

**Advanced Total Energy Care Limited**  
**Annual Report**  
**for the year ended 31 May 2007**

**Registered Number 04448876**

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Advanced Total Energy Care Limited  
Annual Report  
for the year ended 31 May 2007  
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# **Advanced Total Energy Care Limited**

## **Directors and Advisors**

### **Directors**

I S Colquhoun (resigned 7 June 2007)  
C E Grant  
C Williams (resigned 22 March 2007)  
I D McLeod  
P Fall  
J Harrison (resigned 22 March 2007)  
P R Varley (appointed 22 March 2007)  
R B Cutler (appointed 22 March 2007)

### **Company Secretary and registered office**

C F Judd  
eaga House  
Archbold Terrace  
Jesmond  
Newcastle upon Tyne  
NE2 1DB

### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
89 Sandyford Road  
Newcastle upon Tyne  
NE1 8HW

### **Solicitors**

Blackett, Hart and Pratt  
Eldon Chambers  
23 The Quayside  
Newcastle upon Tyne  
NE1 3DE

### **Bankers**

HSBC Bank plc  
City Branch  
110 Grey Street  
Newcastle upon Tyne  
NE1 6JG

# **Advanced Total Energy Care Limited**

## **Directors' report for the year ended 31 May 2007**

The directors present their report and the audited financial statements of the company for the year ended 31 May 2007

### **Principal activity**

The principal activity of the company during the year was the delivery of products and services within the residential energy efficiency market

### **Business review**

The results for the company show a profit before taxation of £703,562 (2006 £2,126,001) for the year and turnover of £24,976,993 (2006 £12,716,618)

The company had net assets of £10,567,401 at 31 May 2007 (31 May 2006 £2,013,774)

The directors are satisfied with the company's trading performance during the year and with the financial position at the year end

### **Research and development**

Although the company is not actively involved in research, it continues to monitor development across the whole spectrum of its market. It does this in order to be able to offer its customers the best value proposition for both old and new technologies

### **Future outlook**

The external commercial environment is likely to remain competitive during 2008, however, the directors remain confident that income and profitability will be satisfactory, as will the company's balance sheet position

### **Principal risks and uncertainties**

The management of the business and execution of the company's strategy are subject to a number of risks

The company's operations expose it to a variety of risks that include competition from other service providers, employee retention and product availability. Further discussion of these risks and uncertainties, in the context of the eaga group (eaga plc (formerly Eaga Partnership Limited) and its subsidiaries) as a whole, is provided on pages 4 to 9 of the group's annual report which does not form part of this report

### **Key performance indicators**

The directors of eaga plc manage the group's operations on a segmental basis. For this reason, the company's directors believe that analysis in this report using key performance indicators for the business is not necessary or appropriate for an understanding of the development, performance or position of the business of this company. The development, performance and position of the Installation Services segment of eaga plc, which includes the company, is discussed on pages 4 to 9 of the group's annual report which does not form part of this report

### **Directors**

The directors who served the company during the year, and up to the date of signing the financial statements are disclosed on page 1

# Advanced Total Energy Care Limited

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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 year. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 May 2007 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

## Employees with a disability

Applications for employment by persons with a disability are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff suffering a disability every effort is made to ensure that their employment within the company continues and appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a person with a disability should as far as possible, be identical to that of a person who does not suffer from a disability.

## Employee involvement

Consultation with employees has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business unit and of the company and wider group as a whole. Communication with all employees continues primarily through the staff council.

## Independent auditors and disclosure of information to auditors

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the Board

  
Q F Judd  
Company Secretary

10 December 2007

# **Advanced Total Energy Care Limited**

## **Independent auditors' report to the members of Advanced Total Energy Care Limited**

We have audited the financial statements of Advanced Total Energy Care Limited for the year ended 31 May 2007, which comprise the profit and loss account, the balance sheet, the statement of accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

# Advanced Total Energy Care Limited

## Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 May 2007 and of its profit for the year then ended
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

*PricewaterhouseCoopers LLP*

**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

10 December 2007

## Advanced Total Energy Care Limited

### Profit and loss account for the year ended 31 May 2007

	Notes	Year ended 31 May 2007 £	Year ended 31 May 2006 £
<b>Turnover</b>		<b>24,976,993</b>	12,716,618
Cost of Sales		(12,742,717)	(8,904,811)
<b>Gross profit</b>		<b>12,234,276</b>	3,811,807
Administrative expenses before exceptional items		(4,046,625)	(1,712,398)
Exceptional items	6	(7,736,049)	-
Administrative expenses		(11,782,674)	(1,712,398)
<b>Operating profit</b>	5	<b>451,602</b>	2,099,409
Interest receivable and similar income	3	252,314	26,592
Interest payable and similar charges	4	(354)	-
<b>Profit on ordinary activities before taxation</b>		<b>703,562</b>	2,126,001
Taxation	7	114,016	(633,191)
<b>Profit for the financial year</b>	13	<b>817,578</b>	1,492,810

All of the above amounts relate to continuing activities

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented

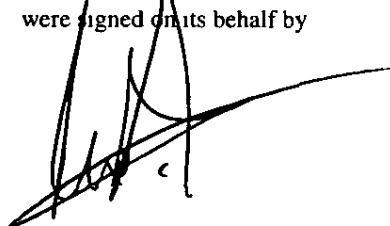
There are no material differences between the profit on the ordinary activities before taxation and profit for the financial year stated above and their historical cost equivalents

# Advanced Total Energy Care Limited

## Balance sheet as at 31 May 2007

	Notes	2007 £	2006 £
<b>Fixed assets</b>			
Tangible assets	8	760,433	455,037
<b>Current assets</b>			
Debtors due within one year	9	3,825,720	1,841,498
Debtors due after more than one year	9	2,311,696	-
Cash at bank and in hand		7,748,525	1,786,546
		13,885,941	3,628,044
<b>Creditors: amounts falling due within one year</b>	10	(4,078,973)	(2,066,012)
<b>Net current assets</b>		9,806,968	1,562,032
<b>Total assets less current liabilities</b>		10,567,401	2,017,069
<b>Deferred taxation</b>	11	-	(3,295)
<b>Net assets</b>		10,567,401	2,013,774
<b>Capital and reserves</b>			
Called up share capital	12	150,000	150,000
Profit and loss account	13	10,417,401	1,863,774
<b>Total shareholders' funds</b>	14	10,567,401	2,013,774

The financial statements on pages 6 to 17 were approved by the board of directors on December 2007 and were signed on its behalf by



P R Varley  
Director

# **Advanced Total Energy Care Limited**

## **Statement of accounting policies**

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and with the requirements of the Companies Act 1985. A summary of the accounting policies, which have been applied consistently, is set out below.

### **Basis of accounting**

The financial statements have been prepared under the historical cost convention and on the going concern basis.

### **Tangible fixed assets**

Tangible fixed assets are stated at cost, including incidental expenses incurred on acquisition, less accumulated depreciation. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Equipment	33.3%
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### **Operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term.

### **Turnover**

Turnover is recognised in full when the energy efficient survey is performed by the company net of value added tax and trade discounts. All turnover arose in the United Kingdom.

### **Pensions**

The company operates a defined contribution pension scheme. The company's contributions to the scheme, which are based on employee earnings, are recognised in the year in which the related payroll costs are incurred.

### **Cash flow statement**

The company has taken advantage of the exemption allowed under Financial Reporting Standard 1 'Cash flow statements (revised 1996)' due to the fact that its cash flows are included in the consolidated financial statements of its ultimate parent company, which are publicly available. Accordingly, no cash flow statement has been prepared.

### **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 that result in an obligation to pay more, or a right to pay less, have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that they are considered recoverable in the future. Deferred tax balances are not discounted.

### **Share based payments**

The company allows employees to acquire shares in the ultimate parent, eaga plc, through share option schemes. The fair value of share options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date, using an appropriate model, taking into account the terms and conditions upon which the share options were granted, and is spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

# Advanced Total Energy Care Limited

## Notes to the financial statements for the year ended 31 May 2007

### 1 Directors' emoluments

	Year ended 31 May 2007 £	Year ended 31 May 2006 £
Aggregate emoluments	106,790	193,072
Company pension contributions to defined contribution pension schemes	6,344	3,260
	113,134	196,332

The number of directors accruing benefits under pension schemes were

	Year ended 31 May 2007 Number	Year ended 31 May 2006 Number
Money purchase schemes	2	2

### 2 Employee information

The average number of employees, employed by the company during the year was

#### By activity

	Year ended 31 May 2007 Number	Year ended 31 May 2006 Number
Advisors	457	298
Administration	42	19
	499	317

# Advanced Total Energy Care Limited

## 2 Employee information (continued)

The aggregate payroll costs, including executive directors, comprised

	Year ended 31 May 2007 £	Year ended 31 May 2006 £
Wages and salaries	8,933,006	5,644,308
Social security costs	767,615	490,763
Pension costs	117,205	108,247
	9,817,826	6,243,318

## 3 Interest receivable and similar income

	Year ended 31 May 2007 £	Year ended 31 May 2006 £
Bank interest receivable	251,051	26,592
Interest receivable on early payment of Corporation Tax	1,263	-
	252,314	26,592

## 4 Interest payable and similar charges

	Year ended 31 May 2007 £	Year ended 31 May 2006 £
Bank interest	354	-

# Advanced Total Energy Care Limited

## 5 Operating profit

	Year ended 31 May 2007 £	Year ended 31 May 2006 £
Operating profit is stated after charging		
Depreciation charge for the year	236,208	90,398
Auditors' remuneration for		
Audit	8,000	6,400
Other services	-	200
Hire of land and buildings – operating leases	180,343	183,694
Hire of plant and machinery – operating leases	12,785	10,770
Loss on disposal of fixed assets	2,650	-
Charitable donations	3,000	640

## 6 Exceptional items

eaga plc's IPO Option Plan granted nil-cost options to certain employees over shares in that company, conditional on listing. Options were granted in February and March 2007 and became exercisable on listing. Options would have lapsed on 31 July 2007 had listing not been achieved.

The total number of options outstanding at 31 May 2007 was 4,274,060 which were all exercised immediately on listing of eaga plc on 7 June 2007. No further options will be issued under the IPO Option Plan. A share based charge of £7,736,049 arising in respect of these options is recognised in the Profit and Loss account. The listing price of £1.81 per share, set in a pricing meeting on 22 May 2007, is deemed to be the market value and therefore fair value used in determining the charge.

There was no cash cost to the company as a result of these awards. The company expects to receive a statutory corporation tax deduction in connection with the charge and accordingly, a deferred tax asset of £2,320,815 and a corresponding increase in net assets has been recognised in the balance sheet at 31 May 2007.

# Advanced Total Energy Care Limited

## 7 Taxation

### (a) Analysis of (credit)/charge in the year

	Year ended 31 May 2007 £	Year ended 31 May 2006 £
<b>Current tax:</b>		
UK corporation tax on profits of the year	2,237,030	631,862
Adjustments in respect of prior years	(36,055)	(1,966)
<b>Total current tax</b>	<b>2,200,975</b>	<b>629,896</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences (note 11)	(2,314,991)	3,295
<b>Total tax (credit)/charge</b>	<b>(114,016)</b>	<b>633,191</b>

### (b) Factors affecting current tax charge for the year

The current tax charge assessed for the year represents an effective rate of 312.8% (2006: 29.6%) on the profit for the year which is different to the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	Year ended 31 May 2007 £	Year ended 31 May 2006 £
<b>Profit on ordinary activities before tax</b>	<b>703,562</b>	<b>2,126,001</b>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006: 30%)	211,069	637,800
<i>Effects of</i>		
Expenses not deductible for tax purposes	9,132	3,742
Capital allowances in excess of depreciation and other short term timing differences	(5,824)	(9,680)
Group relief not paid	(298,162)	-
Share based payments	2,320,815	-
Adjustment in respect of prior year	(36,055)	(1,966)
<b>Current tax charge for the year</b>	<b>2,200,975</b>	<b>629,896</b>

# Advanced Total Energy Care Limited

## 7 Taxation (continued)

### (c) Factors that may affect the future tax charge

A number of changes to the UK corporation tax system were announced in the March 2007 Budget Statement and are expected to be enacted in the 2007 and 2008 Finance Acts. The changes had not been substantively enacted at the balance sheet date and, therefore are not included in these financial statements.

There are no further factors that are expected to materially affect future tax charges.

## 8 Tangible fixed assets

	Equipment £
<b>Cost</b>	
At 1 June 2006	577,613
Additions	544,254
Disposals	(54,012)
<b>At 31 May 2007</b>	<b>1,067,855</b>
<b>Accumulated depreciation</b>	
At 1 June 2006	122,576
Charge for the year	236,208
Eliminated on disposals	(51,362)
<b>At 31 May 2007</b>	<b>307,422</b>
<b>Net book amount</b>	
<b>At 31 May 2007</b>	<b>760,433</b>
At 31 May 2006	455,037

## Advanced Total Energy Care Limited

### 9 Debtors

	2007	2006
	£	£
<b>Amounts falling due within one year</b>		
Trade debtors	196,638	67,722
Amounts due from group undertakings	3,308,117	1,525,678
Prepayments and accrued income	205,003	74,783
Other debtors	115,962	173,315
	<b>3,825,720</b>	<b>1,841,498</b>
<b>Amounts falling due after more than one year</b>		
Deferred taxation (note 11)	2,311,696	-

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment

### 10 Creditors: amounts falling due within one year

	2007	2006
	£	£
Trade creditors	181,777	195,283
Amounts owed to group undertakings	-	154,824
Taxation and social security	242,426	429,772
Other creditors	118,394	14,750
Corporation tax	1,057,871	350,896
Accruals and deferred income	2,478,505	920,487
	<b>4,078,973</b>	<b>2,066,012</b>

Amounts due to group undertakings are unsecured, interest free and repayable on demand

# Advanced Total Energy Care Limited

## 11 Deferred Taxation

A deferred asset (2006 liability) has been recognised as shown below

	Amounts recognised	
	2007	2006
	£	£
Tax effect of timing differences because of		
Excess of capital allowances over depreciation	(9,119)	(7,721)
Other short term timing differences	-	4,426
Share based payments	2,320,815	-
	<b>2,311,696</b>	<b>(3,295)</b>

	£
At 1 June 2006	(3,295)
Credited to the profit and loss account (note 7)	2,314,991
At 31 May 2007	<b>2,311,696</b>

Deferred tax assets are included within debtors (note 9)

## 12 Called up share capital

	2007	2006
	£	£
<b>Authorised</b>		
1,000,000 ordinary "A" shares of £1 each	<b>1,000,000</b>	1,000,000
1,000,000 ordinary "B" shares of £1 each	<b>1,000,000</b>	1,000,000
	<b>2,000,000</b>	2,000,000
<b>Allotted, called up and fully paid</b>		
75,000 ordinary "A" shares of £1 each	<b>75,000</b>	75,000
75,000 ordinary "B" shares of £1 each	<b>75,000</b>	75,000
	<b>150,000</b>	150,000

The "A" shares and "B" shares rank par passu in respect of voting rights, rights to dividends and their priority on winding up

# Advanced Total Energy Care Limited

## 13 Reserves

	Profit and loss account
	£
At 1 June 2006	1,863,774
Profit for the year	817,578
Share based payments	7,736,049
<b>At 31 May 2007</b>	<b>10,417,401</b>

## 14 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Opening shareholders' funds	2,013,774	520,964
Profit for the year	817,578	1,492,810
Share based payments	7,736,049	-
<b>Closing shareholders' funds</b>	<b>10,567,401</b>	<b>2,013,774</b>

## 15 Financial commitments

Annual financial commitments under non-cancellable operating leases at the balance sheet date were

	2007		2006	
	Land and Buildings	Other	Land and Buildings	Other
	£	£	£	£
Expiring				
Within two to five years inclusive	-	12,000	-	12,000
After five years	240,716	-	183,694	-
	<b>240,716</b>	<b>12,000</b>	<b>183,694</b>	<b>12,000</b>

## **Advanced Total Energy Care Limited**

### **16 Related party transactions**

The company has taken advantage of the exemption under Financial Reporting Standard 8 'Related Party Transactions' not to disclose intra-group transactions. There are no other transactions to be disclosed under Financial Reporting Standard 8.

### **17 Ultimate parent undertaking**

The immediate and ultimate parent company is eaga plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the group accounts can be obtained from eaga House, Archbold Terrace, Jesmond, Newcastle upon Tyne, NE2 1DB.