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Blackline levels

In order for us to receive correct information regarding blackline levels and avoid confusion, particularly when requesting retrospective cumulative blacklined proofs, it is important that you understand our procedures and are aware of the real time status of a proof at any one time. The table below shows the history and status of this transaction and its blackline levels.

Notes

1. Unless instructed otherwise, we will automatically produce a new level of blacklining and sequentially change the proof number at each stage.
2. If a proof is submitted and further corrections are then received on the same day, it is important that you clearly define your blacklining requirements whether you want us to add to the latest level or produce a new level.
3. It is not possible to make corrections to a proof with a new level of blacklining but keep the proof number the same.

Blackline level	Proof No.	Date
0	1	28/06/2011
1	2	29/06/2011

Blackline level	Proof No.	Date

Clean Proof

Job No.	222181
Proof No.	2
Date	29/06/2011

ACTIVE ENERGY GROUP PLC

Report of the Directors and

Consolidated Financial Statements

For the year ended 31 December 2010

ACTIVE ENERGY GROUP PLC

REPORT OF THE DIRECTORS AND CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

CONTENTS

COMPANY INFORMATION

Country of incorporation:
United Kingdom

Legal Form:
Public limited company

Directors:
P E Palmer
C K Foster

Secretary:
Capita Company Secretarial Services Ltd

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

Registered Number:
3148295

Auditors:
BDO LLP
Chartered Accountants and Registered Auditors
Emerald House
East Street
Epsom
Surrey
KT17 1HS

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

Solicitors:
Pritchard Englefield
14 New Street
London
EC2M 4HE

Nominated Advisor:
Merchant Securities Limited
10 Finsbury Square
London
EC2A 1AD

Joint Stockbrokers:
Jendens Securities Limited
11-14 Grafton Street
London
W1S 4EW

Joint Stockbrokers:
Rivington Street Corporate Finance Limited
5-11 Worship Street
London
EC2A 28H

CHAIRMAN'S REPORT

For the year ended 31 December 2010

I am pleased to present the results for the year ended 31 December 2010 in my first report since joining Active Energy as Chairman in April 2011.

Over the last two years, Active Energy has been transformed in line with growth opportunities within the environmental services sector. Having initiated the transformation in 2009, with the establishment of a presence in the voltage optimisation market, during 2010, the Group made encouraging progress in strengthening its market position, building partnerships in both the UK and overseas and securing a number of new contracts.

The disposal of the Group's mature, legacy businesses, Gasignition and Derlite, was completed in October 2010. The two legacy businesses had continued to make losses, operating in challenging markets, and their disposal is expected to generate significant annualised cost savings as well as enabling the Group to focus on the opportunities within the environmental sector.

Over the course of 2010, the Board recognised that by broadening the range of environmental services and products offered, there was an opportunity to create a significantly larger company, with stronger sales pipelines and enhanced recurring revenues. Therefore, following the year end, in April 2011, Active Energy acquired Red Line Engineering Services Limited ("Red Line") with the intention to provide a comprehensive service covering the environmental requirements of companies, from consultancy and design through installation to maintenance and the acquisition will allow Active Energy to capitalise on the opportunities available. The acquisition enhances the Group's engineering capabilities and establishes a presence in the rail industry, where Red Line holds Transport for London approved supplier status. At the same time, the appointment of several new directors at an operational level will underpin our growth ambitions, bringing additional skills and sector experience.

We believe that the Group is well placed to grow substantially, benefitting from a first mover advantage. As companies seek to manage their environmental impact, driven by regulatory requirements and the potential for cost reductions, it is our aim to offer a market-leading proposition and following the placing to raise £1.8m gross completed in May 2011, the Group has a strong balance sheet and the foundations in place to accelerate Active Energy's growth.

Financial review

Following the disposal of Gasignition and Derlite in October 2010, the results reported below only include continuing operations. 2009 figures have been restated to reflect the disposal.

For the year ended 31 December 2010, Group revenues for continuing activities almost tripled to £2.97m (2009: £1.04m) as our strategy to build a presence in the voltage optimisation market gained traction and we secured a number of new contracts. The loss for the year from continuing operations was £1.4m (2009: £0.87m). The loss for the year after accounting for a £0.55m loss from discontinued operations and a stock adjustment of £0.195m was £1.96m (2009: £1.18m). The loss per share was 1.95p (2009: 1.63p).

In October 2010, we sold our two non-core businesses in the UK and Thailand. Following the sale, the company will receive £545,000, which includes £300,000 of assumed debt to be repaid and sales proceeds of £245,000. The sale proceeds of £245,000 have a net present value of £213,500. The company has received £70,000 and the remainder is payable in instalments over the next five years.

Cash balances as at 31 December 2010 were £652,044 (2009: £840,122). In July 2010, Active Energy completed a placing of 19,871,425 new ordinary shares, raising gross proceeds of £1.39m (£1.32m after expenses). In August 2010, there was also a Bonus Issue of shares made to existing shareholders, equating to 1 new Ordinary Share for every 20 Ordinary Shares held. After the period end, in May 2011, the Group completed a further placing of 65,500,000 new ordinary shares to raise £1.8m gross (£1.62m net of expenses) to assist the Company's development into an end-to-end environmental services and solutions business, providing a robust platform for future growth.

The Directors will not be recommending the payment of a dividend (2009: £nil).

Operating review

As indicated above, Active Energy has undergone a considerable transformation since the launch of the voltage optimisation business in 2009. The year under review demonstrates encouraging momentum, with the Group achieving significant progress.

In February 2010, Active Energy entered into a partnership with a subsidiary of Scottish and Southern Energy plc, SSE Contracting (formerly Southern Electric Contracting), to provide both sales and installation support. Under the terms of the agreement, Active Energy was recognised as the preferred supplier of voltage optimisation technology to SSE Contracting, with the agreement also enabling the Group to install major orders within tight frameworks, such as the Ministry of Justice contract signed in February 2010 for VoltageMaster units across 52 courts. The partnership has also helped to secure new contracts with the likes of the National Trust, RNLI and SAGA.

The Group is also working closely with government bodies in the UK and the framework agreement with the Eastern Shires Purchasing Organisation, a local authority purchasing consortium for Government departments, helped the Group to secure contracts with five prisons across the UK. The agreement simplifies the purchasing process for Government departments and it is therefore encouraging that it was renewed for a further year, until August 2012.

Having focused the Group strategy on building a presence in the energy efficiency sector with a voltage optimisation offering, the Group's mature, legacy businesses, Gasignition Limited in the UK and Derlite Limited in Thailand, continued to face challenging market conditions. Therefore, in October 2010, Active Energy completed the disposal of these two non-core businesses to Kevin Baker, who stepped down from his role as Active Energy's Chief Executive at the same time.

Demand for environmentally friendly products has continued to grow, driven by regulatory requirements and the need to reduce energy costs, and Active Energy has benefited from this trend. During the year under review, the Group won some significant new contracts, including South Lanarkshire Council and Nuneaton and Bedworth Council and since the start of the new financial year, further new contracts have been secured with the likes of the National Physical Laboratory, Edinburgh Council and Peterborough City Council.

Post-period events

Following the year end, the Board entered a new phase in its development it expanded its offering to include full environmental services and solutions. The new strategy commenced in April 2011, with the acquisition of Red Line which significantly enhances Active Energy's engineering capabilities and opens up new market opportunities, especially in the rail industry. At the time of the acquisition, Gavin Little joined the Board as Executive Chairman to lead the growth phase, bringing 20 years' sales, marketing and general management experience, most recently with British American Tobacco Co Plc as CEO of the Northern Europe region, where he was responsible for strategy and operations; overseeing the restructuring and corporate development of the £700m turnover business. Philip Palmer, formerly Chairman, remains on the Board as Executive Director. The management team was further strengthened by the appointment of three operational directors, Laurence Unwin as Managing Director, Andrew Smart as Operations Director and John Tarbet as New Business Development Director. The three directors have extensive experience of winning and delivering major engineering and environmental projects, and their knowledge and skills will help to drive the Group's future development.

In order to take advantage of opportunities available, in May 2011, the Company completed a placing to raise £1.8m gross. The funds will be used to support the delivery of the new strategy.

Change of name

At the Annual General Meeting held on 30 July 2010 a special resolution was approved by shareholders to change the name of the company to Active Energy Group plc, to reflect the growth of that part of the Group's businesses.

Bonus issue

A Bonus Issue of 5,343,148 ordinary shares was approved by shareholders at the Annual General Meeting held on 30 July 2010 and were admitted to trade on AIM on 2 August 2010

Cancellation of deferred shares

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

This means that the Authorised Share Capital now comprises 500,000,000 new ordinary shares of 1 pence each. The new Statement of Capital indicates that there are 112,208,971 allotted issued and fully paid ordinary 1p shares with value of £1,122,090.

Outlook

Your Board believes that the progress made to date at Active Energy establishes a strong platform for the Company's future growth. The Board believes that there are exciting opportunities for Active Energy to position itself as the market-leading environmental services and solutions provider. The increasing demand for environmental solutions across a broad spectrum of issues is creating the potential for significant growth. The Group already has relationships and expertise, now including within the rail industry, and the Board is confident that it is well placed to realise its growth ambitions.

Gavin Little
Chairman

28 June 2011

REPORT OF THE DIRECTORS

For the year ended 31 December 2010

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2010.

Principal activity

The principal activity of the Group in the year under review was the sale of voltage optimization equipment. The principal place of business for the Group is the UK. The secondary activity, which was disposed of in October 2010, was the manufacturing and sale of gas ignition systems for gas cookers, gas ovens and gas boilers. This secondary business was based in Samutprakarn, Thailand.

Change of name

On 30 July 2010 the Company changed its name from Cinpart PLC to Active Energy Group PLC.

Review of the business

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

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

Active Energy

Active Energy Limited, the principal operating subsidiary, continued to make progress in the voltage optimization market. Importantly, the company won a major tender from The Ministry of Justice to supply 52 Magistrates Courts with VoltageMaster units. In addition further orders were won from The Ministry of Justice for 5 prisons. Units were also installed in a number of private prisons.

The Directors believe that despite the economic climate and the cutbacks in public and government spending the opportunities for energy and carbon savings achievable with voltage optimization will continue to provide an expanding market for Active Energy.

Gasignition and Derlite

During 2010 trading conditions continued to be difficult in the white goods market resulting in lower order values and increased competition. Given the continuing problems and the unlikelihood of improving markets in the medium term the Board took the decision to exit from the gas ignition business and concentrate on the opportunities in the voltage optimization business.

Up to the end of October 2010 Derlite and Gasignition contributed £1,861,800 to the Groups turnover and made a loss of £552,281. In October 2010 the Company disposed of Buckland Hong Kong Limited, the holding company of Derlite Company Limited and Gasignition Limited, the UK sales arm of Derlite, to Kevin Baker, the ex-Chief Executive of the Group.

Following the sale the company will receive £545,000, which includes £300,000 of assumed debt to be repaid and seal proceeds of £245,000. The sale proceeds of £245,000 have a net present value of £213,500. The Company has received £70,000 and the remainder is payable in instalments over the next five years.

Post balance sheet events

The reorganisation of the Group has continued after the end of the year and the main developments are outlined in note 25 of these financial statements.

Dividends

No dividend is proposed for the year ended 31 December 2010 (2009: £nil).

Cancellation of deferred shares

On 18 February 2010 the Company received an Order from the High Court confirming the reduction of capital and approving the new Statement of Capital as approved by the shareholders at an Extraordinary General Meeting held on 17 November 2009.

Principal risks and uncertainties

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

a. New Business Venture: The acquisition of Redline Engineering Services Limited “Red Line” in April 2011 and the focusing of the business on providing the total range of environmental services and products reduce our reliance on one product limited to the reduction of electrical power consumption only. It is possible that potential customers may have concerns about doing business with a new entity but this will be mitigated by the experience and knowledge of the new management team who have joined as a result of the Red Line acquisition.

b. Exchange Rate Variations: During the year under review the Group primarily sold its products in GBP £, the gas ignition business had significant sales in US$. There has been significant volatility in exchange rates between these currencies. While gross margins were affected by prevailing exchange rates in particular the £/$ cross rate, the Group had a natural hedge in that the majority of raw materials are now purchased from China and these are priced in US$. Going forward, the Group is unlikely to be affected by currency volatility as the sale of the gas ignition business in 2010 means all transactions, for the foreseeable future, will be made in GBP£.

Research and development

At the end of 2010 a small research and development unit was opened in Newcastle to design and evaluate new technologies applicable to the development of voltage optimization and other energy saving devices and is headed up by Dr. Roy Booth, who has many years experience in the development of energy saving technology.

New manufacturing facilities

As the result of an ongoing legal and commercial dispute with SDC Industries Ltd the Group decided in May 2011 to open a manufacturing facility in Leeds. SDC Industries Ltd are a minority shareholder in Active Energy Ltd and have been responsible for the manufacture of the VoltageMaster. Active Energy Ltd is entitled under the terms of the agreements with SDC Industries Ltd. to manufacture the VoltageMaster. The new facility, which is now fully operational, will result in greater control over manufacturing, speedier response to customer demand, an improved product offering and a greatly improved gross margin.

The Board believes that the dispute with SDC Industries Ltd will not adversely affect the Group.

Group’s policy on payment of creditors

It is the Groups policy that payments to suppliers are made in accordance with those terms and conditions agreed between the companies of the Group and their respective suppliers, provided that all trading terms and conditions have been complied with. Trade creditors at the year-end amounted to 94 days of average supplies for the year (2009: 91 days). All of these calculations are based on year-end figures.

Financial instruments

Details of the use of financial instruments by the Company and by the Group and its subsidiary undertakings are contained in note 20 of the financial statements.

Directors

The directors during the year under review were:

P E Palmer
K F Baker – resigned 29.10.2010
C K Foster

The beneficial interests of the directors holding office on 31 December 2010 in the issued share capital of the company were as follows:

	31.12.10	*1.1.10*
New ordinary shares 0.01 each		
P E Palmer	3,941,312	3,539,346
C K Foster	8,201,324	7,525,071

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

Details of Directors' interests in options to acquire ordinary shares are shown in note 18.

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

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

Statement as to disclosure of information to auditors

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

Auditors

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

On behalf of the board:

Christopher Foster
Director

28 June 2011

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 2010 which comprise the consolidated income statements, the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement changes in equity, the company statement of changes in equity, consolidated statement of cash flows and the company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2010 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

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

28 June 2011

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

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2010

	Notes	2010	2009 Restated
		£	£
CONTINUING OPERATIONS			
Revenue	2	2,972,711	1,036,188
Cost of sales		(2,605,112)	(773,532)
GROSS PROFIT		367,599	262,656
Administrative expenses		(1,785,048)	(1,136,838)
OPERATING LOSS		(1,417,449)	(874,182)
Finance income	4	4,902	–
LOSS BEFORE INCOME TAX		(1,412,547)	(874,182)
Income tax	6	–	–
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(1,412,547)	(874,182)
Loss from discontinued operations net of tax	23	(552,281)	(301,694)
LOSS FOR THE YEAR		(1,964,828)	(1,175,876)
Loss attributable to:			
Owners of the parent		(1,760,702)	(1,175,876)
Non-controlling interests		(204,126)	–
		(1,964,828)	(1,175,876)
Earnings per share expressed in pence per share:	8		
Basic and diluted		(1.95)	(1.63)
Continuing operations		(1.40)	(1.21)

The notes form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

	2010	*2009 Restated*
	£	£
LOSS FOR THE YEAR	(1,964,828)	(1,175,876)
OTHER COMPREHENSIVE INCOME		
Exchange differences on translating	(47,000)	(107,253)
Release on disposal of foreign subsidiaries	26,506	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	(20,494)	(107,253)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(1,985,322)	(1,283,129)
Total comprehensive income attributable to:		
Owners of the parent	(1,781,196)	(1,283,129)
Non-controlling interests	(204,126)	–

The notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	*2010* £	*2009* £
ASSETS			
NON-CURRENT ASSETS			
Goodwill	9	180,625	285,653
Property, plant and equipment	10	54,549	191,106
Other receivables	13	380,000	–
		615,174	476,759
CURRENT ASSETS			
Inventories	12	130,905	428,202
Trade and other receivables	13	690,122	1,726,873
Cash and cash equivalents	14	652,044	840,122
		1,473,071	2,995,197
TOTAL ASSETS		2,088,245	3,471,956
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	536,603	1,254,803
Financial liabilities – borrowings			
Interest bearing loans and borrowings	16	–	21,284
		536,603	1,276,087
NON-CURRENT LIABILITIES			
Financial liabilities – borrowings			
Interest bearing loans and borrowings	16	–	1,101
TOTAL LIABILITIES		536,603	1,277,188
NET ASSETS		1,551,642	2,194,768
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	18	1,122,090	4,317,217
Share premium	19	3,203,333	4,315,269
Foreign exchange reserve	19	–	20,494
Merger reserve	19	–	128,571
EBT reserve	19	(94,420)	(25,000)
Retained earnings	19	(2,475,235)	(6,561,783)
ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT		1,755,768	2,194,768
Non-controlling interests	19	(204,126)	–
TOTAL EQUITY		1,551,642	2,194,768

The financial statements were approved by the Board of Directors and authorised for issue on 28 June 2011.

Christopher Foster
Director

The notes form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	*2010* £	*2009* £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,914	844
Investments	11	430,755	580,827
Other receivables	13	380,000	–
		812,669	581,671
CURRENT ASSETS			
Trade and other receivables	13	1,555,673	1,612,746
Cash and cash equivalents	14	384,218	669,915
		1,939,891	2,282,661
TOTAL ASSETS		2,752,560	2,864,332
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	66,107	132,918
TOTAL LIABILITIES		66,107	132,918
NET ASSETS		2,686,453	2,731,414
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	18	1,122,090	4,317,217
Share premium	19	3,203,333	4,315,269
Merger reserve	19	–	128,571
Retained earnings	19	(1,638,970)	(6,029,643)
TOTAL EQUITY		2,686,453	2,731,414

The financial statements were approved by the Board of Directors and authorised for issue on 28 June 2011.

Christopher Foster
Director

The notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010

Group	Called up share capital £	Retained earnings £	Share premium £	Foreign exchange reserve £	Merger reserve £	EBT reserve £	Total Equity £	Non-controlling Equity £	Total Equity £
Balance at 1 January 2009	3,766,748	(5,549,235)	2,233,163	127,747	128,571	–	706,994	–	706,994
Changes in equity									
Total comprehensive income	–	(1,175,876)	–	(107,253)	–	–	(1,283,129)	–	(1,283,129)
Issue of share capital	550,469	–		2,229,761	–	–	–	2,780,230	–
2,780,230									
EBT share purchase	–	–	–	–	–	(25,000)	(25,000)	–	(25,000)
Share option expense	–	163,328	–	–	–	–	163,328	–	163,328
Share issue costs	–	–	(147,655)	–	–	–	(147,655)	–	(147,655)
Balance at 31 December 2009	4,317,217	(6,561,783)	4,315,269	20,494	128,571	(25,000)	2,194,768	–	2,194,768
Changes in equity									
Total comprehensive income	–	(1,760,702)	–	(20,494)	–	–	(1,781,196)	(204,126)	(1,985,322)
Issue of share capital	198,714	–	1,192,285	–	–	–	1,390,999	–	1,390,999
Bonus issue of share capital	53,432	–	(53,432)	–	–	–	–	–	–
EBT share purchase	–	–	–	–	–	(69,420)	(69,420)	–	(69,420)
Share option expense	–	119,036	–	–	–	–	119,036	–	119,036
Share issue costs	–	–	(98,419)	–	–	–	(98,419)	–	(98,419)
Release on disposal of foreign subsidiaries	–	128,571	–	–	(128,571)	–	–	–	–
Cancellation of deferred Shares	(3,447,273)	5,599,643	(2,152,370)	–	–	–	–	–	–
Balance at 31 December 2010	1,122,090	(2,475,235)	3,203,333	–	–	(94,420)	1,755,768	(204,126)	1,551,642

The notes form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010

	Called up share capital £	*Retained earnings* £	*Share premium* £	*Merger reserve* £	*Total equity* £
Balance at 1 January 2009	3,766,748	(5,599,643)	2,233,163	128,571	528,839
Changes in equity					
Issue of share capital	550,469	–	2,229,761	–	2,780,230
Total comprehensive income	–	(593,328)	–	–	(593,328)
Share option expense	–	163,328	–	–	163,328
Share issue costs	–	–	(147,655)	–	(147,655)
Balance at 31 December 2009	4,317,217	(6,029,643)	4,315,269	128,571	2,731,414
Changes in equity					
Issue of share capital	198,714	–	1,192,285	–	1,390,999
Bonus issue of share capital	53,432	–	(53,432)	–	–
Total comprehensive income	–	(1,456,577)	–	–	(1,456,577)
Share option expense	–	119,036	–	–	119,036
Share issue costs	–	–	(98,419)	–	(98,419)
Release on disposal of foreign subsidiaries	–	128,571	–	(128,571)	–
Cancellation of deferred shares	(3,447,273)	5,599,643	(2,152,370)	–	–
Balance at 31 December 2010	1,122,090	(1,638,970)	3,203,333	–	2,686,453

The notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2010

	Notes	*2010* £	*2009* £
Cash flows from operating activities			
Cash generated from operations	1	(1,970,855)	(1,362,120)
Finance costs paid		7,900	11,797
Finance income		(13,102)	(382)
Loss on sale of discontinued operations		372,481	–
Net cash from operating activities		(1,603,576)	(1,350,705)
Cash flows from investing activities			
Purchase of tangible fixed assets		(44,573)	(64,690)
Discontinued operations net of cash		198,500	–
Interest received		13,102	382
Investment in subsidiary		–	(180,625)
Net cash from investing activities		167,029	(244,933)
Cash flows from financing activities			
Finance received in year		21,415	–
Loan repayments in year		–	(86,976)
Capital repayments in year		–	(21,963)
Share issue		1,304,374	2,507,575
Purchase of EBT shares		(69,420)	(25,000)
Interest paid		(7,900)	(11,797)
Net cash from financing activities		1,248,469	2,361,839
Increase in cash and cash equivalents		(188,078)	766,201
Cash and cash equivalents at beginning of year		840,122	22,059
Exchange gains on cash and cash equivalents		–	51,862
Cash and cash equivalents at end of year		652,044	840,122

The notes form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2010

	Notes	2010 £	2009 £
Cash flows from operating activities			
Cash generated from operations	1	(1,737,893)	(1,408,327)
Finance income		(4,902)	–
Loss on sale of discontinued operations		733,565	–
Net cash from operating activities		(1,009,230)	(1,408,327)
Cash flows from investing activities			
Purchase of tangible fixed assets		(2,250)	–
Discontinued operations net of cash		(583,493)	–
Interest received		4,902	–
Investment in subsidiary		–	(430,655)
Net cash from investing activities		(580,841)	(430,655)
Cash flows from financing activities			
Share issue		1,304,374	2,507,575
Net cash from financing activities		1,304,374	2,507,575
Increase in cash and cash equivalents		(285,697)	668,593
Cash and cash equivalents at beginning of year		669,915	1,322
Exchange gains on cash and cash equivalents		–	–
Cash and cash equivalents at end of year		384,218	669,915

The notes form part of these financial statements.

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2010

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

Group	*2010* £	*2009* £
Loss for the year	(1,964,828)	(1,175,876)
Depreciation charges	47,280	63,763
Profit on disposal of fixed assets	(850)	–
Share based payments	107,242	163,328
Exchange translation loss/(gain)	(20,500)	(81,157)
	(1,831,656)	(1,029,942)
Decrease/(Increase) in inventories	(177,303)	(46,515)
Decrease/(Increase) in trade and other receivables	181,351	(1,114,410)
(Decrease)/Increase in trade and other payables	(143,247)	828,747
Cash generated from operations	(1,970,855)	(1,362,120)

Company	*2010* £	*2009* £
Loss for the year	(1,456,577)	(593,328)
Depreciation charges	1,180	1,081
Share based payments	107,242	163,328
	(1,348,155)	(428,919)
Decrease/(Increase) in trade and other receivables	(1,004,827)	(832,854)
(Decrease)/Increase in trade and other payables	615,089	(146,554)
Cash generated from operations	(1,737,893)	(1,408,327)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

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 24.

At 31 December 2010, certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, and which the Group has opted not to adopt early. These are:

Changes in accounting policies

New standards, interpretations and amendments effective from 1 January 2010

No new standards, interpretations and amendments, applied for the first time from 1 January 2010, have had a material effect on the financial statements.

The following new standards, interpretations and amendments, also effective for the first time from 1 January 2010, have been applied in these financial statements, but have not had an effect on the Group's financial statements:

- Revised IFRS 3 Business Combinations
- Amendments to IAS 27 Consolidated and Separate Financial Statements
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items
- IFRIC 17 Distributions of Non-cash Assets to Owners
- Revised IFRS 1 First-time Adoption of international Financial Reporting Standards

New standards, interpretations and amendments not yet effective

The following new standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on future financial statements:

Revised IAS 24 Related Party Disclosures

The revision to IAS 24 is in response to concerns that the previous disclosure requirements and the definition of a related party were too complex and difficult to apply in practice, especially in environments where government control is pervasive. As the requirements of this standard require changes in disclosure with respect to related party transactions, the directors do not expect the adoption of revised IAS 24 to impact the reported results.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

Disclosures – Transfers of Financial Assets (Amendments to IFRS 7)

This Amendment requires the disclosure of information in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred. The disclosures are intended to enable users of financial statements:

(a) to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and

(b) to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets.

Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)

IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be, through sale.

IFRS 9 Financial Instruments

IFRS 9 will eventually replace IAS 39 in its entirety. However, the process has been divided into three main components: Classification and measurement; impairment; and, hedge accounting. As each phase is completed, it will delete the relevant portions of IAS 39 and create new chapters in IFRS 9.

IFRS 9 as issued on 12 November 2009 addresses the classification and measurement of financial assets only. A financial asset should be:

- Classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset;
- measured at amortised cost if it meets two conditions: (a) the entity's business model is to hold the financial asset in order to collect the contractual cash flows; (b) the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding;
- subsequently measured at amortised cost or fair value depending on the business model of the entity and the terms of the instrument.

The following new standards, interpretations and amendments, which have not been applied in these financial statements, are not expected to have an effect on the Group's financial statements:

- Classification of Rights Issues (Amendment to IAS 32)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IFRIC 14 IAS 19 – Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2011).

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the consolidated financial statements of the Group except for additional disclosures.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

Basis of consolidation

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

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

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

In the Company's own balance sheet, investments in subsidiaries are stated at cost less provisions for any permanent diminution in value and dividends paid from pre-acquisition profits.

Revenue recognition

Revenue from the sales of goods is recognised when the Group has transferred the significant risks and rewards of the ownership of the goods to the buyer and it is probable that the Group will receive the previously agreed upon payment. These criteria are considered to be met when the goods are delivered to the buyer. Where the buyer has a right to return, the Group defers recognition of revenue until the right to return has lapsed. However, where the Group retains only insignificant risks of ownership due to the right of return, revenue is not deferred, but the Group recognises a provision based on previous experience and other relevant factors. The same policy applies to warranties.

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

Goodwill

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 profit and loss in the period of acquisition. 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. Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts, subject to being tested for impairment at that date. In addition where the Group acquires additional shares in a subsidiary undertaking from a minority shareholder additional goodwill arises.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Investments are classified as either held-for trading or available for sale at initial recognition. At the balance sheet date all such investments are classified as available-for-sale. Investments are initially measured at fair value. Transaction costs are included in the cost of assets available for sale but excluded from the cost of assets held for trading. At subsequent reporting dates available-for-sale investments are measured at fair value or at a cost where fair value is not readily ascertainable. Gains and losses arising from changes in fair value are recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss recognised previously in equity is included in the net profit or loss for the period.

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in the income statement.

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Financial liabilities and equity instruments issued by the Group are initially measured at fair value and are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loan, overdrafts and other loans are recorded at the proceeds received, net of direct issue costs. Finance costs are accounted for on an accruals basis in the income statement using the effective interest method.

Inventories

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

Taxation

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit and loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current assets and liabilities on a net basis.

Research and development

Research expenditure is recognised as an expense as incurred.

Development expenditure relates to the development of a specific product for a specific customer and as the product is not available for general sale the costs are not recognised as intangible assets. Development expenditure is recognised as an expense as incurred.

Foreign currencies

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

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss shall be recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss shall be recognised in profit or loss.

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

Leased assets

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

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

Employee benefit costs

The group operates a defined contribution pension scheme. Contributions payable to the group’s pension scheme are charged to the income statement in the period to which they relate.

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 balance sheet date. Fair value is measured by the use of a binomial model. The expected life used in the model has been adjusted, based on management’s best estimate, for the effects of the non-transferability, exercise restrictions and behavioural considerations.

Invoice discounting

From time to time the Group discounts a proportion of its trade receivables. The accounting policy is to include trade debt within trade receivables due within one year and record cash advances within trade payables due within one year. Discounting fees and interest are charged to the income statement when incurred. Bad debts are borne by the Group and are charged to the income statement when incurred. No trade receivables were discounted at 31 December 2010 (2009: £Nil).

Employee benefit trust

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. The Group has made an operating loss from continuing operations for the year ended 31 December 2010.

In October 2010 the Group sold the gas ignition segment of the business and continues to develop the Active Energy part of the business. The Company has progressively raised additional funds of £1,304,374 net of expenses through two share placings in August and cancelled the existing deferred shares in February 2010 following an order from the Court in order to create sufficient reserves and eliminate the Company's accumulated losses.

Management has prepared detailed cash flow forecasts for the existing business and for the new venture for the following two financial years.

The new business Active Energy is now established with a regular revenue stream, it has recently been enlarged and strengthened with additional management, in order to achieve a greater market share and significantly increased volume of sales, however there does remain some uncertainty over the achievability of the forecast revenues.

Equally if the demand exceeds expectation the business will need to be expanded rapidly.

It is therefore acknowledged that there could be a need for additional funding. The Directors believe there are a number of options available to them to meet any additional funding requirements, which include establishing a new invoice discounting facility in respect of the trade receivables of Active Energy, or a further placing of shares.

Having reviewed the cash flow forecasts and key assumptions, together with assessing the possible options for additional funding, the Directors have a reasonable expectation that the Group will be able to meet its liabilities as they fall due for the foreseeable future. It is on this basis that the Directors consider it appropriate to prepare the Group's financial statements on a going concern basis.

2. Segmental reporting

The Group had two main reportable segments:

Voltage Correction – This division Active Energy Limited markets and sells the VoltageMaster a device that adjusts voltage distributed throughout a commercial building. This business commenced operations during 2009 and operated only in the United Kingdom during the year under review. The Group has 72.8% of the equity in this business venture.

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

During the year this segment of the business was disposed of and its trading results are as reported in note 23 as discontinued operations.

The Group's reportable segments are strategic business units that offer different product and services. They are managed separately because each business unit requires different technology and marketing strategies. Also the voltage correction business is a joint venture with a minority interest.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

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

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

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

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

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

Other segmented items included in the statement of comprehensive income:

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

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

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

	2009 Voltage Correction £	*2009 Gas Ignition* £	*2009 Total* £
Total segment revenue	1,036,188	1,844,009	2,880,197
Inter segment revenue	–	–	–
Revenue from external customers	1,036,188	1,844,009	2,880,197
Operating loss from continuing operations	(280,855)	(72,521)	(353,376)
Finance income	–	381	381
Finance costs	–	(11,823)	(11,823)
Profit before tax	(280,855)	(83,963)	(364,818)
Tax expense			–
Loss for the year			(364,818)
Loss from continuing operations	(280,855)	(83,963)	(364,818)
Loss from discontinued operations		–	–
Loss for the year	(280,855)	(83,963)	(364,818)

Other segmented items included in the statement of comprehensive income:

	2009 Voltage Correction £	*2009 Gas Ignition* £	*2009 Total* £
Depreciation	(4,047)	(59,716)	(63,763)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

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

	2009 Voltage Correction £	*2009 Gas Ignition* £	*2009 Total* £
Segment Assets	1,283,648	986,759	2,270,407
Unallocated corporate assets			1,201,549
Consolidated total assets			3,471,956
Segment Liabilities	914,303	219,055	1,133,358
Unallocated corporate liabilities			143,830
Consolidated total liabilities			1,277,188
Capital Expenditure	51,274	12,676	63,950

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

	2010	*2009*
Profit or loss after income tax expense		
Total profit or loss from reportable segments	(1,857,586)	(364,818)
Share based payments	(107,242)	(163,328)
Unallocated amount – corporate expenses	–	(647,730)
Loss from discontinued operations	552,281	301,694
Loss after income tax expense (continuing activities)	(1,412,547)	(874,182)

Geographical information:

	External revenue by location of customers		*Non-current assets by location of assets*	
	2010 £	*2009* £	*2010* £	*2009* £
United Kingdom	3,826,796	1,828,045	615,174	333,976
Mexico	747,802	667,918	–	–
USA	166,988	125,784	–	–
Thailand	23,130	27,798	–	142,783
Other countries	69,695	230,652	–	–
	4,834,411	2,880,197	615,174	476,759

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

3. Employees and Directors

	Group *2010* £	*2009* £
Wages and salaries	1,051,272	956,197
Social security costs	83,488	48,838
Share based payments	107,242	163,328
	1,242,002	1,168,363

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

	2010	*2009*
Directors	6	5
Manufacturing	84	106
Sales	7	7
Administration	7	5
Research & development	8	5
Technical	4	–
	116	128

Directors and key management personnel remuneration

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

	2010 £	*2009* £
Directors' emoluments	192,000	266,259
Gain on exercise of options	–	4,464
Compensation on loss of office	70,000	–
Share based payments	81,984	155,470
	343,984	426,193

The remuneration of the highest paid director for 2010 was £81,000. The remuneration of the highest paid director for 2009 was £126,795.

Remuneration by director:

	2010 £	*2009* £
P Palmer	40,000	54,464
K Baker*	141,000	126,795
C Foster	81,000	85,000
	262,000	266,259

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

4. Net finance income

	2010 £	2009 £
Finance income:		
Deposit account interest	–	21
Interest on other loans	4,902	360
	4,902	381
Net finance income	4,902	–

5. Loss before income tax

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

	2010 £	2009 £
Other operating leases	134,154	83,883
Depreciation – owned assets	63,696	63,763
Profit on disposal of fixed assets	(550)	–
Write back of inventory provisions	(51)	(22,657)
Auditors' remuneration:		
– Parent company and consolidation	60,000	75,273
– Subsidiary audit	12,500	7,648
– Other services relating to taxation	3,079	21,759
Foreign exchange differences	(51,000)	16,209
Share based payments	107,242	163,328
Research and development expenditure	35,245	16,631

6. Income tax

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2010 nor for the year ended 31 December 2009.

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:

	2010 £	2009 £
Loss on ordinary activities before tax	(1,964,828)	(1,175,876)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 – 28%)	(550,152)	(329,245)
Effects of:		
Expenses not deductible for tax purposes	241,785	3,951
Current year tax losses	297,006	338,194
Excess of depreciation on qualifying assets over capital allowances	11,361	(12,900)
Total income tax	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

7. Loss of parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £1,456,577 (2009 – £593,328).

8. Earnings per share

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

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

Reconciliations are set out below.

		2010	
	Earnings £	*Weighted average number of shares*	*Per-share amount pence*
Basic EPS			
Earnings attributable to ordinary shareholders	(1,964,828)	100,918,418	(1.95)
Continuing operations			
Basic EPS			
Earnings attributable to ordinary shareholders	(1,412,547)	100,918,418	(1.40)
Discontinued operations			
Basic EPS			
Earnings attributable to ordinary shareholders	(552,281)	100,918,418	(0.55)

		209	
	Earnings £	*Weighted average number of shares*	*Per-share amount pence*
Basic EPS			
Earnings attributable to ordinary shareholders	(1,175,876)	72,149,932	(1.63)
Continuing operations			
Basic EPS			
Earnings attributable to ordinary shareholders	(874,182)	72,149,932	(1.21)
Discontinued operations			
Basic EPS			
Earnings attributable to ordinary shareholders	(301,694)	72,149,932	(0.42)

Share options of 7,545,172 (2009: 6,400,886) have been excluded from EPS calculations, which may become diluted in the future.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

9. Goodwill

	Group £
Cost	
At 1 January 2009	105,028
Additions	180,625
At 31 December 2009	285,653
At 1 January 2010	285,653
Disposals	(105,028)
At 31 December 2010	180,625
Net book value	
At 31 December 2010	180,625
At 31 December 2009	285,653
At 1 January 2009	105,028

Goodwill at 1 January 2009 includes £105,028 relating to the acquisition of Gasignition Limited in 2007 which constitutes one cash generating unit and £180,625 relating to the acquisition in 2009 of a further 7.8% the equity of Active Energy Limited which was acquired from Alpha Prospects Plc.

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

Goodwill values have been tested for impairment through a value in use calculation. The value in use was calculated using the operation cash flows from the board approved budgets for Active Energy Limited for the two years ended 31 December 2012, together with a prediction of continued operation for a further eight years. The present value of these cash flows was calculated by applying a discount rate of 15 per cent.

The key assumptions used in determining value in use were:

Active Energy: As this Company is only recently established sales revenues, margins and overheads were in part based on the performance since establishment together with the projected expansion of the operation during 2011 and 2012. Sales revenues in particular are limited by the budgeted resource to serve what is expected to be significant demand. The forward projections beyond 2012 are: sales revenues +5% per annum, gross margin, 31%, overhead costs +5% per annum.

On this basis the recoverable amount for the cash generating unit Active Energy exceeds it's carrying amount by £2,549,248 (2009: £627,000).

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

10. Property, plant and equipment

Group	*Leasehold Improvements* £	*Plant and equipment* £	*Furniture and office equipment* £	*Totals* £
Cost				
At 1 January 2009	18,632	328,267	22,811	369,710
Additions	–	30,878	33,072	63,950
Disposals	(1,073)	(18,627)	(1,095)	(20,795)
At 31 December 2009	17,559	340,518	54,788	412,865
At 1 January 2010	17,559	340,518	54,788	412,865
Additions	–	22,477	22,096	44,573
Disposals	(17,559)	(335,148)	(29,420)	(382,127)
At 31 December 2010	–	27,847	47,464	75,311
Depreciation				
At 1 January 2009	8,109	152,287	6,835	167,231
Charge for year	3,279	53,180	7,304	63,763
Eliminated on disposal	(463)	(8,458)	(314)	(9,235)
At 31 December 2009	10,925	197,009	13,825	221,759
At 1 January 2010	10,925	197,009	13,825	221,759
Charge for year	2,721	47,049	12,412	62,182
Eliminated on disposal	(13,646)	(237,368)	(12,165)	(263,179)
At 31 December 2010	–	6,690	14,072	20,762
Net book value				
At 31 December 2010	–	21,157	33,392	54,549
At 31 December 2009	6,634	143,509	40,963	191,106
At 1 January 2009	10,523	175,980	15,976	202,479

Included within the carrying amount of plant and equipment is an amount of £Nil (2009: £55,086) in respect of assets held under finance leases and hire purchase contracts. Depreciation charged in the year on assets under finance leases was £Nil (2009: £16,311).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

Company	*Furniture and office equipment* £
Cost	
At 1 January 2009 and 31 December 2009	3,244
At 1 January 2010	3,244
Additions	2,250
At 31 December 2010	5,494
Depreciation	
At 1 January 2009	1,319
Charge for year	1,081
At 31 December 2009	2,400
At 1 January 2010	2,400
Charge for year	1,180
At 31 December 2010	3,580
Net book value	
At 31 December 2010	1,914
At 31 December 2009	844
At 1 January 2009	1,925

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

11. Investments

	Company Shares in group undertakings £
Cost	
At 1 January 2010	1,603,561
Disposals	(1,172,806)
At 31 December 2010	430,755
Provisions	
At 1 January 2010	1,022,734
Eliminated on disposal	(1,022,734)
At 31 December 2010	–
Net book value	
At 31 December 2010	430,755
At 31 December 2009	580,827

At 31 December 2010 the Group held share capital of the following companies:

Subsidiary undertaking	*Country of incorporation*	*Nature of business*	*Date of incorporation/ acquisition*	*Percentage*
Active Energy Limited	United Kingdom	Trading	21 May 2008	72.8
Cinpart EBT Limited	Hong Kong	Trustee	22 September 2009	100.0

On 29 October 2010 the Company sold 100% of the share capital of both Gasignition Limited (£150,000) and Buckland Group (Hong Kong) Limited (£72) to Kevin Baker for a consideration of £213,507.

The Company has advanced an additional sum of £70,000 (2009: £30,000) to the EBT to cover expenses and to allow it to acquire shares in the Company.

12. Inventories

	Group	
	2010 £	*2009* £
Raw materials	–	209,425
Work-in-progress	92,709	78,313
Finished goods	38,196	140,464
	130,905	428,202

The amount recognised as an expense during the year was £2,670,429 (2009: £1,765,744). There is no material difference between replacement costs of stocks and the amounts stated above. As indicated in note 5 during the period under review the Group was able to write back £51 (2009: £22,657) inventory that had previously been deemed obsolete.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

13. Trade and other receivables

	Group		*Company*	
	2010	*2009*	*2010*	*2009*
	£	£	£	£
Current:				
Trade debtors	574,211	1,507,601	–	–
Amounts owed by group undertakings	–	–	1,458,143	1,452,000
Other debtors	62,500	105,103	62,500	125,000
VAT	6,113	17,922	6,113	8,052
Prepayments and accrued income	47,298	96,247	28,917	27,694
	690,122	1,726,873	1,555,673	1,612,746
Non-current:				
Other debtors	240,000	–	240,000	–
Deferred consideration receivable	140,000	–	140,000	–
	380,000	–	380,000	–
Total	1,070,122	1,726,873	1,935,673	1,612,746

All financial assets with the exception of VAT, prepayments and accrued income, are classified as loans and receivables under IAS39. 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. All trade and other receivables that are neither past due nor impaired are considered recoverable.

The carrying values of the Group's trade and other receivables are denominated in the following currencies:

	Group		*Company*	
	2010	*2009*	*2010*	*2009*
	£	£	£	£
Pound sterling	1,070,122	1,468,862	1,935,673	1,612,746
Euro	–	15,470	–	–
US Dollar	–	196,030	–	–
Thai Baht	–	46,511	–	–
	1,070,122	1,726,873	1,935,673	1,612,746

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

During 2010 and 2009 there was no movement on the Group provision for impairment to trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

14. Cash and cash equivalents

	Group		*Company*	
	2010	*2009*	*2010*	*2009*
	£	*£*	*£*	*£*
Cash in hand	25	205	–	–
Bank accounts	652,019	839,917	384,218	669,915
	652,044	840,122	384,218	669,915

At the year end the Group held £Nil in Thai Baht (2009: £8,022) and £Nil in US$ (2009: £1,021). Cash at bank is held in non-interest bearing current accounts.

15. Trade and other payables

	Group		*Company*	
	2010	*2009*	*2010*	*2009*
	£	*£*	*£*	*£*
Current:				
Trade creditors	269,568	558,298	16,276	58,872
Social security and other taxes	21,516	5,818	5,811	–
Accruals and deferred income	174,872	690,687	44,020	74,046
VAT	70,647	–	–	–
	536,603	1,254,803	66,107	132,918

All financial liabilities are classified as financial liabilities at amortised cost. In the Directors' opinion the carrying values of trade and other payables are stated at their fair value, payments occur over a short period and are subject to an insignificant risk of changes in value. All trade and other payables are considered to be payable within three months.

16. Financial liabilities – borrowings

	Group	
	2010	*2009*
	£	*£*
Current:		
Finance leases (see note 17)	–	21,284
Non-current:		
Finance leases (see note 17)	–	1,101

All financial liabilities are carried in the consolidated balance sheet at amortised cost using the effective interest rate method.

Amounts due under finance leases and hire purchase contracts are secured on the assets to which they relate.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

17. Leasing agreements

Group

Minimum lease payments fall due as follows:

Finance leases

	2010 £	*2009* £
Gross obligations repayable:		
Within one year	–	23,188
Between one and five years	–	1,199
	–	24,387
Finance charges repayable:		
Within one year	–	1,904
Between one and five years	–	98
	–	2,002
Net obligations repayable:		
Within one year	–	21,284
Between one and five years	–	1,101
	–	22,385

The fair value of the Group's lease obligations approximates to their carrying amount.

The Company does not hold any assets under finance leases.

Group

Non-cancellable operating leases

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

	2010 £	*2009* £
Within one year	–	124,363
Between two and five years	30,296	77,609
	30,296	201,972

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

18. Called up share capital

	Ordinary 1p shares Number	*Deferred 9.5p shares Number*	*Deferred 0.49p shares Number*	*Total Number*
Authorised				
At 1 January 2009 and 31 December 2009	500,000,000	15,409,000	404,779,408	920,188,408
At 1 January 2010	500,000,000	15,409,000	404,779,408	920,188,408
Cancelled	–	(15,409,000)	(404,779,408)	(420,188,408)
At 31 December 2010	500,000,000	–	–	500,000,000

	£	£	£	£
Authorised				
At 1 January 2009 and 31 December 2009	5,000,000	1,463,855	1,983,419	8,447,274
At 1 January 2010	5,000,000	1,463,855	1,983,419	8,447,274
Cancelled	–	(1,463,855)	(1,983,419)	(3,447,274)
At 31 December 2010	5,000,000	–	–	5,000,000

	Number	*Number*	*Number*	*Number*
Allotted, issued and fully paid				
At 1 January 2009	31,947,511	15,409,000	404,779,408	452,135,919
Issued during the year	55,046,887	–	–	55,046,887
At 31 December 2009	86,994,398	15,409,000	404,779,408	507,182,806
At 1 January 2010	86,994,398	15,409,000	404,779,408	507,182,806
Issued during the year	25,214,573	–	–	25,214,573
Cancelled	–	(15,409,000)	(404,779,408)	(420,188,408)
At 31 December 2010	112,208,971	–	–	112,208,971

	£	£	£	£
Allotted, issued and fully paid				
At 1 January 2009	319,475	1,463,855	1,983,418	3,766,748
Issued during the year	550,469	–	–	550,469
At 31 December 2009	869,944	1,463,855	1,983,418	4,317,217
At 1 January 2010	869,944	1,463,855	1,983,418	4,317,217
Issued during the year	252,146	–	–	252,146
Cancelled	–	(1,463,855)	(1,983,418)	(3,447,273)
At 31 December 2010	1,122,090	–	–	1,122,090

Class rights

The deferred shares, which are not listed, have no voting rights, no rights to dividends and are not entitled to any payment on winding up.

Cinpart Employment Benefit Trust

Cinpart Employment Benefit Trust holds 788,000 ordinary 1p shares in Active Energy Group (2009: Nil).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

Changes in issued share capital

During 2010 the following new shares were issued:

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

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

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

During 2009 the following new shares were issued:

On 4 March 2009 36,469,613 new ordinary 1p shares were placed at 2.0p per share to fund the establishment of the new business venture Active Energy Limited.

On 10 July 2009 7,750,000 new ordinary 1p shares were placed at 10.0 p per share to strengthen the Company balance sheet and advance the development of Active Energy Limited.

On 13 August 2009 1,125,000 new ordinary 1p shares were issued to Alpha Prospects Plc with consideration of 13.333p per share as part settlement of the acquisition of 10% of the equity of Active Energy Limited.

On 30 September 2009 1,302,265 new ordinary 1p shares were issued variously to Consortia Trustees Limited, the discretionary trust of Philip Palmer and family and two past directors following their exercising of options granted in 2006 and 2007.

On 21 December 2009 8,400,000 new ordinary 1p shares were placed at 12.5p per share to fund the establishment of subsidiaries in various international markets. These subsidiaries are to market sell and install VoltageMasters produced within the Groups manufacturing facility.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

Options

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

Holder	*Price*	*Granting Date*	*Expiry Date*	*At 31 December 2010*	*At 1 January 2010*	*At 1 January 2009*
Consortia Trustees	7.500p	19/07/2006	30/09/2009	–	–	27,777
	7.000p	12/12/2006	30/09/2009	–	–	29,761
	7.000p	29/06/2007	06/06/2017	857,142	857,142	857,142
	1.000p	29/06/2007	06/06/2017	450,000	450,000	450,000
	20.000p	02/02/2010	02/02/2020	168,000	–	–
				1,475,142	1,307,142	1,364,680
K F Baker	7.000p	29/06/2007	06/06/2017	357,142	357,142	357,142
	6.375p	22/05/2009	22/05/2019	1,823,480	1,823,480	–
	20.000p	02/02/2010	02/02/2020	336,000	–	–
				2,516,622	2,180,622	357,142
C K Foster	7.000p	29/06/2007	06/06/2017	357,142	357,142	357,142
	1.000p	29/06/2007	06/06/2017	500,000	500,000	500,000
	6.375p	29/06/2009	06/06/2019	1,823,480	1,823,480	–
	20.000p	02/02/2010	02/02/2020	336,000	–	–
				3,016,622	2,680,622	857,142
L K Sharples	7.500p	19/07/2006	30/09/2009	–	–	27,777
	7.000p	12/12/2006	30/09/2009	–	–	29,761
	7.000p	29/06/2007	30/09/2009	–	–	357,142
	1.000p	29/06/2007	30/09/2009	–	–	450,000
P R Rogers	7.500p	19/07/2006	30/09/2009	–	–	27,777
	7.500p	12/12/2006	30/09/2009	–	–	29,761
Mirabaud Securities LLP	10.000p	09/07/2009	09/07/2011	232,500	232,500	–
Jendend Securities	7.000p	15/07/2010	15/07/2012	304,286	–	–
				7,545,172	6,400,886	3,501,182

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

The following information is relevant in the determination of the fair value of warrants and options granted during the year. Warrants and options were issued during 2010 as disclosed above.

	Options		*Warrants*	
Option pricing model	Black Scholes		Black Scholes	
	2010	*2009*	*2010*	*2009*
Weighted average share price at date of grant	20.0p	6.375p	9.0p	10.0p
Exercise price	20.0p	6.375p	7.0p	10.0p
Expected life	5 years	10 years	2 years	2 years
Expected volatility	53%	56%	62%	56%
Expected dividend yield	Nil	Nil	Nil	Nil
Risk free interest rate	3.0%	4.5%	1.0%	4.5%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices since 4 March 2009.

The charge for equity settled share based payments in the year ended 31 December 2010 was £107,242 (2009: £163,328).

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

19. Reserves

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

20. 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. 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.

Item	*Classification*	*Risk Category*	*Type*	*Refer Note*
Trade receivables	Loans and receivables	Market	Currency	13
Trade receivables	Loans and receivables	Credit	Currency	13
Trade receivables	Loans and receivables	Credit	Operational	13
Other receivables	Loans and receivables	Market	Operational	13
Bank accounts	Loans and receivables	Market	Currency	14
Trade payables	Other liabilities	Market	Operational	15
Trade payables	Other liabilities	Liquidity	Operational	15
Other payables	Other liabilities	Market	Operational	15
Loans	Other liabilities	Market	Interest	16

Market Risk

Currency risk

With the manufacturing base previously being in Thailand and customers around the world the Group experienced translational and transactional exchange risk. However, since these operations have now been discontinued, the level of currency risk is significantly reduced.

There was some exposure to currency risk arising from the mix of trading currencies; during 2010 the ratio of US$ revenue compared with £ sterling revenue decreased markedly; this was primarily due to the revenue derived from the new business venture all being denominated in £ sterling. The proportion of US$ denominated trade receivables therefore decreased to Nil as at 31 December 2010 (2009: 11.0%). For the gas ignition discontinued business a significant value of raw materials were purchased from China and these purchases were denominated in US$, however all purchases for the Active Energy business are in £ sterling. The proportion of US$ denominated accounts payable at 31 December 2010 was 0% (2009: 16.4%).

The fact that the Group has operated with four currencies £ sterling, €, US$ and Thai Baht and that there are both receipts and payments in all four currencies provides a degree of natural hedging, the board had considered these factors and had concluded that under normal circumstances gains or losses arising from exchange changes can be considered an acceptable risk.

Group Companies have two different functional currencies; Thai Baht and Pound Sterling. The table below shows, in sterling, the extent to which Group companies have monetary assets and liabilities in currencies other than their local currency. Foreign exchange differences on re-translation of these assets are taken to the income statement of the Group companies and the Group. Since the disposal of these subsidiaries the Group's risk has significantly reduced.

	Net foreign currency monetary assets/(liabilities)		
Functional currency of operation	*Euro*	*GBP*	*USD*
At 31 December 2010			
Thai Baht	–	–	–
GBP	–	–	–
At 31 December 2009			
Thai Baht	12,823	130,800	140,038
GBP	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

During 2010 the average monthly US$/£ exchange rates varied between 1.6372 $/£ and 1.4305 $/£. However, the Group did not trade in US$ during the year and therefore any impact on the post tax profit is considered to be insignificant.

The average monthly Thai Baht/£ exchange rates varied between 53.8720 Baht/£ and 46.3053 Baht/£. Had the Baht been 10% weaker, the impact on post tax profit would have been a gain of £2,526. Had the Baht been 10% stronger, the impact on post tax profit would have been a loss of £2,536. This assumes that the US$/£ exchange rate remained constant throughout.

Interest rate risk

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

During the year ended 31 December 2010 interest fees relating to invoice discounting amounted to Nil (2009: £7,746), a 10% adjustment would not impact on interest charged (2009: £775).

Credit risk

Operational

The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings, taking into account local business practices are then factored into any decisions. The Group does not enter into any derivatives to manage credit risk. The maximum exposure to credit risk at 31 December 2010 is £685,603 (2009: £1,507,601).

As at 31 December 2010 trade receivables of £1,054,168 (2009: £305,157) were past due but not considered impaired and have all since been received.

Age analysis of debts past due:

	2010 £	*2009* £
Less than 3 months past due	1,021,251	305,157
3-6 months past due	32,917	–
Total debts past due	1,054,168	305,157

Financial

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

Liquidity risk

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

Loans

The Group had no loans at 31 December 2010 (2009: Nil).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

Bank loans

The Group had no bank loans at 31 December 2010 (2009: Nil) or invoice finance facilities.

Bank overdrafts

The Group had no overdraft at 31 December 2010 (2009: Nil) and no debentures or personal guarantees were in place.

Fair values

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

Capital risk management

Management consider capital to include share capital, share premium, foreign exchange reserve, merger reserve, EBT reserve, minority interest and retained earnings. See note 19 for a detailed breakdown thereof.

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

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

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

21. Related party disclosures

Details of director's remuneration are given in note 3.

The subsidiary Active Energy Limited sells and purchases VoltageMasters from SDC Industries Limited. SDC Industries is considered a related party in that the owner of SDC Industries Limited, Mr Stephen Coomes is a disclosed shareholder of the Company; he also serves as a director on the board of Active Energy Limited.

During the financial year ended 31 December 2010 the value of goods and services provided to SDC Industries Limited was £750,048 (2009: Nil) and the value of goods and services provided by SDC Industries Limited was £2,160,634 (2009: £723,697). The net balance outstanding from SDC Industries at 31 December 2010 was £199,409 (2009: Nil) and the net balance outstanding to SDC Industries at 31 December 2010 was £133,696 (2009: £225,785).

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

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, there have been no Group provision adjustments as outlined below, cash advances to fellow Group companies of £954,650 (2009: £400,000), repayment of advances from fellow Group companies of £Nil (2009:£Nil), recharge of expenses of £Nil (2009: £Nil) and payment of amounts owed to fellow Group companies of £Nil (2009: £Nil).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

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

The Company has since made unsecured advances to the trust to meet expenses of the trust and to enable the trust to acquire shares in the Company. The outstanding balance at 31 December 2010 was £100,000 (2009: £30,000).

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

During the year the company disposed of Gasigntion Limited and Buckland Group (Hong Kong) Limited to Kevin Baker, a director of the group during the year, for a consideration of £245,000 (net present value £213,507). The proceeds are payable in instalments over 5 years. This has been disclosed in the Chairman's Report and note 11.

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

	2010	*2009*
	£	£
Amounts due from related parties	1,354,650	1,452,000
Provisions against amounts due from related parties	–	–
	1,354,650	1,452,000

22. Deferred tax

Unprovided deferred tax

	Group		*Company*	
	2010	*2009*	*2010*	*2009*
	£	£	£	£
Accelerated capital allowance	14,226	12,191	(283)	(788)
Short term timing differences	–	–	–	–
Losses	(1,520,168)	(1,179,961)	(1,221,772)	(1,096,849)
	(1,505,942)	(1,167,770)	(1,222,055)	(1,097,637)

No provision for the deferred tax asset 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

23. Discontinued operations

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

The Consolidated Income Statement comparatives for 2009 have been restated as necessary to reflect the effect of discontinued operations.

	2010 £	*2009* £
Consideration received (and net cash inflow):		
Consideration	245,000	–
Net present value adjustment	(31,500)	
Selling costs:		
Legal fees	(15,000)	–
Net cash and cash equivalents	198,500	–
Net assets disposed (other than cash):		
Property, plant and equipment	134,700	–
Intangibles	105,000	–
Inventories	474,600	–
Trade and other receivables	475,400	–
Trade and other payables	(298,719)	–
Other financial liabilities	(320,000)	–
	570,981	–
Pre-tax (loss) on disposal of discontinued operation	(372,481)	–
Related tax expense	–	–
	(372,481)	–

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

	2010 £	*2009* £
Results of discontinued operations:		
Revenue	1,861,700	1,844,009
Cost of sales	(1,433,000)	(1,394,047)
Other operating income	–	14,332
Administrative expenses	(600,500)	(754,546)
Finance cost	(8,000)	(11,823)
Finance income	–	381
Loss from selling discontinued operations after tax	(372,481)	–
Loss on discontinued operations	(552,281)	(301,694)
Earnings per share from discontinued operations:		
Basic and diluted loss per share (pence)	(0.55)	(0.42)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

Statements of cash flows

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

	2010 £	*2009* £
Operating activities	(476,486)	(1,531,330)
Investing activities	120,829	64,308
Financing activities	(21,315)	2,361,839
Net cash from discontinued operations	(376,972)	894,817

24. Critical accounting judgements and key sources of estimatino uncertainty

The preparation of financial information in conformity with generally accepted accounting practice 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 balance sheet 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

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. No provision for impairment was made in the period and the carrying value of goodwill at the balance sheet date was £180,625. The value in use calculations are based on cash flow projections from formally approved budgets covering a two year period to 31 December 2012 and a discount rate of 15%.

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 to the likely number of shares that will vest, and 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, employee turnover, 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.

Inventory provisions

To evaluate the provisions relating to inventory, the policy is to assess the future life of inventory based on the projected annual sales of each product. A provision is made against the value of inventory that is projected to still be on hand in two years time.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 (continued)

25. Post balance sheet events

On 26 April 2011 the group acquired 100% of the voting equity instruments of Red Line Engineering Services Limited, a company whose principal activity is engineering services specialists. The principal reason for this acquisition was to enable the group to provide an end-to-end service in the environmental services and solutions sector. The directors believe that the acquisition will accelerate the growth of the group significantly.

The book value of the net assets acquired is as follows:

	£
Plant and equipment	510
Cash	820
Payables	(66,241)
Total	(64,911)

At the date of authorisation of these financial statements a detailed assessment of the fair value of the identifiable net assets has not been completed.

	£
Fair value of consideration paid	
Issue of ordinary 1p shares	492,250

The company issued 17,900,000 ordinary shares of 1p each as consideration for the acquisition. The shares at the date of acquisition had a market value of 2.75p per share.

Whilst the full fair value review has not yet been completed, it is expected that the group will recognise goodwill on the acquisition of approximately £557,000. The goodwill represents assets such as the assembled workforce, intangible assets and expected synergies from combined operations, which do not qualify for separate recognition.

As part of the acquisition, the Group announced the appointment of Gavin Little as Executive Chairman, to drive the growth of the enlarged business and the strengthening of the Company's management team. The directors believe that expanding the Group's offering into an end-to-end environmental services and solutions business will be a key development for Active Energy and will accelerate the growth of the Group significantly.

On 10 May 2011, the Company announced that it had raised approximately £1.8 million, gross of expenses, through the issue of 65,500,000 new ordinary 1p shares in the capital of the Company at a placing price of 2.75p per share to new and existing institutional and retail investors. The proceeds of the placing, amounting to approximately £1.62 million, will be used for working capital generally and in particular, to assist the Company's strategy to transform the business into an end-to-end environmental services and solutions business.

Perivan Financial Print 222181