ACTIVE ENERGY GROUP PLC

Report of the Directors and

Consolidated Financial Statements

For the year ended 31 December 2011

ACTIVE ENERGY GROUP PLC

REPORT OF THE DIRECTORS AND CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

CONTENTS

COMPANY INFORMATION

Country of incorporation:
United Kingdom

Legal Form:
Public limited company

Directors:
G D Little
P E Palmer

Secretary:
Capita Company Secretarial Services Ltd

Registered Office:
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Registered Number:
3148295

Auditors:
BDO LLP
Chartered Accountants and Registered Auditors
55 Baker Street
London
W1U 7EU

Bankers:
HSBC Bank plc
69 Pall Mall
London
SW1Y 5EY

Solicitors:
Pritchard Englefield
14 New Street
London
EC2M 4HE

Nominated Advisor:
Merchant Securities Limited
51-55 Gresham Street
London
EC2V 7EL

Stockbroker:
Merchant Securities Limited
51-55 Gresham Street
London
EC2V 7EL

CHAIRMAN'S REPORT

For the year ended 31 December 2011

As Chairman of Active Energy Group plc since April 2011, I present the results for the year ended 31 December 2011 with comments on our actions and activities.

Over the last 12 months, Active Energy has attempted to change direction in order to generate growth for long-term and shareholder value.

The results have been mixed and the Board have taken some tough decisions to ensure our business is sustainable. We now have a specific focus on the provision of Biomass fuel in a growing market and the Board feels confident, albeit cautiously, of our future. Working with our Ukrainian partners we are starting to generate positive outcomes at a time when Biomass and Energy saving fuel options gain more focus and interest from the public and private sector.

In our last annual report we commented that the Board recognised that by broadening the range of environmental services and products offered, there was an opportunity to create a significantly larger company than just simply voltage optimization and that the direction the Board wished to take was the provision of a comprehensive service covering the environmental requirements of companies, from consultancy and design through installation to maintenance with a focus on lighting and the public transportation sector.

We acquired Redline Engineering Services Ltd, a company with engineering capabilities with an established presence in the rail industry, in April 2011 with a plan to leverage this base to provide new revenues and profit. And following the placing, completed in May 2011, the Group had a strong balance sheet and the foundations in place to accelerate this growth plan.

Results did not materialise as expected and this was noted in our trading updates early in 2012. We found the voltage optimization market challenging through 2011 in terms of general demand, aggressive pricing and thus reduced margins, and the entry of new low-cost providers combined with other energy saving options coming to market. Through all of this we experienced a low order book and with the additional cuts to public sector spending, the resultant opportunities to tender for new business were limited.

However, with the acquisition of Redline Engineering Services Ltd we built a new team to generate new business with a very specific timeframe to deliver this new business. Unfortunately we failed to win any significant business.

One of the most disappointing elements with the new business plan was the regular failure at the tender stage to pass the stringent credit tests imposed by large companies on small entities, such as Active Energy, before awarding significant contracts, which led to our tenders failing to reach the final stages.

The resultant cash burn and non-generation of revenues in both voltage optimisation and the new business model forced the Board to review options and as a result the Board made the tough decision to close the voltage optimization business and also cease trading as energy consultants through Redline Engineering Ltd in the first quarter of 2012.

The main benefit of this decision was to significantly decrease cash burn by reducing overhead costs. There was minimal cost in terms of redundancies due to the majority of employees being in service only a short time.

The real impact to our reported numbers for 2011 is the inclusion of writing off the goodwill and assets associated with ceasing trading of the two businesses to ensure a clean balance sheet for the future of the Group moving forward.

In a departure from a UK focus but still with Energy saving and CO_2 reduction core to our business, we moved into the Eastern European market for renewable energy by acquiring in November 2011 Bioenerho-Leader Limited, a business that is focused on providing biomass energy resources to industrial power facilities with Poland as its initial focus.

Active Energy paid £1.5 million for Bioenerho-Leader Limited which has now been renamed Active Energy Ukraine ("AEU"). £1.3 million of the total consideration was satisfied by the issue of 40 million Active Energy new ordinary shares (equivalent 16.9 per cent of the enlarged issued share capital of the Group) which were admitted to trading on AIM on 25 November 2011. The remaining £200,000 represents contingent consideration which has been based on the estimated probability of the company achieving performance targets.

Established in October 2011, Bioenerho-Leader Limited was set up to carry out forestry and logging services in the Ukraine and to provide pellet and wood chips to industrial power facilities in Poland. If good margins seem achievable we intend to supply other markets and the Ukraine itself.

Wood pellets and chips are used by power plants to reduce the use of fossil fuels (normally coal), so reducing carbon emissions and assisting power facilities in complying with regulatory requirements governing the use of fossil fuels.

AEU has secured three contracts in 2011. One with the Ukrainian state enterprise, Lyubomi Forestry, the second with Ukrainian logging and chipping firm Volyninvestbud, who will service the contract with the Polish wood chip distributor, Medium Sp, who have supplied AEU with a 10 year contract for supply of up to 80,000 tonnes of wood chips per annum.

Lyubomi Forestry is an administrator of the Lyubomi Forest in the Ukraine and it has agreed to supply up to 100,000 tonnes of timber per annum at a fixed price per tonne to AEU, while both Volyninvestbud and Medium Sp have agreed to supply and buy respectively up to 80,000 tonnes of wood chips (also at a fixed price per tonne).

In addition to these formally announced contracts we have also been supplying smaller businesses with volume in the Ukraine itself for a higher margin as we slowly build the business and our capabilities on the ground in the Ukraine.

The Group's focus is on building capability and it is hoped we can expand our contract base, improve the efficiency of our supply chain and thus increase revenues and margins.

In the light of the strategic change, we have restructured the UK employee base with a resultant reduction in headcount and overhead cost, and at the same time, as mentioned previously, we have taken an impairment charge on the balance sheet to reflect our focus solely on the Biomass business only which has impacted on our financial performance in 2011.

Financial review and key performance indicators

For the year ended 31 December 2011, Group revenues were £0.9 million (2010: £3.0 million). The loss for the year was £2.5 million (2010: loss of £2.0 million). The loss per share was 1.47p (2010: 1.95p)

The impairment charge taken in the year in the light of the ceasing of trading in Active Energy Limited and Redline Engineering Ltd was £737,820.

Cash balances as at 31 December 2011 were £1.0 million (2010: £0.7 million).

In April 2011, we acquired Redline Engineering Services Ltd. for a consideration for £492,250 satisfied by the issue of 17,900,000 new ordinary shares. In May 2011, we completed a placing of 65,500,000 new ordinary shares raising gross proceeds of £1.8 million (£1.62 million after expenses).

In November 2011, we acquired Bioenhero-Leader Ltd. (which has now been renamed Active Energy Ukraine Ltd. ("AEU")) for an initial consideration of £1.3 million satisfied by the issue of 40,000,000 new ordinary shares.

The Board do not recommend the payment of a dividend relating to the financial year ended 31 December 2011 (2010: £nil).

Post-period events

Since the year end, due to general economic conditions and severe public sector cuts the Board decided to close and cease trading in both Redline Engineering Services Ltd and the voltage optimisation business in order that the Group could preserve cash and concentrate on Biomass opportunities.

In February 2012, Christopher Foster resigned as an Executive Director of the Group with immediate effect to pursue his other business interests.

Outlook

Whilst 2011 was a tough year, as evidenced in our results, the Board believes that shifting the focus to solely Biomass and managing the business to a very tight cost base as we build our position in the Ukraine establishes the right platform for Active Energy to return to growth.

The Board believes that there are exciting opportunities for Active Energy to position itself in the Biomass market in the Ukraine, building a position with access to guaranteed feedstock supply with the highest quality standards and thus enabling the Group to expand its client base in Europe.

The increasing demand for Biomass fuels is encouraging. The Group already has relationships and expertise, both in the UK and now in the Ukraine, with a small team expanding in line with growth.

The Board is cautious but remains confident that it is positioned to realize its new growth plans.

Gavin Little
Chairman

14 May 2012

REPORT OF THE DIRECTORS

For the year ended 31 December 2011

The Directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2011.

Principal activity

The principal activity of the Group in the year under review was the sale of voltage optimization equipment and the provision of specialist engineering services. The principal place of business for the Group during the year under review was the UK.

Review of the business

The results for the year and financial position of the Company and the Group are as shown in the annexed financial statements.

A review of the Group's activities during the year together with an indication of future developments is given in the Chairman's report on pages 3 to 5.

Active energy

Active Energy Limited (AEL), the principal operating subsidiary, was severely affected by the drastic cutbacks in the public sector and was also affected by a rapid increase in competition as many more companies entered the voltage optimization market. AEL found it increasingly difficult to achieve the expected result and therefore the Directors decided to discontinue this operation in February 2012.

Redline

Redline Engineering Services Ltd., acquired in April 2011, was also badly affected by the cutbacks in the public sector, failing to win the substantial contracts it was expecting. The Directors therefore decided to discontinue the operation in February 2012.

Events subsequent to the reporting date

The re-organisation of the Group has continued after the end of the year and the main developments are outlined in note 27 of these financial statements.

Dividends

No dividend is proposed for the year ended 31 December 2011 (2010: £nil).

Principal risks and uncertainties

The management of the business is subject to a number of risks. The key business risks affecting the Group are:

a. New Business Venture: The focusing of the business on developing long term contracts with suppliers and end users for biomass products in Eastern Europe and the EU through the acquisition of Bioenerho-Leader Ltd. (now Active Energy Ukraine Ltd), may be affected by regional political uncertainty.

b. Exchange Rate Variations: During the year under review the Group sold all its products in GBP £. With the new emphasis on trading with Eastern Europe the Group is now trading in Euros and may be affected by currency volatility within the EU and Eastern Europe.

Research and development

At the end of 2010 a small research and development unit was opened in Newcastle to design and evaluate new technologies applicable to the development of voltage optimization and other energy saving devices. Since the year end this unit has now closed.

SDC Industries

The legal and commercial dispute with SDC Industries Ltd was settled by arbitration in July 2011. As part of the settlement the Group acquired the remaining 27.2 per cent interest in Active Energy Limited held by SDC Industries Limited ("SDC").

Under the terms of the agreement certain monies due from SDC to the Group and from the Group to SDC were settled through a net amount of £100,000 (excluding VAT) due to SDC. This amount has been paid in full and final satisfaction of any amounts due to SDC.

Group's policy on payment of creditors

It is the Groups policy that payments to suppliers are made in accordance with those terms and conditions agreed between the companies of the Group and their respective suppliers, provided that all trading terms and conditions have been complied with. Trade creditors at the year-end amounted to 11 days of average supplies for the year (2010: 94 days). All of these calculations are based on year-end figures.

Financial instruments

Details of the use of financial instruments by the Company and by the Group and its subsidiary undertakings are contained in note 21 of the financial statements.

Directors

The Directors during the year under review were:

G D Little (appointed 26.4.11)
P E Palmer
C K Foster (resigned 3.2.12)

The beneficial interests of the Directors holding office on 31 December 2011 in the issued share capital of the Company were as follows:

	31 December 2011	*31 December 2010*
Ordinary shares 0.01 each		
P E Palmer	3,941,312	3,941,312
C K Foster	8,201,324	8,201,324
G D Little	6,000,000	–

P E Palmer's shareholdings include shares held by Consortia Trustees Limited on behalf of a discretionary trust, the beneficiaries of which include the family of P E Palmer.

Details of Directors' interests in options to acquire ordinary shares are shown in note 19.

Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European

Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, 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 requirements of 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.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Statement as to disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, each director has taken steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Auditors

The auditors, BDO LLP, will be proposed for re-appointment.

On behalf of the board:

Philip Palmer
Director

14 May 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACTIVE ENERGY GROUP PLC

We have audited the financial statements of Active Energy Group Plc for the year ended 31 December 2011 which comprise the consolidated income statements, the consolidated statement of comprehensive income, the consolidated statement of financial position, the Company statement of financial position, the consolidated statement changes in equity, the Company statement of changes in equity, consolidated statement of cash flows and the Company statement of cash flows 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 and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (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 financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2011 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;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters 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 financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Sophia Hill (Senior Statutory Auditor)
For and on behalf of
BDO LLP, Statutory Auditor
London
United Kingdom

14 May 2012

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

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2011

	Notes	2011 £	2010 £
CONTINUING OPERATIONS			
Revenue	3	856,598	2,972,711
Cost of sales		(790,336)	(2,605,112)
GROSS PROFIT		66,262	367,599
Administrative expenses		(1,782,813)	(1,785,048)
Impairment of goodwill	10	(737,820)	–
OPERATING LOSS		(2,454,371)	(1,417,449)
Finance income	5	16,698	4,902
Finance expense	5	(70,708)	–
LOSS BEFORE INCOME TAX	6	(2,508,381)	(1,412,547)
Income tax	7	740	–
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(2,507,641)	(1,412,547)
Loss from discontinued operations net of tax	25	–	(552,281)
LOSS FOR THE YEAR		(2,507,641)	(1,964,828)
Loss attributable to:			
Owners of the parent		(2,507,641)	(1,760,702)
Non-controlling interests		–	(204,126)
		(2,507,641)	(1,964,828)
Earnings per share expressed in pence per share:	9		
Basic and diluted		(1.47)	(1.95)
Continuing operations		(1.47)	(1.40)

The notes form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

	2011 £	*2010* £
LOSS FOR THE YEAR	(2,507,641)	(1,964,828)
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	–	(47,000)
Release on disposal of foreign subsidiaries	–	26,506
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	–	(20,494)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(2,507,641)	(1,985,322)
Total comprehensive income attributable to:		
Owners of the parent	(2,507,641)	(1,781,196)
Non-controlling interests	–	(204,126)

The notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 £	2010 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	1,858,505	180,625
Property, plant and equipment	11	–	54,549
Other receivables	14	283,362	380,000
		2,141,867	615,174
CURRENT ASSETS			
Inventories	13	–	130,905
Trade and other receivables	14	202,684	690,122
Cash and cash equivalents	15	998,586	652,044
		1,201,270	1,473,071
TOTAL ASSETS		3,343,137	2,088,245
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	157,371	536,603
Deferred taxation	17	312,229	–
Corporation tax liability		3,909	–
		473,509	536,603
NON-CURRENT LIABILITIES			
Contingent consideration	23	167,500	–
TOTAL LIABILITIES		641,009	536,603
NET ASSETS		2,702,128	1,551,642
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	18	2,366,090	1,122,090
Share premium	20	4,196,737	3,203,333
Merger reserve	20	940,000	–
Employee benefit trust reserve	20	(94,420)	(94,420)
Retained earnings	20	(4,706,279)	(2,475,235)
ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT		2,702,128	1,755,768
Non-controlling interests	20	–	(204,126)
TOTAL EQUITY		2,702,128	1,551,642

The financial statements were approved by the Board of Directors and authorised for issue on 14 May 2012.

Gavin D Little
Director

Philip E Palmer
Director

The notes form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	*2011* £	*2010* £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	–	1,914
Investments	12	1,544,908	430,755
Other receivables	14	283,362	380,000
		1,828,270	812,669
CURRENT ASSETS			
Trade and other receivables	14	135,714	1,555,673
Cash and cash equivalents	15	855,875	384,218
		991,589	1,939,891
TOTAL ASSETS		2,819,859	2,752,560
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	104,620	66,107
NON-CURRENT LIABILITIES			
Contingent consideration	23	167,500	–
TOTAL LIABILITIES		272,120	66,107
NET ASSETS		2,547,739	2,686,453
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	18	2,366,090	1,122,090
Share premium	20	4,196,737	3,203,333
Merger reserve	20	940,000	–
Retained earnings	20	(4,955,088)	(1,638,970)
TOTAL EQUITY		2,547,739	2,686,453

The financial statements were approved by the Board of Directors and authorised for issue on 14 May 2012

Gavin D Little
Director

Philip E Palmer
Director

The notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

Group	*Called up share capital* £	*Retained earnings* £	*Share premium* £	*Foreign exchange reserve* £	*Merger reserve* £	*EBT reserve* £	*Total Equity* £	*Non-controlling interests* £	*Total equity attributable to owners of the parent* £
Balance at 1 January 2010	4,317,217	(6,561,783)	4,315,269	20,494	128,571	(25,000)	2,194,768	–	2,194,768
Total comprehensive income	–	(1,760,702)	–	(20,494)	–	–	(1,781,196)	(204,126)	(1,985,322)
Issue of share capital	198,714	–	1,192,285	–	–	–	1,390,999	–	1,390,999
Bonus issue of share capital	53,432	–	(53,432)	–	–	–	–	–	–
EBT share purchase	–	–	–	–	–	(69,420)	(69,420)	–	(69,420)
Share option expense	–	119,036	–	–	–	–	119,036	–	119,036
Share issue costs	–	–	(98,419)	–	–	–	(98,419)	–	(98,419)
Release on disposal of foreign subsidiaries	–	128,571	–	–	(128,571)	–	–	–	–
Cancellation of deferred shares	(3,447,273)	5,599,643	(2,152,370)	–	–	–	–	–	–
Balance at 31 December 2010	1,122,090	(2,475,235)	3,203,333	–	–	(94,420)	1,755,768	(204,126)	1,551,642
Total comprehensive income	–	(2,507,641)	–	–	–	–	(2,507,641)	–	(2,507,641)
Transfer of non-controlling interest	–	(204,126)	–	–	–	–	(204,126)	204,126	–
Issue of share capital	1,244,000	–	1,163,750	–	1,253,250	–	3,661,000	–	3,661,000
Share issue costs	–	–	(170,346)	–	–	–	(170,346)	–	(170,346)
Release on impairment of goodwill	313,250		(313,250)	–	–	–			
Contingent consideration on acquisition (note 23)	–	37,408	–	–	–	–	37,408	–	37,408
Share option expense	–	130,065	–	–	–	–	130,065	–	130,065
Balance at 31 December 2011	2,366,090	(4,706,279)	4,196,737	–	940,000	(94,420)	2,702,128	–	2,702,128

The notes form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

	Called up share capital £	*Retained earnings* £	*Share premium* £	*Merger reserve* £	*Total equity* £
Balance at 1 January 2010	4,317,217	(6,029,643)	4,315,269	128,571	2,731,414
Changes in equity					
Issue of share capital	198,714	–	1,192,285	–	1,390,999
Bonus issue of share capital	53,432	–	(53,432)	–	–
Total comprehensive income	–	(1,456,577)	–	–	(1,456,577)
Share option expense	–	119,036	–	–	119,036
Share issue costs	–	–	(98,419)	–	(98,419)
Release on disposal of foreign subsidiaries	–	128,571	–	(128,571)	–
Cancellation of deferred shares	(3,447,273)	5,599,643	(2,152,370)	–	–
Balance at 31 December 2010	1,122,090	(1,638,970)	3,203,333	–	2,686,453
Changes in equity					
Issue of share capital	1,244,000	–	1,163,750	1,253,250	3,661,000
Share issue costs	–	–	(170,346)	–	(170,346)
Total comprehensive income	–	(3,796,841)	–	–	(3,796,841)
Release on impairment of investment in subsidiary	–	313,250	(313,250)	–	
Share based payment – Contingent consideration on Acquisition (note 23)	–	37,408	–	–	37,408
Share option expense	–	130,065	–	–	130,065
Balance at 31 December 2011	2,366,090	(4,955,088)	4,196,737	940,000	2,547,739

The notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2011

	Notes	2011 £	2010 £
Cash flows from operating activities			
Cash outflow from operations	1	(1,342,303)	(1,970,855)
Finance costs paid		70,708	7,900
Finance income		(16,698)	(13,102)
Income tax paid		(740)	–
Loss on sale of discontinued operations		–	372,481
Cash outflow from operations		(1,289,033)	(1,603,576)
Income tax paid		(12,847)	–
Net cash from operating activities		(1,301,880)	(1,603,576)
Cash flows from investing activities			
Purchase of tangible fixed assets		–	(44,573)
Discontinued operations net of cash		–	198,500
Interest received		16,698	13,102
Net cash flow on acquisition of subsidiaries		820	–
Net cash from investing activities		17,518	167,029
Cash flows from financing activities			
Finance received in year		–	21,415
Share issue		1,630,904	1,304,374
Purchase of EBT shares		–	(69,420)
Interest paid		–	(7,900)
Net cash from financing activities		1,630,904	1,248,469
Increase/(decrease) in cash and cash equivalents		346,542	(188,078)
Cash and cash equivalents at beginning of year		652,044	840,122
Cash and cash equivalents at end of year		998,586	652,044

The notes form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2011

	Notes	2011 £	2010 £
Cash flows from operating activities			
Cash outflow from operations	1	(1,229,954)	(1,737,893)
Finance costs paid		70,708	–
Finance income		(16,698)	(4,902)
Loss on sale of discontinued operations		–	733,565
Cash outflow from operating activities		(1,175,944)	(1,009,230)
Cash flows from investing activities			
Purchase of tangible fixed assets		–	(2,250)
Discontinued operations net of cash		–	(583,493)
Interest received		16,697	4,902
Net cash from investing activities		16,697	(580,841)
Cash flows from financing activities			
Share issue		1,630,904	1,304,374
Net cash from financing activities		1,630,904	1,304,374
Increase/(decrease) in cash and cash equivalents		471,657	(285,697)
Cash and cash equivalents at beginning of year		384,218	669,915
Cash and cash equivalents at end of year		855,875	384,218

The notes form part of these financial statements.

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2011

1. Reconciliation of loss before income tax to cash generated from operations

Group	*2011* £	*2010* £
Loss for the year	(2,507,641)	(1,964,828)
Depreciation charges	16,387	47,280
Profit on disposal of fixed assets	–	(850)
Impairment of property plant and equipment	38,672	–
Impairment of goodwill	737,820	–
Gain arising on business combination	(1,368)	
Share based payments	157,565	107,242
Exchange translation gain	–	(20,500)
	(1,558,565)	(1,831,656)
Decrease/(Increase) in inventories	130,905	(177,303)
Decrease in trade and other receivables	528,317	181,351
Decrease in trade and other payables	(442,960)	(143,247)
Cash used by operations	(1,342,303)	(1,970,855)

Company	*2011* £	*2010* £
Loss for the year	(3,796,841)	(1,456,577)
Depreciation charges	1,914	1,180
Impairment of investments in and loans to subsidiaries	3,093,528	–
Share based payments	157,565	107,242
	(543,834)	(1,348,155)
Increase in trade and other receivables	(724,633)	(1,004,827)
Increase in trade and other payables	38,513	615,089
Cash used by operations	(1,229,954)	(1,737,893)

Significant non-cash transactions are as follows:

	2011 £	*2010* £
Investing activities		
Equity consideration on business acquisitions	(1,544,908)	–
Financing activities		
Equity consideration issued on business combination	1,377,408	–
Contingent consideration on business acquisition	167,500	–
	1,544,908	–

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

1. Accounting policies

Basis of preparation

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

Both the Company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards, International Accounting Standards and IFRIC interpretations (collectively IFRS) as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared on the historical cost basis, as modified by the revaluation of property, plant and equipment, available for sale financial assets, and financial assets and liabilities, including derivative financial instruments, at fair value through profit or loss.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in the most appropriate application in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 26.

Standards, interpretations and amendments to existing standards not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011. The following standards, interpretations and amendments, have been published but are not effective for the periods presented and the Group has chosen not to early adopt.

- IFRS 7 (Amendment) : Disclosures – Transfers of Financial Assets (from 1 July 2011)
- IFRS 9: Financial Instruments (from 1 January 2015)
- IFRS 10: Consolidated Financial Statements (from 1 January 2013)
- IFRS 11: Joint Arrangements (from 1 January 2013)
- IFRS 12: Disclosure of Interests in Other Entities (from 1 January 2013)
- IFRS 13: Fair Value Measurement (from 1 January 2013)
- IAS 27: Separate Financial Statements (from 1 January 2013)
- IAS 28: Investments in Associations and Joint Ventures (from 1 January 2013)
- IAS 1 (Amendment) :Presentation of financial statements (from 1 July 2012)
- IAS 12 (Amendment): Income taxes (from 1 July 2012)

IFRS 9: Financial Instruments (effective for accounting periods beginning on or after 1 January 2015). It is envisaged that this standard will replace IAS 39: Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 (2010) deals with classification and measurement of financial assets and its requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: at amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. IFRS 9 has not yet been adopted by the European Union.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

IFRS 13: Fair value measurement (effective for accounting periods beginning on or after 1 January 2013). This standard sets the framework for measuring fair values under IFRS.

The Group is currently assessing the impact of these amendments, revisions and interpretations on its Financial Statements but, at this stage, does not consider that they will have a significant material effect save for any additional disclosure requirements.

Basis of consolidation

The financial information incorporates the results of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The consolidated financial statements present the financial results of the Company and its subsidiaries (the Group) as if they formed a single entity.

Where necessary, adjustments are made to the results of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

In the Company's own statement of financial position, investments in subsidiaries are stated at cost less provisions for any permanent diminution in value.

Revenue recognition

Revenue from the sales of goods is recognised when the Group has transferred the significant risks and rewards of the ownership of the goods to the buyer and it is probable that the Group will receive the previously agreed upon payment. These criteria are considered to be met when the goods are delivered to the buyer. Where the buyer has a right to return, the Group defers recognition of revenue until the right to return has lapsed.

Provided the amount of revenue can be measured reliably and it is probable that the Group will receive any consideration, revenue for services is recognised in the period in which they are rendered.

Goodwill and Business combinations

On acquisition, the assets and liabilities and contingent liabilities of subsidiaries are measured at their fair values at the date of acquisition. Any excess of cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

When the consideration transferred by the Group in a business combination includes asset or liabilities from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration paid. Changes in the fair value of the consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 or IAS 37 Provisions, Contingent liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

Direct costs of acquisition are recognised immediately as an expense.

Goodwill arising on consolidation is recognised as an intangible asset and reviewed for impairment at least annually by comparing the carrying value of the asset to the recoverable amount. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

Changes in the Group's ownership interest in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amount of the Group's interest and the con-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Impairment of non-financial assets (excluding inventories, investment properties and deferred tax assets)

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ("CGUs"). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see section related to critical estimates and judgements below).

The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	*Useful economic life*	*Valuation method*
Contractual relationships	Term of contract (up to 10 years)	Estimated discounted cash flow

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and any recognised impairment loss. Cost includes the purchase price and all directly attributable costs.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Leasehold improvements	–	5 years straight line
Plant and equipment	–	3 - 10 years straight line
Furniture and office equipment	–	3 - 5 years straight line

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the management team including executive Directors.

Financial instruments

The Group classifies its financial instruments into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity, available for sale or at fair value through profit or loss.

The accounting policy for each category is as follows:

Loans and receivables

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and for the purpose of the statement of cash flows, bank overdrafts.

Other financial liabilities

Other financial liabilities include the following items:

- Borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. These are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. The interest expense includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.
- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

Inventories

Inventories are initially recorded at cost, and subsequently stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Foreign currencies

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date.

Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

Exchange differences recognised in the statement of comprehensive income of Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to the foreign exchange reserve on consolidation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the consolidated statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Groups ordinary shares are classified as equity instruments

Share based payments

Where employees receive remuneration in the form of shares or share options, the fair value of the share-based employee compensation arrangement at the date of the grant is recognised as an employee benefit expense in the consolidated income statement.

The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value (excluding the effect of non market-based vesting conditions) at the date of the grant. The assumptions underlying the number of awards expected to vest are subsequently adjusted for the effects of non market-based vesting to reflect the conditions prevailing at the year-end date. Fair value is measured by the use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of the non-transferability, exercise restrictions and behavioural considerations.

Where equity instruments are granted to persons other than employees, the consolidated income statement is charged with the fair value of goods and services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

Employee benefit trust

The assets and liabilities of the Employee Benefit Trust (EBT) have been included in the Group accounts. Any assets held by the EBT cease to be recognised on the consolidated statement of financial position when the assets vest unconditionally in identified beneficiaries. The costs of purchasing own shares held by the EBT are shown as a deduction against equity, reflected in the employee benefit trust reserve. The proceeds from the sale of own shares held increase equity. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the Group consolidated income statement.

2. Segmental reporting

The Group had the following main operating segments:

Voltage Correction – This division Active Energy Limited markets and sells the VoltageMaster a device that adjusts voltage distributed throughout a commercial building. This business commenced operations during 2010 and operated only in the United Kingdom during the year under review. Segment assets and liabilities are located in the United Kingdom.

Gas Ignition – This division manufactures and distributes gas ignition systems for gas appliances such as hot water boilers, hobs and stoves. It comprises two operations Gasignition Limited which imports, distributes and sells within the United Kingdom and Derlite Co Limited which manufactures and sells throughout the world including some sales direct to the United Kingdom. Gasignition Limited does not meet the quantitative thresholds required by IFRS 8 and so management has resolved that this unit should be combined with Derlite for segmental reporting.

During the previous year this segment of the business was disposed of and its trading results are as reported in note 25 as discontinued operations.

Engineering – This division consists of the Group's engineering services.

Biomass – This division consists of the Group's Ukranian woodchip operations and is involved in the sourcing, processing and sale of woodchip and related products. The business was acquired in November 2011 and is expected to form the basis of the Group's future operations. On this basis it is presented as a separate operating segment. The segment assets and liabilities are located in the Ukraine.

The Group's reportable segments are strategic business units that offer different product and services. They are managed separately because each business unit requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit or loss from operations before tax not including non-recurring losses, such as restructuring costs and goodwill impairment, and also excluding the effects of share based payments.

There are no inter-segment sales between the reportable segments.

Segment assets exclude tax assets and assets used primarily for corporate purposes. Segment liabilities include tax liabilities. Even though loans and borrowings arise from finance activities rather than operating activities, they are allocated to the segments based on relevant factors (e.g. funding requirements). Details are provided in the reconciliation from segment assets and liabilities to the Group position.

No customer contributed more than 10 per cent to the Group's revenue (2010: Nil).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

	2011 Voltage Correction £	2011 Engineering £	2011 Biomass £	2011 Total £
Total segment revenue	856,598	–	–	856,598
Inter segment revenue	–	–	–	–
Revenue from external customers	856,598	–	–	856,598
Operating loss	(750,177)	(318,511)	–	(1,068,688)
Gain on business acquisition			1,368	1,368
Impairment on goodwill	(180,625)	(557,195)	–	(737,820)
Profit before tax	(930,802)	(875,706)	1,368	(1,805,140)
Tax expense	–	740	–	740
Segment loss for the year	(930,802)	(874,966)	1,368	(1,804,400)

Other segmented items included in the statement of comprehensive income:

	2011 Voltage Correction £	2011 Engineering £	2011 Biomass £	2011 Total £
Depreciation and impairment on property, plant and equipment	52,635	510	–	53,145

Segmented assets and liabilities as at 31 December 2011, capital expenditure for the year were as follows:

	2011 Voltage Correction £	2011 Engineering £	2011 Biomass £	2011 Total £
Segment Assets	187,439	22,242	1,858,505	2,068,186
Unallocated corporate assets				1,274,951
Consolidated total assets				3,343,137
Segment Liabilities	(54,267)	(2,393)	(479,729)	(536,389)
Unallocated corporate liabilities				(104,620)
Consolidated total liabilities				(641,009)
Additions to non-current assets	–	–	1,858,505	1,858,505

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

	2010 Voltage Correction £	*2010 Gas Ignition* £	*2010 Total* £
Total segment revenue	2,972,711	1,861,700	4,834,411
Inter segment revenue	–	–	–
Revenue from external customers	2,972,711	1,861,700	4,834,411
Operating loss from continuing operations	(1,310,207)	(552,581)	(1,862,788)
Finance income	4,902	8,200	13,102
Finance costs	–	(7,900)	(7,900)
Profit before tax	(1,305,305)	(552,281)	(1,857,586)
Tax expense	–	–	–
Loss for the year	(1,305,305)	(552,281)	(1,857,586)
Loss from continuing operations	(1,305,305)	–	(1,305,305)
Loss from discontinued operations	–	(552,281)	(552,281)
Loss for the year	(1,305,305)	(552,281)	(1,857,586)

Other segmented items included in the statement of comprehensive income:

	2010 Voltage Correction £	*2010 Gas Ignition* £	*2010 Total* £
Depreciation	14,396	47,786	62,182

Segmented assets and liabilities as at 31 December 2010, capital expenditure for the year are as follows:

	2010 Voltage Correction £	*2010 Gas Ignition* £	*2010 Total* £
Segment Assets	2,088,246	–	2,088,246
Unallocated corporate assets			–
Consolidated total assets			2,088,246
Segment Liabilities	(536,603)	–	(536,603)
Unallocated corporate liabilities			–
Consolidated total liabilities			(536,603)
Additions to non-current assets	20,792	23,781	44,573

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

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

	2011 £	2010 £
Profit or loss after income tax expense		
Total profit or loss from reportable segments	(1,804,400)	(1,857,586)
Share based payments	(157,565)	(107,242)
Unallocated amount – corporate expenses	(491,666)	–
Unallocated amount – Finance income	16,698	–
Unallocated amount – Finance expenses	(70,708)	–
Loss from discontinued operations	–	552,281
Loss after income tax expense (continuing activities)	(2,507,641)	(1,412,547)

Geographical information

	External revenue by location of customers		*Non-current assets by location of assets**	
	2011 £	2010 £	2011 £	2010 £
United Kingdom	856,598	3,826,796	–	615,174
Mexico	–	747,802	–	–
USA	–	166,988	–	–
Thailand	–	23,130	283,362	–
Ukraine	–	–	1,858,505	–
Other countries	–	69,695		–
	856,598	4,834,411	2,141,867	615,174

*Non-current assets are denominated in Pound Sterling.

3. Revenue

	2011 £	2010 £
Group		
Revenue comprise:		
Sale of voltage correction goods and services	856,598	2,972,711

4. Employee costs and Directors

	2011 £	2010 £
Group		
Wages and salaries	653,377	1,051,272
Social security costs	80,502	83,488
Share based payments	130,065	107,242
	863,944	1,242,002

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

The average monthly number of employees during the year was as follows:

	2011	*2010*
Directors	6	6
Manufacturing	–	84
Sales	3	7
Administration	3	7
Research & development	1	8
Technical	2	4
	15	116

Directors and key management personnel remuneration

Directors and key management personnel consist only of the Directors of the Company listed on page 7.

	2011 £	*2010* £
Directors' emoluments	114,740	192,000
Compensation on loss of office	–	70,000
	114,740	262,000
Share based payments	130,065	81,984
	244,805	343,984

The remuneration of the highest paid director for 2011 was £58,073. The remuneration of the highest paid director for 2010 was £81,000.

	2011 £	*2010* £
Remuneration by director:		
P Palmer	58,073	40,000
K Baker *	–	141,000
C Foster	36,667	81,000
G Little	20,000	–
	114,740	262,000

*for 2010 includes compensation for loss of office of £70,000.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

5. Finance income and expense

	2011 £	2010 £
Group		
Finance income		
Bank interest	1,698	–
Interest on other loans	15,000	4,902
Total Finance income	16,698	4,902
Finance expense		
Imputed interest on loan receivable*	70,708	–
Total Finance expense	70,708	–

*The amount represents the net adjustment to the other receivable as a result of the revised estimated future cash inflows and effective interest rate.

6. Loss before income tax

Group

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

	2011 £	2010 £
Operating leases		
– Premises	54,520	134,154
– Vehicles	38,988	–
Depreciation – owned assets	16,387	63,696
Impairment of property, plant and equipment	38,672	–
Gain on business acquisition	(1,368)	–
Profit on disposal of fixed assets	–	(550)
Write back of inventory provisions	–	(51)
Auditors' remuneration:		
– Parent company and consolidation	20,000	60,000
– Subsidiary audit	7,500	12,500
– Other services relating to taxation	6,950	3,079
Foreign exchange differences	–	(51,000)
Share based payments	157,565	107,242
Research and development expenditure	45,539	35,245

7. Income tax

Group

	2011 £	2010 £
Current tax expense		
Current tax on profits for the year	–	–
Deferred tax expense		
Adjustments in respect of prior year	(740)	–
Total income tax credit	(740)	–

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2011 £	*2010* £
Loss on ordinary activities before tax	(2,507,641)	(1,964,828)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26.5% (2010 – 28%)	(664,274)	(550,152)
Effects of:		
Expenses not deductible for tax purposes	266,180	241,785
Current year tax losses	383,140	297,006
Excess of depreciation on qualifying assets over capital allowances	14,214	11,361
Total income tax credit	(740)	–

8. Loss of parent company

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £3,796,841 (2010 – £1,456,577).

9. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

Reconciliations are set out below.

	Earnings £	*2011 Weighted average number of shares*	*Per-share amount pence*
Basic EPS			
Earnings attributable to ordinary shareholders	(2,507,641)	170,869,190	(1.47)
Continuing operations			
Basic EPS			
Earnings attributable to ordinary shareholders	(2,507,641)	170,869,190	(1.47)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

	Earnings £	*2011 Weighted average number of shares*	*Per-share amount pence*
Basic EPS			
Earnings attributable to ordinary shareholders	(1,964,828)	100,918,418	(1.95)
Continuing operations			
Basic EPS			
Earnings attributable to ordinary shareholders	(1,412,547)	100,918,418	(1.40)
Discontinued operations			
Basic EPS			
Earnings attributable to ordinary shareholders	(552,281)	100,918,418	(0.55)

Share options of 16,545,172 (2010: 7,545,172) have been excluded from EPS calculations, which may become diluted in the future.

10. Intangible assets

Group

	Goodwill £	*Contractual Relationships* £	*Total* £
Cost			
At 1 January 2010	285,653	–	285,653
Disposals	(105,028)	–	(105,028)
At 31 December 2010	180,625	–	180,625
Acquired in business combination (Note 23)	557,195	1,858,505	2,415,700
Impairment charge recognised	(737,820)	–	(737,820)
At 31 December 2011	–	1,858,505	1,858,505
Accumulated amortisation			
At 31 December 2010 and 2011	–	–	–
Net book value			
At 31 December 2011	–	1,858,505	1,858,505
At 31 December 2010	180,625	–	180,625

The remaining useful life on contractual relationships is assessed to be 10 years.

Goodwill acquired in business combinations and carried in the Group statement of financial position is allocated to the cash-generating units ("CGU's"). Active Energy consists of the Group's voltage optimisation business. Redline, acquired during the year consists of the Group's engineering operations.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

The carrying amount of goodwill has been allocated to operating segments as follows:

	2011 £	*2010* £
Active Energy	–	180,625
Redline	–	–
At end of the period	–	180,625

The recoverable amounts of the above CGUs have been determined from value in use calculations based on cash flow projections from formally approved budgets, extrapolated to cover a five year period. Discount rates reflect management's estimations of current market assessments of time value of money and specific risks related to the cash generating units.

Based on the cash flow projections and management's decision in February 2012 to discontinue the Active Energy and Redline businesses, the goodwill balances in respect of these CGU's amounting to £180,625 (2010: Nil) and £557,195 (2010: Nil) respectively, were fully impaired.

The key assumptions used in determining value in use in the prior year were:

Active Energy:

Discount rate:	15%
Sales revenues growth	+5% per annum
Gross margin	31%
Overhead costs	+5% per annum

The assumptions were driven by the challenges experienced by the CGU in the voltage optimisation market. On this basis the carrying amount for the cash generating unit Active Energy exceeded it's carrying amount (2010: recoverable amount exceeded carrying amount by £2,549,248), and the balance was accordingly impaired.

If any one of the following changes were made to the above key assumptions in 2010, the carrying amount and recoverable amount would be equal.

Assumption	Active Energy
Annual sales revenue growth	From +5% to -5%
Gross margin	From 31% to 20%
Annual overhead growth	From 5% to 8.5%

Redline

As the CGU was unable to successfully penetrate its anticipated market, Management was unable to reasonably estimate forecast revenue. On this basis the carrying amount exceeded the recoverable amount, and the goodwill balance on acquisition was accordingly impaired.

On 29 October 2010 the goodwill relating to Gasignition Limited was disposed of as part of the sale of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

11. Property, plant and equipment

Group

	Leasehold improvements £	*Plant and equipment* £	*Furniture and office equipment* £	*Totals* £
Cost				
At 1 January 2010	17,559	340,518	54,788	412,865
Additions	–	22,477	22,096	44,573
Disposals	(17,559)	(335,148)	(29,420)	(382,127)
At 31 December 2010	–	27,847	47,464	75,311
At 1 January 2011	–	27,847	47,464	75,311
Acquired in business combination (note 23)	–	–	510	510
At 31 December 2011	–	27,847	47,974	75,821
Depreciation and impairment				
At 1 January 2010	10,925	197,009	13,825	221,759
Charge for year	2,721	47,049	12,412	62,182
Eliminated on disposal	(13,646)	(237,368)	(12,165)	(263,179)
At 31 December 2010	–	6,690	14,072	20,762
At 1 January 2011	–	6,690	14,072	20,762
Charge for year	–	5,569	10,818	16,387
Impairment charge	–	15,588	23,084	38,672
At 31 December 2011	–	27,847	47,974	75,821
Net book value				
At 31 December 2011	–	–	–	–
At 31 December 2010	–	21,157	33,392	54,549

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

Company

	Furniture and office equipment £
Cost	
At 1 January 2010 and 31 December 2010	5,494
Additions	–
At 31 December 2011	5,494
Depreciation	
At 1 January 2010	2,400
Charge for year	1,180
At 31 December 2010	3,580
At 1 January 2011	3,580
Charge for year	1,914
At 31 December 2011	5,494
Net book value	
At 31 December 2011	–
At 31 December 2010	1,914

12. Investments

Company

	Shares in subsidiaries £
Cost	
At 1 January 2010	1,603,561
Disposals	(1,172,806)
At 31 December 2010	430,755
Acquisitions	2,037,158
At 31 December 2011	2,467,913
Provision for impairment	
At 1 January 2010	1,022,734
Eliminated on disposal	(1,022,734)
At 31 December 2010	–
Provision during the year	923,005
At 31 December 2011	923,005
Net book value	
At 31 December 2011	1,544,908
At 31 December 2010	430,755

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

At 31 December 2011 the Group held share capital of the following companies:

Subsidiary undertaking	*Country of incorporation*	*Nature of business*	*Date of incorporation/ acquisition*	*Percentage*
Active Energy Limited	United Kingdom	Trading	21 May 2008	100.0 (2010:72.8)
Cinpart EBT Limited	Hong Kong	Trustee	22 September 2010	100.0
Redline Engineering Services Limited	United Kingdom	Engineering Services	26 April 2011	100.0
Active Energy Ukraine Limited formerly Bioenerho Leader Limited	Ukraine	Woodchip processing and distribution	21 December 2011	100.0

On 26 April 2011 the Company acquired 100 per cent of the share capital of Redline engineering Services Limited for a consideration of £492,250 (see note 23).

On 21 November 2011 the Company acquired 100 per cent of the share capital of Bioenerho Leader Limited for a consideration of £1,544,908 (see note 23).

At year end, following a consideration of the recoverable amounts of the Company's investments in its subsidiaries, the Directors impaired the investments in Active Energy Limited and Redline Engineering Services Limited, amounting to £430,755 and £492,250 respectively.

On 29 October 2010 the Company sold 100 per cent of the share capital of both Gasignition Limited and Buckland Group (Hong Kong) Limited to Kevin Baker for a consideration of £213,507.

During 2010, the Company advanced an additional sum of £70,000 to the EBT to cover expenses and to allow it to acquire shares in the Company.

13. Inventories

	Group	
	2011	*2010*
	£	£
Work-in-progress	–	92,709
Finished goods	–	38,196
	–	130,905

The amount of inventories recognised as an expense during the year was £430,461 (2010: £2,670,429). There is no material difference between replacement costs of stocks and the amounts stated above. As indicated in note 6 during the period under review the Group was able to write back £nil (2010: £51) inventory that had previously been deemed obsolete.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

14. Trade and other receivables

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Current				
Trade receivables	93,870	574,211	–	–
Less: provision for impairment of trade receivables	(35,870)	–	–	–
Trade receivables – net	58,000	574,211	–	–
Amounts owed by Group undertakings	–	–	–	1,458,143
Other debtors	109,339	62,500	109,339	62,500
VAT	14,949	6,113	10,639	6,113
Prepayments and accrued income	20,396	47,298	15,736	28,917
	202,684	690,122	135,714	1,555,673
Non-current				
Other debtors	283,362	240,000	283,362	240,000
Deferred consideration receivable	–	140,000	–	140,000
	283,362	380,000	283,362	380,000
Total	486,046	1,070,122	419,076	1,935,673

All financial assets with the exception of VAT, prepayments and accrued income, are classified as loans and receivables under IAS 39. In the Directors' opinion the carrying values of trade and other receivables are stated at their fair value, after deduction of appropriate allowances for irrecoverable amounts as these assets are not interest bearing and receipts occur over a short period and are subject to an insignificant risk of changes in value.

Trade receivables that have not been received within the payment terms are classified as overdue. As at 31 December 2011 no trade receivables (2010: Nil) in respect of the Group and none (2010: £1,054,168) in respect of the Company were overdue but not impaired. They relate to the customers with no default history. The ageing analysis of these receivables is as follows:

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Less than 3 months past due	–	–	–	1,021,251
3-6 months past due	–	–	–	32,917
Total debts past due	–	–	–	1,054,168

As at 31 December 2011 trade and other receivables of £35,870 (2010: Nil) were past due and impaired (Company: £2,170,523 (2010: Nil)). The provision for impairment is analysed as follows:

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
At beginning of the period	–	–	–	–
Provided during the period	35,870	–	2,170,523	–
At end of the period	35,870	–	2,170,523	–

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

The carrying values of the Group's trade and other receivables are all denominated in Pound Sterling.

The movement on the provision for impaired receivables has been included in the administrative expenses line in the consolidated income statement. Other classes of financial assets included within trade and other receivables do not contain impaired assets.

15. Cash and cash equivalents

Cash and cash equivalents comprise:

	Group		*Company*	
	2011	*2010*	*2011*	*2010*
	£	£	£	£
Cash in hand	81	25	–	–
Bank accounts	998,505	652,019	855,875	384,218
	998,586	652,044	855,875	384,218

16. Trade and other payables

	Group		*Company*	
	2011	*2010*	*2011*	*2010*
	£	£	£	£
Current:				
Trade payables	93,577	269,568	63,061	16,276
Social security and other taxes	8,497	21,516	4,659	5,811
Accruals and deferred income	49,310	174,872	36,900	44,020
VAT	5,987	70,647	–	–
	157,371	536,603	104,620	66,107

All trade and other payables with the exception of VAT and Social security and other taxes are classified as financial liabilities at amortised cost. The carrying values of trade and other payables approximate their fair value, payments occur over a short period and are subject to an insignificant risk of changes in value. All trade and other payables are considered to be payable within three months.

17. Deferred taxation

Deferred tax is calculated on temporary differences under the liability method using tax rates applicable in the respective Group entities' jurisdiction.

The movement on the deferred tax account is shown below:

	Group		*Company*	
	2011	*2010*	*2011*	*2010*
	£	£	£	£
Opening balance	–	–	–	–
Fair value adjustments on business combination	312,229	–	–	–
Closing balance	312,229	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

No provision for the deferred tax asset in respect of tax losses has been made in the Group or Company due to the uncertainty of the Group or Company being able to generate sufficient future taxable profits from which the future reversal of the timing difference can be deducted. Deferred tax assets in respect of tax losses and other deductible temporary difference not recognised amount to £1,651,303 (2010: £1,505,942) and £1,152,249 (2010: £1,097,637) for the Group and Company respectively.

18. Called up share capital

	Ordinary 1p shares Number	*Deferred 9.5p shares Number*	*Deferred 0.49p shares Number*	*Total Number*
Authorised				
At 31 December 2010	500,000,000	–	–	500,000,000
At 1 January 2011	500,000,000	–	–	500,000,000
At 31 December 2011	500,000,000	–	–	500,000,000
	£	£	£	£
Authorised				
At 31 December 2010	5,000,000	–	–	5,000,000
At 1 January 2011	5,000,000	–	–	5,000,000
Cancelled				
At 31 December 2011	5,000,000	–	–	5,000,000
	Number	*Number*	*Number*	*Number*
Allotted, issued and fully paid				
At 1 January 2010	86,994,398	15,409,000	404,779,408	507,182,806
Issued during the year	25,214,573	–	–	25,214,573
Cancelled	–	(15,409,000)	(404,779,408)	(420,188,408)
At 31 December 2010	112,208,971	–	–	112,208,971
At 1 January 2011	112,208,971	–	–	112,208,971
Issued during the year	124,400,000	–	–	124,400,000
At 31 December 2011	236,608,971	–		236,608,971
	£	£	£	£
Allotted, issued and fully paid				
At 1 January 2010	869,944	1,463,855	1,983,418	4,317,217
Issued during the year	252,146	–	–	252,146
Cancelled	–	(1,463,855)	(1,983,418)	(3,447,273)
At 31 December 2010	1,122,090	–	–	1,122,090
At 1 January 2011	1,122,090	–	–	1,122,090
Issued during the year	1,244,000	–	–	1,244,000
At 31 December 2011	2,366,090	–	–	2,366,090

Class rights

Ordinary shares have voting rights and there are no dividend restrictions attached to the shares.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

Cinpart Employment Benefit Trust

Cinpart Employment Benefit Trust holds 788,000 ordinary 1p shares in Active Energy Group (2010: 788,000).

Changes in issued share capital

During 2011 the following new shares were issued:

On 26 April 2011 17,900,000 new ordinary 1p shares were issued as consideration for the acquisition of 100 per cent of the equity of Redline Engineering Services Limited. The Company also issued 1,000,000 new ordinary shares to Jendens Securities as settlement of fees in connection with the placing on the same date.

On 10 May 2011 65,500,000 new ordinary 1p shares were placed at 2.75p per share to fund the working capital requirements of the Group.

On 21 November 2011 40,000,000 new ordinary 1p shares were issued as consideration for the acquisition of 100 per cent of the equity of Bioenerho-Leader Limited.

During 2010 the following new shares were issued:

On 2 August 2010 a bonus issue of 1 for 20 new ordinary shares were issued to existing shareholders, resulting in 5,343,148 shares being issued.

On 31 August 2010 19,871,425 ordinary 1p shares were placed at 7p per share to further strengthen the cash position of the business.

19. Share based payments

Options

The Company has entered into share option arrangements under which the holders are entitled to subscribe for a percentage of the Company's ordinary share capital from time to time. All options are exercisable from the date of grant.

The movements of share options during the period were as follows:

	2011		*2010*	
	Weighted average exercise price (pence)	*Number*	*Weighted average exercise price (pence)*	*Number*
Options				
Subscription at beginning of the period	7.5	7,545,172	7.5	6,400,886
Subscribed during the year	7.5	9,000,000	16.7	1,144,286
Expired during the year	10.0	(232,500)	–	–
Subscription at the end of the year	7.5	16,312,672	7.5	7,545,172

No options were exercised during the year (2010: Nil).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

Details of share options issued are as follows:

Holder	*Exercise Price*	*Granting Date*	*Expiry Date*	*2011*	*2010*
Consortia Trustees	7.000p	29/06/2007	06/06/2017	857,142	857,142
	1.000p	29/06/2007	06/06/2017	450,000	450,000
	20.000p	02/02/2010	02/02/2020	168,000	168,000
				1,475,142	1,475,142
KF Baker	7.000p	29/06/2007	06/06/2017	357,142	357,142
	6.375p	22/05/2009	22/05/2019	1,823,480	1,823,480
	20.000p	02/02/2010	02/02/2020	336,000	336,000
				2,516,622	2,516,622
CK Foster	7.500p	21/11/2011	21/12/2018	3,000,000	–
	7.000p	29/06/2007	06/06/2017	357,142	357,142
	1.000p	29/06/2007	06/06/2017	500,000	500,000
	6.375p	29/06/2009	06/06/2019	1,823,480	1,823,480
	20.000p	02/02/2010	02/02/2020	336,000	336,000
				6,016,622	3,016,622
PE Palmer	7.500p	21/11/2011	21/12/2018	3,000,000	–
GD Little	7.500p	21/11/2011	21/12/2018	3,000,000	–
Mirabaud Securities LLP	10.000p	09/07/2010	09/07/2011	–	232,500
Jendens Securities	7.000p	15/07/2010	15/07/2012	304,286	304,286
				16,312,672	7,545,172

The options held by Consortia Trustees Limited are held on behalf of a discretionary trust, beneficiaries of which include the family of P E Palmer.

On 21 December 2011 the Company granted 9,000,000 share options to the executive directors, 3,000,000 each to Mr. Gavin Little, Mr. Philip Palmer and Mr. Christopher Foster respectively. These were issued with an exercise price of 7.50p, vested immediately and are exercisable until 21 December 2018.

On 2 February 2010 the Company granted 168,000 share options to Consortia Trustees, 336,000 to Kevin Baker and 336,000 to Christopher Foster. These were issued with an exercise price of 20p, vested immediately and are exercisable until 2 February 2020.

On 15 July 2010 the Company issued warrants of 304,286 new ordinary shares to Jendens Securities as part settlement of fees in connection with the placing on the same date. The warrants are exercisable at 7p per share and must be exercised before 15 July 2012.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

The following information is relevant in the determination of the fair value of options and warrants granted during the year.

	Options		*Warrants*	
Option pricing model	Black Scholes		Black Scholes	
	2011	*2010*	*2011*	*2010*
Weighted average share price at date of grant	2.9p	20.0p	–	9.0p
Exercise price	7.5p	20.0p	–	7.0p
Expected life	6 years	5 years	–	2 years
Expected volatility	76%	53%	–	62%
Expected dividend yield	Nil	Nil	–	Nil
Risk free interest rate	1.3%	3.0%	–	1.0%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices.

The charge for equity settled share based payments in the year ended 31 December 2011 was £157,565 (2010: £107,242), £130,065 (2010: £107,242) in respect of share options issued and £27,500 (2010: Nil) in respect of advisory fees in connection with acquisitions made during the year (see note 23).

The above disclosures apply to both the Company and the Group.

20. Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	*Description and purpose*
Share premium	Amounts subscribed for share capital in excess of nominal value
Merger	Difference between fair value and nominal value of shares issued to acquire 90 per cent or more interest in subsidiaries
Employee Benefit Trust	Cost of own shares held by the employee benefit trust
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income
Foreign exchange	Gains/losses arising on retranslating the net assets of overseas operations into Pound Sterling
Non-controlling interests	Gains/losses allocated to non-controlling parties of the parent Company's subsidiary Active Energy Limited

21. Financial instruments

The Group's treasury policy is to avoid transactions of a speculative nature. In the course of trade the Group is exposed to a number of financial risks that can be categorised as market, credit and liquidity risks. The board has identified the risks within each category and considers the impact on the activities of the Group as part of their regular meeting routine.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

A summary of the financial instruments held by category is provided below:

	Group 2011 £	*Group* 2010 £	*Company* 2011 £	*Company* 2010 £
Financial assets				
Loans and receivables				
Cash and cash equivalents	998,586	652,044	855,875	384,218
Trade and other receivables – Current	167,339	62,500	109,339	1,520,643
Other receivables – Non-current	283,362	380,000	283,362	380,000
Total Financial assets	1,449,287	1,094,544	1,248,576	1,284,861
Financial liabilities				
Financial liabilities at amortised cost				
Trade and other payables	142,887	444,440	99,961	60,296
Contingent consideration	167,500	–	–	–
Total Financial liabilities	310,387	444,440	99,961	60,296

Market Risk

Currency risk

Since the discontinuation of the Thailand operations in 2010 all Group's activities have been conducted in the functional currency of Pound Sterling. All financial assets and liabilities at 31 December 2011 and 2010 are denominated in Pound Sterling. The Board therefore considers currency risk to be insignificant for the periods under review.

Interest rate risk

The Group and Company finances its operations through equity introductions and bank borrowings. The Group and Company exposure to interest rate fluctuations on its borrowings has been limited by the new equity issued in 2011 and debt for equity swaps actioned during 2010 and therefore the Directors do not consider the Group or Company to be materially sensitive to interest rate risk.

Credit risk

Operational

The Group is mainly exposed to credit risk from credit agreements and sales. It is the Group's policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings, taking into account local business practices are then factored into any decisions. The Group does not enter into any derivatives to manage credit risk. The maximum exposure of the Group to credit risk at 31 December 2011 is £475,338 (2010: £442,500), and of the Company is £392,701 (£1,900,643). Further information on Trade and other receivables are presented in note 14.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

Financial

Financial risk relates to non-performance by banks in respect of cash deposits and is mitigated by the selection of institutions with a strong credit rating.

Liquidity risk

The Group is exposed to liquidity risk as part of its normal trading cycle. The Group's policies ensure sufficient liquidity is available to meet foreseeable needs through the preparation of short and long term forecasts. The Group's requirements are constant throughout the year and relate largely to working capital which is managed through the use of surplus cash.

The Group had no bank loans or invoice finance facilities at 31 December 2011 (2010: Nil). The Group had no overdraft at 31 December 2011 (2010: Nil) and no debentures or personal guarantees were in place

Fair values

The fair value of short term deposits and other financial assets approximates to the carrying amount because of the short maturity of these instruments

Capital risk management

Management consider capital to include share capital, share premium, employee benefit trust reserve, merger reserve, retained earnings and non controlling interests. See the consolidated Statement of changes in equity a detailed breakdown thereof.

The Group's objective when managing capital is to establish and maintain a capital structure that safeguards the Group as a going concern and then provides a return to shareholders.

The Group has entered into debt for equity conversions during 2010 and restricted dividends to achieve the right capital structure to achieve its objectives.

On 17 November 2009 at an Extraordinary General Meeting the shareholders of the Company approved a proposal for the Company to make an application to the High Court for the cancellation of all the Company's deferred shares and a reduction in the Company's share premium account in order to create sufficient reserves and thus eliminate the Company's accumulated losses of £5,599,643, which existed at 31 December 2008. The Company received an Order from the Court confirming the reduction of capital and approving the new Statement of Capital on 18 February 2010.

22. Related party disclosures

Details of Director's remuneration are given in note 4.

The Company's wholly owned subsidiary Active Energy Limited sells and purchases VoltageMasters from SDC Industries Limited. SDC Industries is considered a related party in that the owner of SDC Industries Limited, Mr Stephen Coomes is a disclosed shareholder of the Company; he also served as a director on the board of Active Energy Limited until 21 January 2011.

During the financial year ended 31 December 2011 the value of goods and services provided to SDC Industries Limited was Nil (2010: £750,048) and the value of goods and services provided by SDC Industries Limited was £300,305 (2010: £2,160,634). The net balance outstanding from SDC Industries at 31 December 2011 was Nil (2010: £199,409) and the net balance due to SDC Industries at 31 December 2011 was Nil (2010: £133,696).

Mr Coomes also received Nil (2010: £36,000) for director fees and expense reimbursement in the period ended 31 December 2011.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

Transactions between the Company and its subsidiaries, which are related parties to the Company, have been eliminated on consolidation. During the year in the Company's financial statements, The Company recognised provisions for impairment on its loans to subsidiaries in the amount of £2,070,523 (2010: Nil), cash advances to fellow Group companies of £712,380 (2010: £954,650).

The Cinpart Employment Benefit Trust was established by execution of a trust deed on 18 November 2009.

The Company has since made unsecured advances to the trust to meet expenses of the trust and to enable the trust to acquire shares in the Company. The outstanding balance at 31 December 2011 was £100,000 (2010: £100,000). A provision for impairment has been recognised in respect of this loan in the records of the Company.

The Cinpart EBT Trust has subscribed to 788,000 new ordinary shares in the Company at an average of 11.98p per share.

During 2010 the Company disposed of Gasignition Limited and Buckland Group (Hong Kong) Limited to Kevin Baker, a director of the Group during 2010, for a consideration of £245,000 (net present value £213,507).

InterCompany receivable and payable balances remain outstanding at the year end as follows:

	2011 £	*2010* £
Amounts due from related parties	2,170,523	1,354,650
Provisions against amounts due from related parties	(2,170,523)	–
	–	1,354,650

23. Acquisitions

On 21 April 2011, the Group acquired 100 per cent of the issued share capital in Red Line Engineering Services Limited, an engineering services specialist. The purchase consideration was satisfied through the issue of 17,900,000 new ordinary shares in the Company. In addition the costs of acquisition were settled through the issue of a further 1,000,000 new ordinary shares to the broker advisor, Jendens Securities Limited. The acquisition provided the Group with access to highly innovative technology and engineering capabilities, significantly broadening the Group's service offering to manage the environmental requirements of companies.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value £	*Fair value* £
Property plant and equipment	510	510
Cash	820	820
Trade and other payables	(65,535)	(65,535)
Deferred tax obligation	(740)	(740)
Total Net liabilities	(64,945)	(64,945)
Consideration paid		
Issue of 17,900,000 ordinary shares		492,250
Total consideration		492,250
Goodwill (note 10)		557,195

Transaction costs of £27,500 were incurred during in respect of this acquisition. These charges were satisfied through the issue of 1,000,000 new ordinary shares and charged to administration expenses in the consolidated income statement.

On 21 November 2011, the Group acquired 100 per cent of the share capital in Bioenhero-Leader Ltd from Eastwood SA by issuing 40,000,000 new ordinary shares in the Company. Still with Energy saving and CO_2 reduction core to the business the Group moved into the eastern European market for renewable energy by acquiring Bioenerho-Leader – a business that is focused on providing biomass energy resources to industrial power facilities with Poland as it initial focus.

Bioenerho-Leader Limited, since renamed Active Energy Ukraine Limited, was a new company which successfully negotiated three contracts:

- to source wood from forestry;
- to cut and chip the sourced wood; and
- to supply and sell the wood chips.

There were no other assets or liabilities in the entity at the date of acquisition.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value £	*Fair value* £
Contractual relationships	–	1,858,505
Deferred taxation	–	(312,229)
Total Net assets	–	1,546,276
Consideration paid		
Issue of 40,000,000 ordinary shares		1,340,000
Contingent issuable ordinary shares		37,408
Contingent cash consideration		167,500
Total consideration		1,544,908
Gain on acquisition		1,368

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

In accordance with the purchase agreement additional consideration is payable subject the company achieving certain earn out targets over the next two financial years until 31 December 2013. The contingent consideration consists of both cash and equity in the Company. Under the contingency arrangement, the Group is required to pay the vendors an additional £5,000,000 and 33,333,333 ordinary 1p shares in the Company should Bioenerho-Leader Limited enter into at least one further supply contract which exceeds an additional £2,000,000 in earnings, with an additional £35,000,000 cash should Bioenerho-Leader Limited enter into at least one further supply contract which exceeds an additional £7,000,000 in earnings over the earn out period. The directors at this stage consider it improbable that the contingent consideration will be paid and estimated the probability of these events occurring at between 0 per cent and 3 per cent.

The fair value of the consideration paid essentially equates to the fair value of the net assets acquired. A negligible gain on acquisition of £1,368 has been recognised in the administration expense line on the consolidated income statement.

24. Lease commitments

Group

Non-cancellable operating leases

The minimum rent receivables under non-cancellable operating leases are as follows:

	2011 £	*2010* £
Due within one year	29,687	–
Between two and five years	–	30,296
	29,687	30,296

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

25. Discontinued operations

On 29 October 2010, the Group sold assets as part of the Group's disposal of its Gasignition segment, for cash consideration of £245,000.

The Consolidated Income Statement comparatives for 2010 reflect the effect of discontinued operations.

	2010
	£
Consideration received (and net cash inflow):	
Consideration	245,000
Net present value adjustment	(31,500)
Selling costs:	
Legal fees	(15,000)
Net cash and cash equivalents	198,500
Net assets disposed (other than cash):	
Property, plant and equipment	134,700
Intangibles	105,000
Inventories	474,600
Trade and other receivables	475,400
Trade and other payables	(298,719)
Other financial liabilities	(320,000)
	570,981
Pre-tax (loss) on disposal of discontinued operation	(372,481)
Related tax expense	–
	(372,481)

The post-tax loss on disposal of discontinued operations was determined as follows:

	2010
	£
Results of discontinued operations:	
Revenue	1,861,700
Cost of sales	(1,433,000)
Other operating income	–
Administrative expenses	(600,500)
Finance cost	(8,000)
Finance income	–
Loss from selling discontinued operations after tax	(372,481)
Loss on discontinued operations	(552,281)
Earnings per share from discontinued operations:	
Basic and diluted loss per share (pence)	(0.55)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

Statements of cash flows

The statement of cash flows includes the following amounts relating to discontinued operations:

	2010
	£
Operating activities	(476,486)
Investing activities	120,829
Financing activities	(21,315)
Net cash from discontinued operations	(376,972)

26. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial information in conformity with International Financial Reporting Standards requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the year-end date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were:

Impairment of goodwill and other assets

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount of cash generating units is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary. More information including carrying values is included in the note 10. Other assets are considered for impairment where such indicators exist using value in use calculations or fair value and recoverability estimates. The use of these methods similarly requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows.

Share based payments

In determining the fair value of equity settled share based payments and the related charge to the income statement, the Group makes assumptions about future events and market conditions. In particular, judgements must be made as the fair value of each award granted. The fair value is determined using a valuation model which is dependent on further estimates, including the Group's future dividend policy, the timing with which options will be exercised and the future volatility in the price of the Group' shares. Such assumptions are based on publicly available information and reflect market expectations and advice taken from qualified personnel. Different assumptions about these factors to those made by the Group could materially affect the reported value of share based payments.

Useful lives of intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated statement of comprehensive income in specific periods. More details including carrying values are included in notes 10 and 11.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

Determination of fair values of intangible assets acquired and contingent consideration in business combinations

The fair values of contractual relationships assumed in a business combination are based on the discounted cash flows expected to be derived from the use and eventual sale of the asset. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary.

The fair value of contingent consideration are based on an estimation of the probability of the contingent event occurring during the earn-out period. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated statement of comprehensive income in specific periods. More details including carrying values are included in note 23.

27. Events subsequent to year end

Active energy

In February 2012, the Directors decided to discontinue the operations of Active Energy Limited, in light of the challenges experienced in the voltage optimization market.

Redline

In February 2012, the Directors decided to discontinue the operations of Redline Engineering Services Ltd., acquired in April 2011, following its unsuccessful attempts to win the substantial public sector contracts.

Perivan Financial Print 225263