eaga Renewables Limited (formerly Zen eaga Solar Limited)

Annual Report

for the year ended 31 May 2007

Registered Number 05066562

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for the year ended 31 May 2007

Contents

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Directors and Advisors

Directors

T Bokhoven	(resigned 16 February 2007)
S Caseley	
J V Dam	(resigned 8 June 2006)
A Guise	(appointed 18 March 2008)
J A Johnson	(resigned 26 September 2007)
M P Seeney	

Company Secretary
C F Judd

Registered office
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 & 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

eaga Renewables Limited (formerly Zen eaga Solar 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

On 24 July 2007 the company changed its name to eaga Renewables Limited

Principal activity
The company's principal activity is that of the sale of solar powered thermal water heating systems

Business review
On 1 June 2006 eaga plc acquired Zen International B V 's 50% holding in the company to become the ultimate parent undertaking

The results for the company show a loss before taxation of £154,179 (17 month period ended 31 May 2006 £217,872) for the year and turnover of £914,243 (17 month period ended 31 May 2006 £444,616)

The company had net liabilities of £416,061 at 31 May 2007 (31 May 2006 £261,882)

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 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 national and independent installers, 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

eaga Renewables Limited (formerly Zen eaga Solar Limited)

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

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

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

C F Judd
Company Secretary
18 March 2008

Independent auditors' report to the members of eaga Renewables Limited (formerly Zen eaga Solar Limited)

We have audited the financial statements of eaga Renewables Limited (formerly Zen eaga Solar 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

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 loss 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
18 March 2008

eaga Renewables Limited (formerly Zen eaga Solar Limited)

Profit and loss account for the year ended 31 May 2007

	Note	Year ended 31 May 2007 £	17 month period ended 31 May 2006 £
Turnover		**914,243**	444,616
Cost of sales		**(708,568)**	(357,655)
Gross Profit		**205,675**	86,961
Administrative expenses		**(361,485)**	(305,330)
Operating loss	4	**(155,810)**	(218,369)
Interest receivable	3	**1,631**	497
Loss on ordinary activities before taxation		**(154,179)**	(217,872)
Taxation	5	**-**	32,115
Loss for the financial period	12	**(154,179)**	(185,757)

All of the above amounts relate to continuing operations

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

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

eaga Renewables Limited (formerly Zen eaga Solar Limited)

Balance sheet as at 31 May 2007

	Note	31 May 2007 £	31 May 2006 £
Fixed assets			
Tangible assets	6	**1,052**	683
Current assets			
Stock	7	**154,220**	40,922
Debtors	8	**396,778**	181,280
Cash at bank and in hand		**21,163**	57,431
		572,161	279,633
Creditors amounts falling due within one year	9	**(874,774)**	(427,698)
Net current liabilities		**(302,613)**	(148,065)
Total assets less current liabilities		**(301,561)**	(147,382)
Creditors amounts falling due after one year	10	**(114,500)**	(114,500)
Net liabilities		**(416,061)**	(261,882)
Capital and reserves			
Called up share capital	11	**1,000**	1,000
Profit and loss account	12	**(417,061)**	(262,882)
Total shareholders' deficit	13	**(416,061)**	(261,882)

The financial statements on pages 6 to 15 were approved by the Board of directors on 18 March 2008 and were signed on its behalf by

A Guise
Director

eaga Renewables Limited (formerly Zen eaga Solar Limited)

Statement of accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and comply 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 The directors consider this to be appropriate as the company has continued support of its ultimate parent, eaga plc

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, over the expected useful economic lives of the assets concerned The principal annual rates used for this purpose are

Equipment 33 3% straight line

Turnover
Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts

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

Stock
Stocks and works in progress are stated at the lower of cost and net realisable value Cost is determined on a first in first out basis, and includes all direct costs incurred and attributable production overheads Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal

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

eaga Renewables Limited (formerly Zen eaga Solar Limited)

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

1 Directors' emoluments

None of the directors received any remuneration in respect of their services as directors of the company in the year (17 month period ended 31 May 2006 £Nil)

2 Employee information

All employees are directly employed by eaga plc The aggregate payroll costs recharged to the company during the period comprised

	Year ended 31 May 2007 £	17 month period ended 31 May 2006 £
Wages and salaries	**165,715**	157,535
Social security costs	**15,204**	32,121
Pension costs	**15,039**	6,530
	195,958	196,186

3 Interest receivable

	Year ended 31 May 2007 £	17 month period ended 31 May 2006 £
Bank interest receivable	**1,631**	497

4 Operating loss

	Year ended 31 May 2007 £	17 month period ended 31 May 2006 £
Operating loss is stated after charging		
Depreciation		
Tangible fixed assets	**1,000**	1,659
Auditors' remuneration for		
- Audit	**6,000**	3,279

5 Taxation

(a) Analysis of charge in period

	Year ended 31 May 2007 £	17 month period ended 31 May 2006 £
Current tax:		
UK corporation tax on losses in the period	-	(31,550)
Adjustments in respect of previous periods	-	(565)
Total tax credit	-	(32,115)

5 Taxation (continued)

(b) Factors affecting the tax charge for the period

The tax assessed for the year is higher (17 month period ended 31 May 2006 lower) than the standard rate of corporation tax in the UK of 30% The differences are explained below

	Year ended 31 May 2007 £	17 month period ended 31 May 2006 £
Loss on ordinary activities before tax	**(154,179)**	(217,872)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	**(46,254)**	(65,362)
Effects of		
Expenses not deductible for tax purposes	**11,481**	1,922
Other timing differences	**45**	31,890
Losses surrendered to other group companies	**34,728**	-
Adjustments to tax charge in respect of previous period	-	(565)
Current tax credit for the period	-	(32,115)

(c) Factors that may affect future tax charges

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 is a deferred tax asset not provided of £29,543 (period ended 31 May 2006 £45,580) There are no other factors that are expected to materially affect future tax charges

The total unprovided deferred tax asset is shown below

	Year ended 31 May 2007 £	17 month period ended 31 May 2006 £
Depreciation in excess of capital allowances	**311**	414
Short term timing differences	**29,232**	45 166
Deferred tax asset	**29,543**	45,580

6 Tangible fixed assets

	Equipment £
Cost	
At 1 June 2006	3,513
Additions	1,369
At 31 May 2007	**4,882**
Accumulated depreciation	
At 1 June 2006	2,830
Charge for the year	1,000
At 31 May 2007	**3,830**
Net book amount	
At 31 May 2007	**1,052**
At 31 May 2006	683

7 Stock

	31 May 2007 £	31 May 2006 £
Raw materials	**109,832**	40,922
Work in progress	**44,388**	-
	154,220	40,922

8 Debtors

	31 May 2007 £	31 May 2006 £
Trade debtors	**230,274**	66,796
Amounts due from group undertakings	**22,270**	-
Amounts due from related undertakings	-	90,776
Other debtors	**37,928**	23,708
Prepayments and accrued income	**106,306**	-
	396,778	181,280

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

9 Creditors: amounts falling due within one year

	31 May 2007 £	31 May 2006 £
Trade creditors	**255,669**	123,707
Amounts owed to group undertakings	**506,035**	-
Amounts owed to related undertakings	-	269,353
Taxation and social security	**7,132**	-
Accruals and deferred income	**105,938**	34,638
	874,774	427,698

Amounts owed by group and related undertakings are unsecured, interest-free and are repayable on demand

10 Creditors: amounts falling due after one year

	31 May 2007 £	31 May 2006 £
Loans owed to group undertakings	**114,500**	-
Loans owed to related undertakings	-	114,500
	114,500	114,500

Loans to group and related undertakings are unsecured, interest free, with no terms for repayment

11 Called up share capital

	31 May 2007 £	31 May 2006 £
Authorised		
12,500 'A' ordinary shares of £1 each	**12,500**	12,500
12,500 'B' ordinary shares of £1 each	**12,500**	12,500
	25,000	25,000
Allotted, called up and fully paid		
500 'A' ordinary shares of £1 each	**500**	500
500 'B' ordinary shares of £1 each	**500**	500
	1,000	1,000

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

12 Reserves

	Profit and loss account £
At 1 June 2006	(262,882)
Loss for the period	(154,179)
At 31 May 2007	**(417,061)**

13 Reconciliation of movements in shareholders' deficit

	Year ended 31 May 2007 £	17 months ended 31 May 2006 £
Opening shareholders' deficit	**(261,882)**	(76,125)
Loss for the period	**(154,179)**	(185,757)
Closing shareholders' deficit	**(416,061)**	(261,882)

14 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 in the year ended 31 May 2007

Related party transactions and balances arising in the normal course of business in the 17 month period ended 31 May 2006 were as follows

	£
Sales to eaga plc	56,002
Costs incurred recharged by eaga plc	157,414
Value of stock purchased from Zen International B V	142,885
Amounts due from eaga plc at 31 May 2006	44,955
Amounts due from Everwarm Services Limited at 31 May 2006	42,057
Amounts due from Everwarm North Limited at 31 May 2006	3,764
Amounts due to eaga plc at 31 May 2006	167,791
Amounts due to Everwarm Services Limited at 31 May 2006	12,230
Outstanding loan balance due to eaga plc at 31 May 2006	114,500
Outstanding loan balance due to Zen International B V at 31 May 2006	89,332

15 Ultimate parent undertaking and controlling party

The ultimate parent company and controlling party 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