TERSUS ENERGY LIMITED

(formerly TERSUS ENERGY Plc)

ANNUAL REPORT AND ACCOUNTS

30 JUNE 2012

Company no 5314207

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Introduction

These financial statements relate to the year ended 30 June 2012, with comparative figures being for the year ended 30 June 2011.

The Company's principal investments are:

- Its approximately 1.3 per cent investment in Zhong Hang (Baoding) Huiteng Wind Power Equipment Company Ltd ("HT Blade"), which is held through Tang Wind Energy LP ("TWELP"), a Texan limited partnership and the related investment in TWE II LP ("TWELP 2"), a Texan limited partnership
- Its 100 per cent. ownership of Envinta Corporation ("Envinta")

These are described in more detail after the Financial Highlights and Statutory Matters.

Financial Highlights

The consolidated accounts show:

- Revenue from continuing operations of £524,000 (2011 £455,000)
- Pre tax loss on continuing operations of £333,000 (2011 pre tax loss of £1,137,000)
- The pre-tax loss is stated after recognising net unrealised losses of £212,000 in relation to Tersus' investments (2011 net unrealised losses of £998,000)
- Net assets of £1,439,000 (2011 £1,766,000)
- Net increase in cash held over the year of £239,000 (2011 net increase of £217,000) of which £206,000 (2011 £186,000) arises from continuing operations: this includes the realisation (£310,000) of part of the fair value of the investment in TWELP and TWELP 2 when the TWELP 2 general partner made a distribution from its retained profits.

Statutory Matters

On 4 November 2011, following the passing of a special resolution at a general meeting of the Company on 4 October 2011, the Company was re-registered as a private limited company under the Companies Act 2006 by the name of Tersus Energy Limited.

Following approval at the 2011 Annual General Meeting, the company effected a capital reduction on 23 December 2011, under which the balance on the share premium account was, in essence, transferred to the profit and loss account so eliminating the negative balance that had accumulated on the Company's profit and loss account. This is helpful since it enables the Company, should financial circumstances ever permit, to pay a dividend without first having to make good the cumulative negative balance on the Company's profit and loss account.

Investment in TWELP and TWELP 2

In January 2006 Tersus invested US$2 million in Tang Wind Energy LP ("TWELP", a Texan limited partnership) as a convertible secured loan that was subsequently converted into a 12.1 per cent. partnership interest.

TWELP owned 100 per cent of Tang Wind Energy LLC ("TWELLC", a Cayman company) which in turn owned 25 per cent. of Zhong Hang (Baoding) Huiteng Wind Power Equipment Company Ltd ("HT Blade"). The remaining 75 per cent of HT Blade was owned and continues to be owned by Chinese State Owned Enterprises. HT Blade manufactures wind blades which it sells to wind turbine manufacturers.

In 2007, an international private equity firm with offices in Shanghai acquired an interest in TWELLC from TWELP in return for US$20 million. This money was used by TWELP for transaction expenses, TWELP costs and a loan to HT Blade. The balance was retained by TWELP in reserve.

In February 2008, the same private equity investor exercised an option which it was given as part of the 2007 transaction and bought a further stake in TWELLC paying a further US$20 million to TWELP. That investor then had a shareholding in TWELLC of approximately 42 per cent, with TWELP owning the remaining approximately 58 per cent. Therefore, at that date, TWELLC and the private equity investor owned (indirectly) approximately 14.5 per cent and approximately 10.5 per cent respectively of HT Blade, with Tersus owning (indirectly) an approximately 1.75 per cent stake in HT Blade.

In April 2008, TWELP transferred some US$32 million of cash and receivables into a new partnership TWE II LP ("TWELP 2"). This amount represented the US$40 million received from the private equity investor, less transaction costs and TWELP running costs.

In April 2008, TWELP 2 made a distribution to its partners as a result of which Tersus received approximately US$1.45 million in cash. The amount of approximately US$21 million remaining in TWELP 2 was retained to meet its future potential funding needs.

Also in April 2008, certain limited partners of TWELP sold a 9 per cent interest in TWELP to an international venture capital firm. Included in this transaction was a disposal by Tersus of 25 per cent of its 12.1 per cent interest in TWELP. Tersus received approximately US$2.19 million in cash in relation to this disposal.

As a result of this disposal Tersus now owns approximately 9 per cent of TWELP resulting in Tersus owning (indirectly) approximately 1.3 per cent of HT Blade.

The Board believes that the value of the indirect holding in HT Blade is a function of TWELP's ability to create further exit opportunities, the business performance of HT Blade and the willingness of the Chinese State Owned Enterprises to proceed to an IPO or trade sale. The Board also believes the value of this stake may be affected by the possible dilution caused by the creation of an incentive pool for the benefit of HT Blade management and the manner in which the cost of such incentive pool may be borne by shareholders in HT Blade.

Your Board does not have direct access to HT Blade and is dependent on TWELP's general partner for information on developments affecting HT Blade. Your Board continues to find it difficult to obtain up to date information from TWELP's general partner and is considering ways in which pressure can be brought to improve the flow of communications. In the meantime, your Board understands HT Blade operated profitably in 2010 but at a level which was below both previous performance and expectation, and which was not sufficient to support serious consideration of an IPO. The Board understands HT Blade was loss making in 2011 and the first half of 2012. This deterioration in performance is not altogether surprising given the over-supply which has come about in the Chinese wind turbine and blade manufacturing sector. As far as the Board is aware, HT Blade is as well placed as any participant in that sector to recover as activity levels improve and development in China continues.

As regards a possible IPO of HT Blade, the Board understands this has been postponed, as might be expected given the current trading performance, and that no revised timetable for an IPO has been established. The Board understands consideration was given by the Chinese State Owned Enterprises which own 75% of HT Blade to the possibility of reversing HT Blade into a Chinese listed company. However, it appears this proposal has also been deferred.

At the beginning of the year, the Group's investment in TWELP and TWELP 2 was carried at its estimated fair value of £983,000 (US$1.575 million), being its original US$ cost. Part of this fair value was realised during the year when the Company received US$484,000 following TWELP 2's general partner making a distribution from its retained profits. This left a fair value to be carried forward of US$1.091 million. In view of the increased uncertainties attaching to the value of the investment in TWELP and TWELP 2, the fair value has been further reduced by US$466,000 at 30 June 2012, having been reassessed as US$625,000 at that date.

As previously stated, some US$21 million was held in TWELP 2. The Board has been told that some US$12 million of these funds have been lent to another Texan partnership connected to the general partner. The Board has been told this amount has been invested by this Texan partnership in projects intended to promote the value of the investment in HT Blade, consistent with both the partnership's objectives and the responsibilities of the general partner. Your Board has not been able to review the value of these projects nor establish the way in which they were intended to promote the value of the investment in HT Blade. Your Board took advice from a Texan firm of lawyers following which an audit of TWELP 2 was conducted at the expense of the partnership although, unfortunately, as the general partner did not consult with Tersus on the remit of this audit, it provided no comfort on the appropriateness of the project expenditure nor on the amounts that might be recoverable. Following further pressure from your Board, the general partner of TWELP 2 made a distribution of US$4 million from its retained profits in June 2012, of which Tersus received US$484,000. Your Board considers further funds should be paid to Tersus and will continue to put this point to the general partner of the Texan partnerships. If necessary, your Board will again involve the Texan lawyers.

Envinta Corporation

Envinta has North American and European rights to certain energy and environmental information and organisation management software products of Energetics Pty Ltd ("EPL"). It licenses this software, together with selling training and marketing advisory services, to utilities and to major multi-location businesses. Revenue in 2012 was US$802,000 (2011 US$696,000). Earnings before interest, tax and depreciation (EBITDA) were US$51,000 (2011 US$17,000). Envinta's products and services are well received by its customers, several of which are brand name utilities and industrials, and Envinta continues to explore ways of expanding the customer base and product line in response to changing energy and environmental services markets. During the year, working with EPL, Envinta introduced a web-based version of its software, which it is now deploying with certain customers.

Other business activities

- Tersus has an investment in a company called Proteus Energy Corporation ("Proteus"). This is a US company engaged in recovery of oil from depleted oil fields. In 2011, Proteus contemplated a reverse takeover of a company listed in Canada. However, we have been informed by Proteus management that the reverse takeover was not completed as equivalent funding became available from another source at a lower effective cost to Proteus. The additional funding is being used, we are told, to continue to expand the activities of Proteus. Our small minority interest in Proteus is carried in the accounts at £141,000, ie US$220,000, which was assessed as the fair value at 30 June 2012.
- Tersus is continuing to receive payments from the purchaser of the assets and undertaking of Navitas Technologies Limited ("Navitas"), its wholly owned developer and manufacturer of electronic control equipment, in accordance with the arrangements agreed at the time of the sale, in August 2009. The amounts received are in line with the estimates made at that time. The final payment under these arrangements is due to be received in November 2014.

- Tersus continued to provide advisory services in relation to the development and sale of the Bens Run salt cavern gas storage project. During the year a prospective purchaser, pursuant to a purchase option, conducted testing of the cavern but, while the testing results were not negative, it allowed the option to lapse due, in its view, to market conditions. Therefore, the prospect of a disposal by the current owner diminished considerably and, consequently, minimal work is currently being undertaken on behalf of this client. The prospect of any income arising from this work must now be considered minimal.
- Little progress has been made with our interest in Enviro-Control Limited ("ECL") which is focused on anaerobic digestion licensing and services opportunities (producing bio-gas, renewable power and organic by-products such as fertiliser) using the proprietary thermophilic technology developed by ECL. We continue, however, to invest time and effort and there are a number of projects under discussion for development. Should any of these projects go ahead ECL and Tersus will receive advisory fees for their work done. The Group provided in full against the carrying value of its investment in 2007.

uSwitch Limited ("uSwitch")

As stated in last year's Chairman's statement, a legal claim was made against a wholly-owned subsidiary, Tersus Energy Services Inc., in relation to that company's alleged involvement in a sale of uSwitch shares in 2004. The claim was subsequently withdrawn, albeit after significant investment of management time and effort and, indeed, legal fees. Gross costs of £99,000 were incurred in this process; the Court ordered £71,000 should be reimbursed to Tersus. It remains a puzzle to your Board that the legal system should not have required the Claimant to repay our legal costs in full, given that there was no substance to the Claim and that it was withdrawn. However, it is beyond your Board's remit to amend the legal process in this regard.

Operating costs

We have stated previously that one of your Board's objectives is to minimise running costs.

Under the provisions of the Company Act 2006 ("the Act"), the Company will be entitled to exemption from audit in respect of its accounts for the year ended 30 June 2013 by reason of both the Group and Company being classified as small under the criteria set out in the Act. Your Board now proposes that a formal audit should not be conducted in respect of the financial statements for the year to 30 June 2013 onwards, so reducing the Group's annual running costs by some £20,000.

The Group's annual running costs would then be well below £100,000, excluding any remuneration payable to directors. These running costs comprise the cost of the Company's financial controller as well as company secretarial, insurance, sundry legal and professional costs, travel, office and communication costs.

Directors' remuneration

The executive directors did not take any salaries from the Company between 31 May 2009 and 31 December 2011. However, in order to reflect the time commitment arising from the uSwitch litigation and the pursuit of distributions from TWELP 2, the three executive directors have received aggregate emoluments equivalent to £54,000 per annum since 1 January 2012. I propose that this arrangement continue for the immediate future. This remuneration can, of course, be stopped at any point where either the time commitment reduces or the funds available make it appropriate to cease these payments. As Chairman, I will continue not to take any remuneration for my time.

Future direction of the business

The Group balance sheet shows cash at bank of some £592,000 at 30 June 2012. This is more than sufficient to meet the operating costs of the Group in the foreseeable future: the operating costs of the Company in the recent past have in any event been substantially offset by management fees payable by Envinta and we hope the level of activity of Envinta will allow these management fees to continue to be paid.

Your Board has considered the possibility of making a distribution out of these funds but such distribution would at most be 0.5p per share and the costs of such a distribution, especially for small shareholders, would make such a distribution uneconomic.

When Tersus de-listed in September 2008 your directors stated that your Board's strategy was now to realise investments and to minimise running costs in the meantime. This strategy continues to be followed but with returns for cash on deposit being minimal it may well be appropriate for funds which can be seen to be surplus to requirement in the foreseeable future to be invested in such a way as to realise a better return. Your directors will consider opportunities for such investment. If any shareholders have serious reservations about this change of policy they are invited to communicate their views to the Board via our Company email address which is power@tersusenergy.com.

Your Board continues to believe there is value in the investment portfolio but, as the downturn in the Chinese turbine market makes this value less certain both in terms of quantum and as to when or even whether this value can be realised, your Board is not able to say with any certainty or confidence when such value may be realised.

John Devaney

Chairman

15 November 2012

The directors present their annual report on the affairs of the Group, together with the audited financial statements of the Company and the Group for the year ended 30 June 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Group continue to be to invest in, operate and advise businesses in the renewable energy sector.

BUSINESS REVIEW

A review of the Group's performance and activities is contained in the Chairman's statement.

The principal objective of the business is to realise the value of its investments in order to maximise the return to shareholders.

The principal risks associated with this objective are normal business risks applicable to the underlying businesses, political risk associated with our investment in HT Blade, together with the need to maintain sufficient funds to provide enough time for the investments to be optimally realised. The Board continues to believe there is value in the Group's investments and will work to realise that value.

RE-REGISTRATION AS A PRIVATE LIMITED COMPANY AND CAPITAL REDUCTION

Following the passing of a special resolution at a general meeting of the Company on 4 October 2011, the Company was re-registered on 4 November 2011 as a private limited company under the Companies Act 2006 by the name of Tersus Energy Limited. As a private limited company, the Company was eligible to use a relatively simple and cost-effective procedure to effect a capital reduction. A capital reduction was then implemented on 23 December 2011, following shareholder approval at the 2011 annual general meeting, whereby the balance on the share premium account was, in essence, transferred to the profit and loss account so eliminating the negative balance that had accumulated on the Company's profit and loss account and creating distributable reserves in the Company. This will enable value to be returned to shareholders by way of a dividend payment should funds be available in the future and should the directors so elect.

RESULTS AND DIVIDENDS

The results for the year ended 30 June 2012 are shown in the Consolidated Income Statement on page 21. The Group loss for the year after tax amounted to £333,324 (2011 – loss of £1,120,597), with £213,935 of the loss for the year being attributable to the reduction in the fair value of the investment in TWELP and TWELP 2, net of the resulting adjustment in the provision for amounts payable under incentive arrangements on its realisation at that fair value. The directors are not proposing the payment of a dividend for the year (2011 – nil).

DIRECTORS

J F Devaney (Non-executive chairman)
S P Levine (Chief Executive Officer)
D T Wilson (Chief Operating Officer and Finance Director)
S K West (Investment Director)
N N Trulsvik (Non-executive director) – resigned as director on 4 October 2011

John Devaney (66) (Non-executive Chairman)

John Devaney is chairman of Cobham plc, National Express Group PLC and NATS. John has been chairman of EXEL plc and executive chairman of Eastern Electricity plc and has served as a non-executive director on the boards of HSBC Bank Plc and British Steel Plc.

Steven Levine (61) (Chief Executive Officer)

Steve Levine is an energy services executive and attorney with extensive experience developing and financing domestic and international energy projects and managing related businesses. He was previously VP of New Energy, Inc. (now Constellation New Energy), one of the largest US deregulated electricity power retailers. He is a former president of Metro Energy, L.L.C., a private New York City based utility.

David Wilson (64) (Chief Operating Officer and Finance Director)

David Wilson was a director of Hilton International Plc with responsibilities for finance and for identifying and negotiating new business opportunities, and previously a partner in Ernst & Young with responsibility for services to small and medium-sized enterprises.

Stephen West (49) (Investment Director)

Stephen West has extensive investment experience in emerging markets, principal investing and the energy sector. He has worked for CDC Group plc (the UK Government's development finance institution for investing in emerging markets) and was a Founding Partner of Actis Capital, a management led spin-out from CDC. Subsequently he has developed a business advising other private equity fund managers, principal investors and fund boards operating in emerging markets or in the energy sector.

Directors and their shareholdings

The directors who served during the year and their interests in the shares and warrants of the Company as recorded in the register of directors' interests were as follows:

	As at 30 June 2012		**As at 30 June 2011**	
	Number of ordinary shares	**Percentage of issued share capital**	**Number of ordinary shares**	**Percentage of issued share capital**
J F Devaney	11,690,363	26.54	11,690,363	26.54
N N Trulsvik (a)	-	-	-	-
S P Levine	1,793,102	4.07	1,793,102	4.07
D T Wilson	12,398,033	28.15	12,398,033	28.15
S K West	3,118,657	7.08	3,118,657	7.08

(a) Resigned as director on 4 October 2011.

Details of directors' interests in options to acquire shares of the Company are set out in note 5 to the consolidated financial statements.

No changes in the directors' share interests have taken place between 30 June 2012 and 15 November 2012.

Under the provisions of the Company's Articles of Association S P Levine shall retire from office at the annual general meeting of the Company and, being eligible, offers himself for re-election.

OTHER MATTERS

All directors have service agreements or letters of appointment. The Company has the power to determine the service agreements on six or twelve months' notice and the letters of appointment on three months' notice without payment of compensation (other than statutory compensation).

The non-executive director retires by rotation in the same manner as the executive directors, in accordance with the Company's Articles of Association.

Communication with shareholders on remuneration matters is largely undertaken by way of this report and the detailed disclosure of remuneration provided by note 5 to the consolidated financial statements.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Report of the directors 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 financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practices. 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 and profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

In so far as each of the directors is aware:

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

EMPLOYEES

During the year, the Group has provided employees with relevant information and sought their views on matters of common concern. Priority has been given to ensuring that employees are aware of all significant matters affecting the Group's trading position and of any significant organisational changes.

VALUATION POLICY

Investment strategy

The Group has a documented investments strategy and as a result the financial investments are fair valued through the income statement.

Investments have been valued by the directors in compliance with the principles of IAS 39 "Financial Instruments: Recognition and Measurement" and the International Private Equity and Venture Capital Guidelines as recommended by the British Venture Capital Association.

Principles of valuation of unlisted investments

Investments are stated at amounts considered by the directors to be a reasonable assessment of their fair value, subject to the requirement to apply a degree of caution in making the necessary estimates. Fair value is the amount at which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. In estimating fair value, the directors use a methodology which is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio. Investments are generally valued on one of the following bases:

- Earnings multiple
- Discounted cash flows from the investment
- Price of Recent Investment

The fair value at 30 June 2012 of the investment in HT Blade, held through the Group's investment in the TWELP partnership, and the related investment in the TWELP 2 partnership has been assessed on the basis of the estimated amount likely to be realised from the assets in the TWELP 2 partnership as well as the uncertainty regarding the timing and pricing of a possible future IPO of HT Blade. In 2011, the fair value was assessed at its original cost and, in 2010, it was assessed using the Price of Recent Investment method, when it was based on the price at which a third party acquired an interest in the partnership in 2008, discounted to reflect the inherent uncertainties in realising future value. The reductions in the fair value reflect the increased uncertainty regarding the timing and pricing of a possible future IPO of HT Blade, following the postponement of IPO plans in early 2011. The reductions in the fair value in both 2012 and 2011 have been recognised through the income statement.

The remaining investments, all of which are unlisted, have been fair valued, largely on the basis of the estimated discounted cash flows from the investments.

Principles of valuation for impairment review undertaken in respect of the subsidiary company

The Earnings multiple methodology was used to review the investment in the Company's wholly-owned subsidiary, Envinta Corporation, for the purpose of assessing if there had been any impairment in goodwill and other assets. The fair value was assessed having regard to the profits before interest and tax achieved in 2012 and forecast for 2013. The valuation was determined after applying an appropriate and reasonable price/ earnings ratio and, following completion of the review, it was decided there had been no change in the level of impairment assessed in 2009, when an impairment of £500,000 in the goodwill was recognised.

Valuation review procedures

Valuations are prepared by the directors.

GOING CONCERN

The directors confirm they are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. There are some uncertainties that are outlined further in the Principal Accounting Policies.

PAYMENT OF CREDITORS

The Group does not follow any published code or standard on payment practice in respect of any of its suppliers. The Group's policy in respect of the majority of its trade creditors is to negotiate terms and conditions with the suppliers and, provided the suppliers comply with these, payments are made in accordance with the agreed terms and conditions. Where payment terms are not specifically agreed, suppliers are paid in accordance with local commercial practice.

AUDITORS

As explained in the Chairman’s statement, the Company will be entitled to exemption from audit in respect of its accounts for the year ended 30 June 2013 by reason of both the Group and Company being classified as small under the criteria set out in the Companies Act 2006. The Board is proposing a formal audit should not be carried out in respect of the financial statements for the year ending 30 June 2013 and, accordingly, that Grant Thornton UK LLP should not be re-appointed as auditors at the 2012 annual general meeting.

The Company intends to continue obtaining advice on taxation and other financial matters, when appropriate, from Grant Thornton UK LLP, and thanks Grant Thornton UK LLP for the work it has done as auditor of the Company.

BY ORDER OF THE BOARD

D T Wilson
Director and Company Secretary
15 November 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TERSUS ENERGY LIMITED

We have audited the Group financial statements of Tersus Energy Limited for the year ended 30 June 2012 which comprise the principal accounting policies, the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the Group 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 Group 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 (APB'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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the Group financial statements give a true and fair view of the state of the Group's affairs as at 30 June 2012 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the Group financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

OTHER MATTER

We have reported separately on the parent company financial statements of Tersus Energy Limited for the year ended 30 June 2012.

Richard Hagley
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

London
15 November 2012

BASIS OF PREPARATION

The financial statements relate to the year ended 30 June 2012, with comparative figures, where appropriate, being shown for the years ended 30 June 2011 and 30 June 2010.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) as adopted by the EU and the Companies Act 2006, applicable to companies reporting under IFRS. The Group has adopted all of the standards and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee that are relevant to its operations and effective for the Group's financial period ended 30 June 2012.

As at the date of approval of these consolidated financial statements, the following interpretations were in issue but not yet effective:

- IFRS 9 Financial Instruments (effective 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
- IFRS 11 Joint Arrangements (effective 1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013)
- Deferred Tax: Recovery of Underlying Assets - Amendments to IAS 12 Income Taxes (IASB effective date 1 January 2012, not yet adopted by the EU)
- Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (effective 1 January 2013)
- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective 1 January 2014)
- Mandatory Effective Date and Transition Disclosures - Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)
- Government Loans - Amendments to IFRS 1 (effective 1 January 2013)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective 1 January 2013)
- Annual Improvements 2009-2011 Cycle (effective 1 January 2013)
- Transition Guidance - Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective 1 January 2013)

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group. The Group does not intend to apply any of these pronouncements early.

Following the cancellation of the Company's admission to AIM, the requirements of IFRS 8 Operating Segments, which became effective on 1 January 2009, are not applicable to the Group and hence the directors decided not to adopt this standard.

GOING CONCERN

The Group meets its working capital and operating costs requirements from its cash balances. The nature of the Company's business is such that there is considerable uncertainty in the amounts and timing of cash flows. For example, remittances of surplus funds from Envinta, further receipts from the new owners of the Navitas business, any further distributions from TWELP and proceeds of sales of investments are all uncertain as to amount and timing.

Bearing this in mind, the directors have prepared cash flow forecasts for the period to 30 June 2016. The forecasts show that the Group will have adequate resources for this period.

The financial statements do not include any adjustments or disclosures that would be required if the Company was not a going concern.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and all subsidiary undertakings made up to 30 June and are for a 12 month period (2011 – made up to 30 June for a 12 month period and 2010 – made up to 30 June for a 12 month period). Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group’s accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

BUSINESS COMBINATIONS COMPLETED PRIOR TO THE DATE OF TRANSITION TO IFRS

The Group elected not to apply IFRS 3 “Business Combinations” retrospectively to business combinations prior to the date of transition.

Accordingly the classification of a combination (acquisition or merger) remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at the date of transition as they would be recognised under IFRS, and are measured using their UK GAAP carrying amount immediately post-acquisition as deemed cost under IFRS, unless IFRS requires fair value measurement. Deferred tax is adjusted for the impact of any consequential adjustments after taking advantage of the transitional provisions.

MERGER ACCOUNTING

The transfer to the Group of the ownership of Tersus Energy Services Inc. and its subsidiary companies on 21 January 2005 was accounted for in accordance with the principles of merger accounting. Under merger accounting, the results are reported for the Group as if the Group had been in existence in its current form throughout the current and previous financial periods. No purchased goodwill was created in the transaction and the assets and liabilities of Tersus Energy Services Inc. were not adjusted to reflect their fair value.

REVENUE

Revenue is measured at the fair value of the consideration received or receivable from third parties for goods and services provided in the normal course of business, net of value added tax and other sales taxes. Intra-group sales are excluded.

Group businesses are remunerated for integrated strategic and financial advisory services provided to third parties by a combination of cash retainers and success fees, with the former generally being earned on a time basis and the latter when predetermined milestones are achieved. Revenue is recognised on the basis of the arrangements made with third parties.

GOODWILL

Goodwill representing the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses. A discount on acquisition is recognised immediately after acquisition in the income statement.

In accordance with the exemption in paragraph B1A of IFRS 1, no fair value adjustments as at the date of acquisition have been made for business combinations that took place prior to the date of transition to IFRS. Accordingly, the carrying amounts of goodwill as at the date of transition were unchanged. Goodwill written off to reserves prior to that date remains in reserves. Goodwill previously written off to reserves is not written back to profit or loss on subsequent disposal.

INTANGIBLE ASSETS

Assets acquired as part of a business combination

In accordance with IFRS 3 "Business Combinations", an intangible asset acquired in a business combination (eg software licence) is deemed to have a cost to the group of its fair value at the acquisition date. The fair value of an intangible asset reflects market expectations about the future economic benefits embodied in the asset that will flow to the Group. Where an intangible asset might be separable, but only together with a related tangible or intangible asset, the group of assets is recognised as a single asset separately from goodwill where individual fair values of the assets in that group are not reliably measurable. Where individual fair values of complementary assets are reliably measurable, the group recognises them as a single asset provided the individual assets have similar useful lives.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation is calculated to write down the cost less estimated residual value of non-current assets other than Goodwill, over their estimated useful economic lives. The residual values and useful lives are reviewed annually. The rates generally applicable are:

Software licences	10%, by equal annual instalments
Furniture and fixtures	20%, by equal annual instalments

Depreciation and amortisation is included in Administrative expenses in the income statement.

IMPAIRMENT TESTING OF GOODWILL, OTHER INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units) for the purposes of assessing impairment. As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination: these represent the lowest level within the Group at which management monitors the related cash flows.

Goodwill, other individual assets or cash-generating units that include goodwill and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The extent of an impairment loss is the amount by which the estimated recoverable amount is less than the asset's or cash-generating unit's carrying amount. The recoverable amount is the higher of fair value less costs to sell (reflecting market conditions) and the value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units to which goodwill has been allocated are credited initially to the carrying amount of goodwill with any remaining impairment loss being charged first against other intangible assets and then pro rata to the other assets in the cash generating unit.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior periods. A reversal of an impairment loss is recognised in the income statement immediately.

DISPOSAL OF ASSETS

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the income statement.

FINANCIAL ASSETS

Financial assets are recognised when the Group has become a party to the contracts that give rise to them.

Financial Investments

Investments are classified by the directors at each reporting date.

All financial investments are classified as fair value through profit or loss as the performance of the Group depends on the gains or losses arising from the investment activity of the Group. They are valued in compliance with IAS 39 “Financial Instruments: Recognition and Measurement” and the International Private Equity and Venture Capital Guidelines as recommended by the British Venture Capital Association.

The principles used to value unlisted investments and the bases used for their valuation are set out in the Report of the directors.

Gains and losses on the realisation of financial investments are dealt with through the income statement. Financial investments are not held for immediate realisation.

An assessment for impairment is undertaken at each balance sheet date.

Trade receivables and other debtors

Trade receivables and other debtors are accounted for at fair value when the asset arises. Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. All receivables are considered for impairment.

FINANCIAL LIABILITIES

Financial liabilities comprise interest bearing loans and borrowings. On initial recognition, financial liabilities are measured at fair value.

Trade payables

Trade payables are not interest bearing and are stated at their fair value.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash at bank and in hand.

TAXATION

Current tax is the tax currently payable based on taxable profits for the period.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to other comprehensive income or equity, in which case the related deferred tax is also charged or credited directly to other comprehensive income or equity.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the profit or loss in the period in which they arise. Exchange differences arising on the re-translation of non-monetary items are included in the statement of recognised income and expense where a gain or loss relating to that non-monetary item would be also be recognised directly in equity: otherwise such gains and losses are recognised in the income statement.

The assets and liabilities in the financial statements of foreign subsidiaries and related goodwill are translated at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at the average rates of exchange. The exchange differences arising from the re-translation of the opening net investment in subsidiaries are taken directly to the "Foreign currency translation reserve" as part of Other comprehensive income.

The Group took advantage of the exemption in IFRS 1 and deemed cumulative translation differences for all foreign operations to be nil at the date of transition to IFRS. The gain or loss on disposal of these operations excludes translation differences that arose before the date of transition to IFRS and includes later translation differences.

SHARE BASED PAYMENTS

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2006 are recognised in the financial statements.

The Group issues equity-settled share-based payments to certain directors and employees. These payments are measured at fair value at the date of the grant and this fair value is recognised as an expense in the income statement with a corresponding entry to the Share option reserve on a straight line basis over the vesting period, based on the Group's estimate of the number of shares or share options that will eventually vest.

Fair value is measured by use of the Black Scholes Pricing Model. See note 20 for a further description of the share-based payment plans.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Although these estimates are based on management's best knowledge of the amount, event or action, actual results may differ materially from those estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities relate to:

- the valuation of the Group's unlisted investments held at fair value through profit and loss, which are valued on the bases set out in the Report of the directors (see also page 29 in respect of the investment in TWELP and TWELP 2)
- the determination of the initial fair value of the assets and liabilities acquired in a business combination
- the assessment of whether there has been any impairment of goodwill and other assets in respect of subsidiaries
- the timing and amount of cash flows.

CONSOLIDATED BALANCE SHEET

As at 30 June 2012

	Note	30 June 2012 £	30 June 2011 £	30 June 2010 £
ASSETS				
Non – current assets				
Goodwill	8	251,723	251,723	251,723
Other intangible assets	8	296,830	353,620	444,230
Property, plant and equipment	9	879	1,044	1,309
Financial assets	10	543,992	1,124,646	2,370,268
		1,093,424	1,731,033	3,067,530
Current assets				
Trade and other receivables	11	147,504	259,292	423,642
Cash and cash equivalents		592,449	346,922	135,599
		739,953	606,214	559,241
Total assets		1,833,377	2,337,247	3,626,771
LIABILITIES				
Current liabilities				
Trade and other payables	12	319,537	482,337	631,764
Short-term borrowings	13	-	-	30,000
		319,537	482,337	661,764
Non – current liabilities				
Deferred tax	14	75,043	89,401	112,308
		75,043	89,401	112,308
Total liabilities		394,580	571,738	774,072
Net assets		1,438,797	1,765,509	2,852,699
EQUITY				
Equity attributable to equity holders of the parent				
Share capital	15	220,231	220,231	190,231
Share premium account		-	6,447,112	6,417,112
Merger reserve		1,499,766	1,499,766	1,499,766
Share option reserve		297,692	297,692	297,692
Foreign currency translation reserve		12,836	6,224	32,817
Profit and loss account		(591,728)	(6,705,516)	(5,584,919)
Total equity		1,438,797	1,765,509	2,852,699

The financial statements were approved by the Board of directors on 15 November 2012**.**

S P Levine
Director

D T Wilson
Director

Company no 5314207

The accompanying accounting policies and notes form an integral part of these statements.

CONSOLIDATED INCOME STATEMENT
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	Note	2012 12 months £	2011 12 months £
Revenue	2	523,857	454,960
Cost of sales		(174,287)	(85,252)
Gross profit		349,570	369,708
Administrative expenses		(484,628)	(542,555)
Finance income	4	26	-
Finance cost	4	-	(1,428)
Gains and losses on financial investments at fair value through profit and loss:			
Gains		3,558	37,240
Losses		(215,257)	(999,614)
Loss before tax	3	(346,731)	(1,136,649)
Taxation credit	6	13,407	16,052
Loss for the period attributable to equity shareholders of the parent		(333,324)	(1,120,597)
Earnings per share			
Basic earnings per share - loss	7	(0.8)p	(2.7)p
Diluted earnings per share - loss	7	(0.8)p	(2.7)p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2012 12 months £	2011 12 months £
Loss for the period	(333,324)	(1,120,597)
Other comprehensive income:		
Exchange differences on translation of foreign operations	6,612	(26,593)
Other comprehensive income for the period, net of tax	6,612	(26,593)
Total comprehensive income for the period attributable to the equity shareholders of Tersus Energy Limited	(326,712)	(1,147,190)

The accompanying accounting policies and notes form an integral part of these statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	Share capital	Share premium account	Merger reserve	Share option reserve	Foreign currency translation reserve	Profit and loss account	Total equity attributable to owners of parent
	£	£	£	£	£	£	£
At 30 June 2010	190,231	6,417,112	1,499,766	297,692	32,817	(5,584,919)	2,852,699
Issue of shares following exercise of warrants	30,000	30,000	-	-	-	-	60,000
Transactions with owners	30,000	30,000	-	-	-	-	60,000
Loss for the year	-	-	-	-	-	(1,120,597)	(1,120,597)
Other comprehensive income							
Exchange movements	-	-	-	-	(26,593)	-	(26,593)
Total comprehensive income for the period	-	-	-	-	(26,593)	(1,120,597)	(1,147,190)
At 30 June 2011	220,231	6,447,112	1,499,766	297,692	6,224	(6,705,516)	1,765,509
Balance on the share premium account transferred to the profit and loss account on the reduction of share capital		(6,447,112)				6,447,112	-
Transactions with owners	-	(6,447,112)	-	-	-	6,447,112	-
Loss for the year	-	-	-	-	-	(333,324)	(333,324)
Other comprehensive income							
Exchange movements	-	-	-	-	6,612	-	6,612
Total comprehensive income for the period	-	-	-	-	6,612	(333,324)	(326,712)
At 30 June 2012	220,231	-	1,499,766	297,692	12,836	(591,728)	1,438,797

The balance on the share premium account was transferred to the profit and loss account on the reduction of share capital by the Company on 23 December 2011. 6 million ordinary shares were issued for cash in December 2010 (see note 15).

The Merger reserve arose on the group reconstruction on 21 January 2005 when Tersus Energy Services Inc. was acquired by the Company. This has been accounted for using merger accounting rules as explained in the section on the Basis of Consolidation on page 15 and the consolidated accounts have been prepared as if the Company had always been in existence.

The Foreign currency translation reserve comprises the cumulative exchange differences arising after 1 January 2006 on the translation of foreign operations.

The accompanying accounting policies and notes form an integral part of these statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2012

	2012 12 months £	2011 12 months £
Cash flow from operating activities		
Loss before taxation	(346,731)	(1,136,649)
Adjustments for:		
Depreciation and amortisation	65,198	64,940
Gains on financial investments	(3,558)	(37,240)
Losses on financial investments	215,257	999,614
Foreign exchange	(3,508)	4,297
Finance (income)/ cost	(26)	1,428
Change in trade and other receivables	82,551	114,181
Change in trade and other payables	(104,490)	111,377
Cash (outflow)/ inflow from operations	(95,307)	121,948
Taxation refund	-	7,987
Taxation paid	(8,284)	(5,127)
Net cash flow from operating activities	(103,591)	124,808
Cash flows from investing activities		
Distribution of retained profits by TWELP 2	309,958	-
Proceeds from the sale of investment	-	35,500
Net cash from investing activities	309,958	35,500
Cash flows from financing activities		
Exercise of warrants	-	60,000
Repayment of short-term loan from director	-	(30,000)
Interest received/ (paid)	26	(4,190)
Net cash generated from financing activities	26	25,810
Net change in cash and cash equivalents from continuing activities	206,393	186,118
Net change in cash and cash equivalents from discontinued operations (a)	32,407	31,238
Net change in cash and cash equivalents	238,800	217,356
Cash and cash equivalents at beginning of period	346,922	135,599
Exchange differences on cash and cash equivalents	6,727	(6,033)
Cash and cash equivalents at end of period	592,449	346,922
Cash and cash equivalents comprise:		
Cash at bank and in hand	592,449	346,922

(a) Arising from the sale of the business and undertaking of Navitas Technologies Limited on 31 August 2009.

The accompanying accounting policies and notes form an integral part of these statements.

1 RE-REGISTRATION AS A PRIVATE LIMITED COMPANY

On 4 November 2011, the Company was re-registered as a private limited company under the Companies Act 2006 by the name of Tersus Energy Limited, following the passing of a special resolution at a general meeting of the Company on 4 October 2011. Prior to this, the Company was registered as a public limited company under the name of Tersus Energy Plc.

2 REVENUE

Revenue, which excludes value added tax and other sales taxes, represents the invoiced value of goods and services supplied and excludes intra-group sales.

3 LOSS BEFORE TAX

The loss before taxation is stated after charging/ (crediting):

	2012 12 months £	2011 12 months £
Auditors' remuneration – fees payable to the Company's auditors:		
for the audit of the Group accounts	15,000	14,865
for the audit of the Company's accounts	3,750	3,500
other services	4,400	8,000
Depreciation and amortisation:		
Intangible assets	65,009	64,751
Property, plant and equipment	189	189
Operating leases	12,181	14,570
Net exchange gains and losses	2,299	(12,400)

4 FINANCE INCOME/COST

Finance income/cost for continuing operations:

	2012 12 months £	2011 12 months £
Interest receivable		
Other balances	26	-
	26	-
Interest payable and similar charges		
On bank overdrafts and other short term loans	-	(27)
Short term loan from shareholder	-	(1,401)
	-	(1,428)
	26	(1,428)

5 DIRECTORS AND EMPLOYEES

The average number of employees:

	2012	2011
Sales	1	2
Others	5	6
	6	8

Staff costs during the period were as follows:

	2012 12 months £	2011 12 months £
Wages and salaries	199,989	215,764
Social security costs	4,433	12,430
	204,422	228,194

The remuneration of the directors, who are the key management personnel of the Group, is set out below using the categories specified in IAS 24 "Related Party Disclosures":

	2012 12 months £	2011 12 months £
Short-term employee benefits	39,497	37,614
	39,497	37,614

Directors' emoluments

For the year ended 30 June 2012

	Fees £	Benefits in kind £	Total £
Executive Directors			
S P Levine	-	12,497	12,497
D T Wilson	9,000	-	9,000
S K West	9,000	-	9,000
Non-Executive Directors			
J F Devaney	-	-	-
N N Trulsvik	9,000		9,000
	27,000	12,497	39,497

In addition to the above, amounts payable to D T Wilson (£22,076), S P Levine (£8,646) and S K West (£7,589) arose during the year under participation arrangements in relation to the distribution made by TWELP 2: these were paid after the year end. No payments were made to directors under participation arrangements during 2011.

The benefits in kind for S P Levine comprise healthcare costs.

Directors' share options

A summary of the share option schemes is given in note 20. At 30 June 2012, the following options to subscribe for ordinary shares were held by directors:

	Type of option scheme	Date of Grant	Ordinary shares under option	Exercise price £	Exercise dates From	To
S K West	New Plan	26/03/2008	1,000,000	0.0366025 (a)	Vested	26/02/2013
			1,000,000			

(a) The share options were issued at an exercise price of £0.025, which increases by 10% on each anniversary of the date of grant if the options have not been exercised by that date. The current exercise price is £0.0366025.

6 TAXATION CREDIT

The tax credit is based on the loss for the period and represents:

	2012 12 months £	2011 12 months £
Overseas taxation refund - prior periods	-	(487)
Total tax receivable	-	(487)
Overseas taxation paid - prior periods	857	547
Overseas taxation	2,171	258
Deferred taxation	(16,435)	(16,370)
Total tax credit	(13,407)	(15,565)
Total tax credit	(13,407)	(16,052)

The tax assessed for the period can be reconciled to the accounting loss as follows:

	2012 12 months £	2011 12 months £
Loss on ordinary activities before tax	(346,731)	(1,136,649)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 25.5% (2011 – 27.5%)	(88,416)	(312,578)
Effects of:		
Higher effective tax rates on overseas losses	(4,758)	(5,035)
Items not deductible for tax purposes/ subject to tax	117,746	279,046
Items brought into tax in a prior period	(81,569)	
Prior-year gains now realised for tax purposes	-	39,325
Tax losses carried forward/ (utilised)	42,733	(16,870)
	(14,264)	(16,112)
Taxation – prior periods	857	60
Total tax credit for the period	(13,407)	(16,052)

The Group has tax losses at 30 June 2012 of approximately £2,229,000 in the UK and £2,110,000 in the USA (2011 - £1,968,000 in the UK and £2,072,000 in the USA). These tax losses will be available to reduce the tax due on future profits in the UK and USA, subject to, for the USA, an annual limit on the amount of losses so utilised. The tax losses at both 30 June 2012 and 30 June 2011 exclude the tax losses of Navitas as these will not be utilised following the disposal of the Navitas business in August 2009.

The credit of £16,435 (2011 - £16,370) for deferred taxation comprises the release of part of the balance arising on recognition of the fair value of intangible assets on acquisition of Envinta.

No deferred tax asset has been recognised due to the uncertainty of the timing of recoverability of the asset. The asset will be recovered in line with future profits. The unrecognised deferred tax asset of £1,307,000 (2011 - £1,267,000) relates to tax losses carried forward.

7 EARNINGS PER ORDINARY SHARE

The calculation of the basic earnings per share is based on a loss of £333,324 (2011 – loss of £1,120,957) and the weighted average number of shares in issue used for the basic earnings per share was 44,046,376 (2011 – 41,301,171).

At the year end, there were 2,041,667 share options (2011 – 3,556,480 share options) outstanding which, if exercised, could potentially dilute basic earnings per share in the future. These were not included in the calculation of diluted earnings per share for the year as the loss per share would be reduced.

8 INTANGIBLE ASSETS

	Goodwill	**Software licences**	**Total**
	£	**£**	**£**
Cost	751,723	642,946	1,394,669
Amortisation	(500,000)	(289,326)	(789,326)
Carrying amount at 30 June 2011	251,723	353,620	605,343
Cost	751,723	659,622	1,411,345
Amortisation	(500,000)	(362,792)	(862,792)
Carrying amount at 30 June 2012	251,723	296,830	548,553
Cost			
At 30 June 2010	751,723	683,431	1,435,154
Exchange movements	-	(40,485)	(40,485)
At 30 June 2011	751,723	642,946	1,394,669
Exchange movements	-	16,676	16,676
At 30 June 2012	751,723	659,622	1,411,345
Amortisation			
At 30 June 2010	500,000	239,201	739,201
Additions	-	64,751	64,751
Exchange movements	-	(14,626)	(14,626)
At 30 June 2011	500,000	289,326	789,326
Additions	-	65,009	65,009
Exchange movements	-	8,457	8,457
At 30 June 2012	500,000	362,792	862,792

The goodwill at 30 June 2012 relates to the acquisition by the Group of Envinta Corporation (“Envinta”) in 2006. The carrying amount attributable to Envinta is £251,723 (2011 - £251,723).

The cash-generating unit (CGU) used for the purpose of testing for impairment at 30 June 2012 is the business of Envinta. The recoverable amount of the CGU was determined at its fair value less costs to sell, using the earnings multiple methodology based on the profits before interest and tax achieved in 2012 and forecast for 2013, and applying an appropriate and reasonable price/earnings multiple. The impairment review concluded that the level of impairment was unchanged over the year and, accordingly, no adjustment to the impairment loss in the goodwill was required (2011 – adjustment to impairment loss of nil).

9 PROPERTY, PLANT & EQUIPMENT

	Furniture & fixtures £	Total £
Cost	1,873	1,873
Depreciation	(829)	(829)
Carrying amount at 30 June 2011	1,044	1,044
Cost	1,921	1,921
Depreciation	(1,042)	(1,042)
Carrying amount at 30 June 2012	879	879

Cost		
At 30 June 2010	1,991	1,991
Exchange movements	(118)	(118)
At 30 June 2011	1,873	1,873
Exchange movements	48	48
At 30 June 2012	1,921	1,921
Depreciation		
At 30 June 2010	682	682
Additions	189	189
Exchange movements	(42)	(42)
At 30 June 2011	829	829
Additions	189	189
Exchange movements	24	24
At 30 June 2012	1,042	1,042

10 FINANCIAL ASSETS

	Investments £
Carrying amount	
At 30 June 2010	2,370,268
Revaluation uplift recognised in profit and loss	37,240
Impairment losses recognised in profit and loss	(1,247,362)
Disposals at carrying amount	(35,500)
At 30 June 2011	1,124,646
Receipt, being the distribution of retained profits from TWELP 2	(309,958)
Impairment losses recognised in profit and loss	(274,254)
Revaluation uplift recognised in profit and loss	3,558
At 30 June 2012	543,992

Investments are categorised as at fair value through profit or loss. Where the fair value can be reliably measured the fair value of the asset is reflected in the balance sheet and any changes are reported in profit or loss. Investments whose fair value cannot be reliably measured are held at cost less any impairment.

The investments comprise strategic investments which have been made in line with the Group's business strategy of focusing on the energy efficiency and alternative fuels/ renewable energy sectors, with some being obtained in return for providing advisory services.

The investments include both investments in shares and convertible loans. The terms on which some investments are made include the right for the Group to participate in future projects. All investments are unlisted.

All the investments are stated at amounts which the directors consider to be a reasonable assessment of their fair value, having regard to the requirement to apply a degree of caution in making the necessary estimates. The assessments have generally been made using one of the following bases:

- Earnings multiple
- Discounted cash flows from the investment
- Price of Recent Investment

The basis considered most appropriate in light of the nature, facts and circumstances of each investment has been used.

At the beginning of the year, the Group's investment in TWELP and TWELP 2 was carried at its estimated fair value of £983,146 (US$1.575 million), being its original US$ cost. Part of this fair value was realised during the year when the Group received £309,958 (2011- nil) on TWELP 2's general partner making a distribution from its retained profits. The fair value at 30 June 2012 of the Group's investment in HT Blade, held through its investment in the TWELP partnership, and the related investment in the TWELP 2 partnership has been assessed at £400,256 (2011 - £983,146), which, after allowing for the distribution during the year, gives rise to a revaluation deficit of £272,932 in the income statement (2011 – revaluation deficit of £1,238,723).

The value in 2012 is based on an assessed value of US$625,000 (2011 - US$1,575,000) which is some 40% of the original cost. This reduction in the fair value reflects the amount likely to be realised from the assets in the TWELP 2 partnership as well as the uncertainty regarding the timing and pricing of a possible future IPO of HT Blade. The value of the investment could be substantially higher than the current carrying value if an IPO or equivalent successful exit were achieved for HT Blade or, conversely, could be significantly lower (see pages 3 and 4). A provision of £80,051 (2011 - £196,685) is carried in the accounts for the amount that would be payable under incentive arrangements if the investment were realised at this value. Under these incentive arrangements, an amount of £57,637 is payable in respect of the distribution made during the year.

The remaining investments have been fair valued, largely on the basis of the estimated discounted cash flows from the investments. The revaluation uplift recognised through profit and loss of £3,558 relates to an investment in shares (2011 - £37,240 relates principally to an investment sold during that year).

11 TRADE AND OTHER RECEIVABLES

	2012	2011	2010
	£	£	£
Trade receivables	51,339	74,601	208,910
Prepayments and other debtors (a)	96,165	184,691	214,732
	147,504	259,292	423,642

(a) Includes future receipts arising from the disposal of the Navitas business in August 2009 at their estimated fair value of £83,051 (2011 - £129,447).

The carrying value of trade receivables is considered a reasonable approximation of fair value.

All of the receivables have been reviewed for indicators of impairment. No provision has been made (2011 – nil and 2010 - nil).

The age of the trade receivables past due but not impaired is as follows:

	2012	2011	2010
	£	£	£
Not more than 3 months	25,616	4,207	-
More than 3 months but not more than 6 months	-	-	1,161
More than 6 months but not more than 1 year	-	7,584	9,450
More than 1 year	-	169	-
	25,616	11,960	10,611

12 TRADE AND OTHER PAYABLES

	2012	2011	2010
	£	£	£
Trade payables	38,703	32,579	39,174
Other taxation and social security	1,230	5,001	7,690
Accruals and deferred income (a)	279,604	444,757	584,900
	319,537	482,337	631,764

(a) Includes £80,051 (2011 - £196,685 and 2010 - £444,434) as a provision for the amount payable if the investment in TWELP and TWELP 2 were realised at its fair value (see note 10).

All amounts are short-term. The carrying values are considered to be a reasonable approximation of fair value.

13 SHORT TERM BORROWINGS

	2012 £	2011 £	2010 £
Bank loans and overdrafts	-	-	-
Short term loan from director (a)	-	-	30,000
	-	-	30,000

(a) The loan of £30,000 was repaid in full on 19 November 2010.

The short-term borrowings are considered to be carried at fair value.

14 DEFERRED TAX

The movement in the period in the net deferred tax position for the Group was as follows:

	2012 12 months £	2011 12 months £
At 30 June 2011/ 30 June 2010	89,401	112,308
Released to income in the period	(16,435)	(16,370)
Exchange movements	2,077	(6,537)
At 30 June 2012/ 30 June 2011	75,043	89,401

The major deferred tax liabilities recognised by the Group and the movements thereon during the period are:

	Intangible assets recognised at acquisition £	Net unrealised gains on financial investments £	Effects of tax losses £	Total £
At 30 June 2010	112,308	119,400	(119,400)	112,308
Charge in period	(16,370)	(119,400)	119,400	(16,370)
Exchange movements	(6,537)	-	-	(6,537)
At 30 June 2011	89,401	-	-	89,401
Charge in period	(16,435)	-	-	(16,435)
Exchange movements	2,077	-	-	2,077
At 30 June 2012	75,043	-	-	75,043

See note 6 for information on the Group's tax expense.

15 SHARE CAPITAL

	2012 £	2011 £	2010 £
Authorised			
200,000,000 ordinary shares of 0.5p each	1,000,000	1,000,000	1,000,000
Issued and fully paid			
At 1 July	220,231	190,231	190,231
Issued on exercise of warrants	-	30,000	-
At 30 June	220,231	220,231	190,231

	Ordinary shares	Ordinary shares	Ordinary shares
At 1 July	44,046,376	38,046,376	38,046,376
Additions	-	6,000,000	-
At 30 June	44,046,376	44,046,376	38,046,376

On 15 December 2010, 6,000,000 shares representing £30,000 of share capital at nominal value were issued for cash at 1p each, following the exercise of warrants.

The various share option plans are described in note 20. The total number of share options outstanding at 30 June 2012, the periods in which they were granted and the periods in which they may be exercised are given below:

Date of grant	Type of scheme	Note	Ordinary shares under option	Exercise price (£)	From	To
15/10/2005	New Plan		250,000	0.500	Vested	14/10/2015
31/05/2006	New Plan		791,667	0.500	Vested	28/05/2016
26/02/2008	New Plan	(i)	1,000,000	0.0366025	Vested	26/02/2013
			2,041,667			

(i) The share options were issued at an exercise price of £0.025, which increases by 10% on each anniversary of the date of grant if the options have not been exercised by that date. The current exercise price is £0.0366025.

Movements in the number of share options outstanding and the weighted average exercise price are as follows:

	2012		2011	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Outstanding at 1 July 2011/ 1 July 2010	3,556,480	0.214	3,556,480	0.214
Expired	(1,514,813)	0.138	-	
Outstanding at 30 June 2012/ 30 June 2011	2,041,667	0.273	3,556,480	0.215
Thereof exercisable	2,041,667	0.273	3,556,480	0.215

16 CAPITAL COMMITMENTS

There were no capital commitments at 30 June 2012, 30 June 2011 or 30 June 2010.

17 CONTINGENT LIABILITIES

There were no contingent liabilities at 30 June 2012, 30 June 2011 or 30 June 2010.

18 OPERATING LEASE COMMITMENTS

At 30 June 2012, the Group had commitments to make future minimum payments under non-cancellable operating leases as follows:

	2012	2011
	£	£
Within 1 year	5,675	5,684
	5,675	5,684

19 FINANCIAL INSTRUMENTS

The disclosures below are as required by IFRS 7 "Financial Instruments: Disclosures".

The Group manages its treasury function in accordance with policies that are reviewed and agreed by the Board. The objective is to reduce financial risk by ensuring that sufficient liquidity is available to meet the Group's foreseeable needs.

The Group's financial instruments comprise cash and short-term deposits, and short-term borrowings as well as trade receivables, trade payables and accruals that arise directly from its operations.

The major financial risks for the Group are liquidity and foreign currency risks. The policies for managing each of the risks are summarised below.

Liquidity and funding risk
The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs.

Credit risk
The Group's principal financial assets are bank balances and cash, trade and other receivables and investments.

The credit risk from bank balances and cash is negligible because the counter-parties are banks with high credit ratings.

The Group has no significant concentration of credit risk, as exposure is spread over a number of counter-parties and customers. The directors monitor the Group's credit risk by actively reviewing and approving the terms of, and parties to, significant commercial contracts where payment is not anticipated in advance.

Foreign currency risks
The Group carries out operations through a foreign subsidiary. The day to day transactions of the overseas subsidiary is carried out in local currencies. The Group's exposure to currency risk at a transactional level is monitored and reviewed regularly. The Group does not have a hedging programme in place at this time.

The Group will use forward currency contracts where appropriate to mitigate its exposure to exchange risk fluctuations. No forward currency contracts existed at any of 30 June 2012, 30 June 2011 or 30 June 2010.

Information on the various financial risks identified above is given below.

Liquidity and funding risk analysis
At 30 June 2012, the Group had no short term borrowings (2011 – nil and 2010 - £30,000).

Credit risk analysis

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	2012	2011	2010
	£	£	£
Classes of financial assets – carrying amounts			
Trade and other receivables	51,339	74,601	208,910
Cash and cash equivalents	592,449	346,922	135,599
	643,788	421,523	344,509

Foreign currency risk analysis

The table below shows the Group's exposure to foreign currency denominated financial assets and liabilities at the year end, translated at the closing rate:

	2012	2011	2010
	£	£	£
Foreign currency – US Dollars			
Financial assets	545,207	362,623	313,095
Financial liabilities	(82,331)	(149,932)	(35,139)
Short-term exposure	462,876	212,691	277,956
Foreign currency – Canadian Dollars			
Financial assets	166,461	186,107	216,656
Financial liabilities	-	-	-
Short-term exposure	166,461	186,107	216,656

The following table illustrates the sensitivity of the net result for the period and equity in regards to the Group's financial assets and financial liabilities and the US Dollar-Sterling and the Canadian Dollar – Sterling.

It assumes a +/-10% change of the US Dollar-Sterling and Canadian Dollar – Sterling exchange rate for the year ended 30 June 2012 (2011 – 10% and 2010 – 10%). These percentages have been determined based on the approximate average market volatility in exchange rates in the period. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each balance sheet date.

If sterling had weakened against the US Dollar and Canadian Dollar by 10%, this would have had the following impact:

	2012	2011	2010
	£	£	£
Foreign currency – US Dollars			
Net result for the period	(3,423)	(7,858)	12,174
Equity	(3,520)	(7,815)	23,363
Foreign currency – Canadian Dollars			
Net result for the period	(18)	(17)	676
Equity	(18)	(18)	312

If sterling had strengthened against the US Dollar and Canadian Dollar by 10%, this would have had the following impact:

	2012 £	2011 £	2010 £
Foreign currency – US Dollars			
Net result for the period	2,801	6,429	(9,961)
Equity	2,880	6,394	(10,514)
Foreign currency – Canadian Dollars			
Net result for the period	14	14	(553)
Equity	15	14	(256)

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. The analysis is considered to be broadly representative of the Group's exposure to currency risk.

20 LONG TERM INCENTIVES

A number of arrangements are in place to provide long term incentives. The arrangements under which long term incentives have already been granted or under which the Group intends to grant such incentives in the foreseeable future are summarised below.

Share options

New Share Option Plan

The Company has established a New Share Option Plan to facilitate the provision of equity incentives to employees and directors.

The New Share Option Plan is divided into two parts, one which is approved by the Inland Revenue (the "Approved Part") and one which offers awards in excess of the Inland Revenue limits (the "Non-approved Part"). The Company may also grant "Incentive Stock Options" in the USA on terms no more favourable than under the Non-approved Part. It is intended that options will only be granted under this plan in future.

Under this scheme, the total acquisition price of the ordinary shares under option to an individual will ordinarily be no more than twice their remuneration with a provision to grant options worth up to four times their remuneration in certain circumstances. The basis on which the options can be exercised will be set at the time they are granted, including both the price and a vesting schedule. The exercise price for options may be lower than the market price of an ordinary share at the date the option is granted, but no less than the nominal value. The Company's current policy is that one third of options granted will vest and become exercisable immediately with the remainder vesting in equal tranches on the anniversary of the date of the grant in each of the following two years. No option can be exercised more than ten years after its date of grant.

When an option holder ceases to work for the Group, unvested options lapse but, under certain circumstances, vested options may be exercised for a period after cessation of employment.

In the year ended 30 June 2012, no options were granted under the Share Option Plan (2011 – none).

Rollover Options

All remaining Rollover Options expired during the year to 30 June 2012.

Advisory Income Participation Arrangement

The Company has established an Advisory Income Participation Arrangement whose objective is to reward and incentivise those employees and contract personnel who assist the Group in consummating cash-generative transactions with advisory clients. Under this arrangement, an amount of up to 30 per cent of the net cash received by the Group on a transaction (after taking account of the payment of various related expenses to third parties and basic remuneration) may be paid in compensation to employees who had an active role in the transaction, provided that those employees have met certain minimum criteria. In relation to one assignment, the maximum participation has been increased to 50%, of which 45% is to a director.

No payments were made in the year to 30 June 2012 or to 30 June 2011 under this arrangement.

Investment Gain Participation Arrangement

The Company has established an Investment Gain Participation Arrangement whose objective is to reward and incentivise those employees and contract personnel who assist the Group in acquiring, managing or realising an investment. Under this arrangement, an amount of up to 20% per cent of the net realised gain made by the Group on an investment may be made available and allocated amongst the members of the investment management team from time to time. The net gain is calculated after a first return to the Group the amount of which will reflect the amount and type of capital invested and the expected return at the time of investment. Non-refundable advances may be paid where an investment is judged to have secured an increase in value giving rise to an unrealised gain and/or is operating profitably. No such advances have been made to date. Participations granted under this arrangement will normally vest over a period of up to 3 years.

Amounts totalling £57,637 arose in the year to 30 June 2012 under this arrangement in relation to a distribution from TWELP 2 (see note 10) and have been paid subsequent to the year end. No payments were made in the year to 30 June 2011.

21 EQUITY SETTLED SHARE OPTION PLAN

The Group provides for a grant price equal to the average quoted market price of the Group shares on the date of grant.

Details of the share options in issue are provided in note 15. The fair values of share options were calculated using the Black-Scholes Pricing Model. The inputs into the model are outlined below.

	New share option plan	Rollover options
Fair value	£0.00 - £0.06	£0.02 - £0.26 (1)
Share price	£0.02 - £0.41	£0.134 - £0.50
Exercise price	£0.025 -£0.50	£0.134 - £0.50
Expected volatility	30.0% - 27.0%	27.0%
Expected life	5	3
Risk free rate	4.4%	4.4%
Expected dividends yield	nil	nil

(1) 426,349 options were issued when mid market price was £0.50.

The Group did not recognise any expense relating to equity settled share option scheme transactions in the year ended 30 June 2012 (2011 - nil).

Expected volatility was determined by calculating the historical volatility of the Group's share price over the period from flotation on the Alternative Investment Market in February 2005 through to February 2008. The expected useful life used in the model equals the life of the options.

22 RELATED PARTY TRANSACTIONS

There were no related party transactions during the year.

In December 2010, J F Devaney and D T Wilson exercised the warrants they had acquired during the year ended 30 June 2010, paying a total of £60,000 in cash to the Company. These warrants, which had an expiry date of 31 December 2010, were exercisable over 6.0 million ordinary shares at £0.01 each. On 15 December 2010, the Company issued 6.0 million ordinary shares representing £30,000 of share capital at nominal value to J F Devaney (4.0 million ordinary shares) and D T Wilson (2.0 million ordinary shares).

A short term loan of £30,000 made to the Company by D T Wilson during the year ended 30 June 2010, on which interest was payable at a commercial rate, was repaid in full on 19 November 2010.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TERSUS ENERGY LIMITED

We have audited the parent company financial statements of Tersus Energy Limited for the year ended 30 June 2012 which comprise the company balance sheet 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 Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion of the parent company 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 (APB'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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2012;
- 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.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

Richard Hagley
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

London
15 November 2012

COMPANY BALANCE SHEET

As at 30 June 2012

	Note	2012 £	2011 £
FIXED ASSETS			
Investments	4	1,049,941	1,632,954
		1,049,941	1,632,954
Current assets			
Debtors – amounts due within one year	5	71,716	88,428
Debtors – amounts due after more than one year	5	33,016	110,702
Cash at bank and in hand		506,716	205,656
		611,448	404,786
Creditors: amounts falling due within one year	6	(158,608)	(88,012)
Net current assets		452,840	316,774
Total assets less current liabilities		1,502,781	1,949,728
Capital and reserves			
Called up share capital	7	220,231	220,231
Share premium account	8	-	6,447,112
Share option reserve	8	297,692	297,692
Profit and loss account	8	984,858	(5,015,307)
Shareholders' funds		1,502,781	1,949,728

The financial statements were approved by the Board of directors on 15 November 2012.

S P Levine
Director

D T Wilson
Director

Company no 5314207

The accompanying accounting policies and notes form an integral part of these statements.

1 RE-REGISTRATION AS A PRIVATE LIMITED COMPANY

On 4 November 2011, the Company was re-registered as a private limited company under the Companies Act 2006 by the name of Tersus Energy Limited, following the passing of a special resolution at a general meeting of the Company on 4 October 2011. Prior to this, the Company was registered as a public limited company under the name of Tersus Energy Plc.

2 SIGNIFICANT ACCOUNTING POLICIES

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with all applicable UK accounting standards. The principal accounting policies which differ from those set out in the Principal Accounting Policies for the consolidated financial statements on pages 14 to 19 are noted below.

The financial statements have been prepared on the historical cost basis.

Fixed Asset Investments

Fixed asset investments, including subsidiaries, are shown at cost, less provision for any permanent impairment of value. Cost includes the associated costs of acquisition. Where equity or rights to equity are obtained in consideration of providing advisory services, no value is attributed to such equity or rights until this is independently verifiable.

Deferred Taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Share Based Payments

The requirements of FRS 20 Share based payments are the same as those set out in the Principal Accounting Policies for the consolidated financial statements.

Going Concern

The Company meets its working capital and operating costs requirements from its cash balances. The nature of the Company's business is such that there is considerable uncertainty in the amounts and timing of cash flows. For example, remittances of surplus funds from Envinta, further receipts from the new owners of the Navitas business, any further distributions from TWELP and proceeds of sales of investments are all uncertain as to amount and timing.

Bearing this in mind, the directors have prepared cash flow forecasts for the period to 30 June 2016. The forecasts show the Company will have adequate resources for this period.

The financial statements do not include any adjustments or disclosures that would be required if the Company was not a going concern.

3 LOSS FOR THE FINANCIAL YEAR

The Company has taken advantage of section 408 of The Companies Act 2006 and has not included its own profit and loss account in these financial statements. The loss of the Company for the year ended 30 June 2012 was £446,947 (2011 – loss of £66,264).

The average monthly number of employees of the Company (including directors) during the period was 5 (2011 – 6) and their aggregate remuneration comprised:

	2012 **12 months** **£**	**2011** **12 months** **£**
Wages and salaries	47,267	38,266
Social security costs	1,807	1,853
	49,074	40,119

The Chairman has not received any remuneration since 31 May 2009.

The auditors' remuneration for audit services to the Company was £3,750 (2011 - £3,500).

The Company received £309,958 (2011- nil) from its investment in TWELP 2 when the general partner made a distribution from the retained profits of this limited partnership. A provision of £565,458 (2011 – nil) for impairment in the value of the investment in TWELP and TWELP 2 was also made during the year (note 4). After allowing for £57,637 payable under incentive arrangements in respect of the distribution received, the loss for the year includes a net loss of £313,137 (2011- nil) in respect of this investment.

In 2011 the Company made a profit of £35,500 on the sale of shares and share options.

4 INVESTMENTS

Cost	**Shares in group companies (a)** **£**	**Loans to group companies** **£**	**Investments (b) (c)** **£**	**Total** **£**
At 30 June 2011	1,180,724	530,200	1,943,851	3,654,775
Loan repayment	-	(16,233)	-	(16,233)
At 30 June 2012	1,180,724	513,967	1,943,851	3,654,775
Provision for impairment in value				
At 30 June 2011	(625,981)	(475,000)	(920,840)	(2,021,821)
Additions in year	-	-	(566,780)	(566,780)
At 30 June 2012	(625,981)	(475,000)	(1,487,620)	(2,588,601)
Net book amount				
At 30 June 2012	554,743	38,967	456,231	1,049,941
At 30 June 2011	554,743	55,200	1,023,011	1,632,954

(a) The provisions for impairment have been made on the basis of the assessed long-term value of the subsidiaries.

(b) The fixed asset investments comprise strategic investments which have been made in line with the Company's business strategy of focusing on the energy efficiency and alternative fuels/ renewable energy sectors, with some being obtained in return for providing advisory services.

(c) The additional provision for impairment in value of investments relates largely to the investment in TWELP and TWELP 2. Following a reassessment of this investment as explained in note 10 on page 29, a provision of £565,458 was made in the Company's accounts on the basis of its estimated net realisable value.

(d) Provisions for impairment in value amounting to £600,000 were made in respect of the investments in Envinta Corporation and Tersus Energy Services Inc. in 2009. No change in the provisions for impairment has been made since that date.

(e) Full provision in respect of the investment in and loans made to Navitas Technologies Limited ("Navitas") was made in 2009 in the amount of £500,981: the affairs of this company were wound up in 2010 following the sale of the business to a Canadian company on 31 August 2009. The total consideration payable was C$500,000, of which C$330,000 was paid in cash on completion, with the balance payable in 4 annual instalments. The Company entered into an agreement with the purchaser through which it will receive over a 5 year period from August 2009 a further amount linked to the level of sales. Further provisions were made in respect of loans for working capital included in Current assets in both 2009 and 2010.

The fixed asset investments include investments in both shares and convertible loans. The terms on which some investments are made include the right for the Company to participate in future projects. All investments are unlisted.

The subsidiary companies affecting the results of the Group and their activities during the year were:

Subsidiary	**Country of registration and operation**	**Class of share**	**Percentage held**	**Activities**
Envinta Corporation	Delaware, USA	Ordinary	100%	Developer of energy and environmental information software
Tersus Energy Services Inc.	Delaware, USA	Ordinary	100%	Strategic advisor in energy sector
Navitas Technologies Limited	Ontario, Canada	Ordinary	100%	No longer trading

All the above subsidiaries are held directly by Tersus Energy Limited.

5 DEBTORS

	2012	**2011**
	£	**£**
Amounts falling due within one year		
Trade debtors	5,307	1,772
Amounts owed by subsidiary companies	6,174	21,789
Prepayments	7,414	7,785
Other debtors (a)	52,821	57,082
	71,716	88,428
Amounts falling due after more than one year		
Amounts owed by subsidiary companies	2,786	17,339
Other debtors (a)	30,230	93,363
	33,016	110,702
	104,732	199,130

(a) Future receipts arising from the disposal of the Navitas business in August 2009.

6 CREDITORS

	2012 £	2011 £
Other taxation and social security	491	495
Accruals and deferred income	158,117	87,517
	158,608	88,012

7 CALLED UP SHARE CAPITAL

	2012 £	2011 £
Authorised		
200,000,000 ordinary shares of 0.5p each	1,000,000	1,000,000
Issued and fully paid		
At 1 July	220,231	190,231
Issued on exercise of warrants	-	30,000
At 30 June	220,231	220,231

	Ordinary shares	Ordinary shares
At 1 July	44,046,376	38,046,376
Additions	-	6,000,000
At 30 June	44,046,376	44,046,376

On 15 December 2010, 6,000,000 shares representing £30,000 of share capital at nominal value were issued for cash at 1p each, following the exercise of warrants.

At 30 June 2012 there were share options outstanding over 2,041,667 ordinary shares (2011 - 3,556,480 ordinary shares). Details of the share options, including the periods in which they were granted and the periods in which they may be exercised, are given in note 15 of the consolidated financial statements. The various share option plans are described in note 20 of the consolidated financial statements.

No share options were issued during the year ended 30 June 2012.

8 SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium account £	Share option reserve £	Profit and loss account £
At 30 June 2011	6,447,112	297,692	(5,015,307)
Transfer of balance on the share premium account to the profit and loss account on the reduction of share capital (a)	(6,447,112)	-	6,447,112
Loss for the year	-	-	(446,947)
At 30 June 2012	-	297,692	984,858

(a) Following shareholder approval, the Company's share capital was reduced on 23 December 2011 by the cancelling of the share premium account. The amount standing to the credit of the share premium account was then transferred to the profit and loss account.

9 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Company 2012 12 months £	2011 12 months £
Loss for the year	(446,947)	(66,264)
Issue of shares	-	60,000
Net movement in shareholders' funds	(446,947)	(6,264)
Opening equity shareholders' funds	1,949,728	1,955,992
Closing equity shareholders' funds	1,502,781	1,949,728

10 CAPITAL COMMITMENTS

There were no capital commitments at 30 June 2012 or 30 June 2011.

11 CONTINGENT LIABILITIES

There were no contingent liabilities at 30 June 2012 or 30 June 2011.

12 RELATED PARTY TRANSACTIONS

There were no related party transactions during the year.

In December 2010, J F Devaney and D T Wilson exercised the warrants they had acquired during the year ended 30 June 2010, paying a total of £60,000 in cash to the Company. These warrants, which had an expiry date of 31 December 2010, were exercisable over 6.0 million ordinary shares at £0.01 each. On 15 December 2010, the Company issued 6.0 million ordinary shares representing £30,000 of share capital at nominal value to J F Devaney (4.0 million ordinary shares) and D T Wilson (2.0 million ordinary shares).

A short term loan of £30,000 made to the Company by D T Wilson during the year ended 30 June 2010, on which interest was payable at a commercial rate, was repaid in full on 19 November 2010.

Notice is hereby given that 2012 Annual General Meeting ("**AGM**") of Tersus Energy Limited (the "**Company**") will be held at 9-13 St. Andrew Street, London EC4A 3AF at 4.00 p.m. on Wednesday 12 December 2012 to consider and, if thought fit, to pass the following resolutions ("**Resolutions**") of which Resolutions 1, 2, 3, 4 and 5 will be proposed as ordinary resolutions and Resolution 6 will be proposed as a special resolution:

ORDINARY RESOLUTIONS

1. **TO** receive and adopt the audited accounts of the Company for the year ended 30 June 2012 and the reports of the directors and auditors thereon.

2. **TO** receive and adopt the directors' remuneration report for the year ended 30 June 2012.

3. **THAT** Grant Thornton UK LLP shall not be re-appointed as auditors of the Company for the year ending 30 June 2013 by reason of the fact the Company will be entitled to exemption from audit in respect of its accounts for the year ended 30 June 2013 under section 477 of the Companies Act 2006 on account of the Company qualifying as small under sections 382 – 384 of the Companies Act 2006.

4. **TO** re-elect Steven Pakin Levine who retires from office in accordance with article 92.1 of the Company's articles of association and who, being eligible, offers himself for re-election, as a Director.

5. **THAT** in substitution for any existing authorities, the directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "**Act**"), to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company ("**Rights**") up to an aggregate nominal amount of £60,000 provided that this authority shall, unless renewed, varied or revoked by the Company, expire 15 months after the date of passing this resolution or at the conclusion of the next annual general meeting of the Company whichever first occurs save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted and the directors may allot shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

SPECIAL RESOLUTION

6. **THAT**, subject to the passing of resolution 5, in substitution for any existing authorities, the directors be and are generally empowered pursuant to section 570 of the Companies Act 2006 (the "**Act**") to allot equity securities (as defined in section 560 of the Act) pursuant to the authority conferred by resolution 5, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall:

   (a) be limited to the allotment of equity securities up to an aggregate nominal amount of £11,000 (representing approximately 5 per cent. of the Company's issued share capital); and

(b) (unless previously renewed, varied or revoked by the Company) expire 15 months after the date of passing of this resolution or at the conclusion of the next annual general meeting of the Company whichever first occurs, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

Dated 15 November 2012

Registered office:	BY ORDER OF THE BOARD
344 Linen Hall 162-168 Regent Street London W1B 5TD	David Wilson Company Secretary

Notes:

Right to Appoint a Proxy

1. Members entitled to attend and vote at the AGM are entitled to appoint some other person(s) of their choice as their proxy to exercise all or any of their rights to attend, speak and vote (on a show of hands and on a poll) on their behalf at the AGM. A proxy need not be a member of the Company, but must attend the meeting to represent you.

2. A member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to the same shares.

3. A proxy form, which may be used to make such appointment and give proxy instructions, accompanies this notice. If you do not receive a proxy form and believe that you should have one, please contact the Company's registrar, Equiniti Limited on 0871 384 2735. Calls to this number are charged at 8p per minute from a BT landline. Other telephony providers' costs may vary. Lines are open 8.30 a.m. to 5.30 p.m., Monday to Friday. Overseas shareholders please call + 44 (0)121 415 7047.

Procedure for Appointing a Proxy

4. If you wish to appoint multiple proxies, please contact Equiniti Limited using the contact details in note 3 to request additional proxy forms. Alternatively, the proxy form may be photocopied before completion.

5. To be effective, any proxy form must be completed, signed and received by the Company's registrar, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6ZL by post or (during normal business hours only) by hand no later than 4.00 p.m. on 10 December 2012. It should be accompanied by any power of attorney or other authority under which it is signed (or a copy of such power or authority notarially certified or certified in some other way approved by the Company's board of directors).

6. Proxy forms may not be submitted via the Company's website or via any e-mail address set out on the Company's website.

7. The return of a completed proxy form will not prevent a member from attending the AGM and voting in person.

8. In the case of joint holders, the signature of only one of the joint holders is required on the proxy form, but the names of all joint holders should be stated. The vote (whether in person or by proxy) of the first named on the register of members of the Company will be accepted to the exclusion of the other joint holders.

9. In the case of a corporation, the proxy form must be given under its common seal or signed on its behalf by a duly authorised officer or an attorney.

Corporate Representatives

10. A member which is a corporation is entitled to appoint one or more persons to act as the corporate representative or representatives at the meeting and to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual member.

Communication

11. You may not use any electronic address provided either in this notice or any related documents (including the Chairman's letter and proxy form) to communicate with the Company for any purposes other than those expressly stated.

SHAREHOLDER INFORMATION

Company registration number	5314207
Registered office	344 Linen Hall 162 – 168 Regent Street London W1B 5TD
Directors	J F Devaney *(Non-executive Chairman)* S P Levine *(Chief Executive Officer)* D T Wilson *(Chief Operating Officer and Finance Director)* S K West *(Investment Director)*
Secretary	D T Wilson
Bankers	Lloyds TSB City Office London
Registrars	Equiniti Aspect House Spencer Road Lancing West Sussex BN99 6DA
Solicitors	Rosenblatt Solicitors 9 -13 St Andrew Street London EC4A 3AF
Auditor	Grant Thornton UK LLP Melton Street Euston Square London NW1 2EP

United Kingdom office	344 Linen Hall 162 – 168 Regent Street London W1B 5TD	Enquiries: slevine@tersusenergy.com dwilson@tersusenergy.com