ACTIVE ENERGY GROUP PLC

INTERIM REPORT AND UNAUDITED CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

30 JUNE 2014

CHAIRMAN'S STATEMENT
FOR THE SIX MONTH'S ENDED 30 JUNE 2014

I am pleased to present the Company's Interim Report for the six month's ended 30 June 2014. The detailed results are set out in full in the accompanying Financial Statements. A summary of these results is set out below.

FINANCIAL SUMMARIES

INCOME STATEMENT	6 months ended 30 June 2014	6 months ended 30 June 2013	12 months 31 Dec 2013
	£'000	£'000	£'000
Revenue	**6,418**	**106**	**5,247**
Cost of sales	(6,092)	-	(5,334)
Gross Profit	**326**	**106**	**(87)**
Admin Costs	(1,312)	(741)	(2,136)
Operating Loss	**(986)**	**(635)**	**(2,223)**
Other items	(62)	13	(45)
Loss for period	**(1,048)**	**(622)**	**(2,268)**
		BALANCE SHEET	
	£'000	£'000	£'000
NON-CURRENT ASSETS	**3,285**	**3,088**	**2,826**
Cash	2,411	2,910	948
Inventories	159	775	858
Other current assets	1,467	858	531
TOTAL CURRENT ASSETS	**4,037**	**4,543**	**2,337**
Short term loans	1,066	-	-
Trade and other payables	1,022	1,944	506
CURRENT LIABILITIES	**2,088**	**1,944**	**506**
NET CURRENT ASSSETS	**1,949**	**2,599**	**1,831**
Long term loans	2,562	857	877
Deferred Tax Liability	244	260	260
NON-CURRENT LIABILITIES	**2,806**	**1,117**	**1,137**
NET ASSETS	**2,428**	**4,570**	**3,520**

See below for a short reconciliation of the Group's adjusted operating losses this in order to reflect the non-cash and special project items which have impacted on our financial results for the period under review:

	30th June 2014	
		£'000
OPERATING LOSS		**986**
Less: Non-cash items		
Depreciation and Amortisation	(100)	
FX losses	(61)	
Share based payments	(86)	(247)
Less: New projects		
Pelleting	(134)	
Canada JV (PC)	(50)	(184)
Less:Non-Recurring costs (pro forma)		
Accounting, audit, professional	(100)	
Port relocation/start-up	(100)	(200)
ADJUSTED OPERATING LOSS		**355**

BUSINESS REVIEW

The matters on which I would like to briefly comment upon are shown below:

Biomass and MDF Woodchip Division

- The Company's strategy in H1-14 was to focus Ukrainian operations on increasing volumes to our Turkish customers. As the following tables demonstrates, we have achieved a significant increase in that core part of our business which delivers higher margins and makes lower cash demands due to the shorter payment cycles which characterize this part of our trade as compared with our biomass business.

Trade	H1 2014	H2 2013	Change % +/- H2-13	Q3-2014 (to date*)
Biomass	39,629	57,811	-31%	9,728
Black Sea	61,185	14,573	320%	42,816*
Total	**100,814**	**72,384**	**39%**	**52,544***

**Excludes "Sider King" due to sail 30 September 2014 from Yuzhny with a cargo of ~13,000 metric tonnes for delivery to Turkey.*

In contrast, Biomass has proven to deliver poor overall margins while placing a relatively high demand on working capital with payment cycles often being in excess of 30 days. As all Ukrainian-based biomass shipments have now ceased, the capacity underlying those volumes will be allocated in future to more profitable MDF cargoes. The biomass business in H1-2014 has continued to disappoint notwithstanding our efforts to open alternative supply routes from Spain and Montenegro. In particular, shipments from Montenegro have failed to meet the quantitative and qualitative criteria necessary to satisfy minimum product specifications; accordingly, management is maintaining a watching brief on the future of both of these supply channels.

- While the relocation of our port facilities from Mykolaiv to Yuzhny resulted in some level of cost pressure, the move has proved itself ever more justified as it has delivered 100% on the benefits expected from it. We now have an established presence in a modern, secure and efficient facility with greater access to all-year shipping lanes and the capacity to expand our core Black Sea business to meet the continuing requirements of our key Turkish customer base.
- In line with the new port development the company has initiated operational knowledge and training programmes to streamline the product supply chain, an investment at the grass roots level of our business which will deliver value in future periods.
- New capital equipment has been installed at Yuzhny port, which has substantially increased our chipping capacity in line with the growing customer demand from Turkey.
- Local currency devaluation in the Ukrainian Hyrvnia (UAH) has had a net positive impact on our cost base, resulting in a lower cost of sales per metric tonne loaded at the FOB level. However, this has been less than the "headline" change in the FX rate change mainly because of cost increases in a number of key areas which are either directly US$ denominated or US$ influenced, items such as port costs and fuel.

No commentary on any Ukrainian-based business would be complete without reiterating that the political (and some operational) issues in our core territory continue to generate highly challenging trading conditions. Be that the loss of what would have most likely proved to have been a source of good margin biomass product from Eastern Ukraine that is now denied to us, or the massive issues that have impacted on our CEO from the predations of the separatist movement in Donetsk which have so far lost him his home, operating a growing business in these circumstances is a huge challenge and it is a tribute to the fortitude of the executive that such positive developments have been achieved at all.

Of course, all of our stakeholders would have preferred to have seen progress more quickly achieved but I am confident that the operating indicators for the woodchip business are largely positive.

Administrative costs

- Administrative costs increased in part due to non-recurring (third party accounting service providers, re-structuring of Mykolaiv port operations), non-cash expenses and a continuing increase in the Company's operational tempo as it seeks to expand its sphere of operations both geographically (in North America in particular), and to new operations such as pelleting and, of course, the new operations that will most likely emerge from the Canadian project with the Métis Settlements.
- The pelleting project consumed initiation and early stage development costs in H1-14 amounting to some £134k.
- There has been an inevitable continuation in the Group spend on travel, legal and associated costs as a direct result of many initiatives being so actively developed.
- A restructuring programme was initiated in Q2 this year which is planned to result in a reduced level of underlying admin spend. This currently includes the provision of accountancy services in-house rather than being outsourced to third party service providers and will extend to the relocation out of London of all management reporting activities.

CURRENT TRADING AND PROSPECTS

The Black Sea Trade

- There is a strong forward focus on cargoes for MDF with expected continuing improvements in volumes and margins, this latter aspect due to the FOB cost of woodchip being anticipated to decrease in H2-14.
- Cost control and process improvements are being implemented to produce greater efficiencies in the supply chain to more consistently deliver the seamless supply of wood from forest to port to factory. Continuing staff and operative training should lead to fewer equipment breakdowns and, crucially, the minimization of demurrage costs that have sometimes resulted therefrom.
- Contracts are in place and customers are keen for the Company to ramp up both its rate and size of shipments. Implementation of robust supply chain processes means the Group can harness these willing markets.
- The current strategy of building our Black Sea trade to capture the improved margins and cash flows mentioned above continues to trend positively and serves to underscore the progress that management has so far made in this area through its various continuous improvement programmes.
- New customer opportunities are being actively pursued for both softwood and hardwood supplies which may lead to a possible further investment in additional chipping facilities at Yuzhny port. Specific announcements will be made as appropriate.
- While the aggregate gross margin on trading for the period under review has been only ~5%, as previously commented upon, this figure was depressed by the poor results arising from biomass cargoes. As a consequence of the process improvements currently being implemented and the continuation of positive economic influences, management expects that cargoes in future periods will produce significantly better results.

In short, the Black Sea trade continues to represent a considerable growth opportunity in line with the Board's original expectations. Notwithstanding that the rate of development has been less than hoped for, the core plan remains intact and accessible - subject only to the continuing availability of development capital and the absence of any material deterioration in the political climate in Ukraine.

Pelleting division

- This project established "proof of concept" in the successful system trials and demonstrations carried out in Belfast earlier this year. Since that time detailed discussions have been conducted by management with key partners in the project with a view to establishing a detailed business plan in early course.
- Management expects to bring this project to commercial development as soon as possible.

Canadian Joint Venture

- This project was first unveiled by the Company on 18 July when we announced the establishment of a joint venture with the Métis Indians to work with three of the eight Métis Settlements to commercialize the significant forestry assets controlled by them. At that time it was believed that the forestry assets controlled by the first three Settlements comprised at least 100,000 hectares of mature forest expected to yield more than 20 million cubic metres of commercial standing timber.
- As no land survey had then been commissioned and detailed legal due diligence had not been initiated, the project was recognised as having great potential, notwithstanding that much work would have to be done by both the

Company and its partners in order to establish the full physical and economic extent of the asset and its optimal path to commercialisation.

- Since that time, our CEO (with other members of the management team) has devoted a considerable amount of time and effort into kick-starting the base level of effort required to address the key issues facing the joint venture.
- On 28 August, and only a little over a month after the first announcement was made, the Company was pleased to inform the market that the JV company ("KAQUO Forestry and Natural Resources Development Corporation") had been formed and that a survey of 2% of the total land asset had been commissioned; that this work was expected to take around two months to complete, thereby indicating a market update on the project in late October/early November this year.
- This later announcement also reported that the asset was now believed to amount to double the area first estimated, now being assessed to be at least 200,000 hectares of high quality forestry.
- Detailed legal and commercial development elements of the project are being worked on contemporaneous with the forestry survey and the Company expects to make a series of announcements on these matters in the upcoming calendar quarter and beyond.

Group Outlook

- The Group has successfully concluded the integration of its new woodchip business and has made considerable progress in developing important initiatives in both its new pelleting operation and Canadian joint venture. It now stands ready to deliver on the very considerable opportunities that are currently vested in it which have the potential to realise significant growth in shareholder value.
- Current shipping volumes for Q3-14 to date continue to reflect the implementation of the trading strategy for our woodchip business, with a significant increase in cargoes for MDF with a concomitant reduction in those for biomass. This will also result in improved trading gross margins which are expected to show further positive growth as the benefits of operating efficiencies feed through.
- AEG is a small company that operates in difficult jurisdictions and with a current low margin core trade. Considerable investment in that trade has been expended in the last 12 months when trading losses have been incurred and growth has been hard won. Going forward, it therefore remain pivotal that volume and margin growth expectations continue to be met and that central costs are driven down consistent with the needs of the business and its capacity to develop and manage multiple operating channels.

Management

Shareholders will have noted the announcement on 26 September 2014 of the appointment to the Board of Brian Evans-Jones as Finance Director of the Group. Brian's appointment is part of the overall restructuring plan intended to both streamline reporting processes and drive down the overall administrative costs of the Group, to be achieved in part by the relocation of the accounting and finance function from its current London base.

This is also the time for me to announce that this will be my last Chairman's Statement for Active Energy Group as, by mutual consent, I will be stepping down from the Chair with immediate effect. I have served in this position for nearly two years and have been able to support the management team through the period when the Group sought first to acquire and then, in June last year, complete the acquisition of Nikofeso Group alongside the refinancing of the Company.

It is therefore appropriate that the Company should now seek a new chairman to support and guide management in what promise to be truly significant opportunities into which AEG will have to put a major level of effort from a Board able to deliver operationally in the resources sector and with a Chair that has demonstrable strengths in the sectors and regions in which AEG operates. A search process is already underway and an announcement as to my successor will be made as soon as appropriate.

As a shareholder myself, there is nothing more than I could wish for AEG than that it delivers fully on its inherent promise; management's interests remain closely aligned with all of our stakeholders and, alongside thanking my Board colleagues for their support during the last two years, I will close by wishing them, as well as all of our dedicated staff, every success for the future.

Colin Hill
Non-Executive chairman

London: 30th September 2014

CHAIRMAN'S STATEMENT
FOR THE SIX MONTH'S ENDED 30 JUNE 2014

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Colin Hill
Non-Executive chairman

London: 30th September 2014

INDEPENDENT REVIEW REPORT TO ACTIVE ENERGY GROUP PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'', issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENT REVIEW REPORT TO ACTIVE ENERGY GROUP PLC

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

Emphasis of matter - Going concern

In forming our conclusion on the condensed set of financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 concerning the group's and parent's ability to continue as a going concern. As set out in note 1, there are material uncertainties that may cast significant doubt about the group's and parent company's ability to continue as a going concern and meet their liabilities as they fall due. In particular the ability of the group and parent to obtain additional funding to finance additional working capital requirements as and when required, or in the event that volume and margin improvements over the next twelve months fall below management's expectations. The condensed set of financial statements do not include the adjustments that would result if the group and company were unable to continue as a going concern.

BDO LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
29 September 2014

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Note	6 months to 30/06/14 Unaudited £	6 months to 30/06/13 Unaudited £	12 months to 31/12/13 Audited £
REVENUE	2	6,417,628	105,538	5,246,542
Cost of sales		(6,092,081)	-	(5,333,620)
GROSS PROFIT / (LOSS)		325,547	105,538	(87,078)
Administrative expenses		(1,311,143)	(740,900)	(2,135,873)
OPERATING LOSS		(985,596)	(635,362)	(2,222,951)
Finance income		5,200	6,182	13,958
Finance costs		(83,445)	(10,413)	(64,649)
LOSS BEFORE TAXATION		(1,063,841)	(639,593)	(2,273,642)
Income tax		16,086	17,877	6,015
LOSS FOR THE PERIOD	2	(1,047,755)	(621,716)	(2,267,627)
			Restated	
Loss per share (pence) – basic and fully diluted	10	(0.19)	(0.26)	(0.58)

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	6 months to 30/06/14 Unaudited £	6 months to 30/06/13 Unaudited £	12 months to 31/12/13 Audited £
LOSS FOR THE PERIOD	(1,047,755)	(621,716)	(2,267,627)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations	(215,546)	67,753	(182,925)
TOTAL COMPREHENSIVE LOSS FOR PERIOD	(1,263,301)	(553,963)	(2,450,552)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	30/06/14 Unaudited £	Restated 30/06/13 Unaudited £	31/12/13 Audited £
NON-CURRENT ASSETS				
Intangible assets	4	2,540,833	3,046,742	2,714,155
Property, plant and equipment	5	744,043	40,806	112,003
		3,284,876	3,087,548	2,826,158
CURRENT ASSETS				
Inventories		159,422	775,207	857,610
Trade and other receivables	6	1,466,687	858,805	531,467
Cash and cash equivalents		2,411,665	2,910,159	948,222
		4,037,774	4,544,171	2,337,299
TOTAL ASSETS		7,322,650	7,631,719	5,163,457
CURRENT LIABILITIES				
Trade and other payables	7	1,021,863	1,943,861	501,852
Income tax liability		-	-	4,253
Loans and borrowings	8	1,066,099	-	-
		2,087,962	1,943,861	506,105
NON-CURRENT LIABILITIES				
Deferred income tax liabilities		244,376	260,438	260,462
Loans and borrowings	8	2,562,088	857,160	876,808
		2,806,464	1,117,598	1,137,270
TOTAL LIABILITIES		4,894,426	3,061,459	1,643,375
NET ASSETS		2,428,224	4,570,260	3,520,082
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT				
Share capital		6,190,256	5,626,655	6,186,256
Share premium		4,385,335	4,222,354	4,380,335
Merger reserve		1,502,500	1,502,500	1,502,500
Foreign exchange reserve		(445,052)	21,172	(229,506)
Own shares held reserve		(899,570)	(719,420)	(899,570)
Convertible debt, warrant and capital reserve		698,458	621,873	621,873
Retained earnings		(9,003,703)	(6,704,874)	(8,041,806)
TOTAL EQUITY		2,428,224	4,570,260	3,520,082

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS TO 30 JUNE 2014

	Note	6 months to 30/06/14 Unaudited £	6 months to 30/06/13 Unaudited £	12 months to 31/12/13 Audited £
Cash outflow from operations	3	(909,038)	(227,153)	(2,580,106)
Income tax paid		(4,253)	(3,909)	(26,199)
Net cash outflow from operating activities		(913,291)	(231,062)	(2,606,305)
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired		-	67,674	67,674
Purchase of property, plant and equipment		(319,844)	-	(132,045)
Interest received		5,200	6,182	13,958
Net cash inflow/(outflow) from investing activities		(314,644)	73,856	(50,413)
Cash flows from financing activities				
Issue of equity share capital		-	1,880,862	2,467,012
Convertible loan from shareholder		-	1,000,000	1,000,000
Issue expenses		-	-	-
Interest paid on convertible loan note		(45,000)	-	(45,000)
Issue of debt		2,807,964	-	-
Net cash inflow from financing activities		2,762,964	2,880,862	3,422,012
Net increase in cash and cash equivalents		1,535,029	2,723,656	765,294
Cash and cash equivalents at beginning of period		948,222	158,004	158,004
Effect of exchange rate changes		(71,586)	28,499	24,924
Cash and cash equivalents at end of period		2,411,665	2,910,159	948,222

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS TO 30 JUNE 2014

	Share capital Unaudited £	Share premium Unaudited £	Merger reserve Unaudited £	Foreign exchange reserve Unaudited £	Own Share Held Reserve Unaudited £	Convertible Debt, warrant and capital reserve Unaudited £	Retained earnings Unaudited £	Total equity Unaudited £
At 1 January 2013	**2,373,522**	**4,209,901**	**940,000**	**(46,581)**	**(94,420)**	**308,507**	**(6,087,713)**	**1,603,216**
Loss for the period	-	-	-	-	-	-	**(621,716)**	**(621,716)**
Other comprehensive income	-	-	-	**67,753**	-	-	-	**67,753**
Total comprehensive loss for the period	-	-	-	**67,753**	-	-	**(621,716)**	**(553,963)**
Issue of share capital	**2,350,799**	**98,541**	**562,500**	-	-	-	-	**3,011,840**
Conversion of convertible loan	**277,334**	-	-	-	-	**(277,334)**	-	-
Issue of convertible loan	-	-	-	-	-	**142,840**	-	**142,840**
Issue of warrants	-	-	-	-	-	**447,860**	-	**447,860**
Share based payments	-	-	-	-	-	-	**4,555**	**4,555**
Share issue expenses	-	**(86,088)**	-	-	-	-	-	**(86,088)**
Treasury shares issued	**625,000**	-	-	-	**(625,000)**	-	-	-
At 30 June 2013	**5,626,655**	**4,222,354**	**1,502,500**	**21,172**	**(719,420)**	**621,873**	**(6,704,874)**	**4,570,260**
Loss for the period	-	-	-	-	-	-	**(1,645,911)**	**(1,645,911)**
Other comprehensive Income	-	-	-	**(250,678)**	-	-	-	**(250,678)**
Total comprehensive loss for the period	-	-	-	**(250,678)**	-	-	**(1,645,911)**	**(1,896,589)**
Issue of share capital	**409,601**	**120,481**	-	-	-	-	-	**530,082**
Share based payments	-	-	-	-	-	-	**308,979**	**308,979**
JSOP shares issued	**150,000**	**37,500**	-	-	**(180,150)**	-	-	**7,350**
At 31 December 2013	**6,186,256**	**4,380,335**	**1,502,500**	**(229,506)**	**(899,570)**	**621,873**	**(8,041,806)**	**3,520,082**
Loss for the period	-	-	-	-	-	-	**(1,047,755)**	**(1,047,755)**
Other comprehensive income	-	-	-	**(215,546)**	-	-	-	**(215,546)**
Total comprehensive loss for the period	-	-	-	**(215,546)**	-	-	**(1,047,755)**	**(1,263,301)**
Issue of share capital	**4,000**	**5,000**	-	-	-	-	-	**9,000**
Share based payments	-	-	-	-	-	-	**85,858**	**85,858**
Equity component of loan issue	-	-	-	-	-	**76,585**	-	**76,585**
At 30 June 2014	**6,190,256**	**4,385,335**	**1,502,500**	**(445,052)**	**(899,570)**	**698,458**	**(9,003,703)**	**2,428,224**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS TO 30 JUNE 2014

1. Accounting policies

Accounting periods

The accounting reference date of the Group is 31 December. The current half year interim results are for the six months ended 30 June 2014. The comparative half year interim results are for the six months ended 30 June 2013. The comparative year's results are for the twelve months ended 31 December 2013.

Financial information

The financial information for the six months ended 30 June 2014 and the six months ended 30 June 2013 are unaudited and have been drawn up in compliance with IAS 34 and the AIM Rules of the London Stock Exchange. The comparative financial information for the full year ended 31 December 2013 has, however, been derived from the audited statutory financial statements for that period. A copy of those statutory accounts for that period has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified and did not contain statements under Chapter 3 of Part 16 of the Companies Act 2006, but did include an emphasis of matter in respect of the ability to obtain additional funding if expected trading levels are not achieved. These conditions indicated the existence of material uncertainties which may have cast doubt about the Group's ability to continue as a going concern.

Basis of preparation

The half year interim financial statements have been prepared on a going concern basis using the recognition and measurement principles of IFRS as endorsed for use in the European Union. The accounting policies used in the preparation of these condensed financial statements are set out in the statutory financial statements for the period ended 31 December 2013 which are also the policies that are expected to be applicable at 31 December 2014.

Going Concern

Based on the latest trading expectations and associated cash flow forecasts of the Group headed by Active Energy Group plc, the Directors have considered the cash requirements for the Group, and subject to meeting the growth in forecast volumes and margin improvements, together with obtaining funding for any additional working capital needs, the Directors believe that the Group will be able to meet their liabilities as they fall due for a period of at least 12 months from the date of these interims. The Directors are confident they would be able to raise any additional funding as and when required, particularly given the successful raising of finance during this interim period. However, this cannot be guaranteed, particularly in the event that trading falls below management’s expectations. As such the ability to obtain additional funding, should it be required, is considered to be a material uncertainty that may cash significant doubt over the Group’s ability to continue as a going concern.

Restatement of 2013 Interim Comparatives

The balance sheet as at 30 June 2013 has been restated to correct the accounting for the issue of the convertible loan note, the value of shares issued on acquisition, the treatment of deferred consideration, the recognition of the fair value of warrants issued and the timing of the recognition of cash share subscriptions over the period end. The impact of these adjustments is to reduce net assets previously reported as at 30 June 2013 by £1,670,165, with a reduction in intangible assets of £320,609, an increase in trade and other receivables of £217,254, a reduction in cash and cash equivalents of £709,650 and an increase in loans and borrowings of £857,160. There was no impact to the statement of income for the comparative period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS TO 30 JUNE 2014

2. SEGMENTAL INFORMATION

The principal operations can be segmented into operations surrounding loads destined for Biomass Fuels and loads for the manufacture of MDF.

	H1 2014 MDF Unaudited £	H1 2014 Biomass Unaudited £	H1 2014 Total Unaudited £
Revenue from external customers	4,037,900	2,379,728	6,417,628
Operating loss and loss before tax	(33,472)	(336,409)	(369,881)
Tax credit	-	16,086	16,086
Loss for the period	(33,472)	(320,323)	(353,795)

Other segmented items included in the condensed statement of comprehensive income:

Depreciation on property plant and equipment	8,542	6,315	15,447
Amortisation of intangibles	-	84,661	84,661

	H1 2013 MDF Unaudited £	H1 2013 Biomass Unaudited £	H1 2013 Total Unaudited £
Revenue from external customers	-	105,538	105,538
Operating loss and loss before tax	-	(341,897)	(341,897)
Tax credit	-	17,877	17,877
Loss for the period	-	(324,020)	(324,020)

Other segmented items included in the condensed statement of comprehensive income:

Depreciation on property plant and equipment	-	386	386
Amortisation of intangibles	-	94,090	94,090

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS TO 30 JUNE 2014

2. SEGMENTAL INFORMATION (CONTINUED)

	Full Year 2013 MDF Audited £	Full Year 2013 Biomass Audited £	Full Year 2013 Total Audited £
Revenue from external customers	**981,303**	**4,265,239**	**5,246,542**
Operating loss and loss before tax	**(98,869)**	**(392,222)**	**(491,091)**
Tax credit	**-**	**6,015**	**6,015**
Loss for the period	**(98,869)**	**(386,207)**	**(485,076)**
Other segmented items included in the income statement:			
Depreciation on property plant and equipment	**(4,902)**	**(19,448)**	**(24,350)**
Amortisation of intangibles	**-**	**(171,357)**	**(171,357)**

All assets and liabilities and capital expenditure for the period are inter-changeable between the divisions and therefore no segmental analysis has been presented.

Reconciliation of reportable segment profit or loss, assets and liabilities to the Group's corresponding amounts are as follows:

	H1 2014 Unaudited £	H1 2013 Unaudited £	Full year 2013 Audited £
Total profit or loss from reportable segments	**(353,795)**	**(324,020)**	**(485,076)**
Unallocated amount - corporate expenses	**(529,857)**	**(293,465)**	**(1,346,426)**
Unallocated amount - finance income	**5,200**	**6,182**	**13,958**
Unallocated amount - finance expense	**(83,445)**	**(10,413)**	**(64,649)**
Share based payments	**(85,858)**	**-**	**(385,434)**
Loss for the period	**(1,047,755)**	**(621,716)**	**(2,267,627)**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS TO 30 JUNE 2014

3. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH OUTFLOWS FROM OPERATING ACTIVITIES

	6 months to 30/06/14 Unaudited £	6 months to 30/06/13 Unaudited £	12 months to 31/12/13 Audited £
Loss for the period	(1,047,755)	(621,716)	(2,267,627)
Adjustments for:			
Share based payment expense	85,858	-	385,434
Depreciation	15,447	386	24,350
Amortisation of intangibles	84,661	94,090	171,508
Loss on disposal of property, plant and equipment	-	-	31,910
Finance Income	(5,200)	(6,182)	(13,958)
Finance costs paid	83,445	10,413	64,648
Income Tax	(16,087)	(17,887)	(6,015)
	(799,631)	(540,896)	(1,609,750)
Decrease / (Increase) Inventory	685,955	-	(82,403)
Decrease / (Increase) in receivables	(945,972)	70,492	344,775
Increase / (decrease) in payables	150,610	243,251	(1,232,728)
Net cash inflow/(outflow) from operating activities	(909,038)	(227,153)	(2,580,106)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS TO 30 JUNE 2014

4. GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Contractual relationships	Other	Total
	Unaudited	Unaudited	Unaudited	Unaudited
	£	£	£	£
Cost				
At 1 January 2014	1,343,239	1,713,568	213	3,057,020
Foreign exchange difference	(43,878)	(52,244)	(2)	(96,124)
At 30 June 2014	1,299,361	1,661,324	211	2,960,896
Accumulated amortisation				
At 1 January 2014	-	342,714	151	342,865
Charge for year	-	84,661	-	84,661
Foreign exchange difference	-	(7,463)	-	(7,463)
At 30 June 2014	-	419,912	151	420,063
Net book value				
At 30 June 2014	1,299,361	1,241,412	60	2,540,833
At 31 December 2013	1,343,239	1,370,854	62	2,714,155

Goodwill arose on the acquisition of Nikofeso on 27 June 2013. Contractual relationships comprise licenses granted by the Lyubomi Forest in the Ukraine.

5. PROPERTY, PLANT AND EQUIPMENT

	Plant and equipment	Furniture and office equipment	Total
	Unaudited	Unaudited	Unaudited
	£	£	£
Cost			
At 1 January 2014	139,157	14,860	154,017
Additions	650,440	-	650,440
Foreign exchange difference	(4,361)	(70)	(4,431)
At 30 June 2014	785,236	14,790	800,026
Accumulated amortisation			
At 1 January 2014	29,607	12,407	42,014
Charge for year	15,286	161	15,447
Foreign exchange difference	(1,407)	(71)	(1,478)
At 30 June 2014	43,486	12,497	55,983
Net book value			
At 30 June 2014	741,750	2,293	744,043
At 31 December 2013	109,550	2,453	112,003

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS TO 30 JUNE 2014

6. TRADE AND OTHER RECEIVABLES

	30/06/14 Unaudited £	30/06/13 Unaudited £	31/12/13 Audited £
Trade receivables	935,341	300,825	150,331
Provision for impairment	-	(31,294)	(46,632)
Trade receivables – net	935,341	269,531	103,699
Other debtors	225,985	556,427	154,716
VAT	36,910	32,847	18,662
Prepayments and accrued income	268,451	-	254,390
	1,466,687	858,805	531,467

7. TRADE AND OTHER PAYABLES

	30/06/14 Unaudited £	30/06/13 Unaudited £	31/12/13 Audited £
Trade payables	627,892	702,117	270,523
Accruals and deferred income	259,976	1,241,744	231,329
Other payables	133,995	-	-
	1,021,863	1,943,861	501,852

8. LOANS AND BORROWINGS

	30/06/14 Unaudited £	30/06/13 Unaudited £	31/12/13 Audited £
Current			
Loans	1,066,099	-	-
Non-current			
Convertible loans	896,808	857,160	876,808
Loans	1,665,280	-	-
	2,562,088	857,160	876,808

Current loans of £1,066,099 were issued in the period. £1,007,399 comprises a 20 million Ukrainian Hryvnias (UAH) unsecured loan from an unrelated Ukrainian company, Industrial-Financial Company Ruteks Limited provided under a Ukrainian Fiscal Incentive Programme and is repayable by 31 December 2014. Under the terms of this agreement, Ruteks is entitled to a participation fee of US$5 per tonne on all shipments financed under this agreement. The remaining £58,700 consists of short term borrowing from the Group's largest shareholder, the Gravendonck foundation, which has been repaid subsequent to period end.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS TO 30 JUNE 2014

8. LOANS AND BORROWINGS (CONTINUED)

Non-current loans of £1,665,280 issued in the period comprises $3,000,000 of unsecured loans from the group's largest shareholder, the Gravendonck Foundation, repayable by Gravendonck giving not less than 12 months and 1 days notice. In respect of these loans $2,000,000 accrues interest at an annual rate of 15% payable quarterly in arrears and $1,000,000 is interest free. The fair value of the liability component on the interest free loan was £510,435, calculated using a determined market rate of interest of 15% for an equivalent interest bearing loan, is included in non-current borrowings. The residual equity component of £76,584 is included in reserves.

9. SHARE CAPITAL

	Ordinary shares of 1p each	
	Number	**£**
Allotted, called up and fully paid		
Ordinary		
As at 1 January 2014	**618,625,570**	**6,186,256**
Shares issued	**400,000**	**4,000**
As at 30 June 2014	**619,025,570**	**6,190,256**

On 9 May 2014, 400,000 ordinary shares of 1p each were issued to settle an outstanding liability for professional fees of £9,000. Included in shares issues are 77,710,000 of own shares held.

10. LOSS PER SHARE

	6 months to 30/06/14 Unaudited	6 months to 30/06/13 Unaudited Restated	12 months to 31/12/13 Audited
	£	**£**	**£**
Weighted average number of ordinary shares in issue	**541,030,487**	**241,498,259**	**391,315,205**
Loss after taxation	**(1,047,755)**	**(621,716)**	**(2,267,627)**
Loss per share (pence) – basic and fully diluted	**0.19**	**0.26**	**0.58**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS TO 30 JUNE 2014

11. SUBSEQUENT EVENTS

On 16 July 2014 450,000 ordinary shares of 1 pence each were issued in satisfaction of a former employee's share options. On 16th July Share Options were issued. 450,000 shares were issued in satisfaction of share options belonging to a former employee of the company.

On 18 July 2014 the Company entered into a new joint venture agreement to exclusively commercialise mature forestry assets in Alberta, Western Canada.

On 23 July 2014 the Company entered into an agreement with Alpha Prospects plc ("Alpha") for the transfer of £255,000 principal amount of loan notes 2016 issued by Derlite Ltd., a former subsidiary of the Company, held by the company and the associated issue to Alpha of 2,000,000 ordinary shares in the Company, in consideration for which the Alpha will issue the Company 12,200,000 ordinary shares in Alpha.

12. Copies of the interim report will be available to download from the Company’s website www.active-energy.com