

COMBINED POWER (SOUTH) LIMITED

REGISTERED NUMBER: 2592745

FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2010

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COMBINED POWER (SOUTH) LIMITED

REGISTERED NUMBER: 2592745

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2010

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COMBINED POWER (SOUTH) LIMITED
REGISTERED NUMBER: 2592745

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST MARCH 2010

The directors have pleasure in presenting their annual report and financial statements for the year ended 31st March 2010

Directors' Responsibilities

The directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

unaware, and the directors have taken all reasonable steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Review of Business

The principal activity of the company during the year was the supply of electricity and heat generated from combined heat and power units.

Results and Dividends

The profit after tax for the year amounted to £1,153,273 (2009 profit £1,615,778) as shown on page 5. The directors have not recommended the payment of a dividend.

COMBINED POWER (SOUTH) LIMITED
REGISTERED NUMBER: 2592745

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST MARCH 2010

Directors

The directors during the year under review were

T H Scott	
A J Evans	
D J Duffill	
D R Mellor	(Resigned 17 December 2009)
A K Barlow	
P Law	
C J Hayton	
C J Marsland	(Appointed 1 April 2009)
C S Dixon	(Appointed 1 August 2010)
A Mayall	(Appointed 1 August 2010)

Principal Risk Management Objectives And Exposures

The directors periodically review and agree objectives for managing risk. These objectives, which have remained unchanged from previous years, are summarised below.

Group risks

Group risks are discussed in the group's Annual Report which does not form part of this report.

Market risk

The company's turnover, currently entirely in £ sterling, relates to energy conversion schemes provided under medium and long term contracts to third party customers. The output or service is contracted using prices agreed at the beginning of the contract term which are index linked annually. As a result, market risks are reduced.

Liquidity risk and Interest rate risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The company manages its interest rate exposure using an interest rate swap (note 5).

Credit risk

The company's principal financial assets are tangible equipment under medium and long term contracts, a substantial proportion of which are relocateable. The principal credit risk arises from its trade debtors. The majority of customers are blue chip or government backed, and the failure of an individual contract would not have a substantial impact on company performance. Credit risk is minimised by obtaining credit reports for all prospective customers before contracts are signed and reviewing updated reports regularly throughout the duration of the contract.

Signed on behalf of the Board



D J DUFFILL
DIRECTOR
22 DECEMBER 2010

COMBINED POWER (SOUTH) LIMITED
REGISTERED NUMBER: 2592745

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
FOR THE YEAR ENDED 31 MARCH 2010

We have audited the financial statements of Combined Power (South) Limited for the year ended 31 March 2010 on pages 5 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's shareholders, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As explained more fully in the Directors' Responsibilities Statement set out on page 1, 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 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 (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by directors, and the overall presentation of the financial statements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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 March 2010 and of the profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**COMBINED POWER (SOUTH) LIMITED
REGISTERED NUMBER 2592745**

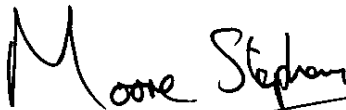
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

FOR THE YEAR ENDED 31 MARCH 2010

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



**K MILLER (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF**

**MOORE STEPHENS
CHARTERED ACCOUNTANTS &
STATUTORY AUDITOR
BLACKFRIARS HOUSE
THE PARSONAGE
MANCHESTER
M3 2JA**

23 DECEMBER 2010

COMBINED POWER (SOUTH) LIMITED
REGISTERED NUMBER: 2592745

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH 2010

	Note	<u>2010</u> £	<u>2009</u> £
TURNOVER	2	5,851,145	5,579,792
Cost of sales		4,152,890	3,712,906
GROSS PROFIT		1,698,255	1,866,886
Administration expenses		44,065	6,040
OPERATING PROFIT	3	1,654,190	1,860,846
Other operating (expenditure) / income	4	(45,051)	110,514
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		1,609,139	1,971,360
Net interest (payable) / receivable	5	(7,370)	271,835
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,601,769	2,243,195
Taxation on ordinary activities	6	(448,496)	(627,417)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	12	£1,153,273	£1,615,778

All transactions relate to continuing operations

The company has no recognised gains or losses other than those shown in the profit and loss account for the year

The notes set out on pages 7 to 12 form part of these financial statements

COMBINED POWER (SOUTH) LIMITED
REGISTERED NUMBER: 2592745

BALANCE SHEET

FOR THE YEAR ENDED 31ST MARCH 2010

	Note	2010		2009	
		£	£	£	£
FIXED ASSETS					
Tangible assets	7		6,884,706		6,702,566
CURRENT ASSETS					
Debtors	8	13,143,552		1,586,875	
Cash at bank and in hand		11,356		254,721	
		13,154,908		1,841,596	
CREDITORS					
Creditors falling due within one year	9	3,101,098		3,427,533	
NET CURRENT ASSETS / (LIABILITIES)					
			10,053,810		(1,585,937)
TOTAL ASSETS LESS CURRENT LIABILITIES					
			16,938,516		5,116,629
CREDITORS					
Amounts falling due after more than one year	9		10,562,500		-
			6,376,016		5,116,629
PROVISIONS FOR LIABILITIES AND CHARGES					
	10		3,022,357		2,916,243
NET ASSETS					
			£3,353,659		£2,200,386
CAPITAL AND RESERVES					
			£		£
Called up share capital	11		1,953,948		1,953,948
Profit and loss account	12		1,399,711		246,438
SHAREHOLDERS' FUNDS					
	13		£3,353,659		£2,200,386

The notes set out on pages 7 to 12 form part of these financial statements

Approved and signed by the Board of Directors


D J DUFFILL
DIRECTOR
22 DECEMBER 2010

COMBINED POWER (SOUTH) LIMITED
REGISTERED NUMBER. 2592745

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2010

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

These financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

FINANCIAL INSTRUMENTS

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as either financial assets, financial liabilities, or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

TURNOVER

Turnover represents income generated on long term contracts as recognised by the amounts invoiced during the year, exclusive of Value Added Tax.

In addition to its UK based operations the company operates in Southern Ireland where it made a pre-tax loss of £29,786 on sales of £128,406.

DEPRECIATION OF FIXED ASSETS

Depreciation is provided on all tangible fixed assets in use at rates calculated to write off the cost of each asset, less estimated residual value and any provision for permanent diminution in value, over its expected useful life, as follows:

Plant and machinery	Life of operating contract (generally 10 years)
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Cost includes the anticipated decommissioning costs of combined heat and power units at the completion of their lives under contract.

CUSTOMER CAPITAL CONTRIBUTIONS

Receipts from customers as a capital contribution to the CHP unit are accounted for as a deferred income provision and released to the profit and loss account over the lifetime of the related asset.

DEFERRED TAXATION

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

CASH FLOW STATEMENTS

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the Financial Statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

2 TURNOVER ANALYSED BY AREA AND ACTIVITY

The company's turnover relates to its principal activity, all of which is undertaken in the European Union.

COMBINED POWER (SOUTH) LIMITED
REGISTERED NUMBER 2592745

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2010

3 OPERATING PROFIT

	2010	2009
	£	£
Operating profit is stated after charging		
Depreciation and amortisation	1,355,526	1,196,480
Exchange losses and (gains)	13,861	(3,720)
Auditors' remuneration	4,000	3,000

The company had no employees during the year (2009 Nil) The directors received no remuneration during the year (2009 Nil)

4 OTHER OPERATING (EXPENDITURE) / INCOME

(Loss) / profit on sale of fixed assets	£(45,051)	£110,514
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5 INTEREST

	£	£
Interest receivable:		
Interest receivable on bank deposits	-	271,834
Interest receivable on group loans	249,016	-
Other interest receivable	164,668	1
	£413,684	£271,835
	£	£
Interest payable		
Interest payable on bank loans and overdraft	(184,548)	-
Interest payable on group loans	(74,656)	-
Other interest payable	(161,850)	-
	£(421,054)	-
Net interest (payable) / receivable	£(7,370)	£271,835

During the year ended 31 March 2010 Combined Power (South) Limited entered into an interest rate swap with Barclays Bank plc, which will reduce in line with the reduction in the company's loan outstanding with the bank, up until the maturity date of the interest rate swap agreement, 30 September 2014

Combined Power (South) Limited passes the terms of the swap through to ENER-G Holdings plc

COMBINED POWER (SOUTH) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2010

6 TAXATION

	£	£
(a) Analysis of charge in the year		
Corporation tax payable at 28% (2009 28%)	-	2,032
Corporation tax losses purchased	377,382	329,051
	<hr/>	<hr/>
Current tax charge for the year (note 6b)	377,382	331,083
Deferred taxation (see note 10)	71,114	296,334
	<hr/>	<hr/>
Tax charge on profit on ordinary activities	£448,496	£627,417
	<hr/>	<hr/>
(b) Factors affecting the tax charge for the year		
	£	£
A full tax charge on profits on ordinary activities at the standard rate of corporation tax in the UK of 28% (2009 28%) would be	448,495	628,095
<i>The taxation charge has been increased / (reduced) by</i>		
Accelerated capital allowances	(71,113)	(278,986)
Disallowed costs and other factors	-	(18,026)
	<hr/>	<hr/>
Current tax charge for the year (note 6a)	£377,382	£331,083
	<hr/>	<hr/>

7 TANGIBLE FIXED ASSETS

	Plant and Machinery
Cost	£
At 1st April 2009	20,064,371
Transfers from other group companies	196,870
Additions	1,602,717
Disposals	(732,078)
	<hr/>
At 31st March 2010	£21,131,880
	<hr/>
Depreciation	£
At 1st April 2009	13,361,805
Transfers from other group companies	196,870
Charge for the year	1,355,526
Disposals	(667,027)
	<hr/>
At 31st March 2010	£14,247,174
	<hr/>
Net Book Value	
At 31st March 2010	£6,884,706
	<hr/>
At 31st March 2009	£6,702,566
	<hr/>

COMBINED POWER (SOUTH) LIMITED
REGISTERED NUMBER: 2592745

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2010

8 DEBTORS

	2010 £	2009 £
Due within one year:		
Trade debtors	866,559	885,709
Other debtors	-	230,402
Prepayments and accrued income	-	9,774
Amounts owing by group undertakings	12,276,993	460,990
	<u>£13,143,552</u>	<u>£1,586,875</u>

Amounts owing by group undertakings includes an unsecured loan to the parent company of £12,187,500, of which £10,562,500 is repayable after one year

9 CREDITORS

	£	£
Amounts falling due within one year:		
Bank loans and overdraft	1,625,000	-
Trade creditors	63,733	54,708
Other creditors	35,526	34,370
Corporation tax	-	2,032
Other taxation and social security costs	52,579	-
Accruals and deferred income	452,473	535,509
Amounts owing to group undertakings	871,787	2,800,914
	<u>£3,101,098</u>	<u>£3,427,533</u>

Amounts falling due after more than one year

Bank loans	£10,562,500	-
	<u>£</u>	<u>£</u>
Analysis of debt due after more than one year		
Repayable between one and two years	1,625,000	-
Repayable between two and five years	4,875,000	-
Repayable in five years or more	4,062,500	-
	<u>£10,562,500</u>	<u>-</u>

COMBINED POWER (SOUTH) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2010

10 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Tax £	Other £	Total £
At 1st April 2009	£1,671,243	£1,245,000	£2,916,243
Provided during the year	71,114	80,000	151,114
Released during the year	-	(45,000)	(45,000)
	<hr/>	<hr/>	<hr/>
At 31st March 2010	£1,742,357	£1,280,000	£3,022,357
	<hr/>	<hr/>	<hr/>

Other provisions include decommissioning costs and capital contributions to CHP units in accordance with the accounting policies on page 7

	2010	2009
The deferred taxation provision at 31 March consists of		
Accelerated capital allowances	£1,742,357	£1,671,243
	<hr/>	<hr/>

11 SHARE CAPITAL

Authorised share capital.		
Ordinary shares of £1 each	£2,500,000	£2,500,000
	<hr/>	<hr/>
Allotted and fully paid		
Ordinary shares of £1 each	£1,953,948	£1,953,948
	<hr/>	<hr/>

12 MOVEMENT ON PROFIT AND LOSS ACCOUNT

	£	£
Balance brought forward	246,438	6,055,662
Profit for the financial year	1,153,273	1,615,778
Dividends	-	(7,425,002)
	<hr/>	<hr/>
Balance carried forward	£1,399,711	£246,438
	<hr/>	<hr/>

13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	£	£
Shareholders' funds as at 1st April	2,200,386	8,009,610
Profit for the financial year	1,153,273	1,615,778
Dividends	-	(7,425,002)
	<hr/>	<hr/>
Shareholders' funds as at 31st March	£3,353,659	£2,200,386
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14 CAPITAL COMMITMENTS

Authorised and committed	£1,067,148	£627,786
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COMBINED POWER (SOUTH) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2010

15 ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY

The company's direct parent company during the year ended 31st March 2010 was ENER-G Holdings plc

The company's ultimate parent undertaking at 31st March 2010 was ENER-G plc, a company controlled by a family trust of Mr T H Scott who is a director of the company

COMBINED POWER (SOUTH) LIMITED
REGISTERED NUMBER: 2592745

CURRENT OFFICERS AND PROFESSIONAL ADVISERS

COMPANY NUMBER: 2592745

DIRECTORS: T H Scott
A J Evans
D J Duffill
D R Mellor (Resigned 17 December 2009)
A K Barlow
P Law
C J Hayton
C J Marsland (Appointed 1 April 2009)
C S Dixon (Appointed 1 August 2010)
A Mayall (Appointed 1 August 2010)

SECRETARY A J Evans

REGISTERED OFFICE: ENER-G House
Daniel Adamson Road
Salford
Manchester
M50 1DT

AUDITORS: Moore Stephens
Chartered Accountants
Blackfarns House
The Parsonage
Manchester
M3 2JA

BANKERS Barclays Bank plc
3 Hardman Street
Manchester
M3 3AX

SOLICITORS: Stevens & Bolton LLP
The Billings
Walnut Tree Close
Guildford
GU1 4YD