ACTIVE ENERGY GROUP PLC

ANNUAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2013

Company registration number: 03148295

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ACTIVE ENERGY GROUP PLC

COMPANY INFORMATION

Country of incorporation	England and Wales
Legal form	Public Limited Company
Directors	R. G. Spinks C. W. Hill G. Valoroso M. Girlanda
Secretary	MSP Secretaries Craven House West Street Farnham Surrey GU9 7EN
Registered office	5th Floor 15 Whitehall London SW1A 2DD
Registered number	03148295
Auditors	BDO LLP Chartered Accountants and Registered Auditors 55 Baker Street London W1U 7EU
Bankers	HSBC Bank plc 69 Pall Mall London SW1Y 5EY
Solicitors	DWF LLP Capital House 85 King William Street London EC4N 7BL
Nominated Adviser	WHIreland Limited 24 Martin Lane London EC4R 0DR
Stockbroker	WHIreland Limited 24 Martin Lane London EC4R 0DR

ACTIVE ENERGY GROUP PLC

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

I am pleased to present the Company's Annual Report and Financial Statements for the year ended 31 December 2013. While the results are set out in detail in the accompanying Financial Statements, they can be summarised as follows:

On sales of £5.247m (2012: £0.231m) the Group recorded an operating loss for the year of £2.223m (2012: £0.729m). Net assets totalled £3.520m (2012: £1.603m), current assets £2.337m (2012: £0.462m) and net current assets £1.831m (2012: £0.246m).

The table below may help to place the headline income statement numbers into better context, by highlighting the non-recurring and non-cash costs and gains and losses arising on foreign exchange included in them:

	FY2013	
	£'000	**£'000**
OPERATING LOSS		**(2,223)**
Less: Non-cash items		
Depreciation and amortisation	196	
Share based payments	385	
		581
Less: Non-recurring items		**(1,642)**
Nikofeso transaction costs	248	
Other non-recurring items	128	
		376
Foreign exchange (gains)/losses		100
ADJUSTED OPERATING LOSS		**(1,166)**
Operating loss for H1-2013		**(630)**
Operating loss attributable to H2-2013		**(536)**
ADJUSTED OPERATING LOSS FOR FY2013		**(1,166)**

While the "normalised" operating loss for the year is £1.166m, in consideration that the first half of 2013 (itself being non-operational in the pre-acquisition period) recorded an (unaudited) operating loss on continuing activities of £0.630m, the underlying loss for the second half of 2013 can be seen to be £0.536m. This result is by no means in line with hopes or expectations but, given the difficult operational circumstances in the period, is perhaps not unexpected.

The biggest single issue in the above table that deserves detailed explanation relates to share-based payments where the quantum of the number is considerably higher than was first expected. The number is calculated to reflect the "fair value" financial impact of employee and management incentive arrangements and in this case, that figure is driven by two principal factors:

- While the exercise prices of the relevant incentive arrangements were set at the market price (1.25p) on the date of the Circular (4 June 2013), accounting standards require that the computation for share based payment must be based on the share price prevailing on the date when the necessary resolutions to implement such arrangements had been passed at the AGM held on 27 June – by which date the market price had moved up to 1.9p.

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- Share price volatility is another key driver of the widely accepted Black Scholes and Monte Carlo valuation methods used for the computation of such incentive instruments. While the volatility of AIM companies tends to be quite high, being, in some cases as much as 80% - 90%, a detailed assessment of the AEG share price history resulted in the determination of 49.8% as the appropriate rate of volatility. The effect of using the quoted price of 1.9p on the date of grant combined with the nearly 50% rate of share price volatility, drove up the charge for reporting purposes of the share based payments, resulting in the level of charge included in the Group's Financial Statements.

Consequent upon the above, the aggregate charge of £0.385m for the year can be allocated as to:

	£'000
Directors	160.9
Staff	107.0
Consultants	117.5
Total	385.4

Shareholders should note that while the above share based payment charges are booked to the income statement, the accounting standard allows for compensating adjustments in the balance sheet such that there is no financial impact on reported net assets.

Business overview

Notwithstanding the disappointing performance in 2013, the outlook for the Company is now extremely positive.

By "digging in" during a time of great political difficulty AEG has proved our long term commitment to the Ukraine; there is no doubt that our profile there has risen and we are considered to be a reliable business partner able to work with the State in establishing and growing an important new segment in the Ukrainian economy as it pertains to the exploitation of one of that country's major natural resources, forestry.

We have already established a strong core customer base for the vital Black Sea trade into Turkey and there is potential within that business channel for significant expansion. The political issues in the eastern Ukraine have limited our ability to maintain volumes for the Biomass sector out of that region but we are seeking to build new supply channels out of Spain and Montenegro.

While we endured some problems with shipping in the latter part of 2013 we believe that such difficulties are largely behind us; we have restructured our Ukrainian processing operations and moved our port facilities close to Odessa. Our focus is now on consolidating our restructured operations for the benefit of the Company and all of its stakeholders.

While the first six to nine months of operations *post* the acquisition of the Nikofeso Group in June 2013 were challenging on several fronts, our client base has remained strongly supportive alongside outstanding financial support from our leading shareholder and others, a combination that has allowed the Group to regroup and advance the rebuilding of the base business in more favourable economic conditions driven by the combination of strong customer demand, more cost effective processing systems, better port facilities, foreign exchange advantages and, of course adequate working capital to finance the cycle.

In May of this year, we unveiled a novel, and likely "game changing" technology for the pelleting of sawdust and wood fines. While this project is at a very early stage of development it may provide the basis of a natural extension of the Group's foothold in the biomass power generation sector. It certainly captured the attention of all of those potential investors, customers and feedstock providers to whom the "bench level" system was presented and the Board considers that the project has great potential.

CHAIRMAN'S STATEMENT
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The business we chose to build together in June 2013 was, to all intents and purposes, a start-up with all that entails. In the post-acquisition period we faced a number of setbacks – not just in shipping (which was the largest cause of economic woes) - but also arising from the inevitable business integration process. That was followed by major political unrest breaking out just as we were in the process of implementing essential restructuring changes to the business; this was, at the very least, highly unfortunate.

From a London base it would be easy to make too much of the difficulties that have confronted management along the way. Of course, it has been a huge challenge, but I believe that I will reflect the views of all of our shareholders by applauding the focus and determination of the executive management team that has, I believe, carried us through the tough times to a point where we can believe that the commonly held aspiration for the building of shareholder value can be fulfilled.

- We have integrated the Nikofeso acquisition;
- We have built the customer base;
- We have not just reinforced our standing in Ukraine, but have initiated an important opportunity to expand our operation in the west of that country to enable us to address the biomass markets of Poland, Hungary and Romania;
- We are well positioned within Ukraine to be a key supplier to their emerging biomass power generation sector from both existing and prospective forestry rights;
- We have initiated two new supply channels in Spain and Montenegro;
- We have unveiled a potentially "game-changing" cold cure pelleting technology in a directly related sphere of activity.

In short, while the financial results for 2013 were indeed disappointing, I believe that management has nonetheless more than "earned their salt" by working through and solving some frequently quite intractable problems while simultaneously putting down the strong roots for recovery that I believe are now beginning to bear fruit.

Going concern

The Group has been subject to many operational and financial pressures in the last 12 months arising from the integration of the acquisition in addition to commercial issues more fully described in the Strategic Report (*post*). It would be naïve to think that these, as well as the need to restructure the acquired operations were not further exacerbated by the political crisis in Ukraine that emerged at the beginning of 2014. The combined impact of these adverse factors has resulted in sub-optimal results for at least the period under review as well as in the early part of the current year. While we have been fortunate to receive strong financial support (and on favourable terms) from our leading shareholder and from an outside party, it has been provided by way of loan capital which has increased the level of gearing being carried by the business.

The Directors have duly considered the implications of this, and while they are fully confident in the ability of the business to expand its trade on profitable terms and to procure additional facilities should that prove necessary, they recognise that trading out of historical losses with such a relatively high level of gearing makes the Group more vulnerable to the impact of any future downturn in trade.

Accordingly, both prudence and the need for transparency to stakeholders properly demand that we disclose material uncertainties as set out in note 1 to the Financial Statements. In no way does this diminish the quality or reliability of the Financial Statements; nor does it have any implications for management's views about the future success of the Group in which we have now made significant investments of human, intellectual and financial capital.

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

Requirement to deliver a Strategic Review

This Annual Report follows a revised format following the introduction of the Companies Act requirements to include a Strategic Report. This is widely seen as an opportunity to more clearly and concisely set out the Company's aims, strategies and business plan while also highlighting those aspects of the Financial Statements that reflect the Group's (and your Board's) performance in the period under review. The Strategic Report contains some information formerly included in the Directors' Report and incorporates an Operating Review which details the Group's progress during the year.

Management and staff

I would like to thank all of the Group's management and staff whose level of effort in the last 12 months has been exceptional, and has often had to be delivered in the most challenging of circumstances.

The reality of the roll-out of the enlarged business *post* the acquisition of Nikofeso, the "real time" integration of Nikofeso into our fast-growing Group, coupled with a continuous effort to seek new opportunities to both underpin the existing core business as well as create vibrant new business channels for the future has placed huge challenges for management and staff.

In particular I must make special mention of Richard Spinks, our Chief Executive Officer, whose dedication to making a success of AEG remained undimmed, especially in the difficult final quarter of 2013. Alongside him Matteo Girlanda, our Chief Operations Officer, has stood, utterly steadfast in finding solutions and doing whatever it took to resolve problems. Their patience, skill and commitment are now being rewarded as the Group enters what is expected to be the turnaround in its trading fortunes.

Annual General Meeting

You will find attached to these Financial Statements a Notice of our Annual General Meeting which will be held at 11:00 on 23 July 2014 at the office of DWF LLP at 85 King William Street, London, EC4N 7BL. While I have tried to concentrate this Statement on operational and trading matters, it will not have escaped your attention that these Financial Statements are being issued rather later than I would have preferred. This has been the result of some overseas accounting difficulties which were occasioned first, by a broad staff realignment in Nikolaev, combined with the intervention of Russia in Crimea which combined to result in local accounting and audit issues at the end of the Q1-2014 that have taken some time to resolve.

I look forward to meeting as many shareholders as are able to attend the AGM and to delivering my next report on the Group's results for the first six months of 2014 in a timely manner.

Colin Hill
Non-Executive Chairman
London: 30 June 2014

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors of the Company and its subsidiary undertaking (together, “the Group”) present their Strategic Report for the year ended 31 December 2013.

Principal Activities

The Group is a pan-European supplier of high quality woodchip and associated timber products for green energy Biomass power generation and MDF manufacturing.

Its main area of operational activity is in Ukraine, with trading activities located in the UK, EU, Eastern Europe and the Balkans. Its principal customers are in Turkey and Italy.

Organisation Overview

The Group’s business is directed by the Board with executive management carried out through the Chief Executive Officer and the Chief Operations Officer.

Day-to-day activities are managed through our offices in Ukraine and London.

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

The Board of directors comprises the above-noted Executive Directors plus two non-executive directors of which one is non-executive chairman.

Aims, Strategy and Business Plan

The Company’s **aim** is to develop a profitable global trading operation in woodchip and associated timber products and seek to create additional shareholder value through the vertical and horizontal integration of related activities and products.

The Company’s **strategy** is to acquire exploitation and trading rights in economically viable circumstances and in jurisdictions committed to renewability and sustainability of thus extracted resources.

The company seeks to limit country risk by working within jurisdictions that are committed to establishing and maintaining low levels of corruption and, of course, political risk.

The Group’s **business model** is to establish efficient and low cost operator in all of its activities and markets. The Board seeks to run the company with as low a cost base as is consistent with the nature and level of activity being undertaken. The Company engages the services of a limited number of full time employees (being, currently, just two in number) alongside a range of carefully selected and experienced consultants and contractors as and when circumstances demand. All of the Directors are engaged on consultancy basis.

As a start-up business operating in sometimes difficult jurisdictions, not all of our activities will be successful. However, we expect that our shareholders and lenders invest based on a long term view of management’s track record of success in its chosen sectors.

The Company finances its activities through periodic capital raises, loan notes and by short-medium term borrowings. As certain of the Company’s projects become more advanced there may be strategic opportunities to obtain specialist project development funding, be that from future customers, strategic partners, royalty and/or other market arrangements.

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL, PERFORMANCE AND OPERATING REVIEW

The Group's consolidated income statement and consolidated statement of financial position is set out within the financial statements.

The financial results for 2013 were disappointing, recording as they did a loss after tax of some £2.268m on revenues of £5.247m.

That said, operationally speaking, 2013 was very much a year of two halves.

H1-13 was primarily concerned with the lead up to and completion on 27 June 2013 of the acquisition of the Nikofeso Group, this alongside dealing with the final stages of the liquidation of the Group's former businesses, Red Line Engineering and Active Energy Limited. The first six months of 2013 recorded losses after taxation of £0.622m, leaving a balance of £1.646m attributable to the second half year. Readers' attention is drawn to the commentary in the Chairman's Statement (*ante*) regarding the significant level of non-cash and non-recurring charges included in the income statement for the period under review.

The Company's balance sheet reflects the nature of the business as a trading enterprise, the main cash flow factor in which is that all raw materials sourced in Ukraine (as the principal supplier in the period under review) is paid for cash with order. This places a degree of pressure on working capital which matter is addressed by securing prompt payment from our key customers; this is demonstrated in the low level of receivables at the period end, notwithstanding the relatively high volumes of trade being conducted.

Liquidity is a key feature of any trading business. While the year end balance sheet reflect a current ratio (current assets divided by current liabilities) of 4.62, the so-called quick ratio of current assets minus stock divided by current liabilities results in a ratio of 2.92. Should both of these calculations be adjusted by increasing the current liabilities figure by the total of loans/borrowings, then the resulting ratios drop to 1.69 and 1.07 respectively.

Trading losses actually incurred by the business created pressures on cash flow which, post the year end have been resolved through shareholder support and the establishment of further borrowings announced to the market as to US$2m (*circa* £1.2m on 10 April 2014) plus a further *circa* US$2.7m (13 June 2014). While the latter-noted borrowings have been taken on to both finance investment in capital equipment to grow the business (US$1m) and to take advantage of special trading opportunities intended to drive up profitability (*circa* US$1.7m) the proof of the efficaciousness of the borrowing will be demonstrated only through profitable trading.

On the basis that the consequence of borrowings is an uplift in trading profitability in the current period, any increased level of borrowing will be justified.

The second half of 2013 provided the Group with a series of operational challenges brought about as its leading Italian shipper was placed into Administration and which immediately put the Group in difficult circumstances. The impact of this event cannot be underestimated as it meant that the Group was forced into buying shipping on the Black Sea "spot" market at the height of the grain export season from Ukraine when such little remaining available bulk carrier capacity was available only at extremely high prices. The laws of supply and demand became very apparent to us as the cost of shipping rose to such degree that it eliminated all of the FOB (Free on Board) margin on the cargoes we shipped, mainly those to Italy but, latterly, also on the Black Seas cargoes that commenced in Q4-2013.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

Strategically it was clearly pivotal to continue to meet our obligations to our client base, notwithstanding that this came at a cost to the Company; at that time and having only recently concluded new contractual arrangements with, especially, our Turkish customers, not to have made every possible effort to support these clients would most certainly have been viewed extremely negatively by both our clients and by the market - likely to the long term detriment of the Company.

It should be noted that the process of building the "new" AEG has involved both the re-initiation of certain activities which were effectively dormant pre-acquisition. Items such as financial PR, website/investor presentational support had to sit alongside a major level of effort in business development activities, this element alone resulting in a large increase in travel and subsistence costs incurred in H2-13. While all of the above noted items will be of a recurring nature, the Board expects that FY2014 will see a reduction in certain of these expenditures to levels more normally associated with "maintenance" rather than "initiation" - which latter aspect has been a major feature of executive management's focus in the last 12 months, and, especially, in the second half of 2013.

Of course, an inevitable part of the development of the Group into its current structure has involved a considerable expenditure (£375,653) on legal and professional fees related to essentially non-recurring activities such as:

- The acquisition of Nikofeso in June 2013 (£247,906)
- Setting up and capitalisation of new overseas operating subsidiaries in Switzerland and Italy (£22,834)
- Third party due diligence (£10,786)
- Establishing new share based incentive schemes (£26,630)
- Ship chartering advice re failed Italian counterparty (£43,161)
- Legals re "oldco" and debt recovery (£8,336)
- Accounting support (£16,000)

Ultimately, the biggest operating issue faced by the Group in 2013 was the disastrous fiscal impact of the collapse of the shipping company with which we were partnered at the time of the Nikofeso acquisition. This, combined with the inevitably increased levels of operating costs (non-recurring or otherwise) necessitated by the business development as management established, re-established and/or initiated revenue channels for both our Italian and Turkish trades, resulted in a disappointing level of operating loss being reported for the period.

That said, the Board and management has met all of these challenges head on and dealt with them such that I can report that our current shipping partner, having now been operating with the Group since January this year, has allowed us to normalise shipping costs in the current period. This fact, when combined with operating efficiencies driven by the move from Nikolaev to Yuzhny port, a more favourable foreign exchange climate driving down the basic cost of raw material feedstock, the considerable trading support from, especially our Turkish client base, the financial support both of our leading shareholder and a Ukrainian-based lender and, all of this in a now somewhat less volatile political climate, is combining to place the core Black Sea trade on a positive footing – to such degree (subject of course, to continuing improvement in the political climate in Ukraine) as to lead the Board to believe that 2014 cargoes and operating margins may well deliver even greater volumes in the current year and to considerably more positive effect.

Continuing in a positive vein, I believe that the Directors can point to a number of substantial successes having been delivered since the beginning of the new financial year.

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Notably, in that period the Group has had to meet and overcome operational challenges which arose as the Ukrainian crisis developed in Q1-14. Perhaps curiously, but I believe as a direct result of the very strong relationships that the Group already had in Ukraine, those negative issues have actually allowed the Group to build an even stronger platform from which we will be able to expand our Ukrainian business into Western Europe and the Middle East.

The Company has made a number of important trading announcements in the course of the current year to date, the most relevant trade-related of which are summarised below:

- Major new supply contracts and shipping arrangements (13 January 2013)
- Third Turkish MDF supply contract win/New port and logistics agreements (10 February 2014)
- Relocation and restructuring of Ukrainian operations and expansion into Montenegro and Spain (10 April 2014)
- Cancellation of deferred consideration re Nikofeso acquisition (8 May 2014)
- Successful trial of a "game-changing" cold cure binder system for the creation of wood pellets from sawdust (21 May 2014).

While the current year has seen major political turbulence in our core location of Ukraine – and there can be no certainty as to when those disturbances will finally subside – at the time of writing, it would appear that these difficulties are being contained in the eastern part of the country. While one must be conscious of the possibility of a westward extension of the troubles into the Odessa region, the Board's current view is that there is reasonable justification to believe that, in at least the short- medium term, AEG will be able to take advantage of the very positive relationship with the Ukrainian State Forestry and the favourable foreign exchange conditions that currently prevail. Accordingly we are now embarking on a major expansion of activity both in Western Ukraine for, primarily biomass, as well as in our core operations for MDF-quality woodchip.

To support this expansion, the Group has now installed new processing equipment in Yuzhny port to enhance the existing MDF chipping equipment. We will also be installing new biomass wood chipping capability in Western Ukraine to support our enlarged operations in that region.

Our new route from Spain into Italy has proved reliable for the supply of biomass materials, and, while the trial shipments from Montenegro to Italy were successful as to the logistics of the supply chain, high levels of moisture in the material delivered to us resulted in the net calorific value ("NCV") of the cargoes being disappointingly low. Accordingly, management will maintain a watching brief alongside our Montenegrin partners with a view to resuming operations from there at such time as the raw material feedstock will reliably deliver levels of NCV consistent with the operational and economic demands of both our Italian customers and those of the Company. Biomass cargoes from Spain will continue for the foreseeable future based on economic benefit criteria.

In prospect, your Company has a number of important development opportunities available to it. These include:

- Expanding our core Black Sea trade as the volume potential of cargoes to our Turkish customer base has opened up to such extent as to be limited only by the availability of working capital to finance the trade.
- Expanding both our existing forestry assets in Western Ukraine and taking on new licences on the western border with Poland, Hungary and Romania for the supply of biomass feed stock to these jurisdictions. This is a direct consequence of the new government in Kiev having made the commitment to build the Ukrainian forestry resource sector to be an important contributor to building exports, with AEG as a leading preferred partner.

- The building of a new domestic Ukrainian biomass revenue channel as Ukraine looks to establish increasing independence from overseas oil and gas providers. This opportunity links directly to the preceding point and especially to the expansion of new resources in Western Ukraine.
- There is great potential for the pelleting of sawdust and wood fines into high calorific value pellets using the new "cold cure" system trialled in Belfast in May 2014. While this is very much an "in process" development project with new partners, and is a project where there remains much to both do and prove before a full scale commercial system can be put in place, the scale of interest from potential investors, strategic partners and customers has proved to be even greater than first expected. There is no doubt that management will have to address a number of key challenges along the way, including those in areas such as IP, technical design, process control systems and manufacturing scale-up to name just a few; however, given the "game changing" possibilities vested in the technology, the level of effort required to be expended to achieve our goal remains both deliverable and justifiable. Of course, there can be no promises of ultimate success at this stage, but that status detracts not at all from the upside of the project which will continue to receive the fullest possible support of the Board and the absolute commitment to success from those charged with its delivery.

In order to deliver positive results in all of the above areas of opportunity, the Group's organisational structure has evolved as shown below:

Executive management

Richard Spinks	Executive Director and CEO with overall responsibility for the Group
Matteo Girlanda	Executive Director and COO responsible for all woodchip operations, in Ukraine, Spain, Montenegro or elsewhere.

Senior management

Warwick Smith	Advises the Executive and Board on the financial aspects of new business opportunities and supports development of management reporting systems.
Olga Popova	Group Financial Controller with overall responsible for all financial and management reporting.

Key advisers/consultants

Brian Evans-Jones	General Manager of AEG Pelleting responsible for management and roll-out of the development of the pelleting project.
Oles Kopets	In-country director of Active Energy Ukraine. Oles's responsibilities have been expanded to include the build-out of AEG's operations in Western Ukraine.
Mark Broomer	Responsible for all web-based and corporate presentational materials issued by the Group; also provides support with global key customer business development activities.

Country managers

Pablo Guererro	Spanish in-country manager responsible for supporting all biomass woodchip resourcing and shipping from Spain
Davide Ghelli	Italian in-country manager responsible for all current and new business in Italy in the biomass sector.
Maurizio Del Bianco	Balkan Regional Manager responsible for operations in Montenegro and in assisting in the roll-out of sales and distribution in the new territories of Hungary and Romania from existing and new operations in Western Ukraine.

The current key operational challenges being addressed at this time are:

- Political stability in Ukraine.
- Availability of adequate finance on acceptable terms needed to finance the planned expansion of the business against a background of having incurred losses in first 8-9 months of the expanded operations following the acquisition of Nikofeso in June 2013.
- Ensuring an uninterrupted flow and control of the vertical logistics chain from forest to factory/forest to boiler, taking into account multiple operating variables such as seasonality, weather conditions and shipping capacity/availability. The Group continues to work towards the establishment of a scalable, seamless, supply chain by profitably sourcing, processing and distributing product to both overseas and domestic Ukrainian clients from multiple points of operation, whether in the Ukraine or elsewhere.
- The ability of our new port facility in Yuzhny to effectively process the higher volumes of woodchip, specifically that associated with the expansion of the Black Sea trade.
- A key part of the logistics chain is controlling the physical distribution of the product. The Company had to endure the consequences of a breakdown in 2013 of the then extant shipping arrangements, and while the replacement arrangements are proving stable and effective, we remain dependent on third parties to deliver the product to our customers. Management devotes a considerable proportion of their time to this aspect and remains engaged in securing long-term arrangements to ensure that, as far as may be reasonably possible, the coordination of supply and processing of raw materials is matched to the availability of the method of delivery to customers, whether by road, rail or (mainly) by sea. This operational component remains an essential feature of meeting the Group's SLA/performance requirements and in establishing scalable processes and ensuring the availability of necessary assets at the right time and in the right place.
- Recruiting senior and middle management personnel both in Ukraine and elsewhere, especially in the finance and logistics functions. As an enterprise that is engaged on building several new or nearly new business activities, management resources, which are already limited in consideration of the scale of major business developments being undertaken, will remain under pressure for the foreseeable future.

Key Performance Indicators

The undernoted list is not exhaustive and not all of the items are capable of quantitative measurement; however, the qualitative issues are equally important.

- Achieving planned shipping volumes for biomass and MDF trades
- Improving gross margin returns on all goods shipped, whether as to biomass or for MDF
- Meeting contractual obligations to customers
- Minimising the impact of major external issues
- Raising on normal terms sufficient working and long term capital to meet the fiscal demands of the business
- Meeting production, processing and loading targets
- Minimising the negative impact of demurrage
- Meeting product specifications for all commercial product offerings

While it is likely that other KPIs will be noted as the business develops, the Directors believe that the detailed information published by the Company either in Regulatory News Service announcements or in the Company's published Operating Review statements provide the best guide to the Group's progress and performance.

Risk and Uncertainties

Political Risk

Maintaining a consistently reliable source of raw materials is pivotal to the future success of the Company. The current principal source of input materials is Ukraine, and while management remains ever vigilant in this sometimes volatile political climate, there can be no certainty that existing and planned Ukrainian sources of supply will be able to be maintained and or established.

Financing Risk

The principal financial risks faced by the Group are discussed further in note 21 to the financial statements.

Internal Controls and Risk Management

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

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

The Directors have reviewed the current level of effectiveness of internal controls and consider that further work is required in this area. To that end, the Group has recently engaged the services of a highly experienced Ukrainian Group Financial Controller whose job specification includes a detailed review of these controls in Ukraine and other overseas territories in which the Group operates with a view to building an integrated group-wide internal control system.

STRATEGIC REPORT
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Forward Looking Statements

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

Corporate Governance

Companies whose shares trade on AIM are not required to make an annual statement to shareholders regarding compliance with the UK Corporate Governance Code. However, the Company is committed to high standards of corporate governance and the Company seeks to comply with the principles of Code, insofar as they are appropriate to the Company at this stage in its development.

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

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

Role of the Board

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

Board Committees

Given the size of the Company it is not appropriate at this time to have designated committee membership. Accordingly, the full Board acts as all of the Audit, Remuneration and Nominations committee.

Corporate Responsibility

The Board takes regular account of the significance of social, environmental and ethical matters affecting the Group wherever it operates. While it has not yet adopted a specific set of policies on corporate social responsibility, it seeks to protect the interests of all of its stakeholders through individual policies and through ethical and transparent actions. In the course of 2014 the Company expecst to formally adopt an anti-corruption policy and code of conduct.

Shareholders

The Board seeks to protect the interests of its shareholders and other stakeholders by following, where appropriate, the guidelines in the UK Corporate Governance Code and the Directors are always prepared, where practicable, to enter into dialogue with all such parties to promote a mutual understanding of objectives.

Environment

The Board recognises that its principal current activity has the potential to impact on local environments and is committed to working with state and other bodies in Ukraine and elsewhere to establish and follow principles of environmental sustainability and renewability.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

Employees

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

Supplier and Contractors

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

Health and Safety

The Board recognises that it has a responsibility to provide strategic leadership and direction in the development of the Group's health and safety strategy in order to protect all of its stakeholders. Accordingly, the Group is currently developing a health and safety policy to clearly define roles and responsibilities and in order to identify and manage risk.

This Strategic Report was approved by the Board of Directors on 30 June 2014 and signed on its behalf by:

Colin Hill
Non-Executive chairman

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors present their report together with the audited financial statements of the Company and the Group for the year ended 31 December 2013.

In accordance with section 414C(11) of the Companies Act 2006, the Directors have chosen to include in the Strategic Report (on pages 6 to 14) particulars of important events affecting the Group which have occurred since the end of the period and an indication of likely future developments in the Group's business.

Dividends

No dividend is proposed for the year ended 31 December 2013 (2012: £nil).

Financial instruments and financial risk management

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

Directors

The Directors during the year under review were:

C W Hill
R G Spinks
G Valoroso
M Girlanda (appointed 27 June 2013)

Remuneration

Remuneration and benefits received during the year ended 31 December 2013 for Directors were as follows:

	Gross salary and fees	Share-based payments	Outstanding Share options and warrants	Exercise price
	£	£	No.	P
C W Hill	60,000	20,318	*16,653,322	1.25
R G Spinks	140,000	109,733	**41,733,333	1.25
G Valoroso	21,000	-	-	-
M Girlanda	79,105	-	12,500,000	3.00
	300,105	130,051	70,886,655	

* Includes 15,000,000 JSOP shares (see note 18 to the financial statements)

** Includes 40,000,000 share options with a share price hurdle of 3p

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

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2013

Substantial Shareholders

The Directors are aware of the following substantial shareholdings of 3 per cent of more of the current Issued Ordinary Share Capital and Total Voting Rishts ("TVR") (excluding the 62,500,000 ordinary shares in treasury) of 556,525,570 shares on 27 June 2014:

Ordinary shares of 1p each	Number	TVR % holding
Gravendonck Private Foundation	169,500,000	30.50%
Eastwood SA	67,983,313	12.22%
Windstar and related parties	63,360,000	11.38%
Brahma Finance Limited	21,658,543	3.89%
Okritie	18,928,486	3.40%

Directors' responsibilities

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2013

Statement as to disclosure of information to auditors

Each Director has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- they have taken all the 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 auditor is aware of that information.

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

Auditors

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

By order of the Board:

C W Hill
Director
30 June 2014

Company registration number: 03148295

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

We have audited the financial statements of Active Energy Group plc for the year ended 31 December 2013 which comprise the group and company statement of financial position, the group statement of comprehensive income, the group statement of cash flows, the group statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

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 use to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2013 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.

Emphasis of matter – Going concern

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

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following 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.

James Fearon (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
Date: 30 June 2014

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

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 £	2012 £
REVENUE	2	**5,246,542**	**230,710**
Cost of sales		**(5,333,620)**	**(150,567)**
GROSS (LOSS)/PROFIT		**(87,078)**	**80,143**
Release of deferred consideration (Western Ukraine)		**-**	**167,500**
Administrative expenses		**(2,135,873)**	**(977,098)**
OPERATING LOSS	4	**(2,222,951)**	**(729,455)**
Finance income	5	**13,958**	**3**
Finance costs	5	**(64,649)**	**(4,243)**
LOSS BEFORE TAXATION		**(2,273,642)**	**(733,695)**
Income tax	6	**6,015**	**37,828**
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(2,267,627)**	**(695,867)**
Loss from discontinued operations net of tax	24	**-**	**(685,567)**
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**(2,267,627)**	**(1,381,434)**
Loss per share (pence) – basic and diluted	7	**(0.58)**	**(0.58)**
Loss per share (pence) - continuing operations basic and diluted	7	**(0.58)**	**(0.29)**

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent Company profit and loss account.

The notes on pages 28 to 60 form part of these financial statements.

ACTIVE ENERGY GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 £	2012 £
LOSS FOR THE YEAR	**(2,267,627)**	**(1,381,434)**
OTHER COMPREHENSIVE INCOME:		
Exchange differences on translation of foreign operations	**(182,925)**	**(46,581)**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	**(2,450,552)**	**(1,428,015)**

The notes on pages 28 to 60 form part of these financial statements.

ACTIVE ENERGY GROUP PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	2013	2012
		£	£
NON-CURRENT ASSETS			
Intangible assets	8	2,714,155	1,621,410
Property, plant and equipment	9	112,003	686
		2,826,158	1,622,096
CURRENT ASSETS			
Inventory	11	857,610	-
Trade and other receivables	12	531,467	303,956
Cash and cash equivalents	13	948,222	158,004
		2,337,299	461,960
TOTAL ASSETS		5,163,457	2,084,056
CURRENT LIABILITIES			
Trade and other payables	14	501,852	212,137
Income tax liabilities		4,253	3,909
		506,105	216,046
NON-CURRENT LIABILITIES			
Deferred income tax liabilities	15	260,462	264,794
Loans and borrowings	16	876,808	-
		1,137,270	264,794
TOTAL LIABILITIES		1,643,375	480,840
NET ASSETS		3,520,082	1,603,216
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital	17	6,186,256	2,373,522
Share premium	19	4,380,335	4,209,901
Merger reserve	19	1,502,500	940,000
Foreign exchange reserve	19	(229,506)	(46,581)
Own shares held reserve	19	(899,570)	(94,420)
Convertible debt and warrant reserve	19	621,873	308,507
Retained earnings	19	(8,041,806)	(6,087,713)
TOTAL EQUITY		3,520,082	1,603,216

The financial statements were approved and authorised for issue by the Directors on 30 June 2014 and were signed on their behalf by:

C W Hill
Director

The notes on pages 28 to 60 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 £	2012 £
Cash outflow from operations	**20**	**(2,580,106)**	**(1,170,563)**
Income tax paid		**(26,199)**	**-**
Net cash outflow from operating activities		**(2,606,305)**	**(1,170,563)**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**67,674**	**-**
Purchase of intangible asset		**-**	**(224)**
Purchase of property, plant and equipment		**(132,045)**	**(1,317)**
Sale of property, plant and equipment		**-**	**1,417**
Interest received		**13,958**	**3**
Net cash outflow from investing activities		**(50,413)**	**(121)**
Cash flows from financing activities			
Issue of equity share capital, net of share issue costs		**2,467,012**	**20,596**
Convertible loan from shareholder		**1,000,000**	**308,507**
Interest paid on convertible loan		**(45,000)**	**-**
Net cash inflow from financing activities		**3,422,012**	**329,103**
Net increase/(decrease) in cash and cash equivalents		**765,294**	**(841,581)**
Cash and cash equivalents at beginning of the year		**158,004**	**998,586**
Effect of exchange rate changes		**24,924**	**999**
Cash and cash equivalents at end of the year	**13**	**948,222**	**158,004**

The notes on pages 28 to 60 form part of these financial statements.

ACTIVE ENERGY GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital £	Share premium £	Merger reserve £	Foreign exchange reserve £	Own shares held reserve £	Convertible debt and warrant reserve £	Retained earnings £	Total equity £
At 1 January 2012	**2,366,090**	**4,196,737**	**940,000**	**-**	**(94,420)**	**-**	**(4,706,279)**	**2,702,128**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(1,381,434)**	**(1,381,434)**
Other comprehensive income	**-**	**-**	**-**	**(46,581)**	**-**	**-**	**-**	**(46,581)**
Total comprehensive loss for the year	**-**	**-**	**-**	**(46,581)**	**-**	**-**	**(1,381,434)**	**(1,428,015)**
Issue of share capital	**7,432**	**13,164**	**-**	**-**	**-**	**-**	**-**	**20,596**
Issue of convertible loan	**-**	**-**	**-**	**-**	**-**	**308,507**	**-**	**308,507**
At 31 December 2012	**2,373,522**	**4,209,901**	**940,000**	**(46,581)**	**(94,420)**	**308,507**	**(6,087,713)**	**1,603,216**
At 1 January 2013	**2,373,522**	**4,209,901**	**940,000**	**(46,581)**	**(94,420)**	**308,507**	**(6,087,713)**	**1,603,216**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(2,267,627)**	**(2,267,627)**
Other comprehensive income	**-**	**-**	**-**	**(182,925)**	**-**	**-**	**-**	**(182,925)**
Total comprehensive loss for the year	**-**	**-**	**-**	**(182,925)**	**-**	**-**	**(2,267,627)**	**(2,450,552)**
Issue of share capital	**2,760,400**	**219,022**	**562,500**	**-**	**-**	**-**	**-**	**3,541,922**
Conversion of convertible loan	**277,334**	**-**	**-**	**-**	**-**	**(277,334)**	**-**	**-**
Issue of convertible loan	**-**	**-**	**-**	**-**	**-**	**142,840**	**-**	**142,840**
Issue of warrants	**-**	**-**	**-**	**-**	**-**	**447,860**	**-**	**447,860**
Share based payments	**-**	**-**	**-**	**-**	**-**	**-**	**313,534**	**313,534**
Share issue expenses	**-**	**(86,088)**	**-**	**-**	**-**	**-**	**-**	**(86,088)**
Treasury shares issued	**625,000**	**-**	**-**	**-**	**(625,000)**	**-**	**-**	**-**
JSOP shares issued	**150,000**	**37,500**	**-**	**-**	**-**	**-**	**-**	**187,500**
Own shares held by JSOP	**-**	**-**	**-**	**-**	**(180,150)**	**-**	**-**	**(180,150)**
At 31 December 2013	**6,186,256**	**4,380,335**	**1,502,500**	**(229,506)**	**(899,570)**	**621,873**	**(8,041,806)**	**3,520,082**

The notes on pages 28 to 60 form part of these financial statements.

ACTIVE ENERGY GROUP PLC

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	2013	2012
		£	£
NON-CURRENT ASSETS			
Property, plant and equipment	9	967	-
Investments	10	2,840,739	1,568,948
		2,841,706	1,568,948
CURRENT ASSETS			
Trade and other receivables	12	2,096,568	346,624
Cash and cash equivalents	13	744,147	130,065
		2,840,715	476,689
TOTAL ASSETS		5,682,421	2,045,637
CURRENT LIABILITIES			
Trade and other payables	14	222,259	152,543
NON-CURRENT LIABILITIES			
Loans borrowings	16	876,808	-
TOTAL LIABILITIES		1,099,067	152,543
NET ASSETS		4,583,354	1,893,094
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital	17	6,186,256	2,373,522
Share premium	19	4,380,335	4,209,901
Merger reserve	19	1,502,500	940,000
Own shares held reserve	19	(805,150)	-
Convertible debt and warrant reserve	19	621,873	308,507
Retained earnings	19	(7,302,460)	(5,938,836)
TOTAL EQUITY		4,583,354	1,893,094

The financial statements were approved and authorised for issue by the Directors on 30 June 2014 and were signed on their behalf by:

C W Hill
Director

The notes on pages 28 to 60 form part of these financial statements.

ACTIVE ENERGY GROUP PLC

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012
		£	£
Net cash outflow from operating activities	20	**(2,797,437)**	**(1,030,873)**
Cash flows from investing activities			
Purchase of shares in subsidiary		**(23,161)**	**(24,040)**
Purchases of property, plant and equipment		**(1,290)**	**-**
Interest received		**13,958**	**-**
Net cash (outflow)/inflow from investing activities		**(10,493)**	**(24,040)**
Cash flows from financing activities			
Issue of equity share capital, net of share issue costs		**2,467,012**	**20,596**
Convertible loan from shareholder		**1,000,000**	**308,507**
Interest paid on convertible loan		**(45,000)**	**-**
Net cash inflow from financing activities		**3,422,012**	**329,103**
Net increase/(decrease) in cash and cash equivalents		**614,082**	**(725,810)**
Cash and cash equivalents at beginning of the year		**130,065**	**855,875**
Cash and cash equivalents at end of the year	13	**744,147**	**130,065**

The notes on pages 28 to 60 form part of these financial statements.

ACTIVE ENERGY GROUP PLC

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital	Share premium	Merger reserve	Own shares held reserve	Convertible debt and warrant reserve	Retained earnings	Total equity
	£	£	£	£	£	£	£
At 1 January 2012	**2,366,090**	**4,196,737**	**940,000**	**-**	**-**	**(4,955,088)**	**2,547,739**
Loss and total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**(983,748)**	**(983,748)**
Issue of share capital	**7,432**	**13,164**	**-**	**-**	**-**	**-**	**20,596**
Issue of convertible loan	**-**	**-**	**-**	**-**	**308,507**	**-**	**308,507**
At 31 December 2012	**2,373,522**	**4,209,901**	**940,000**	**-**	**308,507**	**(5,938,836)**	**1,893,094**
At 1 January 2013	**2,373,522**	**4,209,901**	**940,000**	**-**	**308,507**	**(5,938,836)**	**1,893,094**
Loss and total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**(1,677,158)**	**(1,677,158)**
Issue of share capital	**2,760,400**	**219,022**	**562,500**	**-**	**-**	**-**	**3,541,922**
Conversion of convertible loan	**277,334**	**-**	**-**	**-**	**(277,334)**	**-**	**-**
Interest on convertible loan	**-**	**-**	**-**	**-**	**142,840**	**-**	**142,840**
Issue of warrants	**-**	**-**	**-**	**-**	**447,860**	**-**	**447,860**
Share based payments	**-**	**-**	**-**	**-**	**-**	**313,534**	**313,534**
Share issue expenses	**-**	**(86,088)**	**-**	**-**	**-**	**-**	**(86,088)**
Treasury shares issued	**625,000**		**-**	**(625,000)**	**-**	**-**	**-**
JSOP shares issued	**150,000**	**37,500**	**-**	**-**	**-**	**-**	**187,500**
Own shares held by JSOP	**-**	**-**	**-**	**(180,150)**	**-**	**-**	**(180,150)**
At 31 December 2013	**6,186,256**	**4,380,335**	**1,502,500**	**(805,150)**	**621,873**	**(7,302,460)**	**4,583,354**

The notes on pages 28 to 60 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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 25.

Standards, interpretations and amendments to existing standards

The following new and amended IFRS and IFRIC interpretations were effective as of 1 January 2013:

• IAS 1 (amendment) Presentation of Financial Statements

• IAS 19 (amendment) Employee Benefits

• IFRS 7 (amendment) Offsetting Financial Assets and Liabilities

• IFRS 13 Fair Value Measurement

We believe that there are no areas within these standards which have a material impact to the Group.

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

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

• IFRS 9 Financial Instruments – Classification and Measurement – 1 January 2015

• IFRS 10 Consolidated Financial Statements – 1 January 2014

• IFRS 11 Joint Arrangements – 1 January 2014

• IFRS 12 Disclosure of interest in other entities – 1 January 2014

• IAS 27 (amended) Consolidated and separate financial statements – 1 January 2014

• IAS 28 (amended) Investments in associates and joint ventures – 1 January 2014

• IAS 32 (amendment) Offsetting financial assets and liabilities – 1 January 2014

1. ACCOUNTING POLICIES (continued)

Going concern

Based on the latest trading expectations and associated cash flow forecasts of the Group headed by Active Energy Group plc, the Directors have considered the cash requirement for both the Group and the Company, and subject to meeting the growth in forecast volumes and margin improvements, together with obtaining funding for any additional working capital needs, the Directors believe that the Group and Company will be able to meet their liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements.

The Directors are confident they would be able to raise any additional funding as and when required, particularly given the successful raising of finance both during the year and subsequent to the year end. However, this cannot be guaranteed, particularly in the event that trading falls below management's expectations. As such the ability to obtain additional funding, should it be required, is considered to be a material uncertainty that may cash significant doubt over the Group's and Company's ability to continue as a going concern.

Basis of consolidation

The financial information incorporates the results of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The consolidated financial statements present the financial results of the Company and its subsidiaries (the Group) as if they formed a single entity. Where necessary, adjustments are made to the results of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

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

1. ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

Goodwill and business combinations

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

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

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

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

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

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

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

1. ACCOUNTING POLICIES (continued)

Externally acquired intangible assets

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

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see note 25 related to critical estimates and judgements below).

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

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

Property, plant and equipment

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

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

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

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

Inventories

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

Segment reporting

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

1. ACCOUNTING POLICIES (continued)

Financial instruments

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

The accounting policy for each category is as follows:

Loans and receivables

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

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

Other financial liabilities

Other financial liabilities include the following items:

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

Classification of financial instruments issued by the Group

Under IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

(b) where the instrument will or may be settled in the Company’s own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company’s own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company’s own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1. ACCOUNTING POLICIES (continued)

Taxation

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

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

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

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

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

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

Foreign currencies

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

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

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

1. ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

Convertible debt

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

Leased assets

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

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated income statement on a straight-line basis over the lease term.

Share based payments

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

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

1. ACCOUNTING POLICIES (continued)

Share based payments (continued)

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

Treasury shares

Consideration paid/received for the purchase/sale of treasury shares is recognised directly in equity. The cost of treasury shares held is presented within the "own shares held" reserve. Any excess of the consideration received on the sale of treasury shares over the weighted average cost of the shares sold is credited to retained earnings.

Investment in subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

JSOP

The JSOP shares reserve arises when the Company issues equity share capital under its Joint Share Ownership Plan, which is held in trust by the Group's Guernsey Special Purpose Trust. The interests of the Trust are consolidated into the Group's financial statements and the relevant amount treated as a reduction in equity within the "own shares held" reserve.

Employee benefit trust

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

2. SEGMENTAL INFORMATION

As reported in the financial statements for the year ended 31 December 2011, during February 2012 the Directors took the decision to close the Group's Voltage Optimisation and Engineering divisions, the former in light of the challenges experienced in the Voltage Optimisation market and the latter following unsuccessful attempts to win substantial public sector contracts.

During the year, the Group made an acquisition (note 22) and entered the Woodchip for MDF ("MDF") market which has been disclosed as a new segment in addition to the Group's Biomass division.

	2013 MDF £	2013 Biomass £	2013 Total £
Revenue from external customers	**981,303**	**4,265,239**	**5,246,542**
Operating loss	**98,869**	**392,222**	**491,091**
Finance income	-	-	-
Finance costs	-	-	-
Loss before tax	**98,869**	**392,222**	**491,091**
Tax credit	-	**(6,015)**	**(6,015)**
Loss for the period	**98,869**	**386,207**	**485,076**
Loss from continuing operations	**98,869**	**386,207**	**485,076**
Loss from discontinued operations	-	-	-

Other segmented items included in the income statement:

Depreciation on property plant and equipment	**(4,902)**	**(19,448)**	**(24,350)**
Amortisation of intangibles	-	**(171,357)**	**(171,357)**

All assets and liabilities as at 31 December 2013 and capital expenditure for the period are inter-changeable between the divisions of company and therefore no segmental analysis has been presented.

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

	2012 Voltage Optimisation £	2012 Engineering £	2012 Biomass £	2012 Total £
Revenue from external customers	-	-	230,710	230,710
Operating loss	(310,530)	(375,037)	(105,520)	(791,087)
Finance income	-	-	3	3
Finance costs	-	-	(4,243)	(4,243)
Loss before tax	(310,530)	(375,037)	(109,760)	(795,327)
Tax credit	-	-	37,828	37,828
Loss for the period	(310,530)	(375,037)	(71,932)	(757,499)
Loss from continuing operations	-	-	(71,932)	(71,932)
Loss from discontinued operations	(310,530)	(375,037)	-	(685,567)

Other segmented items included in the income statement:

Release of contingent consideration	-	-	167,500	167,500
Depreciation on property plant and equipment	-	-	(631)	(631)
Amortisation of intangibles	-	-	(180,132)	(180,132)

2. SEGMENTAL INFORMATION (continued)

Segmented assets and liabilities as at 31 December 2012 and capital expenditure for the period were:

	2012 Voltage Optimisation £	2012 Engineering £	2012 Biomass £	2012 Total £
Segment assets	30,258	17,778	1,870,337	1,918,373
Unallocated corporate assets				165,683
Consolidated total assets				2,084,056
Segment liabilities	(43,044)	(3,909)	(281,344)	(328,297)
Unallocated corporate liabilities				(152,543)
Consolidated total liabilities				(480,840)
Additions to non-current assets	-	-	1,541	1,541

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

	2013 £	2012 £
Total profit or loss from reportable segments	(485,076)	(71,932)
Unallocated amount - corporate expenses	(1,346,426)	(623,935)
Unallocated amount - finance income	13,958	-
Unallocated amount - finance expense	(64,649)	-
Share based payments	(385,434)	-
Loss from discontinued activities	-	(685,567)
Loss for the period	(2,267,627)	(1,381,434)

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

	2013 £	2012 £
Italy	4,260,063	-
Turkey	981,303	-
Ukraine	5,176	230,710
UK	-	-
	5,246,542	230,710

In 2013, revenue of £2,480,600 (2012: £219,409) was derived from one external customer.

2. SEGMENTAL INFORMATION (continued)

An analysis of non-current assets by location of assets:

	2013	2012
	£	£
UK	967	-
Ukraine	2,825,191	1,622,096
	2,826,158	1,622,096

3. EMPLOYEE COSTS AND DIRECTORS

	2013	2012
	£	£
Group		
Wages and salaries	429,873	389,832
Social security costs	36,272	42,794
	466,145	432,626
Share based payments	267,900	-
	734,045	432,626

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

	2013	2012
Directors	4	3
Sales	-	2
Administration	14	-
Production	48	-
	66	5

Directors' and key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. During the period these were considered to be the Directors of the Company listed on page 15.

	2013	2012
		£
Directors' emoluments	300,105	187,175
Compensation for loss of office	-	112,833
	300,105	300,008
Share based payments	160,907	-
	461,012	300,008

The emoluments of the highest paid Director for the year were £140,000 (2012: £60,008). Further details are included on page 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. OPERATING LOSS

Group	**2013**	**2012**
The loss before income tax is stated after charging/(crediting):	**£**	**£**
Operating leases - premises	**10,709**	**12,860**
Operating leases – vehicles	**855**	**12,833**
Hire of plant and machinery	**94,578**	**-**
Amortisation of intangible assets	**171,508**	**180,132**
Depreciation – owned assets	**24,350**	**631**
Loss/(profit) on disposal of fixed assets	**31,910**	**(1,417)**
Auditors' remuneration – parent company and consolidation	**58,613**	**19,500**
Auditors' remuneration – subsidiary audit	**-**	**10,000**
Auditors' remuneration – taxation compliance services	**8,203**	**2,450**
Share based payments (see note below)	**385,434**	**-**
Foreign exchange	**100,322**	**1,935**

The share based payment charge includes an amount of £71,900 in respect of shares issued to employees.

5. FINANCE INCOME AND COSTS

	2013	**2012**
Group	**£**	**£**
Finance income		
Bank interest	**13,958**	**3**
Finance costs		
Imputed interest on convertible loan	**19,649**	**4,243**
Interest paid – Cash settled	**45,000**	**-**
	64,649	**4,243**

6. INCOME TAX

Group	2013 £	2012 £
Current tax		
Overseas tax charge	**26,543**	**-**
Deferred tax		
Reversal of temporary differences	**(32,558)**	**(37,828)**
Total income tax credit	**(6,015)**	**(37,828)**

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:

	2013 £	2012 £
Loss on ordinary activities before tax	**(2,273,642)**	**(1,419,262)**
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	**(528,622)**	**(347,719)**
Effects of:		
Expenses non-deductible for tax purposes	**157,066**	**-**
Current year tax losses	**364,273**	**341,415**
Overseas tax rate difference from UK rate	**7,283**	**6,304**
Overseas tax charge	**26,543**	**-**
Movement in deferred tax liabilities	**(32,558)**	**(37,828)**
Total income tax credit	**(6,015)**	**(37,828)**

7. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the company of £2,267,627 (2012: £1,381,434) by the weighted average number of ordinary shares in issue during the year, excluding own shares held, of 391,315,205 (2012: 237,283,001). The earnings per share for continuing operations is calculated by dividing the loss on continuing operations of £2,267,627 (2012: £695,867) by the weighted average number of ordinary shares in issue during the year of 391,315,205 (2012: 237,283,001). There is no dilutive effect of share options outstanding on earnings per share.

8. INTANGIBLE ASSETS

Group	Goodwill	Contractual relationships	Other	Total
Cost	£	£	£	£
At 1 January 2012	-	1,858,505	-	1,858,505
Additions	-	-	224	224
Acquired in business combination	-	-	-	-
Foreign exchange adjustment	-	(57,187)	-	(57,187)
At 31 December 2012	-	1,801,318	224	1,801,542
Acquired in business combination (note 22)	1,438,930	-	-	1,438,930
Foreign exchange adjustment	(95,691)	(87,750)	(11)	(183,452)
At 31 December 2013	1,343,239	1,713,568	213	3,057,020
Accumulated amortisation				
At 1 January 2012	-	-	-	-
Charge for year	-	180,132	-	180,132
At 31 December 2012	-	180,132	-	180,132
Charge for year	-	171,357	151	171,508
Foreign exchange adjustment	-	(8,775)	-	(8,775)
At 31 December 2013	-	342,714	151	342,865
Net book value				
At 31 December 2013	1,343,239	1,370,854	62	2,714,155
At 31 December 2012	-	1,621,186	224	1,621,410

Goodwill

Goodwill arises from the acquisition of Nikofeso. This business is a single cash generating unit ("CGU") and the asset has been reviewed to ascertain if it has been impaired. The review was based upon future income growth projections including further capital expenditure and the resultant cash generated was discounted. The review used management's forecasts for years one and two, an annual income growth rate of 20% for years three to five and a 0% growth rate for years six onwards and a weighted cost of capital ("WACC") of 30%. No impairment was required. The projections were sensitised by both reducing the income growth rate to 15% and increasing the WACC to 35% and this would still not result in an impairment to the carrying value of the asset.

Contractual relationships

Contractual relationships comprise licences granted by the Lyubomi Forestry, which is the administrator of the Lyubomi Forest in the Ukraine. The remaining useful life on contractual relationships is assessed to be 8 years. These licences are treated as a CGU and future projections for the remaining life of the licences have been produced and the resultant cash generated was discounted. The review assumed a WACC of 30%. No impairment was recognised. The projections were sensitised by increasing the WACC to 35%; this would result in an impairment of £101,259 being recognised. The projections were also sensitised by decreasing cash flow by 10%; this would result in an impairment of £52,355.

9. PROPERTY, PLANT AND EQUIPMENT

Group	Plant and equipment	Furniture and office equipment	Total
Cost	**£**	**£**	**£**
At 1 January 2012	**27,847**	**47,974**	**75,821**
Additions	**-**	**1,317**	**1,317**
At 31 December 2012	**27,847**	**49,291**	**77,138**
Acquired in business combination (note 22)	**50,871**	**7,358**	**58,229**
Additions	**122,936**	**9,109**	**132,045**
Disposals	**(56,550)**	**(50,100)**	**(106,650)**
Foreign exchange difference	**(5,947)**	**(798)**	**(6,745)**
At 31 December 2013	**139,157**	**14,860**	**154,017**
Accumulated depreciation			
At 1 January 2012	**27,847**	**47,974**	**75,821**
Charge for year	**-**	**631**	**631**
At 31 December 2012	**27,847**	**48,605**	**76,452**
Acquired in business combination (note 22)	**16,152**	**1,601**	**17,753**
Charge for year	**17,206**	**7,144**	**24,350**
Disposals	**(29,987)**	**(44,753)**	**(74,740)**
Foreign exchange difference	**(1,611)**	**(190)**	**(1,801)**
At 31 December 2013	**29,607**	**12,407**	**42,014**
Net book value			
At 31 December 2013	**109,550**	**2,453**	**112,003**
At 31 December 2012	**-**	**686**	**686**

9. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Furniture and office equipment
Cost	**£**
As at 1 January 2012 and 1 January 2013	**5,494**
Additions	**1,290**
Disposals	**(1,418)**
As at 31 December 2013	**5,366**
Accumulated depreciation	
At 1 January 2012 and 1 January 2013	**5,494**
Charge for year	**323**
Disposals	**(1,418)**
As at 31 December 2013	**4,399**
Net book value	
As at 31 December 2013	**967**
As at 31 December 2012	**-**

10. INVESTMENTS

Company	Shares in subsidiaries
Cost	**£**
At 1 January 2012	**2,467,913**
Addition	**24,040**
At 31 December 2012	**2,491,953**
Additions through acquisition (note 22)	**1,248,630**
Additions through incorporation	**23,161**
At 31 December 2013	**3,763,744**
Provision for impairment	
At 1 January 2012	**923,005**
Provision during the year	**-**
At 31 December 2012 and at 31 December 2013	**923,005**
Net book value	
At 31 December 2013	**2,840,739**
At 31 December 2012	**1,568,948**

At 31 December 2013 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	In liquidation	21 May 2008	100
Cinpart EBT Limited*	Hong Kong	Trustee	22 September 2010	100
Red Line Engineering Services Limited*	United Kingdom	In liquidation	26 April 2011	100
Active Energy Ukraine Limited*	Ukraine	Wood chip processing and distribution	21 December 2011	100
Nikofeso Holdings Limited*	Cyprus	Wood chip distribution	27 June 2013	100
Nikwood Company LLC	Ukraine	Wood chip processing and distribution	27 June 2013	100
Active Energy Trading (EMEA) SarL*	Switzerland	Wood chip distribution	23 July 2013	100
Active Energy Italia s.r.l.*	Italy	Wood chip distribution	6 August 2013	100

* denotes subsidiary is directly held

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11. INVENTORIES

	Group		Company	
	2013	**2012**	**2013**	**2012**
	£	**£**	**£**	**£**
Raw materials	**193,788**	-	-	-
Finished goods and goods for resale	**663,822**	-	-	-
Total	**857,610**	-	-	-

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £2,496,158 (2012: £nil).

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	**2012**	**2013**	**2012**
	£	**£**	**£**	**£**
Current				
Trade receivables	**150,331**	**35,188**	-	-
Provision for impairment	**(46,632)**	**(35,188)**	-	-
Trade receivables – net	**103,699**	-	-	-
Amounts due from group companies	-	-	**1,960,949**	**63,380**
Other receivables	**154,716**	**247,627**	**100,000**	**247,627**
VAT	**18,662**	**27,143**	**18,662**	**19,059**
Prepayments and accrued income	**254,390**	**29,186**	**16,957**	**16,558**
Total	**531,467**	**303,956**	**2,096,568**	**346,624**

In the Directors' opinion the carrying values of trade and other receivables are stated at their fair value, after deduction of appropriate allowances for irrecoverable amounts as these assets are not interest bearing and receipts occur over a short period and are subject to an insignificant risk of changes in value.

Trade and other receivables that have not been received within the payment terms are classified as overdue. There were no overdue other receivables in either the Group or Company in either the current or prior year.

As at 31 December 2013, Group trade receivables of £46,632 (2012: £35,188) were past due and impaired.

	Group	
	2013	**2013**
	£	**£**
At the end of the period	**46,632**	**35,188**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

12. TRADE AND OTHER RECEIVABLES (continued)

The provision for impairment is analysed as follows:

	Group	
	2013	2012
	£	£
At beginning of the period	35,188	35,870
Provided during the period	-	(682)
Provision acquired on business combination	18,136	-
Foreign exchange adjustment	(6,692)	-
	46,632	35,188

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Cash in hand	112	-	112	-
Bank accounts	948,110	158,004	744,035	130,065
	948,222	158,004	744,147	130,065

14. TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Current:				
Trade payables	270,523	48,988	60,538	28,410
Social security and other taxes	20,719	-	923	-
Accruals and deferred income	210,610	163,149	160,798	124,133
	501,852	212,137	222,259	152,543

The trade payables included in the Group and the Company as at 31 December 2013 include an amount of £25,000 in respect of the fees payable to C W Hill.

The carrying values of trade and other payables approximate their fair value, payments occur over a short period and are subject to an insignificant risk of changes in value. All trade and other payables are considered to be payable within three months.

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15. DEFERRED TAXATION

Deferred tax is calculated on temporary differences under the liability method using tax rates applicable in the respective Group entities' jurisdiction. The movement on the deferred tax account is shown below and the balance relates to deferred tax on fair value adjustments related to intangibles:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	£	**£**	**£**	**£**
At beginning of the period	**264,794**	**312,229**	**-**	**-**
Foreign exchange adjustment	**28,226**	**(9,607)**	**-**	**-**
Reversal of temporary differences	**(32,558)**	**(37,828)**	**-**	**-**
At the end of the period	**260,462**	**264,794**	**-**	**-**

No provision for the deferred tax asset in respect of tax losses has been made in the Group or Company due to the uncertainty of the Group or Company being able to generate sufficient future taxable profits from which the future reversal of the timing difference can be deducted. Deferred tax assets in respect of tax losses and other deductible temporary difference not recognised amount to £3,093,199 (2012: £2,524,132) and £2,415,531 (2012: £1,953,146) for the Group and Company respectively.

16. LOANS AND BORROWINGS

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

Group and Company

	Book value	Fair value	Book value	Fair value
	2013	**2013**	**2012**	**2012**
	£	**£**	**£**	**£**
Non-Current:				
Convertible debt	**876,808**	**876,808**	**-**	**-**
Total loans and borrowings	**876,808**	**876,808**	**-**	**-**

Convertible debt

In June 2013 the parent company issued 1,000,000 notes of 9% convertible loan at a face value of £1 each. The loan is repayable in 3 years from the issue date at its total face value of £1,000,000 or can be converted at any time into shares at the holder's option at the rate of 1 share per 1.75p of loan, and was issued together with warrants to subscribe for 19,047,619 shares at a price of 1.75p within a three year period (see note 18). The value of the liability component and the equity conversion component were determined at the date the instrument was issued.

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

17. CALLED UP SHARE CAPITAL

	Issued and fully paid			
	2013 Number	2013 £	2012 Number	2012 £
Allotted, called up and fully paid				
Ordinary shares of 1p each				
At 1 January	**237,352,237**	**2,373,522**	**236,608,971**	**2,366,090**
Shares issued for cash	**203,660,000**	**2,036,600**	**743,266**	**7,432**
Shares issued to settle liabilities	**9,880,000**	**98,800**		
Shares issued for JSOP Trustees	**15,000,000**	**150,000**	**-**	**-**
Share issue in relation to business combinations (note 22)	**62,500,000**	**625,000**	**-**	**-**
Shares issued as Treasury Shares	**62,500,000**	**625,000**		
Conversion of Unsecured Loan Note	**27,733,333**	**277,334**	**-**	**-**
As at 31 December 2013	**618,625,570**	**6,186,256**	**237,352,237**	**2,373,522**

Shares issued for Cash

On 27 June 2013, 203,660,000 ordinary shares of 1p each were issued at 1.25p per share to fund the working capital of the new group following the acquisition of Nikofeso. Attaching to the shares were warrants to subscribe for 67,886,665 ordinary shares of 1p each for a three year period from the date of the first anniversary at an exercise price of 1.25p per share. The proceeds received for the issue were allocated to the ordinary shares and warrant reserve in the same proportion as the fair value of the shares and warrants. Further details on the warrants are set out in note 18.

Shares issued to settle liabilities

On 27 June 2013, 8,280,000 ordinary shares of 1p each were issued together with warrants to subscribe for 2,760,000 ordinary shares of 1p each for a three year period from the date of the first anniversary at an exercise price of 1.25p per share, to settle liabilities to directors and employees of £103,500. The shares and warrants were recorded at fair value and the excess of £89,060 over the extinguished liability was recorded as an expense to the income statement and included in the amount disclosed for the share based payment charge.

On 10 July 2013, a further 1,600,000 ordinary shares of 1p each were issued to settle an outstanding liability for professional fees of £20,000. Similarly the shares were recorded at fair value and the excess of £18,080 over the extinguished liability was recorded as an expense to the profit and loss account.

Shares issued under the Joint Share Ownership Plan ("JSOP")

On 4 July 2013 the Company issued 15,000,000 ordinary shares under the terms of the Company's newly established JSOP at a price of 1.25p per share. £7,350 was subscribed in cash by the beneficiary and £180,150 was advanced to the Trustees of the Plan in order that the shares were issued fully paid. To this extent the transaction was effectively cash neutral to the Company. See note 18 for further details regarding the accounting treatment of these awards.

17. CALLED UP SHARE CAPITAL (continued)

Shares issued in relation to business combinations

On 27 June 2013, 62,500,000 new ordinary shares of 1p each were issued together with warrants to subscribe for 12,500,000 ordinary shares of 1p each for three years from the date of the first anniversary at an exercise price of 3p per share. The shares and warrants were recorded at fair value. Further details on the warrants are set out in note 18.

Shares issued as Treasury Shares

In addition to the consideration shares noted above, a further 62,500,000 ordinary shares of 1p were issued into escrow on acquisition so as to be available to fulfil potential deferred contingent consideration. As the deferred contingent consideration was cancelled and recorded as a measurement period adjustment, the shares have been recorded at nominal value and included within the “own shares held” reserve.

Conversion of convertible loan notes

On 27 June 2013, the convertible loan notes that were recorded in equity due to the terms of the conversion rights attached to the notes, were converted into 27,733,333 ordinary shares of 1p each and warrants to subscribe for 9,244,444 ordinary shares of 1p each for a period of three years from the date of the first anniversary at an exercise price of 1.25p per share. The fair value of consideration received for the loan notes of £308,507 was allocated to the ordinary shares and warrant reserve in the same proportion as the fair value of the shares and warrants with a minimum value ascribed to the ordinary shares of 1p each, being the nominal value. Further details on the warrants are set out in note 18.

18. SHARE OPTIONS AND WARRANTS

The Company has entered into share option arrangements under which the holders are entitled to subscribe for a percentage of the Company's ordinary share capital from time to time. All options vest immediately with the exception of certain options which are based on market performance conditions. The number of warrants and share options exercisable at 31 December 2013 was 185,930,491 (2012: 16,008,386).

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

	2013		2012	
	Weighted average exercise price (pence)	**Number**	**Weighted average exercise price (pence)**	**Number**
At beginning of the period	**7.5**	**16,008,386**	**7.5**	**16,312,672**
Granted	**1.6**	**172,438,727**	**-**	**-**
Expired	**8.3**	**(2,516,622)**	**7.0**	**(304,286)**
At the end of the period	**2.0**	**185,930,491**	**7.5**	**16,008,386**

18. SHARE OPTIONS AND WARRANTS (continued)

At 31 December 2013, the weighted average remaining contractual life of warrants and share options exercisable was 5.0 years (2012 – 4.9 years). The weighted average fair value of options and warrants granted, estimated using the Black-Scholes option-pricing model was 1.9p (2012: nil). The estimated fair values of options granted during the period are based on the following weighted average assumptions:

	Options	
Option pricing model	**Black Scholes**	
	2013	**2012**
Weighted average share price at date of grant	**2.16p**	-
Weighted average exercise price	**1.58p**	-
Expected life	**3 years**	-
Expected volatility	**49.8%**	-
Expected dividend yield	**0%**	-
Risk free interest rate	**0.8%**	-

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

The charge for equity settled share based payments in the year ended 31 December 2013 was £385,434 (2012: £Nil), including an amount of £71,900 in respect of shares issued to employees (see note 17).

Options outstanding at 31 December 2013 were exercisable as follows:

		2013		2012	
Exercise price range (pence)		**Weighted average exercise price (pence)**	**Number**	**Weighted average exercise price (pence)**	**Number**
	1.000	**1.000**	**950,000**	**1.000**	**950,000**
	1.250	**1.250**	**119,891,108**	**1.250**	**-**
	1.500	**1.500**	**7,500,000**	**1.500**	**-**
	1.750	**1.750**	**19,047,619**	**1.750**	**-**
	3.000	**3.000**	**26,000,000**	**3.000**	**-**
	6.375	**6.375**	**1,823,480**	**6.375**	**3,646,960**
	7.000	**7.000**	**1,214,284**	**7.000**	**1,571,426**
	7.500	**7.500**	**9,000,000**	**7.500**	**9,000,000**
	20.000	**20.000**	**504,000**	**20.000**	**840,000**
Expired					
At the end of the period		**2.0**	**185,930,491**	**7.5**	**16,008,386**

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

18. SHARE OPTIONS AND WARRANTS (continued)

JSOP awards

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

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

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

The Group measures the fair value of the awards using Monte Carlo simulations and the share based payment expense is recorded over the expected life of the option. Having established the full value of the JSOP awards using the Monte Carlo simulation outlined above a deduction is made in respect of the anticipated Carry Charge in order that the expense recorded in the financial statements only represents the participating employee’s net interest in the awards. The total fair value of the 2013 awards, after offsetting the Carry Charge, was £59,550 and the Group recognised a charge of £9,217 in the year ended 31 December 2013.

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

The JSOP awards granted during the year under review contain a share price hurdle of 3p per share. The Group used the following assumptions for the 2013 JSOP awards:

	2013
Weighted average share price at date of grant	**1.90**
Weighted average exercise price	**1.25**
Expected life	**3 years**
Expected volatility	**49.8%**
Expected dividend yield	**0%**
Risk free interest rate	**0.8%**

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

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

Group	2013 £	2012 £
Loss for the period	(2,267,627)	(1,381,434)
Adjustments for:		
Share based payment expense	385,434	-
Depreciation	24,350	631
Amortisation of intangibles	171,508	180,132
Loss/(profit) on disposal of property, plant and equipment	31,910	(1,417)
Finance income	(13,958)	(3)
Finance costs paid	64,648	4,243
Income tax	(6,015)	(37,828)
Impairment of other receivables	-	334,075
Release of contingent consideration	-	(167,500)
	(1,609,750)	(1,035,513)
Increase in inventories	(82,403)	-
Decrease/(increase) in receivables	344,775	(151,984)
Increase/(decrease) in payables	(1,232,728)	50,522
Net cash outflow from operating activities	(2,580,106)	(1,170,563)

20. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH OUTFLOWS FROM OPERATING ACTIVITIES (continued)

Company	2013 £	2012 £
Loss for the period	(1,677,158)	(983,748)
Adjustments for:		
Share based payment expense	385,434	-
Depreciation	323	-
Impairment of other receivables	-	334,075
Release of contingent consideration	-	(167,500)
Finance income	(13,958)	-
Finance costs paid	64,648	4,243
	(1,240,711)	(812,930
Increase/(decrease) in receivables	(1,749,944)	(261,622)
Increase in payables	193,218	43,679
Net cash outflow from operating activities	(2,797,437)	(1,030,873)

21. FINANCIAL INSTRUMENTS

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

Principal financial instruments

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

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

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

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Financial assets				
Loans and receivables				
Cash and cash equivalents	948,222	158,004	744,147	130,065
Trade and other receivables – current	512,805	247,627	2,096,568	311,007
Other receivables – non-current	-	-	-	-
Total financial assets	1,461,027	405,631	2,840,715	441,072

21. FINANCIAL INSTRUMENTS (continued)

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Financial liabilities				
Financial liabilities at amortised cost				
Trade and other payables	**501,852**	**212,137**	**222,259**	**152,543**
Total financial liabilities	**501,852**	**212,137**	**222,259**	**152,543**

Market Risk

Currency risk

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

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

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
UK pound	**135,619**	**56,329**	**135,619**	**35,617**
Euros	**45,172**	**-**	**-**	**-**
US Dollar	**154,428**	**247,627**	**1,960,949**	**311,007**
Ukrainian Hryvnia	**196,248**	**-**	**-**	**-**
	531,467	**303,956**	**2,096,568**	**346,624**

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

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
UK pound	**411,641**	**130,065**	**411,641**	**130,065**
Euros	**263,492**	**-**	**257,740**	**-**
US Dollar	**75,473**	**-**	**74,766**	**-**
Ukrainian Hryvnia	**197,616**	**27,939**	**-**	**-**
	948,222	**158,004**	**744,147**	**130,065**

21. FINANCIAL INSTRUMENTS (continued)

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

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
UK pound	**200,600**	191,558	**222,259**	152,543
Euros	**124,982**	-	**-**	-
US Dollar	**93,646**	-	**-**	-
Ukrainian Hryvnia	**82,624**	20,579	**-**	-
	501,852	212,137	**222,259**	152,543

Interest rate risk

The Group and Company finances its operations through equity introductions and loans from shareholders. The Group and Company exposure to interest rate fluctuations on its borrowings has been limited by the terms of the Unsecured Loan Note described in note 16 and therefore the Directors do not consider the Group or Company to be materially sensitive to interest rate risk.

Credit risk

Operational

The Group is mainly exposed to credit risk from credit agreements and sales. It is the Group's policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings, taking into account local business practices are then factored into any decisions. The Group does not enter into any derivatives to manage credit risk. Further information on Trade and other receivables are presented in note 12.

Financial

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

Liquidity risk

The Group is exposed to liquidity risk as part of its normal trading cycle. The Group's policies ensure sufficient liquidity is available to meet foreseeable needs through the preparation of short and long term forecasts. The Group's requirements are constant throughout the year and relate largely to working capital which is managed through the use of surplus cash. Further disclosure of the Directors' consideration of going concern is included in note 1.

The Group had no bank loans or invoice finance facilities at 31 December 2013 (2012: £Nil). The Group had no overdraft at 31 December 2013 (2012: £Nil) and no debentures or personal guarantees were in place.

21. FINANCIAL INSTRUMENTS (continued)

Fair values

The fair value of short term deposits and other financial assets approximates to the carrying amount.

Capital risk management

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

22. ACQUISITIONS DURING THE YEAR

On 27 June 2013, the Group acquired 100% of the issued share capital of Nikofeso Holdings Limited. This acquisition is core to the Company's development strategy. The Directors' provisional fair value determination of the assets and liabilities acquired is set out in the table below.

	Book values at acquisition	Fair value adjustments	Fair value
	£	£	£
Property, plant and equipment	**40,476**	**-**	**40,476**
Inventories	**775,207**	**-**	**775,207**
Trade and other receivables	**572,286**	**-**	**572,286**
Cash and cash equivalents	**67,674**	**-**	**67,674**
Trade and other payables	**(1,645,943)**	**-**	**(1,645,943)**
Net assets/(liabilities) acquired	**(190,300)**	**-**	**(190,300)**

Fair value of consideration paid	**£**
Consideration satisfied by:	
Issue of shares (see note 17)	**1,187,500**
Issue of warrants (see note 17)	**61,130**
Total consideration	**1,248,630**
Goodwill (note 8)	**1,438,930**

Acquisition costs of £181,593 arose as a result of the transaction. These have been recognised as part of administrative expenses in the statement of comprehensive income.

Following a detailed review, management concluded that the separately identifiable intangible assets in respect of customer relationships and contractual relationships or they had negligible value. The main factor leading to the recognition of goodwill was the presence of certain intangible assets, such as the assembled workforce of the acquired entity, which do not qualify for separate recognition.

The goodwill recognised will not be deductible for tax purposes.

Since the acquisition date, Nikofeso Group Holdings has contributed £5,141,420 to group revenues and a loss £272,489 to group losses. If the acquisition had occurred on 1 January 2013, group revenue would have been £8,135,089 and group loss for the period would have been £2,248,370.

23. RELATED PARTY DISCLOSURES

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

Transactions between the Company and its subsidiaries, which are related parties to the Company, have been eliminated on consolidation. During the year in the Company's financial statements, the Company recognised provisions for impairment on its loans to subsidiaries in the amount of £nil (2012: £57,585) and made cash advances to fellow Group companies of £2,616,910 (2012: £120,965).

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

	2013	2012
	£	£
Amounts due from Group companies	1,960,949	63,380
Provision against amounts due from Group companies	-	-
Total	1,960,949	63,380

24. DISCONTINUED OPERATIONS

Results of discontinued operations

	2012
	£
Revenue	-
Cost of sales	-
Administrative expenses	(330,896)
Share based payments	(20,596)
Impairment of goodwill	-
Impairment of other receivables	(334,075)
Income tax	-
Loss on discontinued operations	(685,567)

In February 2012, the Directors at that time took the decision to close both the Voltage Optimisation and Engineering divisions. In the 2011 financial statements no provision was made for closure costs in accordance with IAS 37 "Provisions, contingent liabilities and contingent assets", but the assets were impaired in accordance with IAS 36 "Impairment of assets". The costs incurred during 2012 and the period, therefore, reflect the cost of closing these divisions.

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

	2012
	£
Operating activities	(259,621)
Investing activities	1,417
Cash outflow from discontinued operations	(258,204)

25. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Impairment of goodwill and other assets

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

Share based payments

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

Useful lives of intangible assets and property, plant and equipment

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

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

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

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

26. SUBSEQUENT EVENTS

Since the year end the Company's largest shareholder, Gravendonck Foundation, has provided the Company with the following loan facilities in order to provide additional working capital to assist the Group to achieve its growth plans:

a. On 10 April 2014 an undated unsecured loan facility of up to US$2 million at an interest rate of 15% was granted; and

b. On 12 June 2014 a 365 day US$1 million facility at an interest rate of 15% was granted.

In addition, an unrelated Ukrainian company, Industrial-Financial Company "Ruteks" Limited ("Ruteks"), will provide the Group up to 20 million Ukrainian Hryvnias (UAH), approximately US$1.7 million, which is repayable by 31 December 2014. This sum, which is provided under a Ukrainian Fiscal Incentive Programme, is intended to be used initially to finance the acquisition of additional volumes of timber which AEG would intend to concert to wood chip and ship to MDF manufacturers in Turkey. Under the terms of this agreement, Ruteks is entitled to a participation fee of US$5 per tonne on all shipments financed under this agreement. The Company has drawn down UAH10 million of this facility.