

E.ON CONNECTING ENERGIES LIMITED
STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the Year Ended 31 December 2014

Registered No: 7592412

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E.ON CONNECTING ENERGIES LIMITED
Strategic Report for the Year Ended 31 December 2014

The directors present their strategic report of the Company for the year ended 31 December 2014.

Fair review of the business

On 1 October 2013, the Company acquired the trade and assets of the energy efficiency and microgeneration businesses from E.ON Energy Solutions Limited and began trading from that date.

During the year, the Company entered new markets offering further technologies, whilst additionally generating an increased pipeline of sales opportunities. It has become clearer during the year that the lead times from initial customer contact to contract completion are longer than originally anticipated.

The Company continues to seek opportunities to integrate complimentary services to its existing operations. In that regard, the Company has entered into a strategic partnership with Intelligent Maintenance Systems (IMS), a leading UK based provider of machine-to-machine (M2M) communication solutions. The Company has taken a 25% stake in IMS and has agreed to join forces on customer projects and software development.

Based in Milton Keynes, UK, IMS employs 80 people. It develops and markets innovative M2M solutions that collect operating data from customer devices ranging from refrigeration to air conditioning and is able to control the devices remotely. This makes it possible to optimise the operations, maintenance and repair processes for the devices and to reduce energy costs. A key to IMS's success is that its technology is extremely flexible and can communicate with the control systems of most devices.

At 31 December 2014, the Company had net liabilities of £5,412,000 (2013: net liabilities of £1,353,000). The financial position of the Company at the year end was as expected. Further information regarding the financial position of the Company at the year end is provided in the Directors' Report. The level of business activity is expected to increase during 2015, in line with the Company's strategy.

Principal risks and uncertainties

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

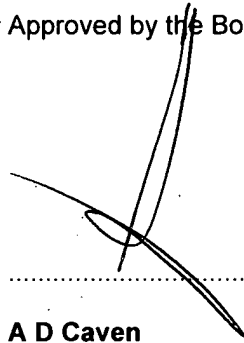
The key business risks and uncertainties affecting the Company are considered to relate to asset performance, credit risks, and inflation. The management of risks is undertaken at the E.ON SE consolidated ('group') level. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided within the financial review section of the group's annual report which does not form part of this report.

Key performance indicators ('KPIs')

The Board of Management of E.ON SE manages the Company's operations on a divisional basis. For this reason, the Company's directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the Other EU Countries division of E.ON SE, which includes the Company, are discussed within the group's annual report which does not form part of this report. The directors do not believe there are any further relevant KPIs that are not already disclosed within the financial statements.

E.ON CONNECTING ENERGIES LIMITED
Strategic Report for the Year Ended 31 December 2014 (continued)

Approved by the Board of Directors on 6 August 2015 and signed on its behalf by:

A handwritten signature in black ink, consisting of a large, stylized 'A' followed by 'D Caven'. The signature is written over a horizontal dotted line.

A D Caven
Director

E.ON Connecting Energies Limited
Company No: 7592412
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

E.ON CONNECTING ENERGIES LIMITED
Directors' Report for the Year Ended 31 December 2014

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2014.

Directors of the Company

The directors who held office during the year and subsequent to the year end are given below:

M Herold

A D Caven (appointed 25 September 2014)

T Buss (appointed 8 May 2013 and resigned 25 September 2014)

Principal activity

The Company's principal activity during the year and at the year end was to provide energy efficiency and renewable energy technology solutions to its customers in the UK.

Financial instruments

Objectives and policies

The Company, in common with other E.ON SE subsidiaries, must comply with the E.ON SE's group finance guidelines that set out the principles and framework for managing group-wide finances. The Company also utilises the E.ON UK plc operational treasury team which services the treasury requirements of the business. Further information on the E.ON SE group's policies and procedures is available in the financial statements of the E.ON SE group.

E.ON SE has a central department that is responsible for financing and treasury strategy, policies and procedures throughout the E.ON SE group. Major strategic financing and corporate finance actions are planned and executed by the corporate finance team at E.ON SE. There is also a treasury team which co-ordinates currency and interest risk management as well as cash management for the whole E.ON SE group.

The Company operates its own specific treasury procedures within the overall E.ON SE treasury framework. The E.ON SE treasury team liaise closely with the Company to ensure that liquidity and risk management needs are met within the requirement of the E.ON SE group's policies and procedures.

E.ON SE's central financing strategy

E.ON SE's financing policy is to centralise external financing at the E.ON SE level and to reduce external debt in subsidiaries wherever possible. E.ON SE then funds its subsidiaries with inter-company finance. This finance may be in the form of equity or debt, as appropriate.

E.ON SE's treasury team employs a continuous forecasting and monitoring process to ensure that the Company complies with all its banking and other covenants that apply to the financing of the UK business. Treasury works in close liaison with the other E.ON companies operating within the UK, when considering hedging requirements related to their activities. A group-wide cash forecasting and

E.ON CONNECTING ENERGIES LIMITED
Directors' Report for the Year Ended 31 December 2014 (continued)

currency exposure reporting process exists which ensures regular reporting into UK treasury of future positions, both short and medium term. Information is submitted to E.ON SE for incorporation into E.ON SE Group forecasting processes on a weekly and quarterly basis.

The Company does not enter into speculative treasury arrangements. Accordingly, all transactions in financial instruments are matched to underlying business requirement, such as committed purchases or forecast funding requirements. Treasury activities are reviewed by internal audit on a regular basis.

Price risk, credit risk, liquidity risk and cash flow risk

Foreign exchange risk management

The Company primarily trades in Sterling but its principal currency exposure is to the Euro. The Company operates within the framework of E.ON SE's guidelines for foreign exchange risk management. The Company has local policies dealing with operational exposures (typically cash flows arising on construction and maintenance which will impact the cash flow and profit and loss account).

The Company's policy is to hedge all contractually committed operational exposures, as soon as the commitment arises. The Company will also partly hedge less certain cash flows when appropriate. The Company determines the hedging of translation exposures (the value of foreign currency liabilities and assets in the balance sheet) on a case by case basis in consultation with the E.ON SE treasury team.

Credit risk management

The Company is subject to the E.ON SE group finance policy which sets a credit limit for every financial institution with which the Company does a significant amount of business. The credit worthiness of the institutions with which the Company does significant business is established by the ratings they receive from Moody's and Standards & Poor's. In addition, other counterparty credit risk is subject to the E.ON SE group credit risk management policy supported by individual business unit policies to establish internal rating for limit setting. Credit risk assessment involved quantitative and qualitative criteria including ratings by independent rating agencies where these are available.

Liquidity planning, trends and risks

The Company has sufficient committed borrowing facilities to meet planned liquidity needs with headroom, through facilities provided by E.ON SE. The Company also has a bank overdraft facility to support daily liquidity management.

Results and dividends

The Company's loss for the financial year is £4,059,000 (2013: loss of £1,353,000). No interim dividends were paid during the year (2013: £nil). The directors do not recommend the payment of a final dividend (2013: £nil).

The level of business activity is expected to increase during 2015, in line with the Company's strategy.

Political donations

No political donations were made during the year (2013: £nil).

E.ON CONNECTING ENERGIES LIMITED
Directors' Report for the Year Ended 31 December 2014 (continued)

Directors' indemnities

The Company maintains liability insurance for its directors and officers. This is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. This insurance cover was in force during the year and is still in force at the date of approving the Directors' Report.

Going concern

Notwithstanding the fact that the Company is loss making and has net current liabilities and net liabilities, the directors have prepared the financial statements on the going concern basis. The directors have received confirmation from E.ON Connecting Energies GmbH, the Company's immediate parent undertaking, of its intention to financially support the Company such that the Company can meet its obligations as they fall due for a period of at least twelve months from the date of the auditors' approval of these financial statements.

Auditors and disclosure of information to auditors

So far as each of the directors is aware, there is no relevant audit information of which the Company's auditors are unaware and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101).

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;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; 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.

E.ON CONNECTING ENERGIES LIMITED
Directors' Report for the Year Ended 31 December 2014 (continued)

Approved by the Board of Directors on 6 August 2015 and signed on its behalf by:



.....

A D Caven
Director

E.ON Connecting Energies Limited
Company No: 7592412
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

E.ON CONNECTING ENERGIES LIMITED
Independent Auditors' Report to the Members of
E.ON Connecting Energies Limited

Report on the financial statements

Our opinion

In our opinion, E.ON Connecting Energies Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 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.

What we have audited

E.ON Connecting Energies Limited's financial statements comprise:

- the balance sheet as at 31 December 2014;
- the profit and loss account for the year then ended;
- the statement in changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

- 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), including FRS 101 "Reduced Disclosure Framework".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent Auditors' Report to the Members of
E.ON Connecting Energies Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the statement of directors' responsibilities set out on page 5, 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 & Ireland) ("ISAs(UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

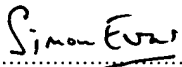
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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 the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Strategic Report, Directors' Report and Financial Statements 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.



Simon Evans (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Birmingham

Date: 6 August 2015

E.ON CONNECTING ENERGIES LIMITED
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2014

| | | Year ended 31 December 2014 | Year ended 31 December 2013 |
|--|------|--------------------------------|--------------------------------|
| | Note | £000 | £000 |
| Turnover | 2 | 4,686 | 1,522 |
| Cost of sales | | (2,392) | (979) |
| Gross profit | | 2,294 | 543 |
| Administrative expenses | | (6,445) | (2,624) |
| Other operating income | | 4 | 359 |
| Operating loss | 3 | (4,147) | (1,722) |
| Net interest payable | 6 | (243) | (41) |
| Loss on ordinary activities before taxation | | (4,390) | (1,763) |
| Tax on loss on ordinary activities | 7 | 331 | 410 |
| Loss for the year | 17 | (4,059) | (1,353) |

Turnover and operating loss derive wholly from continuing operations.

There are no material differences between the loss on ordinary activities before taxation and the loss for either of the years stated above and their historical cost equivalents.

The Company has no recognised gains or losses for the year, other than the results above and therefore no separate statement of comprehensive income has been presented.

The accounting policies and the notes on pages 12 to 26 form part of these financial statements.

E.ON CONNECTING ENERGIES LIMITED

BALANCE SHEET
as at 31 December 2014

| | | At 31 December 2014 | At 31 December 2013 |
|---|-------------|------------------------|------------------------|
| | <i>Note</i> | £000 | £000 |
| Fixed assets | | | |
| Tangible assets | 8 | 20,411 | 19,684 |
| Investment in associate | 9 | 5,005 | - |
| | | 25,416 | 19,684 |
| Current assets | | | |
| Stocks | 10 | 17 | 218 |
| Debtors: amounts falling due after one year | 11 | 511 | 544 |
| Debtors: amounts falling due within one year | 12 | 3,904 | 3,869 |
| | | 4,432 | 4,631 |
| Creditors: amounts falling due within one year | | | |
| Trade and other payables | 13 | (34,414) | (25,637) |
| | | (34,414) | (25,637) |
| Net current liabilities | | (29,982) | (21,006) |
| Total assets less current liabilities | | (4,566) | (1,322) |
| Creditors: amounts falling due after one year | | | |
| Provisions for liabilities | 15 | (846) | (31) |
| Net liabilities | | (5,412) | (1,353) |
| Capital and reserves | | | |
| Called up share capital | 16 | - | - |
| Profit and loss account | 17 | (5,412) | (1,353) |
| Total shareholder's deficit | 17 | (5,412) | (1,353) |

The financial statements on pages 9 to 26 were approved by the Board of Directors on 6 August 2015 and signed on its behalf by:

.....
A D Caven
 Director
 E.ON Connecting Energies Limited
 Company No: 7592412

The accounting policies and the notes on pages 12 to 26 form part of these financial statements.

E.ON CONNECTING ENERGIES LIMITED
STATEMENT OF CHANGES IN EQUITY
as at 31 December 2014

| | Called up share capital | Profit and loss account | Total |
|----------------------------|----------------------------|----------------------------|----------------|
| | £000 | £000 | £000 |
| At 1 January 2013 | - | - | - |
| Loss for the year | - | (1,353) | (1,353) |
| At 31 December 2013 | - | (1,353) | (1,353) |
| Loss for the year | - | (4,059) | (4,059) |
| At 31 December 2014 | - | (5,412) | (5,412) |

The accounting policies and the notes on pages 12 to 26 form part of these financial statements.

E.ON CONNECTING ENERGIES LIMITED

Notes to the financial statements **for the year ended 31 December 2014**

1. Accounting policies

Basis of preparation of financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under historic cost convention and in accordance with the Companies Act 2006.

The Company has adopted disclosure exemptions in relation to the following:

- The requirements of IAS 1 Presentation of Financial Statements
- The requirements of IAS 7 Statement of Cash Flows
- The requirements of Paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- The requirements of Paragraph 17 of IAS 24 Related Party Disclosures (key management compensation)
- The requirements of Paragraph 17 of IAS 24 Related party disclosures to disclose related party transactions entered into between two or more members of a group
- The requirements of IFRS 7 Financial Instruments: Disclosures
- The requirements of IFRS 10 Consolidated Financial statements

Exemption from preparing group financial statements

The Company is a wholly-owned subsidiary undertaking of E.ON SE, the ultimate parent undertaking, and is included in the publicly available consolidated financial statements of E.ON SE. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of Section 400 of the Companies Act 2006.

The principal accounting policies have been applied consistently throughout the year.

a. Going concern

Notwithstanding the fact that the Company is loss making and has net current liabilities and net liabilities, the directors have prepared the financial statements on the going concern basis. The directors have received confirmation from E.ON Connecting Energies GmbH, the Company's immediate parent undertaking, of its intention to financially support the Company such that the Company can meet its obligations as they fall due for a period of at least twelve months from the date of the auditors' approval of these financial statements.

b. Judgement in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of these financial statements, and the reported amounts of revenues and expenses during the year. These judgements are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in these financial statements.

E.ON CONNECTING ENERGIES LIMITED
Notes to the financial statements
for the year ended 31 December 2014 (continued)

1. Accounting policies (continued)

Areas of significant judgement in application of accounting policies and critical accounting estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Finance leases

Significant judgement is required in determining the fair value of finance lease receivables. Minimum lease payments are calculated based on the initial capital cost of the asset, spread across the lease term, and discounted at the group's cost of capital.

Taxation

Significant judgement is required in determining the Company's provision for corporation taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognised liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

c. Turnover

All turnover generated by the Company during the year arose from its principal activities. The turnover is recognised when services are completed, assets are operational, or milestone valuations have been agreed with the customer. Turnover from the rendering of services is recognised by reference to the stage of completion of the transaction once all factors can be measured reliably. Turnover excludes value added tax.

d. Accrued income

Income recognised in advance of receipt is debited to an accrued income account and recognised in the profit and loss account in the period to which it relates.

e. Business combinations

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition is the fair values of the assets acquired and the liabilities assumed at the acquisition date.

f. Taxation

The tax credit for the year represents the sum of the current tax and deferred tax.

The tax credit for the year is based on the taxable losses on ordinary activities for the year. Deferred tax assets and liabilities are recognised for the estimated future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

E.ON CONNECTING ENERGIES LIMITED
Notes to the financial statements
for the year ended 31 December 2014 (continued)

1. Accounting policies (continued)

f. Taxation (continued)

Deferred tax is calculated using the enacted tax rates that are expected to apply in the year in which the temporary difference is expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in income for the year that includes the enactment date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets are recognised when it is more likely than not that they will be recovered.

g. Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Assets leased under finance leases where the Company is the lessor are derecognised at the date that asset is operational. A finance lease receivable is recognised within debtors at the present value of minimum lease payments. Minimum lease payments are calculated based on the initial capital cost of the asset, spread across the lease term, and discounted at the group's cost of capital. Lease payments are variable dependent upon the volume of energy used. Minimum lease payment receipts are apportioned between finance income and reduction of the lease receivable so as to achieve a constant rate of return on the lease receivable. Receipts in excess of the minimum lease payments are recognised as contingent-based rents within turnover.

h. Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (rents and motor vehicle hire) are charged to the profit and loss account evenly over the term of the lease.

i. Pensions

The Company contributes to a defined contribution pension scheme, and also a defined benefit group pension scheme operated by E.ON UK plc, the assets of which are invested in a separate trustee-administered fund. Further details of these schemes are available in E.ON UK plc's financial statements.

The Company is unable to identify its share of the underlying assets and liabilities of the group pension scheme. The Company has accounted for its contribution to the group pension scheme as if the scheme was a defined contribution scheme and accounts for contributions payable to the group pension scheme in the accounting period in which they fall due.

j. Foreign exchange

Assets and liabilities expressed in foreign currencies are translated to Sterling at rates of exchange ruling at the end of the financial year. Transactions denominated in foreign currencies are translated to Sterling at the exchange rate ruling on the transaction date. All realised foreign exchange differences are taken to the profit and loss account in the year in which they arise.

E.ON CONNECTING ENERGIES LIMITED
Notes to the financial statements
for the year ended 31 December 2014 (continued)

1. Accounting policies (continued)

k. Tangible assets

Tangible assets are stated at original cost less accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Plant and machinery relate primarily to microgeneration assets.

Depreciation is provided on property, plant and equipment so as to write off the cost or valuation, less any estimated residual value, over their expected usefully economic lives as follows:

| Asset class | Depreciation method and rate |
|---------------------|--------------------------------------|
| Plant and machinery | Straight line basis over 12-25 years |

l. Investment in associated undertakings

Investment in associated undertakings are held at cost less accumulated impairment losses.

m. Stocks

Stocks are valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs. In general, stocks are recognised in the profit and loss account on a weighted average cost basis. The Companies Act 2006 requires stocks to be categorised between raw materials, work in progress and finished goods. Stores are considered to be raw materials under this definition.

n. Financial instruments

Loans and receivables (including trade receivables) are primarily financial assets with fixed or determinable payments that are not traded in an active market. Loans and receivables are reported on the Balance Sheet under "Debtors: amounts falling due within one year." Initial measurement takes place at fair value plus transaction costs. They are subsequently measured at amortised cost, using the effective interest method. Valuation allowances are provided for identifiable individual risks. If the loss of a certain part of the receivables is probable, valuation allowances are provided to cover the expected loss.

Financial liabilities (including trade payables and borrowings) are measured at amortised cost, using the effective interest method. Initial measurement takes place at fair value net of transaction costs incurred. In subsequent periods, the amortisation and accretion of any premium or discount is included in finance costs/income.

o. Inter-company balances

Inter-company payable and receivable trading balances within the E.ON SE Group are consolidated at each period end into a single balance with each group company. These transactions are net settled. As a result the directors consider it appropriate to present inter-company balances within these financial statements on a net basis. Formal loan balances are settled gross.

p. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet, when the Company has a legally enforceable right to set off the recognised amounts and it intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

E.ON CONNECTING ENERGIES LIMITED
Notes to the financial statements
for the year ended 31 December 2014 (continued)

2. Turnover

The Company's turnover, all of which arises in the course of the Company's principal activity, arises in the UK. The current year numbers include a full 12 months of revenue whereas the prior year only included 3 months of revenue following the acquisition of the trade and assets of the energy efficiency and micro generation business from E.ON Energy Solutions Limited on 1 October 2013.

3. Operating loss

Operating costs include the following:

| | Year ended 31 December 2014 | Year ended 31 December 2013 |
|--|--------------------------------|--------------------------------|
| | £000 | £000 |
| Operating lease rentals | 167 | 32 |
| Depreciation of owned assets (note 8) | 980 | 245 |
| Fees payable to the Company's auditors for audit of the financial statements | 31 | 35 |

4. Employee information

The average monthly number of persons (including executive directors) employed by the Company during the year was:

| | Year ended 31 December 2014 | Year ended 31 December 2013 |
|----------------|--------------------------------|--------------------------------|
| Production | 33 | 33 |
| Administration | 3 | 9 |
| | 36 | 42 |

The following salaries and related costs of employees, including directors and key management, were incurred during the year:

| | Year ended 31 December 2014 | Year ended 31 December 2013 |
|-----------------------|--------------------------------|--------------------------------|
| | £000 | £000 |
| Wages and salaries | 2,082 | 518 |
| Social security costs | 204 | 59 |
| Other pension costs | 351 | 92 |
| | 2,637 | 669 |

E.ON CONNECTING ENERGIES LIMITED
Notes to the financial statements
for the year ended 31 December 2014 (continued)

5. Directors' remuneration

The directors' remuneration for the year was as follows:

| | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|--------------------------------|--------------------------------|
| | £ | £ |
| Aggregate emoluments (including benefits in kind) | <u>133,760</u> | <u>161,110</u> |

The above amounts relate to two directors (2013: two) who were remunerated by the Company.

During the year, the number of directors who were receiving benefits and share incentives was as follows:

| | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|--------------------------------|--------------------------------|
| Accruing benefits under a defined contribution pension scheme | 1 | 1 |
| Accruing benefits under a defined benefit pension scheme | - | 1 |

During the year, no directors (2013: none) exercised Performance Rights over shares in the ultimate parent company, E.ON SE, that they were awarded for services to the E.ON SE group.

During the year the Company paid, or treated as paid, contributions to a pension scheme in respect of money purchase benefits in respect of the above directors totalling £13,923 (2013: £11,895).

6. Net interest payable

| | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|--------------------------------|--------------------------------|
| | £000 | £000 |
| Interest income from finance leases | 53 | 14 |
| Interest expense to E.ON group undertakings | (296) | (55) |
| Net interest payable | <u>(243)</u> | <u>(41)</u> |

E.ON CONNECTING ENERGIES LIMITED
Notes to the financial statements
for the year ended 31 December 2014 (continued)

7. Tax on loss on ordinary activities

| | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|--------------------------------|--------------------------------|
| | £000 | £000 |
| Current tax: | | |
| UK corporation tax on losses for the year at 21.5% (2013: 23.25%) | (986) | (441) |
| Adjustment in respect of prior periods | 10 | - |
| Total current tax credit | (976) | (441) |
| Deferred tax: | | |
| Origination and reversal of timing differences | 39 | 31 |
| Adjustment in respect of prior periods | 606 | - |
| Total deferred tax charge | 645 | 31 |
| Tax credit on loss on ordinary activities | (331) | (410) |

The difference between the tax credit on the loss on ordinary activities for the year and the tax assessed on the loss on ordinary activities for the year assessed at the effective rate of corporation tax in the UK at 21.5% (2013: 23.25%) can be explained as follows:

| | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|--------------------------------|--------------------------------|
| | £000 | £000 |
| Loss on ordinary activities before taxation | (4,390) | (1,763) |
| Tax credit on loss on ordinary activities before taxation at 21.5% (2013: 23.25%) | (944) | (406) |
| <i>Effects of:</i> | | |
| Impact of rate change between corporation tax and deferred tax | (3) | (4) |
| Adjustment in respect of prior periods | 616 | - |
| Tax credit for the year | (331) | (410) |

During the year the main rate of UK corporation tax was reduced to 21% effective from 1 April 2014. Legislation was included in the Finance Act 2013 to reduce the corporation tax rate from 21% to 20% effective from 1 April 2015.

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements.

E.ON CONNECTING ENERGIES LIMITED
Notes to the financial statements
for the year ended 31 December 2014 (continued)

7. Tax on loss on ordinary activities (continued)

The corporation tax receivable has been reduced by £976,000 (2013: £441,000) because of group relief surrendered to a fellow group undertaking for which a payment will be received. Accordingly no tax losses are available for carry forward.

8. Tangible assets

| | Plant and machinery | Assets in the course of construction | Total |
|----------------------------|------------------------|--|---------------|
| | £000 | £000 | £000 |
| Cost or valuation | | | |
| At 1 January 2014 | 19,926 | 3 | 19,929 |
| Additions | - | 1,901 | 1,901 |
| Disposals | (194) | - | (194) |
| At 31 December 2014 | 19,732 | 1,904 | 21,636 |
| Depreciation | | | |
| At 1 January 2014 | 245 | - | 245 |
| Charge for the year | 980 | - | 980 |
| At 31 December 2014 | 1,225 | - | 1,225 |
| Net book value | | | |
| At 31 December 2014 | 18,507 | 1,904 | 20,411 |
| At 31 December 2013 | 19,681 | 3 | 19,684 |

Additions throughout the year include £1,901,000 of capitalised costs relating to customer contracts. Upon completion of construction, the assets will be de-recognised and be held as finance lease receivables at the present value of the minimum lease payments.

E.ON CONNECTING ENERGIES LIMITED
Notes to the financial statements
for the year ended 31 December 2014 (continued)

9. Investment in associate

| | At 31 December 2014 | At 31 December 2013 |
|--|------------------------|--------------------------------------|
| | £000 | £000 |
| Shares in group undertakings and participating interests | 5,005 | - |
| | | Joint Ventures and Associates |
| | | £000 |
| Cost or valuation | | |
| At 1 January 2014 | | - |
| Additions | | 5,005 |
| At 31 December 2014 | | 5,005 |
| Net book value | | |
| At 31 December 2014 | | 5,005 |
| At 31 December 2013 | | - |

The directors believe that the carrying value of the investments is supported by their underlying trading performance.

Details of undertakings

Details of the investments which the Company holds 20% or more of the nominal value of any class of share capital are as follows:

| Associates | Holding | Proportion of voting rights and shares held | Principal activity |
|---|--------------------|--|---------------------------|
| Intelligent Maintenance Systems Limited (IMS) | Ordinary £1 shares | 25% | Data monitoring solutions |

The undertaking disclosed above is incorporated in the United Kingdom.

The year end of IMS is 28 February. The profit for the last audited statutory accounts for the year ended 28 February 2014 of IMS was £2,263,000 and the aggregate amount of capital and reserves at the year end was £3,057,000.

E.ON CONNECTING ENERGIES LIMITED
Notes to the financial statements
for the year ended 31 December 2014 (continued)

10. Stocks

| | At 31 December 2014 | At 31 December 2013 |
|------------------|------------------------|------------------------|
| | £000 | £000 |
| Stores | - | 146 |
| Work in progress | 17 | 72 |
| | <u>17</u> | <u>218</u> |

The value of stores has been written down to £nil, reflecting their net realisable value.

11. Debtors: amounts falling due after one year

| | At 31 December 2014 | At 31 December 2013 |
|-------------------------------------|------------------------|------------------------|
| | £000 | £000 |
| Finance lease receivables (note 14) | <u>511</u> | <u>544</u> |

12. Debtors: amounts falling due within one year

| | At 31 December 2014 | At 31 December 2013 |
|-------------------------------------|------------------------|------------------------|
| | £000 | £000 |
| Trade receivables | 202 | 919 |
| Amounts owed by group undertakings | 1,116 | 295 |
| Finance lease receivables (note 14) | 32 | 30 |
| Other debtors | 28 | 20 |
| Other taxation and social security | 151 | - |
| Prepayments and accrued income | 2,375 | 2,605 |
| | <u>3,904</u> | <u>3,869</u> |

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

Prepayments and accrued income include £1,475,000 (2013: £2,866,000) of accrued income.

E.ON CONNECTING ENERGIES LIMITED
Notes to the financial statements
for the year ended 31 December 2014 (continued)

13. Trade and other payables

| | At 31 December 2014 | At 31 December 2013 |
|------------------------------------|------------------------|------------------------|
| | £000 | £000 |
| Bank loans and overdrafts | 174 | - |
| Trade payables | 109 | 238 |
| Amounts owed to group undertakings | 32,112 | 24,105 |
| Other taxation and social security | - | 86 |
| Accruals and other payables | 2,019 | 1,208 |
| | 34,414 | 25,637 |

The bank overdraft, which is not a loan, is secured with an unlimited inter-company guarantee provided by E.ON UK Holding Company Limited.

Included within amounts owed to group undertakings is a loan of £31,726,000 (2013: £23,575,000) which is unsecured, bears interest at a rate of LIBOR plus 50 basis points, rolls forward (principal and interest) on a daily basis, which is a drawdown from a credit facility of £50,000,000 and which expires in December 2015. There is also a loan of €81,000 (2013: €nil) which is unsecured and bears interest at a rate of LIBOR plus 50 basis points. All other amounts are unsecured, interest free and repayable on demand.

14. Additional disclosures on financial instruments

The carrying amounts of cash and cash equivalents, borrowings under short-term credit facilities, trade receivables, other operating assets, trade payables and other operating liabilities are considered reasonable estimates of their fair values because of their short maturity.

Finance lease receivables

The finance leases granted by the Company arise on the provision of renewable energy generation assets. The duration of the leases are between 10 and 15 years and the lessees do not have the option to purchase the assets at the end of the lease. Further information regarding finance lease receivables at 31 December 2014 is shown below:

| | At 31 December 2014 | At 31 December 2013 |
|---|------------------------|------------------------|
| | £000 | £000 |
| Debtors: amounts falling due after one year | | - |
| Finance leases – gross receivables | 814 | 898 |
| Unearned finance income | (303) | (354) |
| | 511 | 544 |
| Debtors: amounts falling due within one year | | |
| Finance leases – gross receivables | 83 | 83 |
| Unearned finance income | (51) | (53) |
| | 32 | 30 |

E.ON CONNECTING ENERGIES LIMITED
Notes to the financial statements
for the year ended 31 December 2014 (continued)

14. Additional disclosures on financial instruments (continued)

Finance lease receivables (continued)

| | At 31 December 2014 | At 31 December 2013 |
|---|------------------------|------------------------|
| | £000 | £000 |
| Gross receivables from finance leases: | | |
| - No later than 1 year | 83 | 83 |
| - Later than 1 year and no later than 5 years | 333 | 333 |
| - Later than 5 years | 481 | 565 |
| | <u>897</u> | <u>981</u> |
| Unearned finance income | (354) | (407) |
| Net investment in finance leases | <u>543</u> | <u>574</u> |

The net investment in finance leases may be analysed as follows:

| | At 31 December 2014 | At 31 December 2013 |
|---------------------------|------------------------|------------------------|
| | £000 | £000 |
| Within one year | 32 | 30 |
| Within two and five years | 164 | 151 |
| Over five years | 347 | 393 |
| | <u>543</u> | <u>574</u> |

Contingent-based rents recognised in the profit and loss account were £159,000 (2013: £38,000).

E.ON CONNECTING ENERGIES LIMITED
Notes to the financial statements
for the year ended 31 December 2014 (continued)

15. Provisions for liabilities

| | Deferred tax | Restructuring/severance provisions | Total |
|---|--------------|---------------------------------------|------------|
| | £000 | £000 | £000 |
| At 1 January 2014 | 31 | - | 31 |
| Debited to the profit and loss account | 645 | 170 | 815 |
| At 31 December 2014 | 676 | 170 | 846 |

Analysis of deferred tax

The following are the deferred tax liabilities and assets recognised by the Company and movements thereon during the year.

| | At 31 December 2014 | At 31 December 2013 |
|---|------------------------|------------------------|
| | £000 | £000 |
| Accelerated capital allowances | 707 | 31 |
| Other timing differences | (31) | - |
| Deferred tax liability | 676 | 31 |
| Liability at beginning of year | 31 | - |
| Deferred tax charge for the year (note 7) | 645 | 31 |
| Liability at year end | 676 | 31 |

The Finance Act 2013 included legislation to reduce the main rate of corporation tax to 20% with effect from 1 April 2015. The deferred tax liability at 31 December 2014 has been measured accordingly.

E.ON CONNECTING ENERGIES LIMITED
Notes to the financial statements
for the year ended 31 December 2014 (continued)

16. Called up share capital

| | At 31 December 2014 | At 31 December 2013 |
|---|------------------------|------------------------|
| | £000 | £000 |
| Allotted, called-up and fully paid | | |
| 1 ordinary share of £1 | - | - |

The Company has one class of ordinary shares which carry no right to fixed income.

17. Reconciliation of shareholders' (deficit)

| | Called up share capital | Profit and loss account | Total |
|----------------------------|----------------------------|-------------------------------|----------------|
| | £000 | £000 | £000 |
| At 1 January 2013 | - | - | - |
| Loss for the year | - | (1,353) | (1,353) |
| At 31 December 2013 | - | (1,353) | (1,353) |
| Loss for the year | - | (4,059) | (4,059) |
| At 31 December 2014 | - | (5,412) | (5,412) |

18. Pension schemes

The Company participates in a funded group pension scheme operated by E.ON UK plc, which is part of an industry wide scheme, the Electricity Supply Pension Scheme. The pension scheme is of the defined benefit type and its assets are held in a separate trustee-administered fund.

The fund is valued every three years by a professionally qualified, independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the appropriateness of the rates. The latest actuarial valuation of the scheme was at 31 March 2010. The actuarial valuation as at 31 March 2013 has not been completed.

Due to the complexity of actuarial calculations and the number of different companies contributing to the scheme, the Company is unable to identify its share of the underlying assets and liabilities in the scheme. Consequently, the Company accounts for the scheme as a defined contribution scheme. The cost of contributions to the scheme during the year amounted to £351,000 (2013: £92,000).

Further details of the scheme are available in E.ON UK plc's financial statements. Due to a deficit in the scheme, E.ON UK plc made a special contribution of £35,000,000 in January 2014 and £65,000,000 in January 2015. Under the existing schedule of contributions, a further payment of £35,000,000 is due to be made in January 2016. At the point that the 2013 valuation is completed, a further schedule of contributions will be agreed. None of this cost is expected to be recharged to the Company.

E.ON CONNECTING ENERGIES LIMITED
Notes to the financial statements
for the year ended 31 December 2014 (continued)

19. Ultimate holding company

The Company is controlled by E.ON Connecting Energies GmbH. The ultimate parent undertaking and controlling party is E.ON SE, a company incorporated in Germany, which is the parent company of the largest and smallest group to consolidate these financial statements. Copies of E.ON SE's financial statements are available from the offices of E.ON SE at the following address:

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D-40479
Düsseldorf
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