ACTIVE ENERGY GROUP PLC

ANNUAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2015

Company Registration Number: 03148295

ACTIVE ENERGY GROUP PLC

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ACTIVE ENERGY GROUP PLC

COMPANY INFORMATION

Country of Incorporation	England and Wales
Directors	M. Rowan R.G. Spinks B. Evans-Jones M. Girlanda
Secretary	Cargil Management Services Ltd 27-28 Eastcastle Street London W1W 8DH
Registered Office	27-28 Eastcastle Street London W1W 8DH
Registered Number	03148295
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	Wilsons Alexandra House St. Johns Street Salisbury SP1 2SB
Nominated Adviser & Broker	WH Ireland Limited 24 Martin Lane London EC4R 0DR
Financial Public Relations & Investor Relations	St Brides Partners 3 St Michael's Alley London EC3V 9DS

ACTIVE ENERGY GROUP PLC

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

The last financial year has been positive for Active Energy, characterised by a number of key events that have widened our opportunities in the global wood fibre and related industries, opened up new exciting markets and increased our ability to gain higher margins within existing operations.

At the beginning of the period our target was to leverage our existing cash generative platform, focussed on the supply of wood fibre to the Turkish medium-density fibreboard ('MDF') manufacturing industry, and identify complementary opportunities that could benefit from our expertise in the global wood fibre industry, contacts and commercial experience.

To this end, in 2015 we signed a ground breaking agreement with Biomass Energy Enhancements LLC of Utah, USA, to establish a joint venture company, AEG CoalSwitch Limited, to develop and commercialise a revolutionary biomass coal replacement fuel, which we believe will transform the fuel supply chain and green credentials of the coal fire power generation industry. Indeed, the recently commissioned independent testing conducted by the University of Utah has shown that the CoalSwitch product replicates coal in terms of moisture, friability and calorific value, but without the associated emissions. This means that CoalSwitch avoids the issues found with other biomass solutions, such as fouling and slagging. It also allows it to be used in co-firing operations alongside coal or as a total replacement to coal in existing power plants. This helps fulfil their renewable obligations, negating the need for an expensive conversion to burn the typical 'White Pellet', being the recognised biomass fuel today. This is significant when you think that in excess of three billion tonnes of coal is currently burned per annum globally. Furthermore, on an asset level, the fuel, which utilises primarily forestry waste, demolition wood waste and wood production process by-products including bark, sawdust and thinnings, allows forestry operators to significantly increase their economic returns by adding CoalSwitch to the mix.

With the establishment of AEG CoalSwitch, we now have a vertically-integrated divisional structure being; AEG CoalSwitch, which will continue to develop a highly advanced biomass coal replacement fuel; AEG WoodFibre, which primarily supplies industrial wood fibre for MDF manufacturing; and AEG TimberLands, which focusses on forestry asset management and development. This offers shareholders a blend of investment exposure that are both complementary and also have strong intrinsic value as standalone operations.

From an operational standpoint, we initiated a targeted investment programme to increase the capacity at our dedicated state-of-the-art processed wood fibre production facility at Yuzhniy Port, near Odessa on the Black Sea, to include both hardwood and softwood. Following the signing of agreements with Yildiz Entegre, one of the leading MDF manufacturers in Turkey, to supply up to 300,000 tonnes of hardwood and 200,000 tonnes of new softwood material in 2016, we have become the largest regional supplier of base material used in the production of MDF.

Unfortunately, the period was not without its challenges, caused in particular by the ban on supply of hardwood from Bulgaria to Turkey and the subsequent ban introduced by Ukraine on the export of hardwood logs from the country. This affected performance in Q2 and Q3 2015 and is reflected in our financials. However, importantly, we had a positive Q4 and 2016 to date and we are now back on track with improved margins and volumes meeting targeted levels.

AEG TimberLands continues its focus on supporting our partners and the recently announced regional commitment to phase out coal usage in electrical generation by 2030. A new partnership is being established with the Metis Settlements and AEG Timberlands, working closely with Alberta's Ministry of Energy and the Alberta Ministry of Indigenous Affairs in Edmonton. This will allow AEG Timberlands to utilise its experience, expertise and knowledge to add value to the forestry waste, low-value timber assets and Aspen forests, which Alberta has in abundance and for which there has been no significant market for over ten years. Notably, the tests on our CoalSwitch product were conducted with 100% Aspen as feedstock, allowing us to further prove not only the validity for the power industry of CoalSwitch generally, but, more specifically, as a solution for Alberta with its vast Aspen forests.

A significant effort and investment has been made in taking every opportunity to ensure that the new business fulfils all requirements, legal, regulatory, operational and financial, in terms of due diligence. We are more confident than ever that we are on the right track with the new focus on CoalSwitch production to support the Metis Settlements and Alberta in its efforts to fight climate change.

Financial Review:

Revenue is currently derived from AEG WoodFibre, which enabled us to build out our vertically integrated strategy utilising our expertise and developing the potential of AEG CoalSwitch in particular. In line with the Group's strategy, no revenue was derived from the sale of Biomass woodchip during 2015 (2014: $5,929,464). Within AEG WoodFibre, wood chip for MDF trading volumes increased by 43% to 220,748 tonnes from 154,103 tonnes and revenues increased by 40% to $24.378 million from $17.395 million. The results for Q1 and Q4 were strong, with combined margin per tonne for those two quarters up 57% compared to 2014. Unfortunately the business was negatively impacted in Q2 and Q3 by the Bulgarian and Ukrainian bans on the export of hardwood logs to Turkey. Prior to the ban Bulgaria supplied 11% of the hardwood for Turkey. The resultant demand for alternative supply from Ukraine and the subsequent ban in Ukraine of the export of whole logs from the country temporarily distorted the market and substantially increased the price of our raw materials for several months. In order to maintain existing business relationships, the Board took the decision to continue to supply its Turkish client base and operated at a significant loss during those two quarters avoiding reputational and reliability damage. The upside to this is that we are now the only accredited supplier to our current clients in the Black Sea region, a reward for our loyalty and recognition of our reliability. The downside is that it impacted heavily on the overall results for the year.

For the period we are reporting an operating loss of $3,412,643 (2014 $1,260,724). The Group also had to absorb finance costs of $1,437,162 (2014: $1,077,420) and a share of losses attributable to our joint venture arrangements in Canada amounting to $619,262 (2014: $372,984), which we expect to be recovered by the Group when that business begins operations and makes profits in the future.

Gross profit achieved in Q1 and Q4 combined was $2.670 million and if this had been consistently delivered for the whole of the 2015 volume it would have produced a gross profit of $4.348 million. Given that the achieved gross profit for the year was $1.985 million, we can see that the increase in raw material prices, explained above, impacted results by approximately $2.363 million. Had the Group been able to trade consistently at the Q1/Q4 level, the Board believes the results for the year would have reported an operating profit.

Administrative expenses include a large non-cash share-based payment in respect of option awards to directors and management and depreciation and amortisation:

	2015	2014
	$'000	$'000
Administrative expenses	5,398	4,000
Deduct non-cash items:		
Share based payments	(1,381)	(267)
Depreciation & Amortisation	(322)	(422)
Adjusted total:	3,695	3,311

The Board remains focused on cost reduction and expects to see the benefits of savings on travel costs, professional and consultancy fees and finance costs impact in 2016. Notwithstanding reported losses cash resources remain stable given profitable trading from Q4:2015 onwards.

Outlook

To manage the growth of the business, we have assembled a highly technical and commercial team capable of building significant shareholder value across the Group, with the utilisation of sustainable forestry products and waste being the cornerstone of our investment proposition.

The Board believes that it is entering a truly exciting period. The Company is perfectly positioned to revolutionise the coal power market with a proven ground-breaking coal replacement fuel. Our unique strategy allows us to leverage our relationships with forestry owners having maximised the value of their standing timber assets, convert low-grade material, primarily non-saw logs/technical lumber and forestry thinnings, into industrial wood fibre for MDF manufacturing and supply the material for green energy power generation. This integrated model is sustainable and in a rapidly changing environment, Active Energy is creating a new standard in the forestry industry.

Michael Rowan –
Chairman

ACTIVE ENERGY GROUP PLC

Strategic Report

FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors of Active Energy Group Plc and its subsidiary undertakings (together, "the Group") present their Strategic Report for the year ended 31 December 2015.

OPERATING REVIEW

Active Energy has three trading divisions, which operate as independent business units but work together to optimise resources and opportunities:

- AEG CoalSwitch: Biomass Coal Replacement Fuels and Fuel Processing Systems
- AEG WoodFibre: Processed Wood Fibre for Medium-Density Fibreboard (MDF) Manufacturing
- AEG TimberLands: Forestry Asset Management and Development

AEG CoalSwitch:

The Group holds an interest in AEG CoalSwitch Ltd, a joint venture with Biomass Energy Enhancements LLC, inventors of a second-generation biomass coal replacement fuel technology. Since the joint venture was formalised and announced in September 2015, the Group has agreed terms with the operating company which introduced the opportunity to give them 15% out of AEG plc's 51% interest in the joint venture and focused on investing in the development of the technology and the commercialisation strategy for this game-changing renewable energy solution.

The AEG CoalSwitch technology, which we believe is the world's only true 'drop-in' coal replacement or supplement for power generation and other industrial coal replacement uses, converts any fibrous or wood-based biomass material into high-energy fuel via a pioneering process. Uniquely, it can be utilised in traditional coal-fired power plants as a direct substitute for coal or mixed with coal in co-firing operations in higher concentrations than other existing biomass fuels. In most cases there is no requirement for furnace or handling or storage modifications, enabling existing coal-fired power plant owners to rapidly and inexpensively comply with government legislation under which they are mandated to reduce air pollution levels. CoalSwitch therefore represents the first viable solution to overcoming the global problem of coal-fired power plants either having to shut down or being forced to invest in retrofitting and conversion of their facilities, potentially creating significant cost savings globally in the industry over the coming years.

Post period, in March 2016 results from burn testing of the CoalSwitch fuel conducted by the University of Utah exceeded all expectations. The results confirmed lower emissions, more efficient combustion and fewer deposits than coal and proven technical and commercial viability. The testing process evaluated the performance of the CoalSwitch fuel in its 100kW pulverised coal combustor, which replicates the full-scale facilities utilised in industrial coal-fired power plants around the world.

Following the testing, the University confirmed both the potential of CoalSwitch fuel for the power generation industry and that it provided financial and environmental benefits over current Biomass fuel solutions.

The key findings included:

- CoalSwitch fuel burned;
    - at near-identical temperatures to coal
    - more efficiently than coal, and produced far less ash
    - cleaner than coal and when co-fired with coal generated less Sulphur Dioxide (SO_2) than was produced by the coal when fired alone
- Along with reducing the amount of ultrafine particles in the blended fuel, the mineral matter (ash) particle size distribution of CoalSwitch fuel was nearly the same as that for coal
- CoalSwitch fuel was essentially free of both Potassium (K) and Sodium (Na), so combustion did not cause the fouling issues (deposits) that are commonly a barrier to the direct use of Biomass fuels in coal-fired power plants
- The CoalSwitch/coal blend had a lower Loss on Ignition than the pure coal, leaving far less unburned carbon in the ash, demonstrating far better combustion of coal when CoalSwitch is present

AEG CoalSwitch continues to engage in an ongoing program of testing and development both in-house, at its Utah facility, and with major industrial partners. Negotiations with a leading European power producer, announced in December 2015, were not conclusive but demand from energy producers worldwide for large-scale commercial samples for testing continues to grow significantly.

From the focussed marketing activities undertaken since the joint venture announcement, CoalSwitch has attracted significant international interest from coal-fired power generators, timberland and timber feedstock owners, fuel pellet manufacturers and governmental bodies, all of whom recognise its considerable commercial, political and environmental potential. To date, commercial negotiations with key end users have been extremely positive.

AEG WoodFibre:

AEG WoodFibre is the largest exporter of processed timber products from Ukraine. With customer demand exceeding production capacity, this business has considerable growth potential. Currently the Company has agreements with the Ministry of Forestry to purchase wood from more than 120 sustainable forests in-country. Technical Timber (not saw log quality), 70% Beech and Hornbeam and 30% Birch and Ash, is transported on daily shipments by rail in up to thirty five 40 tonne wagons and delivered to the port of Yuzhny in Odessa on the Black Sea coast. Here the logs are unloaded and processed into woodchips, blended and tested for moisture to provide an optimum product for export via ship to Turkey.

The Company currently deals with three of the main MDF manufactures in Turkey and has production capacity to service more.

During the year, the Group made significant investments in upgrading the handling and processing facilities at its plant in Yuzhniy Port, which is now one of the largest such plants in Europe. A new fully-automated hardwood production line capable of processing 3,000 tonnes of raw material per day, seven days a week, became fully-operational in early-October 2015. Along with new log handling equipment this represents the next stage in the Group's long-term development plan to increase processing capacity at the site, enabling it to meet the ever-increasing demand for wood fibre from its Turkish MDF manufacturing customer base.

The Group's next step is to complete the installation of a new US$1.5 million softwood production line, enabling it to manufacture softwood wood fibre from pine logs, and which it expects to fund with new debt facilities. This new line will substantially increase AEG WoodFibre's manufacturing capacity and broaden its market offering, making it the only operator in the Black Sea region to supply both of the key raw materials for MDF manufacturing from a single facility.

In January 2016, the Group secured two significant new supply contracts with Yildiz Entegre, the leading MDF manufacturer in Turkey, which are expected to increase revenues in FY 2016. This will potentially see AEG WoodFibre deliver up to 300,000 metric tonnes of its proven hardwood wood fibre product, as well as up to another 200,000 metric tonnes of its new softwood wood fibre offering. Further off-take supply negotiations are ongoing, and the Group expects to announce additional contract wins over the coming months.

During the year, gross margins were strengthened, overheads were reduced and new bulk shipping credit terms agreed. Additionally, despite the inevitable downtime caused by the installation of the new hardwood production line, the production and shipping volumes achieved in the full year amounted to 220,748 tonnes, an increase of 43% on the previous year (2014: 154,103 tonnes).

However, there was a difficult mid-year trading period, during which there was a significant increase in wood prices due to the Bulgarian and Ukrainian bans on log exports, a situation that has now been reversed. This impacted the overall performance of the division for the year and delayed the planned investment in the new facilities. Since that time, AEG WoodFibre has returned to profitability and recorded an excellent performance in the final quarter and in 2016. Looking ahead, it is anticipated that AEG WoodFibre, having broadened its offering and signed new supply contracts, will deliver the strongest trading performance in 2016 since it was formed.

AEG TimberLands:

AEG Timberlands is negotiating a partnership focussed on forestry management and operating company, to commercialise the mature forestry assets on the Metis Settlements, in Alberta, Western Canada. The primary aim of the partnership will be to utilise, in a sustainable manner, the Métis forestry assets to produce renewable energy fuel and use the Group's AEG CoalSwitch technology. This will create significant economic development opportunities for the Métis Settlements and assist Alberta in its goal to replace coal in existing power plants by dramatically reducing dependence on highly-polluting coal-fired power generation.

Progress of the AEG Timberlands and AEG CoalSwitch business proposition in Alberta was delayed when the former Government of Alberta (a new NDP government was elected in May 2015) conducted a review of the Métis Settlements' handling of their participation in it. This was completed in September 2015, when a Ministerial Order was issued specifying certain conditions to be fulfilled by the Métis Settlements for the joint venture to proceed. Since that time, AEG TimberLands has been liaising closely with its Métis partners and with its professional advisors to ensure that those conditions are met, including the formation of a new partnership structure to accommodate the business, investments and partners.

The Group anticipates that initial forestry operations, along with production roll-out, will commence in 2016, whilst plans, which include constructing and operating a plant for the Group's AEG CoalSwitch coal replacement fuel technology, are being finalised in collaboration with its technical experts and regional partners in Alberta.

Principal Activities
The Group is an international supplier of industrial wood chip for MDF manufacturing and Biomass for Energy (BFE) power generation, second-generation Biomass for Energy (BFE) fuel solutions and systems, and global forestry and natural resources development services.

Organisation Overview
The Group's business is directed by the Board with executive management carried out through the Chief Executive Officer, Chief Operations Officer and Chief Financial Officer.

Day-to-day activities are managed through our offices in Ukraine, the United Kingdom and Canada; supported by our multi-national network of professional advisors.

The corporate structure of the Group reflects the pattern of acquisition by the Group and the need, where appropriate, for operational, fiscal and other reasons, to have incorporated entities in particular territories. In addition to the UK holding company, the Group had operating subsidiaries in the UK, Cyprus and Ukraine.

The Board of Directors comprises three Executive Directors plus the Non-Executive Chairman.

Aims, Strategy and Business Plan
The Group's aim is to develop a profitable international trading operation within the industrial wood chip, Biomass for Energy power generation, forestry and natural resources development, and energy-efficient business sectors, and to create additional shareholder value through the vertical and horizontal integration of related activities and products.

The Group's strategy is to acquire economically viable and environmentally-responsible exploitation, commercialisation and trading rights in industry sectors and geographical regions where its expertise in and commitment to sustainable development of natural resources and provision of energy-efficient solutions can be profitably implemented.

The Group seeks to limit country and political risk by working within different territories and jurisdictions; operates in an open and transparent manner throughout all its dealings; and maintains a zero-tolerance policy towards corruption.

The Group's business model is to establish efficient, low cost synergistic operations across all of its activities and markets. The Board seeks to run the company with as low a cost base as is consistent with the nature and level of activity being undertaken. The Group engages the services of a limited number of full-time employees alongside a portfolio of carefully selected professional consultants and contractors as and when circumstances demand.

The Group primarily finances its activities through revenues generated from its operations, but also through periodic capital raises, loan notes and by short-and medium-term borrowings. As certain of the Group's new business ventures reach maturity there may be strategic opportunities to obtain specialist development funding from future customers, governments, international investors, strategic partners, royalty and/or other market arrangements.

The Group's current executive team comprises:

Executive Management

Richard Spinks	Executive Director and CEO; with overall responsibility for all Group activities
Brian Evans-Jones	Executive Director and CFO; with responsibility for finance and accounting functions
Matteo Girlanda	Executive Director and COO; responsible for operational and commercial functions

Corporate Responsibility
The Board takes regular account of the significance of social, environmental and ethical matters affecting the Group wherever it operates. During the year it developed a specific set of policies on corporate social responsibility, which seek to protect the interests of all of its stakeholders through ethical and transparent actions, and include an anti-corruption policy and code of conduct. The policies are currently awaiting Board approval, and will be posted on the Group's website at www.active-energy.com in the near future.

Shareholders
The Board seeks to protect the interests of its shareholders and other stakeholders by following, where appropriate, the Quoted Companies Alliance (QCA) Corporate Governance Code for Small and mid-size Quoted Companies, and the Directors are always prepared, where practicable, to enter into dialogue with all such parties to promote a mutual understanding of objectives.

Environment
The Board recognises that its principal activities have the potential to impact on the environment and is committed to working with state and other bodies in all of the territories in which it operates to establish and follow international principles of environmental sustainability and renewability.

Employees
The Group engages its employees in all aspects of the business and seeks to remunerate them fairly and with all reasonable flexibility wherever that may be possible. The Group gives full and fair consideration to applications for employment regardless of age, gender, colour, ethnicity, disability, nationality, religious beliefs or sexual orientation. The Board takes account of employees' interest when making decisions and suggestions from employees aimed at improving the Group's performance are welcomed.

Suppliers and Contractors
The Group recognises that the goodwill of its contractors, consultants and suppliers is crucial to its business success and seeks to build and maintain this goodwill through fair dealings. The Group has a prompt payment policy and seeks to settle all agreed liabilities within the agreed terms of trade.

Health and Safety
The Board recognises that it has a responsibility to provide strategic leadership and direction in the development of the Group's health and safety strategy in order to protect all of its stakeholders.

Key Operational Challenges & Operational Risk
Given the international nature of the Group's operations – in locations as far apart as Ukraine and Canada – it is inevitably subject to different operational and financial challenges.

The Directors are constantly vigilant of those challenges, and have made the necessary actions to secure the Group's position. They are fully confident in the ability of the business to both continue and expand its trading activities.

Key operational challenges at the current time include:

- The political situation in Ukraine.
- Availability of adequate funding on acceptable terms to finance the planned expansion of the business. The Board is confident in the Group's ability to secure suitable funding in 2016 to enable a significant increase in its Ukrainian production volumes with new and much improved equipment, to progress its new business initiatives, and to fund the increased working capital requirement resulting from the substantial growth in its revenues.
- Ensuring an uninterrupted flow and control of the entire timber supply chain from forest to factory and forest to boiler, taking into account operating variables such as seasonality, weather conditions and shipping capacity/availability. The Group continues to work towards the establishment of a scalable and seamless supply chain by profitably sourcing, processing and distributing product in all the territories in which it operates.
- Controlling the physical distribution of the Group's products. The Board devotes a considerable amount of time to this aspect of operations by focusing on securing long-term arrangements to ensure that, as far as is reasonably possible, the coordination of supply and processing of raw materials is matched to the availability of delivery methods to its customers. This operational component remains an essential feature of meeting the Group's SLA/performance requirements, in establishing scalable processes, and in ensuring the availability of necessary assets at the right time and in the right place.
- Recruiting senior and middle management personnel in the territories in which the Group operates.

Key Performance Indicators:
The key performance indicators of the Group are set out below and not all of the items are capable of quantitative measurement; however, the qualitative issues are equally important.

- Achieving planned processing, loading and shipping volumes for MDF wood chip
- Commercialising, certifying and bringing to market its new BFE fuel solution offerings
- Commencing operations in its Canadian joint venture
- Progressing other new business initiatives and bringing them to fruition
- Improving gross margin returns on all goods shipped
- Meeting contractual obligations to customers
- Understanding, managing and minimising the impact of major external issues and risks
- Raising sufficient long term working capital to meet the fiscal demands of existing and future business
- Minimising the negative impact of demurrage
- Meeting product specifications for all commercial product offerings

Performance against these measures is discussed elsewhere in the Strategic Report and Chairman's statement. It is likely that other KPIs will be identified as the business develops, but the Board believes that the detailed information published by the Group in its Regulatory News Service (RNS) announcements or in its published financial statements (all of which are available on the AEG website at www.active-energy.com) provide the best guide to its progress and performance.

Risk and Uncertainties:

Political Risk
Maintaining a reliable long-term supply of raw materials is pivotal to the success of the Group's operations. To date its primary sources have been State-owned forests in Ukraine; however to reduce its reliance on a single supply source and lessen the associated risks, the Board has already instigated new supply channels in Canada and is investigating other potential sources.

Financing Risk
The principal financial risks faced by the Group are discussed further in Note 25 to the financial statements.

Internal Controls and Risk Management:

The Directors are responsible for the Group's systems of internal financial control. Although no system of internal financial control can provide absolute assurance against material misstatement or loss, the Group's systems are designed to provide reasonable assurance that problems are identified in a timely basis and dealt with appropriately.

In carrying out their responsibilities, and in consideration of the need to strengthen controls in certain jurisdictions to be reflective of the standards expected of a public company, the Directors are putting in place a framework of controls to ensure as far as is reasonably possible that on-going financial performance is monitored by the most relevant means and in a timely manner such that, where necessary, corrective action is taken and that risks are identified as early as practically possible.

Forward Looking Statements:
The Annual Report contains certain forward-looking statements that have been made by the Directors in good faith based upon the information at the time of the approval of the Report. By their nature, such forward-looking statements involve risks and uncertainties because they relate to events and depend upon circumstances that will or may occur in the future. Actual results may differ materially from those expressed in such statements.

Corporate Governance:
The Group is committed to high standards of corporate governance and seeks to comply with the guidelines of the Quoted Companies Alliance (QCA) Corporate Governance Code for Small and Mid-Size Quoted Companies as they are appropriate to the Company at this stage in its development.

The Board of Directors is currently comprised of a Non-Executive Chairman (based in the UK), the CEO (based in Ukraine, Canada and the UK), the CFO (based in the UK) and the COO (based in Ukraine, Canada and Italy). The Board considers that this structure is consistent with the nature and scope of the Group's business, operating in the sectors and regions that it does.

The Board is aware of the need to refresh its membership from time to time and will consider appointing additional executive and independent non-executive directors in the future.

Role of the Board
This is to agree the Group's long-term strategy and direction and to monitor achievement of its business objectives. The Board meets several times per annum, either by teleconference or in person. In between times it holds such number of additional meetings as is necessary to transact other business.

Board Committees

Remuneration Committee
The Remuneration Committee is made up of Michael Rowan and Brian Evans-Jones.

This committee is responsible for the scale and structure of the remuneration of the Chairman, the Chief Executive, the Executive Directors and reports to the Chief Executive. The recommendations of the committee must be approved by the Board of Directors before they can be approved. No director or manager shall be involved in decisions relating to his/her own remuneration.

AIM Rules Compliance Committee
The AIM Rules Compliance Committee is made up of Michael Rowan and Brian Evans-Jones.

This committee is charged with ensuring that the Group has in place sufficient procedures, resources and controls to ensure compliance with the AIM rules for companies. Among other things, the committee shall ensure that an Executive Director is at all times able to respond to requests for information from the Nominated Adviser and that all Directors and employees are aware of their obligations with regards to the disclosure of any trading in the Group's shares.

Audit Committee
The Audit Committee is made up of Michael Rowan and Matteo Girlanda.

This committee is required to monitor the integrity of the financial statements of the Group, including the interim and annual reports. The committee also reviews financial returns to regulators and any financial information contained in announcements of a price sensitive nature. The committee shall also consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, as to the appointment or re-appointment of the Group's external auditor and together with the external auditors, determines the scope of the audit.

This Strategic Report was approved by the Board of Directors on 14 June 2016 and signed on its behalf by:

M Rowan
Non-Executive Chairman

ACTIVE ENERGY GROUP PLC

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2015

The Report of Directors
The Directors present their report together with the audited financial statements of the Group for the year ended 31 December 2015.

In accordance with section 414C (11) of the Companies Act 2006, the Directors have chosen to include in the Strategic Report (on pages 8 to 17) particulars of important events affecting the Group that have occurred since the end of the period and an indication of likely future developments in the Group's business.

Dividends:
No dividend is proposed for the year ended 31 December 2015 (2014: £nil).

Financial Instruments and Financial Risk Management:
Details of the use of financial instruments by the Group and its subsidiary undertakings, and related matters are contained in Note 25 of the financial statements.

Going Concern:
The Directors consideration of going concern is set out in Note 1 to the financial statements.

Directors:
The Directors during the year under review were:

Richard Spinks
Matteo Girlanda
Brian Evans-Jones
G. Valoroso (resigned on 22 June 2015)
M. Rowan (appointed 10 August 2015)
F. Lewis (appointed 26 January 2015 and resigned 4 April 2016)

Remuneration:

Remuneration and benefits received during the year ended 31 December 2015 for Directors, together with interests in share options and warrants at the year end, were as follows:

	Gross Fees and Salary $	Share-based Payments $	Options / Warrants No.	Exercise Price p
R. G. Spinks	229,245.00	488,300.00	*41,733,333	1.25
G. Valaroso	34,386.75	-	-	
M. Girlanda	248,710.61	478,604.00	*37,500,000	3.00
B. Evans-Jones	183,396.00	357,078.00	12,000,000	5.00
M. Rowan	23,992.64	-	-	
F. Lewis	73,236.64	-	-	
	792,967.64	**1,323,982.00**	**91,233,333.00**	

** These directors also hold nil-cost options subject to performance conditions, details of which are disclosed on the company website at www.active-energy.com*

** During the year no Directors have exercised either their share options or warrants*

Significant Shareholders:

The Directors are aware of the following significant shareholdings of 3 per cent or more of the current Issued Ordinary Share Capital of 642,158,903 shares and Total Voting Rights ("TVR") (excluding the 77,500,000 own shares held) of 564,658,903 shares on 31 December 2015:

	No.	ISC %	TVR %
Gravendonck Private Foundation	169,500,000	26.40%	29.24%
Ronald M Derrickson	27,733,333	4.32%	4.78%
Windstar Investment SA and related parties*	63,360,000	9.87%	10.93%
Brahma Finance Limited and related parties	18,219,543	2.84%	3.14%
Ruffer LLP	46,491,002	7.24%	8.02%

* Group operations director M. Girlanda has an interest in this company

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 for that period 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 applicable 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 Group will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group 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 Group's website at www.active-energy.com 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 Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the on-going integrity of the financial statements contained therein.

Statement as to Disclosure of Information to Auditors:
Each Director has confirmed that:

- So far as the Directors are aware, there is no relevant audit information of which the Group's auditor is unaware; and
- They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information

This confirmation is given in accordance with Section 418 of the Companies Act 2006.

Auditors:
A resolution to re-appoint BDO LLP as auditor for the ensuing year will be proposed at the Annual General Meeting.

By order of the Board:

M. Rowan
Non-Executive Chairman
Date: 14 June 2016

Company Registration Number: 03148295

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 2015 which comprise the consolidated statement of income and other comprehensive income, the consolidated and parent company statement of financial position, the consolidated and parent company statements of cash flows, the consolidated and parent company statements of changes in equity 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.

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 Financial Reporting Council's (FRC'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 FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2015 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.

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF ACTIVE ENERGY GROUP PLC (CONTINUED)

Emphasis of Matter - Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the group's and parent's ability to continue as a going concern. As set out in note 1, in the event that the loans are not extended or if trading is at the low end of expectations there could be a requirement for additional funding. The directors are confident that they would be able to raise this as and when required, particularly given the successful raising of finance to date, however this cannot be guaranteed and there is therefore a material uncertainty that may cast significant doubt over the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and 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:

Under the Companies Act 2006 we are required 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 and the part of the directors’ remuneration report to be audited 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.

BDO LLP

James Fearon (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
Date 14th June 2016

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

ACTIVE ENERGY GROUP PLC

CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 US$	2014 US$
REVENUE	3	24,377,516	23,324,963
Cost of sales		(22,392,153)	(20,594,044)
GROSS PROFIT		1,985,363	2,730,919
Other income		150	7,981
Administrative expenses		(5,398,156)	(3,999,624)
OPERATING LOSS	5	(3,412,643)	(1,260,724)
Finance income	6	-	5,896
Finance costs	6	(1,437,162)	(1,077,420)
Share of loss of associate	12	(619,262)	(372,984)
LOSS BEFORE TAXATION		(5,469,067)	(2,705,232)
Income tax	7	(232,752)	(78,161)
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		(5,701,819)	(2,783,393)
OTHER COMPREHENSIVE INCOME/(EXPENSE):			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		(74,097)	(22,149)
Exchange differences on translation of associate		36,015	21,373
Total other comprehensive expense		(38,082)	(776)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		(5,739,901)	(2,784,169)
Basic and Diluted Loss per share (US cent)	8	(1.03)	(0.51)

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent Company income statement.

The notes on pages 32 to 73 form part of these financial statements.

ACTIVE ENERGY GROUP PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	2015	2014
		US$	US$
NON-CURRENT ASSETS			
Intangible assets	9	4,327,224	4,268,307
Property, plant and equipment	10	2,621,632	730,108
Investment in associate	12	1,142,605	446,156
Loan to joint venture partner	13	691,748	-
Available for sale financial assets	14	100,137	93,191
		8,883,346	5,537,762
CURRENT ASSETS			
Inventory	15	306,209	526,898
Trade and other receivables	16	2,574,088	2,850,682
Cash and cash equivalents	17	1,643,855	3,227,414
		4,524,152	6,604,994
TOTAL ASSETS		13,407,498	12,142,756
CURRENT LIABILITIES			
Trade and other payables	18	3,574,566	1,930,578
Loans and borrowings	20	5,567,302	1,739,130
Income tax liabilities		156,939	93,845
		9,298,807	3,763,553
NON-CURRENT LIABILITIES			
Deferred income tax liabilities	19	402,106	411,075
Loans and borrowings	20	2,866,597	4,353,462
		3,268,703	4,764,537
TOTAL LIABILITIES		12,567,510	8,528,090
NET ASSETS		839,988	3,614,666

The notes on pages 32 to 73 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
AS AT 31 DECEMBER 2015

	Note	2015 US$	2014 US$
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital	21	10,099,329	9,774,327
Share premium	23	8,603,703	7,344,264
Merger reserve	23	2,350,175	2,350,175
Foreign exchange reserve	23	(112,429)	(74,347)
Own shares held reserve	23	(1,229,630)	(1,229,630)
Convertible debt and warrant reserve	23	1,075,301	1,075,301
Accumulated loss	23	(19,946,461)	(15,625,424)
TOTAL EQUITY		839,988	3,614,666

The financial statements were approved and authorised for issue by the Directors on 14th June 2016 and were signed on their behalf by:

R G Spinks
Chief Executive Officer

B Evans-Jones
Chief Financial Officer

The notes on pages 32 to 73 form part of these financial statements.

ACTIVE ENERGY GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 US$	2014 US$
Cash outflow from operations	24	(704,493)	(1,146,722)
Income tax paid		(178,627)	(26,563)
Net cash inflow (outflow) from operating activities		(883,120)	(1,173,285)
Cash flows from investing activities			
Additions to intangible assets		(103,762)	-
Contribution to associate		(1,279,696)	(797,767)
Loan to joint venture partner		(691,748)	-
Purchase of property, plant and equipment		(2,190,331)	(728,396)
Sale of property, plant and equipment		21,715	53,320
Finance income		-	5,896
Net cash outflow from investing activities		(4,243,822)	(1,466,947)
Cash flows from financing activities			
Issue of equity share capital, net of share issue costs		1,584,441	7,619
Convertible loan from shareholder		-	-
Unsecured loans raised		2,386,000	4,739,130
Finance expenses		(137,619)	(193,091)
Net cash inflow from financing activities		3,832,822	4,553,658
Net increase in cash and cash equivalents		(1,294,120)	1,913,426
Cash and cash equivalents at beginning of the year		3,227,414	1,563,428
Exchange (losses)/gains on cash and cash equivalents		(289,439)	(249,440)
Cash and cash equivalents at end of the year	17	1,643,855	3,227,414

The notes on pages 32 to 73 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital	Share premium	Merger reserve	Foreign exchange reserve	Own shares held reserve	Convertible debt and warrant reserve	Retained earnings	Total equity
	US$	US$	US$	US$	US$	US$	US$	US$
At 31 December 2013	9,726,034	7,284,397	2,350,175	(73,571)	(1,376,822)	956,348	(12,961,396)	5,905,165
								-
Loss for the year	-	-	-	-	-	-	(2,783,393)	(2,783,393)
Other comprehensive income	-	-	-	(776)	-	-	-	(776)
Issue of share capital	48,293	59,867	-	-	-	-	-	108,160
Transfer of own shares held	-	-	-	-	147,192	-	(147,192)	-
Issue of convertible loan	-	-	-	-	-	118,953	-	118,953
Share based payments	-	-	-	-	-	-	266,557	266,557
At 31 December 2014	9,774,327	7,344,264	2,350,175	(74,347)	(1,229,630)	1,075,301	(15,625,424)	3,614,666
Loss for the year	-	-	-	-	-	-	(5,701,819)	(5,701,819)
Other comprehensive income	-	-	-	(38,082)	-	-	-	(38,082)
Issue of share capital	325,002	1,259,439	-	-	-	-	-	1,584,441
Share based payments	-	-	-	-	-	-	1,380,782	1,380,782
At 31 December 2015	10,099,329	8,603,703	2,350,175	(112,429)	(1,229,630)	1,075,301	(19,946,461)	839,988

The notes on pages 32 to 73 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	2015 US$	2014 US$
NON-CURRENT ASSETS			
Intangible assets	9	103,762	-
Property, plant and equipment	10	943	1,650
Investment in subsidiaries	11	4,204,863	4,412,237
Investment in associate	12	2,077,463	797,767
Loan to joint venture partner	13	691,748	-
Available for sale financial assets	14	100,137	93,191
		7,178,916	5,304,845
CURRENT ASSETS			
Trade and other receivables	16	3,883,349	4,527,122
Cash and cash equivalents	17	43,335	136,993
		3,926,684	4,664,115
TOTAL ASSETS		11,105,600	9,968,960
CURRENT LIABILITIES			
Trade and other payables	18	795,079	542,982
Loans and borrowings	20	2,628,172	-
		3,423,251	542,982
NON-CURRENT LIABILITIES			
Loans and borrowings	20	2,866,597	4,353,462
		2,866,597	4,353,462
TOTAL LIABILITIES		6,289,848	4,896,444
NET ASSETS		4,815,752	5,072,516
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital	21	10,099,329	9,774,327
Share premium	23	8,603,703	7,344,264
Merger reserve	23	2,350,175	2,350,175
Foreign exchange reserve	23	(399,473)	(118,002)
Own shares held reserve	23	(1,229,630)	(1,229,630)
Convertible debt and warrant reserve	23	1,075,301	1,075,301
Retained earnings	23	(15,683,653)	(14,123,919)
TOTAL EQUITY		4,815,752	5,072,516

The financial statements were approved and authorised for issue by the Directors on 14th June 2016 and were signed on their behalf by:

Director **Director**

The notes on pages 32 to 73 form part of these financial statements.

ACTIVE ENERGY GROUP PLC

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 US$	2014 US$
Cash outflow from operations	24	(574,288)	(3,104,513)
Net cash outflow from operating activities		(574,288)	(3,104,513)
Cash flows from investing activities			
Additions to intangible assets		(103,762)	-
Contribution to associate		(1,279,696)	(797,767)
Loan to joint venture partner		(691,748)	-
Purchase of property, plant and equipment		-	(2,100)
Finance income		-	5,896
Net cash outflow from investing activities		(2,075,206)	(793,971)
Cash flows from financing activities			
Issue of equity share capital, net of share issue costs		1,584,441	7,619
Convertible loan from shareholder		-	-
Unsecured loans raised		1,190,000	3,000,000
Finance expenses		(137,619)	(193,091)
Net cash inflow from financing activities		2,636,822	2,814,528
Net increase/(decrease) in cash and cash equivalents		(12,672)	(1,083,956)
Cash and cash equivalents at beginning of the year		136,993	1,226,951
Exchange (losses)/gains on cash and cash equivalents		(80,986)	(6,002)
Cash and cash equivalents at end of the year	17	43,335	136,993

The notes on pages 32 to 73 form part of these financial statements.

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COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital	Share premium	Merger reserve	Foreign exchange reserve	Own shares held reserve	Convertible debt and warrant reserve	Retained earnings	Total equity
	US$	US$	US$	US$	US$	US$	US$	US$
At 31 December 2013	9,726,034	7,284,397	2,350,175	175,722	(1,229,630)	956,348	(11,558,613)	7,704,433
								-
Loss for the year	-	-	-	-	-	-	(2,831,863)	(2,831,863)
Other comprehensive income	-	-	-	(293,724)	-	-	-	(293,724)
Issue of share capital	48,293	59,867	-	-	-	-	-	108,160
Issue of convertible loan	-	-	-	-	-	118,953	-	118,953
Share based payments	-	-	-	-	-	-	266,557	266,557
At 31 December 2014	9,774,327	7,344,264	2,350,175	(118,002)	(1,229,630)	1,075,301	(14,123,919)	5,072,516
Loss for the year	-	-	-	-	-	-	(2,940,516)	(2,940,516)
Other comprehensive income	-	-	-	(281,471)	-	-	-	(281,471)
Issue of share capital	325,002	1,259,439	-	-	-	-	-	1,584,441
Share based payments	-	-	-	-	-	-	1,380,782	1,380,782
At 31 December 2015	10,099,329	8,603,703	2,350,175	(399,473)	(1,229,630)	1,075,301	(15,683,653)	4,815,752

The notes on pages 32 to 73 form part of these financial statements.

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 27.

Going concern

Based on the latest trading expectations and associated cash flow forecasts of the Group headed by Active Energy Group plc, the Directors have considered the cash requirement for both the Group and the Company. In respect of the loans at the year-end that fall due for repayment, the directors have either obtained confirmation from the lender that they will not seek repayment until such time as the Group and Company are in a position to do so or are in advanced discussions to extend the repayment date. In the event that the loans are not extended or if trading is at the low end of expectations there could be a requirement for additional funding, but the directors are confident that they would be able to raise this as and when required, particularly given the successful raising of finance to date. On this basis, the Directors believe that the Group and Company will be able to meet their liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements, and have therefore prepared the accounts on a going concern basis, however, the directors recognise that obtaining adequate additional funding cannot be guaranteed and this is considered to be a material uncertainty that may cast significant doubt over the Group's and Company's ability to continue as a going concern.

1. ACCOUNTING POLICIES (continued)

Standards, interpretations and amendments to existing standards

Interpretations and revised standards that are not yet effective and have not been early adopted by the Group

The following interpretations to existing standards have been published that are mandatory for the Group's future accounting but which the Group has not adopted early. Management has not yet fully assessed the impact of these new standards but does not believe they will have any material impact on the financial statements.

- IFRS 9: Financial Instruments – Replace IAS 39 in its entirety (from 1 January 2018)
- IFRS 14: Regulatory Deferral Accounts (from 1 January 2016)
- IFRS 15: Revenue from Contracts with Customers (from 1 January 2018)
- IFRS 16: Leases – Replace IAS 17 in its entirety (from 1 January 2019)
- IAS 1 (Amendment) – Presentation of financial statements - disclosure initiative amendments (from 1 January 2016)
- IAS 7 (Amendment) : Statement of cash flows – disclosure initiative amendments (from 1 January 2017)
- IAS 12 (Amendment) - Income taxes - Statement of cash flows – Recognition of Deferred Tax assets for unrealized losses (from 1 January 2017)
- Annual improvements 2012 - 2014 cycles (from 1 January 2016)

1. ACCOUNTING POLICIES (continued)

Basis of consolidation

The financial information incorporates the results of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Group has power over relevant activities, is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 statement of financial position, investments in subsidiaries are stated at cost less provisions for any permanent diminution in value.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts and value added taxes. The Group recognises revenue when the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership;
- the Group does not retain either the continuing managerial involvement normally associated with ownership or effective control over the goods;
- the amount of revenue can be reliably measured;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs to be incurred in respect of the transaction can be reliably measured.

1. ACCOUNTING POLICIES (continued)

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 assets 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.

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.

Associates

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

1. ACCOUNTING POLICIES (continued)

Joint arrangements

Profits and losses arising on transactions between the Group and its joint ventures are recognised only to the extent of unrelated investors' interests in the joint venture. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.
The Group accounts for its interests joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

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.

1. ACCOUNTING POLICIES (continued)

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 note 27 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 (49 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.

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

Plant and equipment	– 2 to 10 years straight line
Furniture and office equipment	– 2 to 5 years straight line

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

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

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.

1. ACCOUNTING POLICIES (continued)

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, 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, loan to joint venture partner 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.

Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at fair value with changes in fair value recognised in other comprehensive income. When available for sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are transferred to the income statement. Dividends on available for sale equity instruments are recognised in the income statement as part of other income when the Group’s right to receive payments is established.

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.

1. ACCOUNTING POLICIES (continued)

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

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which they operate (their "functional currency"). The Company and Consolidated financial statements are presented in United States Dollar ("US Dollar", "US$"), which is the Group's presentation currency as the Group's products are ultimately linked to the US Dollar. The Company's functional currency is Pound Sterling.

Transactions entered into by Group entities in a currency other than 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 the Group's presentation currency, US Dollars, 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. 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.

1. ACCOUNTING POLICIES (continued)

Foreign currencies (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.

Convertible debt

The proceeds received on issue of the Group's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option and is recognised in the "Convertible debt reserve" within shareholders' equity, net of income tax effects.

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 income statement 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 income statement on a straight-line basis over the lease term.

1. ACCOUNTING POLICIES (continued)

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 Black-Scholes and Monte Carlo 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.

Own shares held

Consideration paid/received for the purchase/sale of shares held in escrow or in trust for the benefit of employees is recognised directly in equity. The nominal value of such shares held is presented within the “own shares held” reserve. Any excess of the consideration received on the sale of the shares over the weighted average cost of the shares sold is credited to retained earnings.

Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the Group consolidated income statement.

Investment in subsidiaries

Investments in subsidiaries are stated at cost less provision for impairment in the Company financial statements.

2. SEGMENTAL INFORMATION

The Group reports three operating segments:

- ‘MDF Wood Chip’ denotes the Group’s Medium---Density Fibreboard (MDF) wood chip processing and supply business division.
- ‘Forestry & Natural Resources’ denotes the Group’s initiatives to secure ownership of the entire timber supply chain --- from forest to finished product
- ‘BFE Fuel Solutions’ denotes the Group’s renewable Biomass for Energy fuel division, which engages in development of second-generation BFE fuel solutions and systems

In line with the Group’s strategy no revenue in relation BFE Wood Chip has been derived in the current year.

Factors that management used to identify the Group's reportable segments

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business operates in different markets and locations.

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 the Chief Executive Officer and the Group Finance Director.

Measurement of operating segment profit or loss

The Group evaluates segmental performance on the basis of profit or loss from operations calculated in accordance with IFRS but excluding corporate overheads, non-recurring losses, such as goodwill impairment, the effects of share-based payments, and joint venture profit and losses.

All assets and liabilities as at 31 December 2014 and 2015 and capital expenditure for the periods are inter-changeable between the divisions of company and therefore are not reported to the chief decision maker. Accordingly no segmental analysis has been presented in this regard.

This policy was applied consistently throughout the current and prior period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. SEGMENTAL INFORMATION (continued)

	2015 MDF Wood Chip US$	2015 Forestry & Natural Resources US$	2015 BFE Fuel Solutions US$	Total US$
Total Revenue	24,377,516	-	-	24,377,516
Operating segment profit(loss)	(1,793,999)	(664,107)	-	(2,458,106)
Finance costs	(407,227)	-	-	(407,227)
Segment loss before tax	(2,201,226)	(664,107)	-	(2,865,333)
Tax charge/ (credit)	(241,721)	8,969	-	(232,752)
Segment loss for the period	(2,442,947)	(655,138)	-	- (3,098,085)

	2014 MDF Wood Chip US$	2014 Biomass Wood Chip US$	2014 Forestry & Natural Resources US$	2014 BFE Fuel Solutions US$	2014 Total US$
Total Revenue	17,395,499	5,929,464	-	-	23,324,963
Operating segment profit(loss)	2,058,270	(367,694)	(666,609)	(300,535)	723,432
Finance costs	(161,965)	-	-	-	(161,965)
Segment profit/(loss) before tax	1,896,305	(367,694)	(666,609)	(300,535)	561,467
Tax charge/ (credit)	(91,851)	(21,545)	35,235	-	(78,161)
Segment profit/(loss) for the period	1,804,454	(389,239)	(631,374)	(300,535)	483,306

All Finance costs associated with the trading loan in AEG Trading limited are included within the MDF Wood Chip reconciliation. All other finance cots relate to Group funding and are not allocated to an individual segment.

2. SEGMENTAL INFORMATION (continued)

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

	2015 US$	2014 US$
Total (loss)/profit from reportable segments	(3,098,085)	483,306
Unallocated amount - corporate expenses	(193,167)	(2,098,564)
Unallocated amount - other income	150	7,981
Unallocated amount - finance income	-	5,896
Unallocated amount - finance expense	(1,029,935)	(915,455)
Share based payments	(1,380,782)	(266,557)
Loss for the period	(5,701,819)	(2,783,393)

An analysis of external revenue (by location of customer) is given below:

	2015 US$	2014 US$
Turkey	24,364,016	17,395,499
Italy	-	5,929,464
Romania	13,500	-
	24,377,516	23,324,963

An analysis of non-current assets by location of assets is given below:

	2015 US$	2014 US$
United Kingdom	896,590	143,660
Ukraine	6,844,151	4,947,946
Canada	1,142,605	446,156
	8,883,346	5,537,762

Revenue derived from a single external customer amounted to US$24,368,643 (2014: two external customers of US$10,972,729 and US$5,078,003 respectively), which were attributed to the MDF segment. In 2014, a further two external customers generated revenue of US$3,489,158 and US$2,308,172 respectively, which were attributed to the Biomass segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

3. REVENUE

The Group's revenue comprises:

Group	2015 US$	2014 US$
Sale of goods	24,377,516	23,324,963

4. EMPLOYEE COSTS AND DIRECTORS

	2015 US$	2014 US$
Group		
Wages and salaries	1,159,606	1,116,681
Social security costs	109,802	129,783
	1,269,408	1,246,464
Share based payments	1,380,782	266,557
	2,650,190	1,513,021

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

	2015	2014
Directors	4	4
Administration	15	15
Production	25	29
	44	48

Directors' and key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. During the period these were considered to be the Directors of the Company listed on page 19.

	2015 US$	2014 US$
Directors' emoluments	792,968	669,954
Compensation for the loss of office	-	24,714
	792,968	694,668
Social security costs	-	2,427
Share based payments	1,323,982	266,557
	2,116,950	963,652

The emoluments of the highest paid Director for the year, including non-cash share based payments, were US$727,315 (2014: US$249,818). Further details are included on page 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

5. OPERATING LOSS

Group The loss before income tax is stated after charging/(crediting):	**2015** **US$**	**2014** **US$**
Operating leases - premises	50,145	61,497
Operating leases - vehicles	-	810
Operating leases - equipment	54,024	18,487
Amortisation of intangible assets	44,845	293,743
Depreciation - owned assets	277,035	127,778
Profit on disposal of fixed assets	-	(171)
Auditors' remuneration - parent company and consolidation	79,250	102,977
Auditors' remuneration – subsidiaries	9,250	-
Auditors' remuneration - taxation services	10,000	23,067
Share based payments	1,380,782	266,557
Foreign exchange (gains)	(109,996)	(192,191)

6. FINANCE INCOME AND COSTS

Group	**2015** **US$**	**2014** **US$**
Finance income		
Bank interest	-	5,896
Finance costs		
Bank interest	72	1,166
Imputed interest on convertible loan	137,547	220,638
Unsecured loan interest	312,484	298,525
Unsecured loan participation fee	407,227	161,965
Foreign exchange losses	579,832	395,126
	1,437,162	1,077,420

7. INCOME TAX

Group	2015 US$	2014 US$
Current tax		
Overseas tax charge	241,721	113,396
Deferred tax		
Reversal of temporary differences	(8,969)	(58,725)
Effect of tax rate change	-	23,490
	(8,969)	(35,235)
Total income tax charge	232,752	78,161

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:

	2015 US$	2014 US$
Loss on ordinary activities before tax	(5,469,067)	(2,705,232)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2014: 21.5%)	(1,093,813)	(581,625)
Effects of:		
Expenses non-deductible for tax purposes	1,299,707	518,243
Current year tax losses	-	119,494
Overseas tax rate difference from UK rate	26,858	22,049
Total income tax charge	232,752	78,161

8. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the loss attributable to equity holders of the company of US$5,701,819 (2014: US$2,783,393) by the weighted average number of ordinary shares in issue during the year, excluding own shares held, of 554,421,785 (2014: 542,037,570).

At 31 December 2015, own shares held amounted to 77,500,000 (2014:77,500,000) ordinary shares. The weighted average number of own shares held by the company during the year are not included in the weighted average ordinary shares in issue during the financial year.

9. INTANGIBLE ASSETS

Group	Goodwill	Contractual relationships	Other intellectual property	Total
	US$	US$	US$	US$
Cost				
At 31 December 2013, 2014	2,212,930	2,936,252	362	5,149,544
Additions	-	-	103,762	103,762
At 31 December 2015	2,212,930	2,936,252	104,124	5,253,306
Accumulated amortisation				
At 31 December 2013	-	587,250	244	587,494
Charge for year	-	293,625	118	293,743
At 31 December 2014	-	880,875	362	881,237
Charge for year	-	44,845	-	44,845
At 31 December 2015	-	925,720	362	926,082
Net book value				
At 31 December 2015	2,212,930	2,010,532	103,762	4,327,224
At 31 December 2014	2,212,930	2,055,377	-	4,268,307

9. INTANGIBLE ASSETS (continued)

Company	Other intellectual property US$
Cost	
At 31 December 2013, 2014	-
Additions	103,762
At 31 December 2015	103,762
Accumulated amortisation	
At 31 December 2013, 2014 and 2015	-
Net book value	
At 31 December 2015	103,762
At 31 December 2014	-

Goodwill

Goodwill arose from the acquisition of Nikofeso and was considered to relate solely to the underlying business acquired which is a single cash generating unit ("CGU"). The asset has been reviewed to ascertain if it has been impaired. The review was based upon future income growth projections including further capital expenditure and the resultant cash generated was discounted. The review used management's forecasts for years one to five and no growth thereafter and a weighted cost of capital ("WACC") of 30%. No impairment was required. The projections were sensitised by both reducing the revenue growth rate to 10% and increasing the WACC to 35% and this would still not result in an impairment to the carrying value of the asset.

Contractual relationships

Contractual relationships comprise a supply contract granted by the Lyubomi Forestry, which is the administrator of the Lyubomi Forest in the Ukraine. The remaining useful life on contractual relationships is assessed to be 49 years following the extension of the contract term during the prior year.

Other intellectual property

The additions to other intellectual property during the year relates to an interest in intellectual property with Biomass Energy Enhancement LLC as detailed in note 13.

10. PROPERTY, PLANT AND EQUIPMENT

Group	Plant and equipment	Furniture and office equipment	Total
	US$	US$	US$
Cost			
At 31 December 2013	226,481	24,759	251,240
Additions	702,655	25,741	728,396
Disposals	(149,327)	(388)	(149,715)
Foreign exchange difference	-	(633)	(633)
At 31 December 2014	779,809	49,479	829,288
Additions	2,188,122	2,209	2,190,331
Disposals	-	(21,715)	(21,715)
Foreign exchange difference	-	(485)	(485)
At 31 December 2015	2,967,931	29,488	2,997,419
Accumulated depreciation			
At 31 December 2013	48,466	20,034	68,500
Charge for year	122,603	5,175	127,778
Disposals	(96,059)	(507)	(96,566)
Foreign exchange difference	-	(532)	(532)
At 31 December 2014	75,010	24,170	99,180
Charge for year	274,970	2,065	277,035
Foreign exchange difference	-	(428)	(428)
At 31 December 2015	349,980	25,807	375,787
Net book value			
At 31 December 2015	2,617,951	3,681	2,621,632
At 31 December 2014	704,799	25,309	730,108

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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10. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Furniture and office equipment US$
Cost	
At 31 December 2013	8,848
Additions	2,100
Foreign exchange difference	(633)
At 31 December 2014	10,315
Foreign exchange difference	(485)
At 31 December 2015	9,830
Accumulated depreciation	
At 31 December 2013	7,253
Charge for year	1,944
Foreign exchange difference	(532)
At 31 December 2014	8,665
Charge for year	650
Foreign exchange difference	(428)
At 31 December 2015	8,887
Net book value	
At 31 December 2015	943
At 31 December 2014	1,650

11. INVESTMENTS IN SUBSIDIARIES

	US$
Cost	
At 31 December 2013	5,495,432
Foreign exchange translation difference	(318,632)
At 31 December 2014	5,176,800
Foreign exchange translation difference	(243,309)
At 31 December 2015	4,933,491
Provision for impairment	
At 31 December 2013	811,622
Foreign exchange translation difference	(47,059)
At 31 December 2014	764,563
Foreign exchange translation difference	(35,935)
At 31 December 2015	728,628
Net book value	
At 31 December 2015	4,204,863
At 31 December 2014	4,412,237

At 31 December 2015 the Group held share capital of the following companies:

Subsidiary undertaking	Country of incorporation	Nature of business	Percentage Holding	
			2015	**2014**
Cinpart EBT Limited	Hong Kong	Trustee	100	100
Active Energy Ukraine Limited	Ukraine	Wood chip processing and distribution	100	100
Nikofeso Holdings Limited	Cyprus	Wood chip distribution	100	100
Nikwood Company LLC*	Ukraine	Wood chip processing and distribution	100	100
Active Energy Trading (EMEA) SarL	Switzerland	Wood chip distribution	100	100
Active Energy Italia s.r.l.	Italy	Wood chip distribution	100	100
AEG Trading Limited	United Kingdom	Wood chip distribution	100	100
AEG Pelleting Limited	United Kingdom	Biomass for energy development	100	100
AEG Balkan	Montenegro	Dormant	100	100
AEG Coal Switch Limited*	United Kingdom	Biomass for energy development	36	-
AEG Biopower Limited	United Kingdom	Biomass for energy development	70	-

*Denotes interest in subsidiary is indirectly held

12. INVESTMENT IN ASSOCIATE

	Group		Company	
	2015	2014	2015	2014
	US$	US$	US$	US$
Carrying value at beginning of the year	446,156	-	797,767	
Contribution to associate arrangement	1,279,696	797,767	1,279,696	797,767
Share of loss for the year	(619,262)	(372,984)	-	-
Share of other comprehensive income for the year - translation of foreign operation	36,015	21,373	-	-
Carrying value at end of the year	1,142,605	446,156	2,077,463	797,767

During 2014 the Group acquired a 45% interest in a joint venture, KAQUO Forestry & Natural Resources Development Corporation (KAQUO), incorporated in Canada, to exclusively commercialise some forestry and agricultural land holdings belonging to the indigenous Métis Settlements of Alberta in Western Canada. KAQUO's initial focus is on optimising the value of the mature timberland and forestry assets on the land.

In terms of the agreement certain control decisions vest with the KAQUO board of directors, which may not necessarily establish joint control by the respective parties. Under IAS 28 this arrangement is classified as an associate and has been included in the consolidated financial statements using the equity method.

Summarised financial information in relation to the joint venture is presented below:

	2015	2014
	US$	US$
At 31 December		
Current assets	193	16,131
Current liabilities	(2,095,365)	(797,767)
Period ended 31 December		
Revenues	-	-
Loss for the year	(1,371,287)	(829,131)
Other comprehensive income	57,558	47,496
Total comprehensive income	(1,313,729)	(781,636)
Dividends received by group from associate	-	-
Included in the above amounts are:		
Depreciation and amortisation	-	-
Interest income	-	-
Interest expense	-	2
Income tax expense	-	-

13. LOAN TO JOINT VENTURE PARTNER

	Group		Company	
	2015	2014	2015	2014
	US$	US$	US$	US$
Advanced during the year	691,748	-	691,748	-
Carrying value at end of the year	691,748	-	691,748	-

In September 2015 the Group entered into a joint venture agreement with Biomass Energy Enhancements LLC ("BEE"), incorporated in the United States, for the joint commercial development and exploitation of intellectual property assets held by BEE in connection with biomass technologies. Under the terms of the agreement, the Company has obtained an option to require BEE to transfer its intellectual property rights to a separate entity within which the Company will hold a 49% shareholding. Once operations are established the IP will be licensed to AEG Coalswitch Limited, the trading entity of the joint venture agreement in which the company has an effective interest of 35.7%. At 31 December 2015, AEG Coalswitch Limited had not commenced trading but the Company had lent $822,000 to BEE in the form of 5% convertible loan notes. The fair value of these loan notes has been determined by reference to market rates of interest, with the residual balance of $103,762 being recorded as an interest in intellectual property and disclosed within intangible fixed assets.

14. AVAILABLE FOR SALE FINANCIAL ASSET

	Group		Company	
	2015	2014	2015	2014
	US$	US$	US$	US$
Fair value at beginning of the year	93,191	-	93,191	-
Acquisition of unlisted securities	11,693	93,191	11,693	93,191
Foreign exchange translation	(4,747)	-	(4,747)	-
Fair value at end of the year	100,137	93,191	100,137	93,191

Available for sale assets consist of quoted equity instruments and is classified as non- current assets. There was no significant movement in fair value of the equity instruments since its acquisition during the prior year. The available-for-sale financial asset is denominated in Pound Sterling.

15. INVENTORIES

Group	2015	2014
	US$	US$
Raw materials	195,478	239,129
Finished goods and goods for resale	110,731	287,769
Total inventories	306,209	526,898

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to US$ 14,135,878 (2014: US$13,071,570).

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	2015	2014
	US$	US$	US$	US$
Current				
Trade receivables	2,053,190	1,006,314	-	-
Provision for impairment	(838,984)	(24,659)	-	-
Trade receivables – net	1,214,206	981,655	-	-
Amounts due from group companies	-	-	3,830,948	4,465,383
Other receivables	432,593	1,497,632	40,345	17,191
VAT	592,905	58,389	12,056	35,209
Prepayments	334,384	313,006	-	9,339
Total	2,574,088	2,850,682	3,883,349	4,527,122

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 and other receivables that have not been received within the payment terms are classified as overdue. As at 31 December 2015 trade receivables of US$10,678 (2014: US$331,280) were overdue but not impaired. They relate to the customers with no default history. The ageing analysis of these receivables is as follows:

	2015	2014
	US$	US$
Up to 3 months	-	-
3 to 6 months	-	315,781
More than 6 months	10,678	15,499
	10,678	331,280

16. TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2015, Group trade receivables of US$838,984 (2014: US$24,659) were past due and impaired. The provision for impairment is analysed as follows:

	2015	2014
	US$	US$
At beginning of the period	24,659	20,048
Provided during the year	838,984	-
Provision (released)/utilised	(24,659)	4,611
	838,984	24,659

An analysis of the Group's trade and other receivables classified as financial assets by currency is provided in note 24.

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015	2014	2015	2014
	US$	US$	US$	US$
Cash in hand	-	336	-	336
Bank accounts	1,643,855	3,227,078	43,335	136,657
	1,643,855	3,227,414	43,335	136,993

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2015	2014	2015	2014
	US$	US$	US$	US$
Current				
Trade payables	1,802,383	1,249,028	96,404	186,081
Social security and other taxes	26,486	10,699	7,839	-
Accruals and deferred income	1,094,241	365,916	690,836	356,739
Other payables	651,456	304,935	-	162
	3,574,566	1,930,578	795,079	542,982

18. TRADE AND OTHER PAYABLES (continued)

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. Maturity analysis of the trade and other payables, excluding borrowings, classified as financial liabilities measured at amortised cost, is as follows (the amounts shown are undiscounted and represent the contractual cash-flows):

	Group			
	2015	**2014**	**2015**	**2014**
	US$	**US$**	**US$**	**US$**
Less than three months	3,548,080	1,823,718	795,079	542,982
Three to 12 months	-	96,161	-	-
	3,548,080	1,919,879	795,079	542,982

An analysis of the Group's trade and other payables classified as financial liabilities by currency is provided in note 24.

19. 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 and the balance relates to deferred tax on fair value adjustments related to intangibles:

	2015	**2014**
	US$	**US$**
Group		
At beginning of the period	411,075	446,310
Effect of rate change	-	23,490
Reversal of temporary differences	(8,969)	(58,725)
At the end of the period	402,106	411,075

The deferred tax liability relates to temporary differences arising on the fair valuation of intangible assets acquired in a business combination in 2011.

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 not recognised amount to US$1,767,828 (2014: US$2,419,286) and US$1,736,676 (2014: US$2,267,550) for the Group and Company respectively.

20. LOANS AND BORROWINGS

The book value and fair value of loans and borrowings are as follows:

Group	Book value 2015 US$	Fair value 2015 US$	Book value 2014 US$	Fair value 2014 US$
Non-Current				
Convertible debt	-	-	1,430,067	1,430,067
Unsecured loans	2,866,597	2,866,597	2,923,395	2,923,395
	2,866,597	2,866,597	4,353,462	4,353,462
Current				
Convertible debt	1,438,172	1,438,172	-	-
Unsecured loans	4,129,130	4,129,130	1,739,130	1,739,130
	5,567,302	5,567,302	1,739,130	1,739,130

Company	Book value 2015 US$	Fair value 2015 US$	Book value 2014 US$	Fair value 2014 US$
Non-Current				
Convertible debt	-	-	1,430,067	1,430,067
Unsecured loans	2,866,597	2,866,597	2,923,395	2,923,395
	2,866,597	2,866,597	4,353,462	4,353,462
Current				
Convertible debt	1,438,172	1,438,172	-	-
Unsecured loans	1,190,000	1,190,000	-	-
	2,628,172	2,628,172	-	-

Unsecured loans

During the year the Group obtained an unsecured short term loan. Of the loan, US$1,886,000 bears interest at a rate of 15% per annum and the remainder was interest free. The outstanding balance at year end was US$2,390,000.

Unsecured loans also include a facility granted in 2014 by a significant shareholder of the Group of up to US$2 million at an interest rate of 15%. A further US$1 million was granted interest free. The fair value of the liability component at inception and subsequent extension date was calculated using a market rate of interest of 15% and the balance recorded in equity. These loans are for an indefinite period and require repayment notice of 366 days.

20. LOANS AND BORROWINGS (continued)

In addition, the Group has an unsecured loan facility of 20 million Ukrainian Hryvnias (UAH), approximately US$1.7 million, which is repayable by 1 June 2016 and has been extended until Group finances permit repayment. The loan is subject to a "participation fee agreement", which required the Group to pay the lender US$1 per metric tonne of woodchip contained in any shipment during the period between 1 March 2015 and 31 December 2015. Between 1 July 2014 and 28 February 2015 the fee was US$5 per metric tonne. The participation fee agreement was waived subsequent to year end.

Convertible debt

In June 2013 the parent company issued 1,000,000 notes of 9% convertible loan at a face value of £1 each (US$1.65). The loan is repayable in 3 years from the issue date at its total face value of £1,000,000 (US$1,553,200) or can be converted at any time into shares at the holder's option at the rate of 1 share per 1.75 pence (2.72US cent) of loan, and was issued together with warrants to subscribe for 19,047,619 shares at a price of 1.75 pence (2.72 US cent) within a three year period (see note 22). The value of the liability component and the equity conversion component were determined at the date the instrument was issued.

The fair value of the liability component, included in non-current borrowings, at inception was calculated using a market interest rate for an equivalent instrument without conversion option. The imputed interest applied was 15%.

Maturity analysis of loan and borrowings is as follows (the amounts shown are undiscounted and represent the contractual cash-flows):

Group	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Total
	US$	US$	US$	US$	US$
At 31 December 2015					
Convertible debt	-	1,438,172	-	-	1,438,172
Unsecured loans	500,000	3,629,130	2,866,597	-	6,995,727
	500,000	5,109,330	2,866,597	-	8,433,899
At 31 December 2014					
Convertible debt	-	-	1,553,200	-	1,553,200
Unsecured loans	-	1,739,130	4,353,462	-	6,092,592
	-	1,739,130	5,906,662	-	7,645,792

20. LOANS AND BORROWINGS (continued)

Company	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Total
	US$	US$	US$	US$	US$
At 31 December 2015					
Convertible debt	-	1,438,172	-	-	1,438,172
Unsecured loans	500,000	690,000	2,866,597	-	4,056,597
	500,000	2,038,172	2,866,597	-	5,494,769
At 31 December 2014					
Convertible debt	-	-	1,430,067	-	1,430,067
Unsecured loans	-	-	2,923,395	-	2,923,395
	-	-	4,353,462	-	4,353,462

21. CALLED UP SHARE CAPITAL

	2015 Number	2015 US$	2014 Number	2014 US$
Allotted, called up and fully paid				
Ordinary shares of 1p each				
At 1 January	621,475,570	9,774,327	618,625,570	9,726,034
Shares issued for cash	20,683,333	325,002	450,000	7,619
Shares issued to settle liabilities	-	-	400,000	6,516
Shares issued to acquire an investment	-	-	2,000,000	34,158
As at 31 December 2014	642,158,903	10,099,329	621,475,570	9,774,327

Shares issued for Cash

The Company issued 20,683,333 shares for a total consideration of US$1,584,441 during the year, as follows:

- 88, 000 shares on 11 May 2015 at 1.9 US cent each in settlement of former employee share based payments.
- 20,000,000 shares on 29 June2015 at 7.9 US cent each, being a new shareholder equity contribution.
- 95,333 shares on 29 July 2015 at prices varying between 2.0 and 4.7 US cent each in settlement of former employee share based payments exercised.
- 500,000 shares on 29 July 2015 at 1.6 US cent each in settlement of former employee share based payments exercised.

21. CALLED UP SHARE CAPITAL (continued)

During 2014 the Company issued 2,850,000 shares for a total consideration of US$108,160 as follows:

- 400,000 shares at 3.7US cent (2.2 pence) each in settlement of professional fees payable in December 2013. The shares were recorded at fair value and the excess over the extinguished liability was recorded as an expense to the income statement and included in the amount disclosed for the share based payment charge.
- In May 2014, 450,000 shares were issued at 1.7US cent (1 pence) each in settlement of former employee share based payments.
- In July 2014, 2,000,000 shares were issued when the market price was 4.4US cent (2.6 pence) each pursuant to the acquisition of an investment in Alpha Prospects plc, classified as available-for-sale financial asset (see note 13).

22. SHARE OPTIONS AND WARRANTS

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 vest immediately with the exception of 118,662,543 (2014: 40 million) options which are based on various market, service and performance conditions. The number of warrants and share options exercisable at 31 December 2015 was 263,459,701 (2014: 185,930,491).

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

	2015		2014	
	Weighted average exercise price (US cent)	**Number of Warrants and Share Options**	**Weighted average exercise price (US cent)**	**Number of Warrants and Share Options**
Outstanding at beginning of the period	3.3	185,480,491	3.3	185,930,491
Granted	1.7	78,662,543	-	-
Exercised	1.9	(683,333)	1.6	(450,000)
Outstanding at end of the period	2.6	263,459,701	3.1	185,480,491

At 31 December 2015, the weighted average remaining contractual life of warrants and share options exercisable was 5.8 years (2014 – 4.0 years). There were no options granted in 2014. The weighted average fair value of options and warrants granted during the year, estimated using the Black-Scholes option-pricing models was 7.2US cent. The estimated fair values of options granted during 2015 were based on the following weighted average assumptions:

22. SHARE OPTIONS AND WARRANTS (continued)

Option pricing model	Options Black Scholes 2015
Weighted average share price at date of grant	8.27 cent
Weighted average exercise price	7.52 cent
Expected life	5 years
Expected volatility	177.3%
Expected dividend yield	0%
Risk free interest rate	1.31%

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 2015 was US$1,380,782 (2013: US$266,557).

Options outstanding at 31 December 2015 were exercisable as follows:

Exercise price range (Pence, US cent in brackets)	2015 Number	2014 Number
0.000p (0 cent)	60,662,543	-
1.000p (1.553 cent)	-	500,000
1.250p (1.942 cent)	119,757,775	119,891,108
1.500p (2.330 cent)	7,500,000	7,500,000
1.750p (2.718 cent)	19,047,619	19,047,619
3.000p (4.657 cent)	25,950,000	26,000,000
5.000p (7.401 cent)	18,000,000	-
6.375p (9.902 cent)	1,823,480	1,823,480
7.000p (10.872 cent)	1,214,284	1,214,284
7.500p (11.649 cent)	9,000,000	9,000,000
20.000p (31.064 cent)	504,000	504,000
At the end of the period	263,459,701	185,480,491

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

22. SHARE OPTIONS AND WARRANTS (continued)

JSOP awards

Under the JSOP, shares in the Company are jointly purchased at fair market value by the participating employee and the trustees of the JSOP trust, with such shares held in the JSOP trust. For accounting purposes the awards are valued as employee share options.

The JSOP trust holds the shares of the JSOP until such time as the JSOP shares are vested and the participating employee exercises their rights under the JSOP. The JSOP trust is granted an interest bearing loan by the Company in order to fund the purchase of its interest in the JSOP shares. The loan held by the trust is eliminated on consolidation in the financial statements of the Group. The Company funded portion of the share purchase price is deemed to be held in treasury until such time as the shares are transferred to the employee and is recorded as a reduction in equity in both the Group and Company financial statements.

The exercise price of the "option" is deemed to be the issue price of the shares. The awards vest based on a market condition, which requires the shares to meet a specific share price hurdle, or a change in control condition, as defined by the plan. Under the JSOP and subject to the vesting of the employee's interest, the participating employee will, when the JSOP shares are sold, be entitled to a share of the proceeds of sale equal to the growth in market value of the JSOP shares versus the exercise price, less simple interest on the original share purchase price, net of executives' cash contribution at inception, as agreed for each grant (the "Carry Charge"). The balance of proceeds will remain to the benefit of the JSOP trust and be applied to the repayment of the loan originally made by the Company to the JSOP trust. Any funds remaining in the JSOP trust after settlement of the loan and any expenses of the JSOP trust are for the benefit of the Company.

The Group measures the fair value of the awards using Monte Carlo simulations and the share based payment expense is recorded over the expected life of the option. Having established the full value of the JSOP awards using the Monte Carlo simulation outlined above a deduction is made in respect of the anticipated Carry Charge in order that the expense recorded in the financial statements only represents the participating employee's net interest in the awards. No awards were made in 2014. The total fair value of the 2013 awards, after offsetting the Carry Charge, was US$93,154. Within the share based payment charge for the year is US$30,337 (2014: US$16,339) related to the JSOP awards.

On exercise of the JSOP awards by the employee the Carry Charge due to the Company will be recognised as share premium, arising from the sale of shares held in escrow.

The Group granted 15 000,000 JSOP awards on 4 July 2013. The JSOP awards granted during 2013 contained a share price hurdle of 3p per share. The awards vested in 2015, but all remain outstanding at year end. The above disclosures apply to both the Company and the Group.

23. 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 reserve	Difference between fair value and nominal value of shares issued to acquire 90% or more interest in subsidiaries
Foreign exchange reserve	Gains/losses arising on retranslating the net assets of overseas operations into Pound Sterling
Own shares held reserve	Cost of own shares held by the employee benefit trust, the JSOP trust or the company as shares held in escrow
Convertible debt and warrant reserve	Equity component of the convertible loan and the fair value of equity component of warrants issued that do not form part of a share based payment
Retained earnings/ Accumulated loss	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income

24. NOTES SUPPORTING THE STATEMENT OF CASH FLOWS

Reconciliation of loss before taxation to cash outflows from operating activities

Group	2015 US$	2014 US$
Loss for the period	(5,701,819)	(2,783,393)
Adjustments for:		
Share of loss of associate	619,262	372,984
Share based payment expense	1,380,782	266,557
Depreciation	277,035	127,778
Amortisation of intangibles	44,845	293,743
Loss/(profit) on disposal of property, plant and equipment	-	(171)
Professional services settled through issue of shares	-	7,350
Finance income	-	(5,896)
Finance expenses	1,437,162	1,077,420
Income tax	232,752	78,161
	(1,709,981)	(565,467)
Decrease in inventories	220,689	893,985
(Increase) in trade and other receivables	276,594	(1,976,814)
Increase in trade and other payables	508,205	501,574
Net cash inflow/(outflow) from operating activities	(704,493)	(1,146,722)

Company	2015 US$	2014 US$
Loss for the period	(2,940,516)	(2,831,863)
Adjustments for:		
Share based payment expense	1,380,782	266,557
Depreciation	650	1,944
Professional services settled through issue of shares	-	7,350
Finance income	-	(5,896)
Finance expenses	663,258	666,015
	(895,826)	(1,895,893)
Increase in trade and other receivables	643,773	(922,903)
Increase in trade and other payables	(322,235)	(285,717)
Net cash outflow from operating activities	(574,288)	(3,104,513)

24. NOTES SUPPORTING THE STATEMENT OF CASH FLOWS (continued)

Significant non-cash transactions are as follows:

	2015 US$	2014 US$
Equity consideration for available-for-sale asset acquisition	-	93,191
Equity consideration for operating expense settlement	-	7,350

25. 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.

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
- Available-for-sale financial assets
- Loans and borrowings
- Loan to joint venture partner

25. FINANCIAL INSTRUMENTS (continued)

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

	Group		Company	
	2015	2014	2015	2014
	US$	US$	US$	US$
Financial assets				
Loans and receivables				
Cash and cash equivalents	1,643,855	3,227,414	43,335	136,993
Trade and other receivables	1,646,799	2,479,287	3,871,293	4,482,574
Loan to joint venture partner	691,748	-	691,748	-
	3,982,402	5,706,701	4,606,376	4,619,567
Available-for-sale financial asset	100,137	93,191	100,137	93,191
Total financial assets	4,082,539	5,799,892	4,706,513	4,712,758

	Group		Company	
	2015	2014	2015	2014
	US$	US$	US$	US$
Financial liabilities				
Financial liabilities at amortised cost				
Trade and other payables	3,548,080	1,919,879	787,240	542,982
Loans and Borrowings	8,433,899	6,092,592	5,494,769	4,353,462
	11,981,979	8,012,471	6,282,009	4,896,444

Fair value measurement

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted)

Level 2: Observable direct or indirect inputs other than Level 1 inputs

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

Transfers of items between levels are recognised in the period they occur.

The only financial asset carried at fair value consists of the available for sale financial asset, which is classified as level 3.

25. FINANCIAL INSTRUMENTS (continued)

Market Risk

Currency risk

The Group's financial risk management objective is broadly to seek to make neither profit nor loss from exposure to currency or interest rate risks. The Group is exposed to transactional foreign exchange risk and takes profits and losses as they arise, as in the opinion of the directors, the cost of hedging against fluctuations would be greater than the related benefit from doing so.

The carrying amounts of the group's trade and other receivable financial instruments are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	US$	US$	US$	US$
US Dollar	1,594,988	1,038,475	3,830,948	4,368,257
UK Pound sterling	40,344	75,168	40,345	114,317
Euro	-	644,780	-	-
Ukranian Hryvnia	11,467	720,864	-	-
	1,646,799	2,479,287	3,871,293	4,482,574

The carrying amounts of the group's cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	US$	US$	US$	US$
US Dollar	707,585	2,948,858	35,743	51,613
UK Pound sterling	8,677	86,480	6,549	84,114
Euro	11,791	7,534	1,043	1,266
Ukranian Hryvnia	915,802	184,542	-	-
	1,643,855	3,227,414	43,335	136,993

Information about the Group's loans and borrowings are provided in note 20.

25. FINANCIAL INSTRUMENTS (continued)

The carrying amounts of the group's trade and other payable financial instruments are denominated in the following currencies:

	Group			
	2015	**2014**	**2015**	**2014**
	US$	**US$**	**US$**	**US$**
US Dollar	3,063,966	1,216,548	499,098	-
UK Pound sterling	288,142	542,658	288,142	542,982
Euro	-	16,477	-	-
Ukranian Hryvnia	1,395,972	144,196	-	-
	4,748,080	1,919,879	787,240	542,982

The effect of a 5 per cent strengthening of the US Dollar at the reporting date on the foreign denominated financial instruments carried at that date would, all variables held constant, have resulted in a decrease in the net loss for the period and increased net assets by US$106,710 (2014: US$22,946 reduction). A 5 per cent weakening in the exchange rate would, on the same basis, have increased the net loss and decreased net assets by the same amount.

Interest rate risk

The Group and Company finances its operations through a mixture of equity introductions and loans. The Group and Company exposure to interest rate fluctuations on its borrowings has been limited by the terms of the Unsecured Loans described in note 19, all of which bear fixed interest rates, or returns directly linked to operational output. The Directors monitor the shipment of woodchip quantities as part of its efforts to manage the group's exposure 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. Further information on Trade and other receivables are presented in note 15.

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.

25. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, the Group finances its operations through a mix of equity and borrowings. The Group's objective is to provide funding for future growth and achieve a balance between continuity and flexibility through loan and overdraft facilities. 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. Further disclosure of the Directors' consideration of going concern is included in note 1.

The Group had no bank loans or invoice finance facilities at 31 December 2015 (2014: Nil). The Group had no overdraft at 31 December 2015 (2014: Nil) and no debentures or personal guarantees were in place.

Capital risk management

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.

26. RELATED PARTY DISCLOSURES

Details of Director's remuneration are given in the Directors' Report.

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 made net cash recoveries from fellow Group companies of US$634,435 (2014: net cash advances of US$1,232,171).

Intercompany receivable balances remain outstanding at the year end as follows:

	2015 US$	2014 US$
Amounts due from Group companies	3,830,948	4,465,383

During 2014 the Group advanced a loan of €30,000 to a company controlled by the Group's Chief Operations Officer, Matteo Girlanda. The amount is due to be repaid following the year end.

27. 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. 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.

27. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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.

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 is 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.

Assessing the nature of joint arrangements and associates

For all joint arrangements structured in separate vehicles the Group must assess the substance of the joint arrangement in determining whether it is classified as a joint venture or joint operation. This assessment requires the Group to consider whether it has rights to the joint arrangement’s net assets (in which case it is classified as a joint venture), or rights to and obligations for specific assets, liabilities, expenses, and revenues (in which case it is classified as a joint operation). Factors the group must consider include:

- Structure
- Legal form
- Contractual agreement
- Other facts and circumstances.

More information is disclosed in notes 12 and 13.

28. CAPITAL COMMITMENTS

At 31 December 2015 the Group had no capital commitments. At 31 December 2014 the Group had committed to acquire property, plant and equipment for a total amount of US$684,342.

29. SUBSEQUENT EVENTS

There are no other matters that occurred between the reporting date and the date of approval of these financial statements that the directors wish to draw attention to.

30. ULTIMATE CONTROLLING PARTY

In the opinion of the directors there is no one ultimate controlling party.