Parsons Peebles Generation Limited

Annual report and financial statements
Registered number SC281567
31 December 2016

Contents

Strategic report

The directors present their Strategic Report for the year ended 31 December 2016.

Principal activities

The principal activity of the Company in the period under review was that of the design, manufacture, installation, commissioning, provision of refurbishment, servicing and repairs of high voltage electric motors, generators and associated equipment. The Company also carries out high voltage testing services.

Business review

When acquired in January 2013, the Company comprised an Original Equipment business (niche High Voltage machines) and a Service business providing aftermarket services and spares. The Company has generated revenue growth of 25% since acquisition. The Company benefits from a strong engineering expertise, robust IP, a large database of drawings and a significant installed base of motors and generators in the UK and throughout the world.

In the year, the OE business continued to make improvements to the supply chain to ensure a consistently competitive offering. In addition, it built on the re-engagement with new markets (nuclear, industrial, downstream oil and gas, renewables). An enhanced front end resource has driven this. In addition, the portfolio of products has been broadened through new Medium Voltage and High Voltage standard ranges.

The Service business, on acquisition, was focused on upstream oil and gas. The sales team initially focused on servicing the installed base in conjunction with increasing the mechanical–electrical sales capability. The facility at Rosyth was upgraded and a new storage facility opened. Key accounts in new sectors such as hydro, aggregates, renewables, nuclear have been won through improved customer intimacy which will drive sustainable growth.

The Company delivered a loss before tax for the year of £645,000 (2015: loss of £265,000). In the year, the Company's exposure to the upstream oil and gas market continued to impact trading results. The directors are satisfied with the performance of the Company, the key growth steps undertaken (as described above) and given current activity levels and investment in the business, believe that the Company is well placed to deliver growth in the current financial year.

Principle risks and uncertainties

The principal risks and uncertainties that affect the business are outlined below:

• Health & Safety: The Company's work environment presents various potential risks which are mitigated by providing clear guidance on appropriate procedures supported by regular training and supervision. Health and safety is on the agenda of all levels within the Company. Quality personnel are embedded in the business and risk is managed and assessed continuously.

• Global economic and market conditions: the risk of a prolonged economic downturn remains compounded by political events. This could lead to a financial decline impacting on industrial markets. The potential impact is reduced as the Company operates in diverse end markets and geographies, supplying mission critical products and services, and currently has a small share of the total market which will not restrict growth going forward.

• Original Equipment: orders received in the OE business unit tend to be larger and lumpier in nature leading to potentially periods of low or no bookings which can impact revenues and profits of this value stream. Increasing the OE sales and tendering resource, reducing the cost of the supply chain and broadening the markets, industries and customers in which the Company operates all mitigate the potential irregular order intake.

Strategic report (continued)

Principle risks and uncertainties continued

• End markets: the Company operates in the oil & gas sector which has experienced challenges in recent years. The risk faced by the Group is significantly diversified as there is increasing activity in other markets e.g. power, water and industrial.
• Supply chain: the efficient supply of quality components is important for the Company. Agreements with key suppliers, which can manufacture high specification Company products with appropriate lead times, are in place.
• People: the Company relies on high calibre electrical engineers as it grows. Relationships have been forged with local training colleges as part of a structured training program to ensure the long term availability of quality trained people.

Political and charitable contributions

The Company made no disclosable political or charitable donations or incurred any disclosable political expenditure during the year.

By order of the board

Nairn Black
Director
22 December 2017

3 Redwood Crescent
Peel Park
East Kilbride
Glasgow
G74 5PA

Directors' report

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

Financial instruments

The Company's policy is to use complex financial instruments only where appropriate.

Dividends

Dividends paid in the period were nil *(2015: nil)*.

Directors

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

NG Black
FG Barrett
G J McCallum

Disclosure of information to auditor

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

Auditor

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

By order of the board

Nairn Black
Director
22 December 2017

3 Redwood Crescent
Peel Park
East Kilbride
Glasgow
G74 5PA

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

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 101 Reduced Disclosure Framework.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KPMG LLP
319 St Vincent Street
Glasgow
G2 5AS
United Kingdom

Independent auditor's report to the members of Parsons Peebles Generation Limited

We have audited the financial statements of Parsons Peebles Generation Limited for the period ended 31 December 2016 set out on pages 6 to 22. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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.

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Opinion on financial statements
In our opinion the financial statements:

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

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report

- we have not identified material misstatements in those reports

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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.

Bruce Marks (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants **22 December 2017**

Income Statement

For the year ended 31 December 2016

	Note	**12 months to 31 December 2016 £000**	13 months to 31 December 2015 £000
Revenue	*2*	**5,950**	7,344
Cost of sales		**(4,563)**	(3,997)
Gross profit		**1,387**	3,347
Administrative expenses		**(2,767)**	(3,610)
Management charges		**749**	-
Operating loss	*3*	**(631)**	(263)
Financial expenses		**(14)**	(2)
Net financing expense	*6*	**(14)**	(2)
Loss before tax		**(645)**	(265)
Taxation	*7*	**138**	47
Loss for the year		**(507)**	(218)

The Company has no other comprehensive income for the current and previous period.

The results above relate to continuing operations.

The notes on pages 9 to 22 form an integral part of these financial statements.

Balance Sheet

as at 31 December 2016

	Note	12 months to 31 December 2016 £000	13 months to 31 December 2015 £000
Non-current assets			
Property, plant and equipment	*8*	**248**	368
Intangible assets	*9*	**-**	-
		248	368
Current assets			
Inventories	*11*	**1,553**	259
Trade and other receivables	*12*	**3,164**	1,476
Tax receivable		**52**	-
Cash and cash equivalents		**159**	224
		4,928	1,959
Total assets		**5,176**	2,327
Current liabilities			
Trade and other payables	*13*	**4,501**	1,141
Tax payable		**-**	5
Total liabilities		**4,501**	1,146
Net assets		**675**	1,182
Equity			
Share capital	*15*	**500**	500
Retained earnings		**175**	682
Total equity		**675**	1,182

The notes on pages 9 to 22 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 22nd December 2017 and were signed on its behalf by:

Nairn Black
Director
Registered number SC281567

Statement of Changes in Equity

	Share Capital £000	Retained earnings £000	Total equity £000
Balance at 1 December 2015	500	900	1,400
Total comprehensive income for the period			
Profit for the period	-	(218)	(218)
Total comprehensive income for the period	500	682	1,182
Transactions with owners, recorded directly in equity dividends	-	-	-
Total contributions by and distributions to owners	-	-	-
Balance at 31 December 2015	**500**	**682**	**1,182**

	Share Capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2016	500	682	1,182
Total comprehensive income for the period			
Profit for the period	-	(507)	(507)
Total comprehensive income for the period	500	175	675
Transactions with owners, recorded directly in equity dividends	-	-	-
Total contributions by and distributions to owners	-	-	-
Balance at 31 December 2016	**500**	**175**	**675**

Notes

(forming part of the financial statements)

1 Accounting policies

Parsons Peebles Generation Limited (the "Company") is a Company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101 from Adopted IFRS, the Company has made no measurement and recognition adjustments.

The Company's ultimate parent undertaking, Parsons Peebles Group Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Parsons Peebles Group Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 3 Redwood Crescent, Peel Park, East Kilbride, G74 5PA.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Parsons Peebles Group Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill;
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 21.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

Notes *(continued)*

1 Accounting policies *(continued)*

1.2 Going concern

After making enquiries, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

1.4 Classification of financial instruments issued by the company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Non-derivative financial instruments (continued)

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Plant and machinery, fixtures & fittings	5-10 years
Computer equipment	3 years
Motor vehicles	4-5 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.7 Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure.

1.8 Long term contracts

Certain contracts undertaken by the Company which extend beyond the balance sheet date and which are material to the overall results of the Company are accounted for as long term contracts notwithstanding that the duration of the contract may be less than one year.

Amounts recoverable on such contracts are included in debtors. These amounts represent cost plus attributable profit less total progress payments received and receivable. Where total progress payments and provisions for losses exceed the costs incurred plus attributable profit, the excess is shown in creditors falling due within one year. Profit is taken on such contracts only when their outcome can be foreseen with reasonable certainty. In determining the amount of profit taken at the period end the main facts considered are the experience, if any, of similar contracts and the estimated percentage completion. Anticipated losses are provided in full.

1.9 Inventories

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Impairment excluding inventories, and deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.
An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is reversed if and only if the reasons for the impairment have ceased to apply. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Short-term benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

1.12 Revenue

Revenue represents the cost plus attributable profit in respect of the stage of completion of work performed in the period on new build and repair contracts and the amounts invoiced in the period in relation to the supply of spares to third party customers.

1.13 Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Financing income and expenses

Financing expenses comprise interest payable and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Financing income comprises interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.14 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes *(continued)*

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2 Revenue

	12 months to 31 December 2016 £000	13 months to 31 December 2015 £000
Original Equipment contracts	**3,004**	2,306
Service contracts, including supply of spares	**2,946**	5,038
Total Turnover	**5,950**	7,344

3 Expenses and auditor's remuneration

	12 months to 31 December 2016 £000	13 months to 31 December 2015 £000
Loss before tax is stated after charging:		
Depreciation and other amounts written off tangible fixed assets	**174**	167
Hire of plant and machinery - operating leases	**-**	1
Hire of other assets - operating leases	**28**	30

Auditors remuneration:

	12 months to 31 December 2016 £000	13 months to 31 December 2015 £000
Audit of these financial statements	**13**	13

Notes *(continued)*

4 Staff numbers and costs

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

	Number of employees	
	12 months to 31 December 2016 £000	13 months to 31 December 2015 £000
Production	**30**	41
Sales and administration	**28**	28
	58	69

The aggregate payroll costs of these persons were as follows:

	12 months to 31 December 2016 £000	13 months to 31 December 2015 £000
Wages and salaries	**2,749**	3,012
Social security costs	**297**	370
Other pension costs	**132**	138
	3,178	3,520

5 Directors' remuneration

Remuneration of the directors was borne by another group Company in the current and prior year.

Notes *(continued)*

6 Finance income and expense

Recognised in the income statement

	12 months to 31 December 2016 £000	13 months to 31 December 2015 £000
Finance expense	**-**	2
Foreign exchange gains/losses	**14**	-
Total finance expense	**14**	2

7 Taxation

Recognised in the income statement

	12 months to 31 December 2016 £000	13 months to 31 December 2015 £000
Current tax credit:		
Adjustment in respect of prior periods	**(57)**	(71)
Total tax (credit)/expense	**(57)**	(71)
Deferred tax credit:		
Origination and reversal of temporary differences	**(104)**	(16)
Adjustment in respect of prior periods	**23**	36
Effect of tax rate change on opening balance	**-**	4
Deferred tax credit	**(81)**	24
Total tax (credit)/expense in income statement	**(138)**	(47)

Notes *(continued)*

7 Taxation *(continued)*

Reconciliation of effective tax rate

	2016	2015
	£000	£000
Loss for the year	**(507)**	(218)
Total tax credit	**(138)**	(47)
(Loss)/profit excluding taxation	**(645)**	(265)
Tax using the UK corporation tax rate of 20% *(2015: 20.31%)*	**(129)**	(54)
Non-deductible expenses	**1**	3
Provision movement	**8**	3
Adjustment in respect of prior periods	**(18)**	(35)
Tax losses not utilised	**-**	27
Other	**-**	9
Total tax expense/(credit)	**(138)**	(47)

A reduction in the corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's tax charge accordingly. The deferred tax [asset/liability] at 31 December 2016 has been calculated based on these rates.

Notes *(continued)*

8 Property, plant and equipment

	Plant and machinery	Computer Equipment	Motor Vehicles	Fixtures & Fittings	Total
Cost	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 January 2016	681	451	17	197	1,346
Additions	20	6	-	28	54
Balance at 31 December 2016	701	457	17	225	1,400
Depreciation					
Balance at 1 January 2016	520	352	17	89	978
Charge for the Year	51	65	-	58	174
Balance at 31 December 2016	571	417	17	147	1,152
Net book value					
Balance at 31 December 2016	**130**	**40**	**-**	**78**	**248**
At 31 December 2015	161	99	-	108	368

9 Intangible assets

	Goodwill
	£000
Cost	
Balance at 1 January 2016 and 31 December 2016	10
Amortisation and impairment	
Balance at 1 January 2016 and 31 December 2016	10
Net book value	
At 31 December 2016	**-**
At 31 December 2015	-

Notes *(continued)*

10 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 12 months to 31 December 2016 £000	**Liabilities 12 months to 31 December 2016 £000**	Assets 13 months to 31 December 2015 £000	Liabilities 13 months to 31 December 2015 £000
Property, plant and equipment	**-**	**4**	-	-
Tax losses carried forward	**(80)**	**-**	-	-
Employee benefits	**(4)**	**-**	(4)	-
Provisions	**(7)**	**-**	(2)	-
Effect of tax rate change on opening balance	**-**	**-**	-	-
Tax (assets) / liabilities	**(91)**	**4**	(6)	-
Net tax (assets) / liabilities		**(87)**		(6)

Movement in deferred tax during the year

	31 December 2015 £000	Recognised in Income £000	**31 December 2016 £000**
Property, plant and equipment	-	4	**4**
Tax losses carried forward	-	(80)	**(80)**
Employee benefits	(4)	-	**(4)**
Provisions	(2)	(5)	**(7)**
Effect of tax rate change on opening balance	-	-	**-**
	(6)	(81)	**(87)**

11 Inventories

	12 months to 31 December 2016 £000	13 months to 31 December 2015 £000
Raw materials and consumables	**33**	52
Work in progress	**1,520**	207
	1,553	259

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £13,300 *(2015: £46,000)*.

Notes *(continued)*

12 Trade and other receivables

	12 months to 31 December 2016 £000	13 months to 31 December 2015 £000
Trade receivables	**1,146**	1,216
Amounts recoverable on contracts debtors	**972**	136
Amounts owed by group undertakings	**760**	-
Prepayments and accrued income	**98**	114
Deferred tax asset *(note 10)*	**87**	6
Other debtors	**101**	4
	3,164	1,476

Debtors include £nil *(2015 :£nil)* due after more than one year.

Trade debtors include retentions of £nil *(2015: £nil)* relating to construction contracts in progress.

13 Trade and other payables

	12 months to 31 December 2016 £000	13 months to 31 December 2015 £000
Trade payables	**682**	323
Non trade payables and accrued expenses	**1,832**	333
Payment on account	**51**	285
Amounts due to group undertakings	**1,936**	200
	4,501	1,141

Progress billings and advances received from customers under open new build contracts or for which related work has not started, and billings in excess of costs incurred and recognised profits are presented as deferred income and amounted to £51,000 *(2015: £285,000)* at 31 December 2015.

Notes *(continued)*

14 Employee benefits

Pension plans

Defined contribution plans

The Company operates a defined contribution pension plans.

The total expense relating to these plans in the current year was £131,620 *(2015: £137,720).*

15 Capital and reserves

Share capital	**12 months to 31 December 2016 £000**
500,000 On issue at 1 December 2014 and 31 December 2015	**500**
Allotted, called up and fully paid	
Ordinary shares of £1 each	**500**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Dividends

No dividends were recognised during the period (*2015:£nil*).

16 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	12 months to 31 December 2016 £000	13 months to 31 December 2015 £000
Within one year	214	228
Between two and five years	171	305
	385	533

During the year £247,000 was recognised as an expense in the income statement in respect of operating leases *(2015: £240,000)*.

Notes *(continued)*

17 Commitments

Capital commitments

The Company had no commitments to purchase property, plant and equipment outstanding at 31 December 2016 *(2015: £nil)*.

18 Contingent liabilities

The Company, along with Parsons Peebles Group Limited and its subsidiaries has a banking facility with Allied Irish Banks (AIB), which gives access to a revolving credit facility and other ancillary facilities. The Company granted a bond and floating charge and a shares pledge in favour of AIB in respect of these facilities.

19 Related party disclosures

In accordance with FRS101.8, the company has taken the exemption available to not disclose transactions with wholly owned subsidiaries within the Parsons Peebles Group.

20 Ultimate parent undertaking and controlling party

The Company is a subsidiary undertaking of Parsons Peebles Group Limited which is the ultimate parent Company incorporated in United Kingdom. The ultimate controlling party is Clyde Blowers Capital Fund III LP.

The largest group in which the results of the Company are consolidated is that headed by Parsons Peebles Group Limited. The consolidated financial statements of these groups are available to the public and may be obtained from 3 Redwood Crescent, Peel Park, East Kilbride, G74 5PA.

21 Accounting estimates and judgements

The preparation of the consolidated financial statements requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Areas requiring the directors to make judgements, estimates and assumptions are highlighted in these accounting policies and throughout the notes to the consolidated financial statements. Key estimates and judgement areas are as follows:

Amounts recoverable on contracts

The recoverability of amounts recoverable on contracts are kept under constant review (refer to note 12).

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and to select a suitable discount rate in order to calculate the present value.