

ENER-G GROUND SOURCE SOLUTIONS LIMITED

Annual Report and Financial Statements

For the year ended 31 March 2014

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**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A J Evans
P S Burley
R A Skinner (resigned 31 December 2013)
D J Duffill (resigned 30 May 2013)

COMPANY SECRETARY

R Wardner

REGISTERED OFFICE

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

BANKERS

Barclays Bank plc
3 Hardman Street
Manchester
M3 3AX

SOLICITORS

Stevens & Bolton LLP
Wey House
Farnham Road
Guildford
Surrey
GU1 4YD

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester
United Kingdom

DIRECTORS' REPORT

The directors present their Annual Report and the audited financial statements for the year ended 31 March 2014.

This Directors' Report has been prepared, and the Strategic Report exemption taken, in accordance with the special provisions relating to small companies under section 417(1) of the Companies Act 2006.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of the design, supply, and installation of heat pump and solar thermal systems.

REVIEW OF BUSINESS

The loss after tax for the year amounted to £697,673 (2013: loss for the year of £1,056,416) as shown on page 6. Net liabilities have increased from £2,747,285 to £3,444,958 as a result of the loss. The directors cannot recommend the payment of a dividend (2013: same).

GOING CONCERN

Following a review of the business performance during the year, the directors took the decision to wind down the activities of the company. The financial statements have therefore been prepared on a basis other than going concern.

As a result of the decision to wind down the company's activities the fixed assets were all disposed and a redundancy programme commenced. Full provision for the redundancies to be made after the year end, and for other closure costs, has been included in the results for the year.

The directors have considered the carrying value of the assets and liabilities of the company, and are satisfied that no material adjustments are required to the balance sheet as a result of the adoption of a non-going concern basis.

DIRECTORS

The directors of the company during the year under review and to the date of this report were:

A J Evans

P S Burley

R A Skinner (resigned 31 December 2013)

D J Duffill (resigned 30 May 2013)

AUDITOR

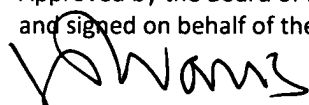
Each of the persons who is a director at the date of the approval of this report confirms that:

- as 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 he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



A J Evans

Director

28 November 2014

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENER-G GROUND SOURCE SOLUTIONS LIMITED

We have audited the financial statements of ENER-G Ground Source Solutions Limited for the year ended 31 March 2014, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 20. 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 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 the directors and auditor

As explained more fully in the Directors' Responsibilities Statement, 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

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. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2014 and of its loss 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.

Emphasis of matter – Financial statements prepared other than on a going concern basis

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ENER-G GROUND SOURCE SOLUTIONS LIMITED**

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; or
- the directors were not entitled to take advantage of the small companies exemption from preparing the Strategic Report or in preparing the Directors' Report.

A handwritten signature in black ink, reading 'J Boardman'.

Jane Boardman BSc ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom
28 November 2014

ENER-G GROUND SOURCE SOLUTIONS LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 31 March 2014

	Note	2014 £	2013 £
TURNOVER	2	1,013,492	1,075,054
Cost of sales		(1,197,321)	(1,595,624)
GROSS LOSS		(183,829)	(520,570)
Administrative expenses		(472,378)	(741,179)
OPERATING LOSS	3	(656,207)	(1,261,749)
Losses on the termination of an operation	6	(298,211)	-
Interest payable and similar charges	7	(359)	(90,382)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(954,777)	(1,352,131)
Tax on loss on ordinary activities	8	221,072	295,715
LOSS FOR THE FINANCIAL YEAR	17,18	(697,673)	(1,056,416)

The activities of the company are classed as discontinuing as they will cease during the year to 31 March 2015.

The company has no recognised gains or losses other than the loss for the current year and prior year as set out above. Accordingly, a separate statement of total recognised gains and losses has not been presented.

The notes on pages 8 to 15 form part of these financial statements.

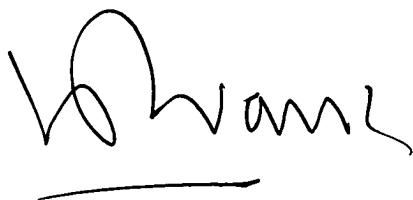
BALANCE SHEET
As at 31 March 2014

	Note	£	2014 £	£	2013 £
FIXED ASSETS					
Tangible assets	9		-		203,770
CURRENT ASSETS					
Stocks	10	-		10,017	
Debtors	11	519,113		850,240	
Cash at bank and in hand		134,898		9,904	
				<u>870,161</u>	
		654,011			
CREDITORS: amounts falling due within one year	12	(3,978,215)		(3,816,365)	
NET CURRENT LIABILITIES			(3,324,204)		(2,946,204)
TOTAL ASSETS LESS CURRENT LIABILITIES			(3,324,204)		(2,742,434)
PROVISIONS FOR LIABILITIES	13		(156,786)		(4,851)
NET LIABILITIES			<u>(3,480,990)</u>		<u>(2,747,285)</u>
CAPITAL AND RESERVES					
Called-up share capital	16		2		2
Profit and loss account	17		(3,480,992)		(2,747,287)
SHAREHOLDERS' DEFICIT	18		<u>(3,480,990)</u>		<u>(2,747,285)</u>

The notes on pages 8 to 15 form part of these financial statements.

These financial statements of ENER-G Ground Source Solutions Limited (registered number 04821916) were approved by the Board of Directors and authorised for issue on 28 November 2014.

Signed on behalf of the Board of Directors



A J Evans
Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

1. ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards. These have been applied consistently in the current and prior year.

Going concern

As noted in the Directors' Report, a decision has been taken to wind down the activities of this company and as a consequence the directors are of the opinion that the going concern basis is no longer appropriate in preparing these financial statements. This has had no impact on the carrying value of assets and liabilities in the company.

Turnover

Turnover represents amounts assessed on a contract-by-contract basis, exclusive of Value Added Tax, to reflect in the profit and loss account the extent to which the right to consideration has been obtained as contract activity progresses.

Long term contracts

These are assessed on a contract-by-contract basis and reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Where appropriate, attributable profits and anticipated losses are recognised.

Fixed assets

Tangible fixed assets are capitalised at cost. Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold buildings	- over the life of the lease
Plant & machinery	- 10% on straight-line basis
Motor vehicles	- 25% on straight-line basis
Office equipment	- 33.3% on straight-line basis

Residual value is calculated on prices prevailing at the date of acquisition.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving items.

Leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight-line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2014

1. ACCOUNTING POLICIES (continued)

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 receive less 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.

Foreign currencies

Transactions denominated in foreign currency are translated into Sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currency are translated into Sterling at the exchange rate ruling at the balance sheet date.

Profits and losses on exchange arising in the normal course of trading and realised exchange differences arising on the conversion of foreign currency borrowings are dealt with in the profit and loss account.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No. 1 (revised) "Cash Flow Statements" from including a cash flow statement in the financial statements on the grounds that the company is wholly-owned and its ultimate parent publishes a consolidated cash flow statement within its group financial statements that are publicly available.

2. TURNOVER

The company's turnover relates to its principal activity, which is undertaken in the United Kingdom.

3. OPERATING LOSS

Operating loss is stated after charging:

	2014	2013
	£	£
Profit on disposal of fixed assets	64,714	30,981
Depreciation of owned fixed assets	41,523	98,671
Depreciation of assets held under hire purchase agreements	-	15,600
Operating lease rentals – Land and Buildings	49,779	48,137
Fees payable to the company's auditor		
- for the audit of the company's annual financial statements	5,200	5,200
- for tax and other advisory services	-	2,300

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2014

4. STAFF COSTS

The average number of staff employed by the company during the financial year was:

	2014	2013
	No.	No.
Production	6	14
Office and management	4	7
	<u>10</u>	<u>21</u>

The aggregate payroll costs of the above were:

	£	£
Wages and salaries	191,574	573,310
Social security costs	26,485	69,248
	<u>218,059</u>	<u>642,558</u>

5. DIRECTORS' REMUNERATION

The directors were remunerated by ENER-G plc for their services to several companies within the group, including this company. The total remuneration received by the directors for the year was £534,881 (2013: £553,836) from ENER-G plc, but it is not practicable to allocate this between their services as executives of the various group companies.

6. LOSSES ON THE TERMINATION OF AN OPERATION

Losses on the termination of an operation are made up of a £242,179 redundancy charge and £56,032 for property related costs. These exceptional costs create a tax credit of £68,589, which is being surrendered to other group companies by way of group relief in exchange for payment.

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2014	2013
	£	£
Finance charges	359	4,305
Interest payable on intergroup loans	-	86,077
	<u>359</u>	<u>90,382</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2014

8. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of credit in the year:

	2014	2013
	£	£
Current tax:		
UK corporation tax receivable	(192,436)	(312,696)
(Over)/under provision in prior year	(11,855)	12,130
	<u>(204,291)</u>	<u>(300,566)</u>
Current tax credit for the year (note 8b)	(204,291)	(300,566)
Deferred taxation (see note 14)	(16,781)	4,851
	<u>(221,072)</u>	<u>(295,715)</u>

(b) Factors affecting current tax credit:

	2014	2013
	£	£
Loss on ordinary activities before tax	(954,777)	(1,352,131)
	<u>(954,777)</u>	<u>(1,352,131)</u>
A full tax credit on the loss on ordinary activities at the standard rate of corporation tax in the UK of 23% (2013: 24%) would be:	(219,599)	(324,511)
<i>Taxation credit has been (increased)/reduced by:</i>		
Expenses not deductible for tax purposes	6,253	7,163
Capital allowances for year less than depreciation	4,851	10,412
Other short term timing differences	13,719	(5,760)
Income not assessable for tax purposes	(5,948)	-
Adjustments to tax charge in respect of previous periods	(11,855)	12,130
	<u>(204,291)</u>	<u>(300,566)</u>
Total current tax (note 8a)	<u>(204,291)</u>	<u>(300,566)</u>

Finance Act 2013, which was substantively enacted in July 2013, included provisions to reduce the rate of corporation tax to 21% with effect from 1 April 2014 and 20% from 1 April 2015.

Deferred tax balances have been revalued to the lower rate of 20% in these financial statements. To the extent that the deferred tax reverses before 1 April 2015 then the impact on the net deferred tax asset will be reduced.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2014

9. TANGIBLE FIXED ASSETS

	Leasehold property £	Plant & machinery £	Motor vehicles £	Office equipment £	Total £
Cost					
At 1 April 2013	38,901	924,925	22,995	69,216	1,056,037
Disposals	(38,901)	(924,925)	(22,995)	(69,216)	(1,056,037)
At 31 March 2014	-	-	-	-	-
Depreciation					
At 1 April 2013	10,559	759,738	20,458	61,512	852,267
Charge for the year	1,585	32,482	83	7,373	41,523
On disposals	(12,144)	(792,220)	(20,541)	(68,885)	(893,790)
At 31 March 2014	-	-	-	-	-
Net book value					
At 31 March 2014	-	-	-	-	-
At 31 March 2013	28,342	165,187	2,537	7,704	203,770

10. STOCKS

	2014 £	2013 £
Stocks	-	10,017

11. DEBTORS

Amounts falling due within one year:	2014 £	2013 £
Trade debtors	181,695	234,840
Amounts recoverable on contracts	113,259	244,377
Prepayments and accrued income	7,938	50,315
Deferred tax debtor (note 13)	11,930	-
VAT	-	20,142
Amounts owed by group undertakings	204,291	300,566
	519,113	850,240

Amounts owed by group undertakings includes £204,291 (2013: £300,566) for group relief surrendered.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2014

12. CREDITORS

	2014	2013
	£	£
Amounts falling due within one year		
Trade creditors	116,854	235,276
Other creditors including taxation and social security:		
PAYE and social security	2,699	19,059
VAT	20,051	-
Other creditors	5,680	3,237
Accruals and deferred income	-	91,353
Amounts owed to group undertakings	3,832,931	3,467,440
	<u>3,978,215</u>	<u>3,816,365</u>

13. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation	Winding down Costs	Total
	£	£	£
At 1 April 2013	4,581	-	4,581
Provided in the year	-	298,211	298,211
Released in the year	(4,581)	(141,425)	(146,006)
	<u>-</u>	<u>156,786</u>	<u>156,786</u>
At 31 March 2014	-	156,786	156,786

Winding down costs provided are detailed in note 6.

14. DEFERRED TAXATION

The movement in deferred taxation during the year was:

	2014	2013
	£	£
Provision brought forward	(4,851)	-
Origination and reversal of timing difference	18,570	(5,062)
Effect of changes in tax rate	(1,789)	211
	<u>11,930</u>	<u>(4,851)</u>
Asset/(provision) carried forward	11,930	(4,851)

The deferred tax asset is being recognised as the group expects to have sufficient future taxable profits to allow the asset to be utilised, either by the company itself or by other group companies (by way of group relief).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2014

13. DEFERRED TAXATION (continued)

The asset/(provision) for deferred taxation consists of the tax effect of timing differences in respect of:

	2014	2013
	£	£
Short term timing differences	11,930	(4,851)

Finance Act 2013, which was substantively enacted in July 2013, included provisions to reduce the rate of corporation tax to 21% with effect from 1 April 2014 and 20% from 1 April 2015.

Deferred tax balances have been revalued to the lower rate of 20% in these financial statements. To the extent that the deferred tax reverses before 1 April 2015 then the impact on the net deferred tax asset will be reduced.

15. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2014, the company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings	
	2014	2013
	£	£
Operating leases which expire:		
Within 2 to 5 years	49,691	48,137

16. SHARE CAPITAL

	2014	2013
	£	£
Allotted, called-up and fully paid		
20 ordinary shares of 10p each	2	2

17. PROFIT AND LOSS ACCOUNT

	2014	2013
	£	£
Balance brought forward	(2,747,287)	(1,690,871)
Loss for the financial year	(733,705)	(1,056,416)
Balance carried forward	(3,480,992)	(2,747,287)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2014

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	2014	2013
	£	£
Opening shareholders' deficit	(2,747,285)	(1,690,869)
Loss for the financial year	(733,705)	(1,056,416)
	<hr/>	<hr/>
Closing shareholders' deficit	<u>(3,480,990)</u>	<u>(2,747,285)</u>

19. RELATED PARTY TRANSACTIONS

The company has claimed the exemption contained in FRS8, which is available to wholly-owned subsidiaries, not to disclose related party transactions with other members of the group.

20. ULTIMATE PARENT COMPANY

The company's ultimate parent company is ENER-G plc, a company incorporated in Great Britain and registered in England and Wales. The company's immediate parent company is ENER-G Holdings plc, a company incorporated in Great Britain and registered in England and Wales. The ultimate group, which is the largest group in which the results are consolidated, is headed by ENER-G plc. The smallest group in which the results are consolidated is headed by ENER-G Holdings plc. ENER-G plc is ultimately owned by a family trust of Mr Tim Scott, which is considered to be the ultimate controlling party.

Group financial statements for ENER-G plc are available from Companies Registration Office, Crown Way, Cardiff, CF4 3UZ.