)**	-
Total	**(57,000)**	-

The cumulative amount of actuarial gains and losses recognised in the Statement of Comprehensive Income was £nil *(2017 : £nil)*.

No further contributions are expected to be made to the scheme in 2019.

31. Pension commitments (continued)

Principal actuarial assumptions are:

	2018	2017
Discount rate	2.40 %	2.20 %
Inflation - RPI	3.30 %	3.10 %
Inflation - CPI	2.30 %	2.10 %
Pension increases in deferment (Non GMP)	2.30 %	2.10 %
Pension increases in payment (Non GMP)	3.00 %	3.00 %
Pension increases in payment (post 88 GMP)	2.10 %	2.00 %

Base Mortality rates table : S2PMA_H/S2PFA_H (2017 : S2PMA_H/S2PFA_H)

Mortality projection basis: CMI 2017 (core) projection model with a long-term rate of improvement of 1.5% per annum (2017: CMI 2016 (core) projection model with a long-term rate of improvement of 1.5% per annum).

Amounts for the current and previous four periods are as follows:

	2018 £	2017 £	2016 £	2015 £	2014 £
Defined benefit obligation	(2,072,000)	(2,262,000)	(2,446,000)	(2,526,000)	(2,608,000)
Scheme assets	2,633,000	2,898,000	3,025,000	2,727,000	2,683,000
Irrecoverable surplus	(561,000)	(636,000)	(579,000)	(201,000)	(75,000)
Surplus	-	-	-	-	-
Experience adjustments on scheme obligations gain/(loss)	27,000	23,000	(80,000)	(92,000)	(177,000)
Experience adjustments on scheme assets (loss)/gain	(59,000)	20,000	164,000	(37,000)	99,000

32. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	**184,947**	*324,247*
Later than 1 year and not later than 5 years	**302,033**	*519,124*
	486,980	*843,371*

33. Other financial commitments

Cross guarantee and debenture

The bank borrowing of the ultimate parent undertaking Centrax Holdings Limited and its subsidiaries, is covered by cross guarantee and debenture. The Company was exposed to a liability under this arrangement at 31 December 2018 of £2,030,275 (2017 : £1,818,117).

34. Bank guarantees

Guarantees and indemnities have been given by the bank with recourse to the Company in respect of certain customers and suppliers at 31 December of £12,738,000 (2017 : £13,342,000).

35. Related party transactions

The Company has taken advantage of the exemption permitted under FRS102.33.1A not to disclose transactions with other Group companies on the grounds that the Company and all other related parties are wholly owned subsidiaries of Centrax Holdings Limited.

The total compensation of key management personnel (including the Directors) in the year amounted to £3,154,654 (2017 : £2,960,686).

36. Controlling party

The Directors consider that the ultimate parent undertaking is Centrax Holdings Limited, a company registered in England and Wales. The largest and smallest group of undertakings for which Group financial statements have been drawn up is that headed by Centrax Holdings Limited. Copies of Group accounts can be obtained publicly at Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

The registered office of the ultimate parent Company is at Shaldon Road, Newton Abbot, Devon TQ12 4SQ

The Directors do not consider there to be an individual controlling party.

37. Subsidiaries and associated entities

Company	Registered office	Class of shares	Holding
Entities with control, joint control or significant influence over the company:			
Centrax Holdings Limited	Shaldon Road, Newton Abbot, Devon, UK		
Centrax Industries Limited	Shaldon Road, Newton Abbot, Devon, UK		
Entities over which the Company has control, joint control or significant interest - **direct subsidiaries**:			
Centrax Engineering Services Limited	Shaldon Road, Newton Abbot, Devon, UK	Ordinary	100%
Compressor Process and Repair Holdings Limited	Unit 2 Dickinson Place, South Bersted Business Park, Bognor Regis, West Sussex, UK	Ordinary	80%
Centrax Production Services Limited	Shaldon Road, Newton Abbot, Devon, UK	Ordinary	100%
Centrax Power Projects Limited	Shaldon Road, Newton Abbot, Devon, UK	Ordinary	100%
Centrax Power Projects (Holdings) Limited	Shaldon Road, Newton Abbot, Devon, UK	Ordinary	100%
Centrax Gas Turbines Limited	Shaldon Road, Newton Abbot, Devon, UK	Ordinary	100%
Centrax International Limited	Ashford House, Grenadier Road, Exeter, UK	Ordinary	100%
Centrax Polska SP Zo.o	Ul Hrubieszowska, 01-209 Warszawa, Poland	Ordinary	100%
Centraxport - manutencao de turbinas de gas unipessoal Lda	Arquiparque II -edificio A, Avenida Caseres Monteiro, no 10, 5 esquerdo, 1495-192, Alges, Portugal	Ordinary	100%
Turbine Holdings Netherlands B.V.	Energieweg 43B, 2382, NC Zoeterwoude, Netherlands	Ordinary	100%
Turbine Holdings Netherlands 2 B.V.	Energieweg 43B, 2382, NC Zoeterwoude, Netherlands	Ordinary	100%
Centrax Gas Turbines S.R.O.	Revolucní 724/7, Staré Město, 110 00 Praha 1	Ordinary	100%
Centrax Deutschland GmbH	Friedrich List Strasse 29, 35398 Giessen, Germany	Ordinary	100%
Centrax Mantenimiento De turbinas	Poligono Industrial Los Cipreses 74, 12006, Castellon, Spain	Ordinary	100%
Centrax Italia srl	Via Vandelli 2H, 41050 Castelnuovo Rangone - frazione di Montale Ragone, Italy	Ordinary	100%

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FOR THE YEAR ENDED 31 DECEMBER 2018

Company	Registered Office	Class of shares	Holding
Entities over which the company has control, joint control or significant interest - **indirect subsidiaries**:			
Centrax Power Projects (Bulgaria) Limited	Shaldon Road, Newton Abbot, Devon, UK	Ordinary	100%
Centrax Power Projects (France) Limited	Shaldon Road, Newton Abbot, Devon, UK	Ordinary	100%
Centrax Power Projects (Russia) Limited	Shaldon Road, Newton Abbot, Devon, UK	Ordinary	100%
Component Process and Repair Limited	Unit 2 Dickinson Place, South Bersted Business Park, Bognor Regis, West Sussex, UK	Ordinary	80%
Centrax Gas Turbines Rus LLC	Lit J Building 3.7, 24 Line, 199106, St Petersburg, Russia	Ordinary	100%
Centrax Gas Turbines India Private Limited	F Block, Ground Floor, The Mira Corporation Suites, Old Ishwar Nagar, Mathura Road, New Delhi, India	Ordinary	100%
Centrax Turbines a Gaz Tunisie	Immeuble Cathage, Rue du Lac Constance, Bloc A-2eme Etage, Les Berges du Lac, 1053, Tunis, Tunisia	Ordinary	100%
Centrax Gas Turbines Ireland Limited	Charter House, 5 Pembroke Row, Dublin 2, Ireland	Ordinary	100%
Centrax France SAS	Za Des Sablons, Rue De Montbary, 45140, Ormes, France	Ordinary	100%
Centrax Nederland B.V.	Energieweg43B, 2382, NC Zoeterwoude, Netherlands	Ordinary	100%
Other related parties:			
Centrax Engineering Limited	Shaldon Road, Newton Abbot, Devon, UK		
Reblim Limited	Shaldon Road, Newton Abbot, Devon, UK		
Turbothermic Limited	Shaldon Road, Newton Abbot, Devon, UK		
Joint venture:			
Technicam Limited (50%)	Shaldon Road, Newton Abbot, Devon, UK		