

TAG Energy Solutions Limited

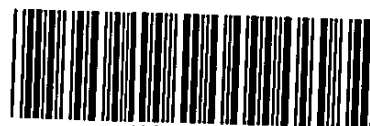
Report and Financial Statements

Period Ended

30 December 2012

Company Number 07379608

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TAG Energy Solutions Limited

Report and financial statements for the period ended 30 December 2012

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Directors

A Dawson
S J Goss
T A Rottner
F H M Castello
P G Sheehan
T J C Eggar
N J Adamson
M G Foster

Secretary and registered office

S Eason, Haverton House, Haverton Hill Rig Yard, Billingham, Stockton on Tees, TS23 1PZ

Company number

07379608

Auditors

BDO LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5RU

TAG Energy Solutions Limited

Report of the directors for the period ended 30 December 2012

The directors present their report together with the audited financial statements for the period ended 30 December 2012

Results and dividends

The profit and loss account is set out on page 6 and shows the loss for the period from 1 January 2012 to 30 December 2012

The comparative profit and loss account shows the results for the period from incorporation on 17 September 2010 to 31 December 2011

During the year the company changed its accounting reference date from 31 December to 30 December

Principal activities, review of business and future developments

The company's principal activity is that of a holding company. The principal activity of the group is that of manufacturing for the offshore construction industry together with associated management & services

The group has developed a £20m state of the art automated tubular production (ATP) facility to meet the demands of the renewable industry and actively address what is considered to be a potentially significant constraint in the supply chain for offshore wind turbine foundations. Additional capacity such as it has developed here will be essential in ensuring the Government achieves its projected targets on renewable energy

During 2012, following a successful commissioning period, the first successful projects have already been delivered from the facility. This has included jacket piles and monopile structures for the renewables market. It has been a very successful period in terms of demonstrating the capabilities of the plant, building a portfolio of experience for the group and improving the group's expertise to be able to achieve its ambitions and business plans

Future developments

During 2013 the Group has secured its first major renewables contract. This is an extremely important milestone in the development of the group. It represents a major expansion in its operations given that it is expected to deliver a total of 16 monopiles and transition pieces to a major UK offshore wind farm. It will prove the group's capability working on behalf of a top tier client, provide a reference for potential future clients and further develop the plant, its operation and the skills and experience of those operating and managing it

Having firmly proven itself as a realistic and viable option for developers and having established a strong presence and reputation in the market place, the Group has seen a significant increase in the amount of tendering work on major projects including some that will require potential collaboration with some large industrial partners

Further recognising the importance of financial strength to the future of our business the group has seen the conversion of elements of the convertible debt during 2013 to equity, a programme that we anticipate will continue during 2013 and into the early part of 2014 providing greater strength to the Group Balance Sheet

Principal risks and uncertainties

Risks relating to our business and our industry

We are subject to various risks relating to changing economic, political, legal, social, competitive, industry, business and financial conditions

TAG Energy Solutions Limited

Report of the directors for the period ended 30 December 2012 (continued)

Principal risks and uncertainties (continued)

Change in political policy may reduce or delay the investment in the renewables market

Our ATP facility is aimed at producing cans for the renewables market if government policy were to change or to be delayed it is possible that this market may not develop as we expect and this could have an adverse impact on our ability to generate new contracts for our facility

Unfavourable economic conditions and unpredictability of growth in our business may restrict our ability to obtain credit

The group expects that much of its working capital funding will be provided by the contracts that it will win. It will, however, continue to require short term working capital financing or funds to absorb contract losses and overheads or for future investment. The business has raised significant amounts of financing to deliver its business plans to date. The group has a good track record of raising equity financing and based on its strong asset base believes it will be able to access debt funding in the future. The nature of the business in which the group operates, however, is one in which projects often require specific funding and hence it is possible only to determine the funding structure of a project when it is quite close to execution. As such this can lead to some uncertainty in funding arrangements over the life cycle of a project. The Directors have measures in place to continually assess this risk to ensure that they have sufficient capital to meet their liabilities as they fall due. Further detail is provided in note 1 to the financial statements.

Our industry is subject to stringent regulation in the area of Health and Safety

Our industry is subject to stringent controls and protocols at a number of levels. Any failure by us to comply with these laws or regulations could result in remediation costs or other sanctions. In addition authorities could suspend our operations, refuse to issue permits to operate, or mandate us to change our operating processes resulting in significant costs to the group.

Equipment may not operate to design resulting in additional costs

In commissioning any new facility we face the risk that equipment does not operate to specification or does not operate at the planned level of efficiency. Such a failure could have a negative impact on our ability to operate in a profitable manner.

Contract risk

The group enters into lump sum contracts for the provision of goods to its customers. These contracts are for a fixed price against a given design provided generally by the client. There is a risk that the costs or complexity of these contracts are not as anticipated and that additional costs are incurred in order to deliver the obligations under the contract.

Directors

The directors of the company during the period were

A Dawson
S J Goss
T A Rottner
F H M Castello
P G Sheehan
D C Eason (resigned 6 July 2012)
T J C Eggar
N J Adamson
M G Foster (appointed 12 December 2012)
J Mackaskill (appointed 29 August 2012 and resigned 21 December 2012)

TAG Energy Solutions Limited

Report of the directors for the period ended 30 December 2012 (*continued*)

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 group and company 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 group and company and of the profit or loss of the group 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,
- 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.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the board



10th October 2013.

S Eason
Secretary

TAG Energy Solutions Limited

Independent auditor's report

To the members of TAG Energy Solutions Limited

We have audited the financial statements of TAG Energy Solutions Limited for the period from 1 January 2012 to 30 December 2012 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. 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 directors and auditors

As explained more fully in the statement of directors' responsibilities, 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 group's and the parent company's affairs as at 30 December 2012 and of the group's loss for the period 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 - going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern. Further funds will be required to finance the company's planned work programme and the directors are therefore currently seeking to raise additional funding. The directors are confident that the required funding will be successfully raised and have received a non-binding letter of continued financial support from current funders albeit no additional funds have been confirmed and no agreements have been signed at the date of this report. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

TAG Energy Solutions Limited

Independent auditor's report (*continued*)


Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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



*Ian Beaumont (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Leeds
United Kingdom*

15/10/2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

TAG Energy Solutions Limited

Consolidated profit and loss account for the period ended 30 December 2012

	Note	Period ended 30 December 2012 £	Period ended 31 December 2011 £
Turnover	2	4,196,003	796,011
Cost of sales		4,902,361	544,553
Gross (loss)/profit		(706,358)	251,458
Administrative expenses		5,632,866	4,365,492
		(6,339,224)	(4,114,034)
Other operating income		302,430	29,145
Group operating loss	3	(6,036,794)	(4,084,889)
Other interest receivable and similar income		187	8,516
Interest payable and similar charges	6	(2,976,996)	(2,289,639)
Loss on ordinary activities before taxation		(9,013,603)	(6,366,012)
Taxation on loss on ordinary activities	7	(375,000)	262,366
Loss on ordinary activities after taxation		(9,388,603)	(6,103,646)

All amounts relate to continuing activities

All recognised gains and losses in the current and prior period are included in the profit and loss account

The notes on pages 10 to 26 form part of these financial statements

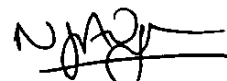
TAG Energy Solutions Limited

Consolidated balance sheet at 30 December 2012

Company number 07379608

	Note	30 December 2012 £	30 December 2012 £	31 December 2011 £	31 December 2011 £
Fixed assets					
Intangible assets	9		80,334		85,062
Tangible assets	10		17,921,160		18,309,771
			<u>18,001,494</u>		<u>18,394,833</u>
Current assets					
Stocks	12	54,661		-	
Debtors	13	404,551		987,208	
Cash at bank and in hand		487,817		3,001,924	
		<u>947,029</u>		<u>3,989,132</u>	
Creditors: amounts falling due within one year	14	1,232,033		1,817,563	
		<u></u>		<u></u>	
Net current (liabilities)/assets			<u>(285,004)</u>		<u>2,171,569</u>
Total assets less current liabilities			<u>17,716,490</u>		<u>20,566,402</u>
Creditors: amounts falling due after more than one year	15		24,597,683		21,465,966
			<u>(6,881,193)</u>		<u>(899,564)</u>
Capital and reserves					
Called up share capital	18		86,111		52,041
Share premium account	19		8,524,945		5,152,041
Profit and loss account	19		(15,492,249)		(6,103,646)
Shareholders' deficit	20		<u>(6,881,193)</u>		<u>(899,564)</u>

The financial statements were approved by the board of directors and authorised for issue on 10th October 2013.



N J Adamson
Director

The notes on pages 10 to 26 form part of these financial statements

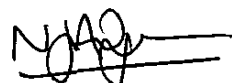
TAG Energy Solutions Limited

Company balance sheet at 30 December 2012

Company number 07379608

	Note	30 December 2012 £	30 December 2012 £	31 December 2011 £	31 December 2011 £
Fixed assets					
Fixed asset investments	11		8,359,194		8,359,194
Current assets					
Debtors - due after more than one year	13	23,786,131		17,289,511	
Cash at bank and in hand		6,681		993	
		<u>23,792,812</u>		<u>17,290,504</u>	
Creditors: amounts falling due within one year	14	<u>293,751</u>		<u>235,555</u>	
Net current assets			<u>23,499,061</u>		<u>17,054,949</u>
Total assets less current liabilities			<u>31,858,255</u>		<u>25,414,143</u>
Creditors: amounts falling due after more than one year	15		<u>23,933,752</u>		<u>20,762,522</u>
			<u>7,924,503</u>		<u>4,651,621</u>
Capital and reserves					
Called up share capital	18		86,111		52,041
Share premium account	19		8,524,945		5,152,041
Profit and loss account	19		(686,553)		(552,461)
Shareholders' funds	20		<u>7,924,503</u>		<u>4,651,621</u>

The financial statements were approved by the board of directors and authorised for issue on 10th October 2013



N J Adamson
Director

The notes on pages 10 to 26 form part of these financial statements

TAG Energy Solutions Limited

Consolidated cashflow statement for the period ended 30 December 2012

	Note	Period ended 30 December 2012 £	Period ended 30 December 2012 £	Period ended 31 December 2011 £	Period ended 31 December 2011 £
Net cash outflow from operating activities	23		(5,731,347)		(3,605,210)
Returns on investments and servicing of finance					
Interest received		187		8,516	
Interest paid bank loans		(3,343)		(6,584)	
Interest paid hire purchase		(1,190)		(14,061)	
Net cash outflow from returns on investments and servicing of finance			(4,346)		(12,129)
Taxation					
Corporation tax paid			178,411		(177,930)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(570,551)		(12,997,014)	
Receipts from sale of tangible fixed assets		30,581		34,204	
Net cash outflow from capital expenditure and financial investment			(539,970)		(12,962,810)
Acquisitions and disposals					
Purchase of business operations (net of cash acquired)			-		(974,444)
Cash outflow before use of financing			(6,097,252)		(17,732,523)
Financing					
Share capital issued		-		25,500	
Share premium thereon		-		2,524,500	
New loans		3,605,741		17,510,000	
Capital element of finance leases repaid		(22,596)		(69,663)	
New grants		-		744,110	
Net cash inflow from financing			3,583,145		20,734,447
(Decrease)/increase in cash	24		(2,514,107)		3,001,924

The notes on pages 10 to 26 form part of these financial statements

TAG Energy Solutions Limited

Notes forming part of the financial statements for the period ended 30 December 2012

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of freehold land and buildings and are in accordance with applicable accounting standards

The following principal accounting policies have been applied

Going concern

The financial statements have been prepared on the going concern basis which assumes that the company will have sufficient funds available to enable it to continue to trade for the foreseeable future

The directors have prepared, reviewed and adopted financial forecasts for the group for the 12 months from the date of approval of the financial statements. The main contract that the group is executing at present is loss making and is forecast to result in cash outflows. The forecasts include these losses together with certain assumptions with regard to the timing of any funds generated from contracts and costs relating to contracts and overheads. The forecasts indicate that the group will require additional cash funds to continue with its activities and its planned work program.

The directors are therefore currently seeking to raise additional funding to execute its current project workload and planned work programme. As contracts are executed and their requirements evolve the required funding pattern changes and this is kept under review as described in the risks section of the Directors report. The group has raised substantial equity already in support of this contract and the directors have received a non-binding letter of continued financial support from current funders albeit no additional funds have been confirmed and no agreements have been signed at the date of this report. The group also has a number of active projects to raise additional funding.

As a result of the committed contracts and the requirement from that to raise further funding which is not yet contractually committed this indicates the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern in the event that such funding is not successfully completed. The financial statements do not contain any adjustments which may be required if the group is unable to secure additional funding.

The directors are confident that the required funding will be successfully raised to provide funds to meet cash requirements in the forecasts and for this reason have prepared the financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements incorporate the results of TAG Energy Solutions Limited and all of its subsidiary undertakings as at 30 December 2012 using the acquisition method of accounting. The results of subsidiary undertakings are included from the date of acquisition.

Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life of 20 years. Impairment tests on the carrying value of goodwill are undertaken

- at the end of the first full financial year following acquisition,
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

TAG Energy Solutions Limited

Notes forming part of the financial statements for the period ended 30 December 2012 (*continued*)

1 Accounting policies (*continued*)

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales

The group enters into contracts for different lengths of time and these can be more than 12 months in duration. The contracts are typically for the delivery of multiple foundation structures over the contract term.

Revenue is recognized when the risks and rewards of each individual structure are transferred to the customer. Profits relating to the delivery of the goods are recognized at the same time in reference to the contract as a whole.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Plant and machinery	- 5 - 25% straight line
Motor vehicles	- 25% straight line
Fixtures, fittings and equipment	- 25% straight line

Freehold property is revalued to market value and depreciated at a rate of 2% per annum over its remaining useful life. The difference between the actual and historical cost depreciation charge is transferred to the profit and loss account in line with the useful life.

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment. Investments held as current assets are stated at the lower of cost and net realisable value.

Foreign currency

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- the recognition of deferred tax assets is limited to the extent that the group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

TAG Energy Solutions Limited

Notes forming part of the financial statements for the period ended 30 December 2012 *(continued)*

1 Accounting policies *(continued)*

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account over the shorter of estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Pension costs

Contributions to the group's defined contribution pension scheme are charged to the profit and loss account in the period in which they become payable.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Government grants

Government grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

Financial liability and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

2 Turnover

Turnover is wholly attributable to the principal activity of the group and arises solely within the United Kingdom.

TAG Energy Solutions Limited

Notes forming part of the financial statements
for the period ended 30 December 2012 (continued)

3 Operating loss

	Period ended 30 December 2012 £	Period ended 31 December 2011 £
This is arrived at after charging		
Depreciation of tangible fixed assets	899,789	191,888
Amortisation of positive goodwill	4,728	9,453
Loss on disposal of tangible fixed assets	28,792	32,792
Hire of plant and machinery - operating leases	39,974	1,865
Fees payable to the company's auditor for the auditing of the company's annual accounts	27,431	22,238
Fees payable to the company's auditor for other non-audit services	5,000	4,000
	1,015,714	272,236

Amounts paid to the company's auditor in respect of services to the company, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis

4 Employees

Staff costs (including directors) consist of

	Group Period ended 30 December 2012 £	Group Period ended 31 December 2011 £
Wages and salaries	3,023,010	1,803,607
Social security costs	327,006	211,066
Other pension costs	149,491	127,044
	3,499,507	2,141,717

The average number of employees (including directors) during the period was 64 (2011 - 31)

TAG Energy Solutions Limited

Notes forming part of the financial statements
for the period ended 30 December 2012 (continued)

5 Directors' remuneration

	Period ended 30 December 2012 £	Period ended 31 December 2011 £
Directors' emoluments	319,446	481,065
Company contributions to money purchase pension schemes	21,583	29,166

There were 3 directors in the group's defined contribution pension scheme during the period (2011 - 3)

The total amount payable to the highest paid director in respect of emoluments was £153,933 (2011 - £233,686) Company pension contributions of £10,500 (2011 - £14,000) were made to a money purchase scheme on their behalf

6 Interest payable and similar charges

	Period ended 30 December 2012 £	Period ended 31 December 2011 £
Bank loans and overdrafts	3,343	6,584
All other loans	2,683,832	1,908,206
Finance leases and hire purchase contracts	1,190	14,061
Amortisation of issue costs	288,631	360,788
	2,976,996	2,289,639

TAG Energy Solutions Limited

Notes forming part of the financial statements
for the period ended 30 December 2012 (continued)

7 Taxation on loss on ordinary activities

	Period ended 30 December 2012 £	Period ended 31 December 2011 £
<i>UK Corporation tax</i>		
Current tax on profits of the period	-	(158,905)
<i>Deferred tax</i>		
Origination and reversal of timing differences	345,000	(103,461)
Effect of tax rate change on opening balance	30,000	-
	<hr/>	<hr/>
Movement in deferred tax provision	375,000	(103,461)
	<hr/>	<hr/>
Taxation on loss on ordinary activities	375,000	(262,366)
	<hr/>	<hr/>

The tax assessed for the period is higher than the standard rate of corporation tax in the UK applied to loss before tax. The differences are explained below.

	Period ended 30 December 2012 £	Period ended 31 December 2011 £
Loss on ordinary activities before tax	(9,013,603)	(6,366,012)
	<hr/>	<hr/>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 24.50% (2011 - 26.49%)	(2,208,333)	(1,686,357)
Effect of		
Expenses not deductible for tax purposes	248,263	252,516
Expenses not deductible for tax purposes - fixed assets	116,713	80,914
Non taxable income	(9,310)	(44,469)
Depreciation for period in excess/(deficit) of capital allowances	100,066	(1,446)
Adjustment to tax charge in respect of previous periods	-	(158,905)
Other short term timing differences	45,704	71,901
Tax losses available to carry forward	1,706,897	1,341,193
Tax rate differences	-	(14,252)
	<hr/>	<hr/>
Current tax credit for the period	-	(158,905)
	<hr/>	<hr/>

The group had unutilised tax losses available to carry forward of £13,131,276 (2011: £5,629,900). No deferred tax asset has been recognised on these losses as there is currently not sufficient evidence to support recognition of this asset on the basis of recovery within 12 months required under United Kingdom Generally Accepted Accounting Practice.

TAG Energy Solutions Limited

Notes forming part of the financial statements for the period ended 30 December 2012 (*continued*)

8 Profit for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The group loss for the period includes a loss after tax of £134,092 (2011 - £552,461) relating to the parent company.

9 Intangible fixed assets

Group

	Goodwill on consolidation £
<i>Cost or valuation</i>	
At 1 January 2012 and 30 December 2012	94,515
<i>Amortisation</i>	
At 1 January 2012	9,453
Provided for the period	4,728
At 30 December 2012	14,181
<i>Net book value</i>	
At 30 December 2012	80,334
At 31 December 2011	85,062

TAG Energy Solutions Limited

Note forming part of the financial statements
for the period ended 30 December 2012 (*continued*)

10 Tangible fixed assets

Group

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Assets under construction £	Total £
<i>Cost or valuation</i>						
At 1 January 2012	4,931,978	198,788	139,457	408,925	14,464,208	20,143,356
Additions	-	444,968	-	-	125,583	570,551
Disposals	-	-	(130,957)	-	-	(130,957)
Transfers	5,771,765	8,692,443	-	-	(14,464,208)	-
At 30 December 2012	10,703,743	9,336,199	8,500	408,925	125,583	20,582,950
<i>Depreciation</i>						
At 1 January 2012	1,349,665	77,862	59,159	346,899	-	1,833,585
Provided for the period	193,189	644,171	17,050	45,379	-	899,789
Disposals	-	-	(71,584)	-	-	(71,584)
At 30 December 2012	1,542,854	722,033	4,625	392,278	-	2,661,790
<i>Net book value</i>						
At 30 December 2012	9,160,889	8,614,166	3,875	16,647	125,583	17,921,160
At 31 December 2011	3,582,313	120,926	80,298	62,026	14,464,208	18,309,771

TAG Energy Solutions Limited

Notes forming part of the financial statements
for the period ended 30 December 2012 (*continued*)

10 Tangible fixed assets (*continued*)

The group's freehold land and buildings, prior to the completion of their construction, were subject to a full revaluation in September 2010 by Sanderson Weatherall, Chartered Surveyors, on a value in use basis. The amount of the valuation was £3,500,000.

The directors are not aware of any material change in the valuations of freehold land and buildings and the valuations have not been updated.

11 Fixed asset investments

Company

	Group undertakings £
<i>Cost or valuation</i>	
At 1 January 2012 and 30 December 2012	8,359,194

Subsidiary undertakings, associated undertakings and other investments

The principal undertakings in which the company's interest at the period end is 20% or more are as follows:

	Country of incorporation or registration	Class of share capital held	Proportion of share capital held
<i>Subsidiary undertakings</i>			
Tees Alliance Group Corporate Limited	England and Wales	Ordinary	100
Tees Alliance Group Limited	England and Wales	Ordinary	100

The investment in Tees Alliance Group Limited is held indirectly.

12 Stocks

	Group 30 December 2012 £	Group 31 December 2011 £	Company 30 December 2012 £	Company 31 December 2011 £
Work in progress	54,661	-	-	-

There is no material difference between the replacement cost of stocks and the amounts stated above.

TAG Energy Solutions Limited

Notes forming part of the financial statements
for the period ended 30 December 2012 (*continued*)

13 Debtors

	Group 30 December 2012 £	Group 31 December 2011 £	Company 30 December 2012 £	Company 31 December 2011 £
Amounts receivable within one year				
Trade debtors	188,878	211,637	-	-
Directors' loan accounts	100,000	31,250	-	-
Corporation tax recoverable	-	158,905	-	-
Other debtors	30,883	102,965	-	-
Prepayments and accrued income	84,790	107,451	-	-
Deferred taxation (see note 16)	-	375,000	-	-
	<u>404,551</u>	<u>987,208</u>	<u>-</u>	<u>-</u>
Amounts receivable after more than one year				
Amounts owed by group undertakings	-	-	23,786,131	17,289,511
	<u>-</u>	<u>-</u>	<u>23,786,131</u>	<u>17,289,511</u>
Total debtors	<u>404,551</u>	<u>987,208</u>	<u>23,786,131</u>	<u>17,289,511</u>

TAG Energy Solutions Limited

Notes forming part of the financial statements
for the period ended 30 December 2012 (*continued*)

14 Creditors: amounts falling due within one year

	Group 30 December 2012 £	Group 31 December 2011 £	Company 30 December 2012 £	Company 31 December 2011 £
Trade creditors	469,017	1,074,906	-	-
Corporation tax	19,506	-	-	-
Other taxation and social security	-	20,542	-	-
Obligations under finance lease and hire purchase contracts	-	22,596	-	-
Other creditors	4,874	6,666	-	-
Accruals and deferred income	697,970	652,187	293,751	235,555
Grants	40,666	40,666	-	-
	<u>1,232,033</u>	<u>1,817,563</u>	<u>293,751</u>	<u>235,555</u>

15 Creditors: amounts falling due after more than one year

	Group 30 December 2012 £	Group 31 December 2011 £	Company 30 December 2012 £	Company 31 December 2011 £
Convertible debt liability component	3,739,223	3,081,889	3,739,223	3,081,889
Other loans	20,194,529	17,680,633	20,194,529	17,680,633
Grants	663,931	703,444	-	-
	<u>24,597,683</u>	<u>21,465,966</u>	<u>23,933,752</u>	<u>20,762,522</u>

Maturity of debt

Group

	Loans and overdrafts 30 December 2012 £	Loans and overdrafts 31 December 2011 £	Finance leases 30 December 2012 £	Finance leases 31 December 2011 £	Convertible debt 30 December 2012 £	Convertible debt 31 December 2011 £
In one year or less, or on demand	-	-	-	22,596	-	-
In more than five years	<u>20,194,529</u>	<u>17,680,633</u>	<u>-</u>	<u>-</u>	<u>3,739,223</u>	<u>3,081,889</u>

TAG Energy Solutions Limited

Notes forming part of the financial statements
for the period ended 30 December 2012 (continued)

15 Creditors' amounts falling due after more than one year (continued)

Included in creditors due after more than one year are the following amounts repayable in more than five years

	Group 30 December 2012 £	Group 31 December 2011 £	Company 30 December 2012 £	Company 31 December 2011 £
Convertible debt	3,739,223	3,081,889	3,739,223	3,081,889
Loans	20,194,529	17,680,633	20,194,529	17,680,633
	<u>23,933,752</u>	<u>20,762,522</u>	<u>23,933,752</u>	<u>20,762,522</u>

Included in loans is an amount totalling £8,500,000 (2011 £8,500,000) relating to loan notes that has a fixed maturity date of 24 September 2017. Accrued loan interest of £1,639,000 (2011 £616,000) is also included. Interest is payable on redemption.

Also included in loans is an amount totalling £8,212,263 (2011 £8,162,333) relating to loan notes that have no fixed maturity date and are repaid at the discretion of the company or on an exit event. Accrued loan interest of £2,472,968 (2011 £1,217,000) is also included. Interest is payable on the delivery of certain performance criteria.

Issue costs are being amortised over the life of the loans. At 31 December 2012 issue costs totalling £629,316 (2011 £814,700) have been netted off the loan notes.

The convertible debt comprises £3,600,000 Convertible A Loan notes and £5,721 Convertible B Loan notes which have no specific maturity and can be redeemed when the company exercises its right to do so. The loan notes are convertible within 12 months from the date of issue.

Accrued loan interest of £133,503 (2011 £21,889) is included in convertible debt.

16 Provisions for liabilities

Group

	Deferred taxation £
Transferred from debtors	(375,000)
Charged to profit and loss account	375,000
	<u>-</u>
At 30 December 2012	-

TAG Energy Solutions Limited

Notes forming part of the financial statements
for the period ended 30 December 2012 (*continued*)

16 Provisions for liabilities (*continued*)

Deferred taxation

	Group 30 December 2012 £	Group 31 December 2011 £	Company 30 December 2012 £	Company 31 December 2011 £
Unutilised tax losses	-	(375,000)	-	-
	-	(375,000)	-	-

17 Pensions

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge amounted to £149,491 (2011 - £127,044). There were no outstanding or prepaid contributions at either the beginning or end of the financial period.

18 Share capital

	30 December 2012 £	31 December 2011 £
<i>Allotted, called up and fully paid</i>		
2,550,000 Ordinary A shares of 1 pence each	59,570	25,500
1,301,021 Ordinary B shares of 1 pence each	13,010	13,010
416,327 Ordinary C shares of 1 pence each	4,163	4,163
936,735 Ordinary D shares of 1 pence each	9,368	9,368
	86,111	52,041

All Ordinary A, B, C and D shares rank parri passu in all respects. On the listing or sale of the company the Ordinary C and D shares are subject to ratchet conditions based on the amount of absolute and discounted cash flow returns received by the Ordinary A shareholders.

On a winding up the balance of assets available for distribution shall be distributed among the ordinary shareholders pro rata to the nominal value of shares held.

TAG Energy Solutions Limited

Notes forming part of the financial statements
for the period ended 30 December 2012 (*continued*)

19 Reserves

Group

	Share premium account £	Profit and loss account £
At 1 January 2012	5,152,041	(6,103,646)
Premium on shares issued during the period	3,372,904	-
Loss for the period	-	(9,388,603)
	<u>8,524,945</u>	<u>(15,492,249)</u>
At 30 December 2012	<u>8,524,945</u>	<u>(15,492,249)</u>

Company

	Share premium account £	Profit and loss account £
At 1 January 2012	5,152,041	(552,461)
Premium on shares issued during the period	3,372,904	-
Loss for the period	-	(134,092)
	<u>8,524,945</u>	<u>(686,553)</u>
At 30 December 2012	<u>8,524,945</u>	<u>(686,553)</u>

20 Reconciliation of movements in shareholders' (deficit)/funds

	Group 30 December 2012 £	Group 31 December 2011 £	Company 30 December 2012 £	Company 31 December 2011 £
Loss for the period	(9,388,603)	(6,103,646)	(134,092)	(552,461)
Issue of shares	34,070	-	34,070	-
Premium on shares issued during the period	<u>3,372,904</u>	<u>5,152,041</u>	<u>3,372,904</u>	<u>5,152,041</u>
Net (deductions from)/additions to shareholders' (deficit)/funds	(5,981,629)	(951,605)	3,272,882	4,599,580
Opening shareholders' (deficit)/funds	<u>(899,564)</u>	<u>52,041</u>	<u>4,651,621</u>	<u>52,041</u>
Closing shareholders' (deficit)/funds	<u>(6,881,193)</u>	<u>(899,564)</u>	<u>7,924,503</u>	<u>4,651,621</u>

TAG Energy Solutions Limited

Notes forming part of the financial statements
for the period ended 30 December 2012 (continued)

21 Related party disclosures

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with its wholly owned subsidiaries

Loans and transactions concerning directors and officers of the company

	Amounts owed by directors 2012 £	Amounts owed by directors 2011 £	Maximum outstanding in period £
D Eason	-	31,250	100,000

During the period the group purchased fixed assets totalling £nil (2011 £53,000) from David Eason, a director of the company during the period

During the period the group paid £nil (2011 £275,000) to Eason Law LLP for services rendered Eason Law LLP is an entity in which Scott Eason, the Company Secretary, is a member

During the period the group paid £143,917 (2011 £174,893) to TAG Investors Limited for services rendered TAG Investors Limited is a company in which F H M Castello, S J Goss and P G Sheehan are directors

All transactions with related parties are made on an arms length basis

On 6 July 2012 D Eason resigned as a director of the company

22 Capital commitments

	Group 30 December 2012 £	Group 31 December 2011 £	Company 30 December 2012 £	Company 31 December 2011 £
Contracted but not provided for	-	84,298	-	-

TAG Energy Solutions Limited

Notes forming part of the financial statements
for the period ended 30 December 2012 (*continued*)

23 Reconciliation of operating loss to net cash outflow from operating activities

	Period ended 30 December 2012 £	Period ended 31 December 2011 £
Operating loss	(6,036,794)	(4,084,889)
Amortisation of intangible fixed assets	4,728	9,453
Depreciation of tangible fixed assets	899,789	191,888
Loss on sale of tangible fixed assets	28,792	32,792
Increase in stocks	(54,661)	-
Decrease in debtors	48,752	572,844
Decrease in creditors	(621,953)	(327,298)
	<hr/>	<hr/>
Net cash outflow from operating activities	(5,731,347)	(3,605,210)
	<hr/>	<hr/>

24 Reconciliation of net cash flow to movement in net debt

	Period ended 30 December 2012 £	Period ended 31 December 2011 £
(Decrease)/increase in cash	(2,514,107)	3,001,924
Add back cash inflow from changes in debt	(3,583,145)	(17,440,337)
	<hr/>	<hr/>
Movement in net debt resulting from cash flows	(6,097,252)	(14,438,413)
Finance leases acquired	-	(92,259)
Share proceeds on conversion of debt to equity	3,406,974	-
Amortisation of debt issue costs	(288,631)	(360,788)
Other non-cash movements	-	(2,891,734)
Accrued loan interest	(2,683,832)	-
	<hr/>	<hr/>
Movement in net debt	(5,662,741)	(17,783,194)
Opening net debt	(17,783,194)	-
	<hr/>	<hr/>
Closing net debt	(23,445,935)	(17,783,194)
	<hr/>	<hr/>

The other non-cash movements in 2011 relate to loan notes issued on the acquisition of Tees Alliance Group Corporate Limited

TAG Energy Solutions Limited

Notes forming part of the financial statements
for the period ended 30 December 2012 *(continued)*

25 Analysis of net debt

	At 1 January 2012 £	Cash inflow from changes in debt £	Other non- cash items £	At 30 December 2012 £
Cash at bank and in hand	3,001,924	(2,514,107)	-	487,817
Debt due after one year	(20,762,522)	(3,605,741)	434,511	(23,933,752)
Finance leases	(22,596)	22,596	-	-
		(3,583,145)		
Total	(17,783,194)	(6,097,252)	434,511	(23,445,935)

Other non-cash items are detailed in note 24 to the financial statements