CINPART PLC

Annual Report and

Financial Statements

For the year ended 31 December 2009

CINPART PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2009

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COMPANY INFORMATION

Country of incorporation:
United Kingdom

Legal Form:
Public limited company

Directors:
P E Palmer
K F Baker
C K Foster

Secretary:
Capita Company Secretarial Services

Registered Number:
3148295

Registered Office:
34 Beckenham Road
Beckenham
Kent
BR3 4TU

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

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

Auditors:
BDO LLP
Emerald House
East Street
Epsom
KT17 1HS

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

Solicitors:
Pritchard Englefield
14 New Street
London
EC2M 4HE

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

CHAIRMAN'S REPORT

For the year ended 31 December 2009

The year under review saw a transformation in our Group's trading activities as we established a strong presence in the voltage optimisation market. This young and exciting market is being driven by both environmental and legislative pressure to reduce energy consumption and through the associated cost reductions which the technology brings. In order to target the considerable opportunities for growth in the market, which we identified in 2008, we formed a new subsidiary, Active Energy Limited ("Active Energy"). Active Energy subsequently acquired the intellectual property rights for the VoltageMaster products, a proven range of equipment designed and manufactured in the UK and aimed at the commercial market. Whilst the voltage optimisation market is still in its infancy, the Directors believe that it represents a highly attractive growth opportunity. Your Directors anticipate that up to 400,000 large buildings in the UK alone have the potential to reduce their energy consumption significantly using our technology.

Since the launch of Active Energy in March 2009, the Group has been focused on developing its presence in the voltage optimisation market. I am pleased to be able to report that we are already seeing the benefits of this strategy, as demonstrated by the major contract wins secured since Active Energy was formed. In addition, we have entered into a strategic partnership with Southern Electric Contracting Limited ("SEC"), a wholly owned subsidiary of Scottish and Southern Energy plc, following the year end. The strategic partnership provides that Active Energy is the preferred supplier of voltage optimisation technology to SEC, one of the largest mechanical and electrical contractors in the UK, and its customers. Active Energy is well placed to continue to build its business in the UK and the Directors are confident that there are further significant growth opportunities for the technology.

Financial review

Group revenues for the period increased by 42% to £2,880,197 (2008: £2,028,918). Active Energy contributed £1,036,188 in the period, which includes part of the announced contract signed in June 2009 and a number of other smaller contract wins. The Group's legacy businesses, Gasignition Limited ("Gasignition"), a supplier of electrical components to small and medium-sized European gas appliance manufacturers, and Derlite Co Limited ("Derlite"), an international manufacturer of electrical and non-electrical components, contributed the balance. The legacy businesses were affected by the difficult economic conditions globally which led customers to purchase fewer products, movements in the exchange rate between the US Dollar and Sterling and downward pricing pressure in order to maintain competitiveness.

The Group reported a loss for the year of £1,175,876 (2008: loss £338,241) which was in line with market expectations. The loss includes a number of non-recurring and exceptional items. These include redundancy costs of £58,646 incurred in Derlite, £163,328 relating to share based payments and exchange translation expenses of £46,209. Price reductions and cost increases affected margins within the legacy businesses. Overall gross margin achieved in the period under review was 24.7% (2008: 39.0%) Loss per share was 1.76p (2008: loss per share of 1.09p).

During the year, the Group completed a number of fundraisings to support its plans for expansion into the voltage optimisation market. In total, the Group raised £2,554,000 before expenses via the issue of 52,619,613 new ordinary shares. Cash balances as at 31 December 2009 were £840,122 (2008: £22,059).

The Directors will not be recommending the payment of a dividend (2008: £nil).

Operating review

Whilst the legacy businesses, Gasignition and Derlite, continue to operate from the Group's low-cost manufacturing base in Thailand, the focus during 2009 has been on the establishment and development of the Group's voltage optimisation subsidiary, Active Energy. Having launched the business in March 2009, in August, we increased our stake in the business from 65% to 72.2%.

Active Energy sells and installs the VoltageMaster, a voltage optimising product which is designed to reduce the electricity consumption of large commercial buildings and the associated CO_2 emissions and can achieve electricity cost savings of up to 20%, with average savings of around 12%. The technology works by regulating a building's electricity supply to reduce the incoming voltage to around 220 volts, which is the optimum level for operating most electrical appliances, rather than the higher levels provided by electricity companies in order to allow for fluctuations in supply and to minimise transmission losses.

The market is in its infancy, with overall product penetration estimated to be less than 0.5%. Since the establishment of Active Energy in March 2009, we have made excellent progress in creating the necessary infrastructure to target the sales opportunities. In June 2009, Active Energy announced its first major contract win for all the UK stores of a large international affordable home furnishings retailer, and this was followed in September 2009 by the acceptance of a tender to supply VoltageMaster to members of the Eastern Shires Purchasing Organisation ("ESPO"), a not-for-profit procurement consortium acting for a number of local authorities and other customers, under a Framework Agreement.

Demand for the Group's voltage optimisation product is being driven by both environmental legislation and the potential to reduce energy costs. Globally, governments are creating new legislation to tackle the reduction of carbon emissions with a view to preventing further global warming. In the UK, in April 2010, the CRC Energy Efficiency Scheme (formerly known as the Carbon Reduction Commitment) came into force, requiring larger organisations to purchase CO_2 credits according to how much CO_2 they use. The scheme will also publish an annual league table to rank and award financial incentives to the best performers in terms of energy cuts achieved. The Environment Agency (which is administering the scheme) estimates that some 20,000 companies and public bodies will need to register by 30 September 2010 with an estimated 5,000 of the largest expected to become "participants" (companies which will have to purchase CO_2 credits).

In addition, smaller companies are being encouraged to reduce carbon emissions by the government with the Carbon Trust offering interest free loans as an incentive to invest in energy efficient equipment. The loans of up to £100,000 are particularly attractive as the loan repayment period often exceeds the payback period of the initial investment in the Voltage Master product. All businesses whose electricity consumption is below the level at which they become liable for the CRC Energy Efficiency Scheme qualify for an interest free loan to purchase energy efficient equipment and VoltageMaster has been approved by the Carbon Trust as a qualifying technology. The Carbon Trust also provides interest-free loans based on payback of up to five years to Public Sector bodies via its public sector arm, Salix Finance. The loans are available to local authorities, NHS hospitals, schools, colleges, universities, libraries and any other public body not directly controlled by central government. As with smaller companies, the VoltageMaster qualifies for interest-free Salix loans.

Cinpart's legacy businesses, Gasignition Limited, a supplier of electrical components to small and medium-sized European gas appliance manufacturers and Derlite Co Limited, an international manufacturer of electrical and non-electrical components, produced a creditable trading performance in a very challenging market. The downturn in the global economy and in particular the housing markets in 2008 adversely affected the white goods/household appliances market as we entered 2009 and as a result demand for the gas ignition components which the Group supplies to white goods manufacturers. The Group took the necessary actions to mitigate the impact of the downturn in the first half, including reducing the workforce in Thailand by almost a third and renegotiating wage rates. In the second half, demand picked up and the Group was able to take on additional staff in order to increase production capacity. Both Gasignition and Derlite have benefited from strong customer relationships, which have enabled them to retain business during the downturn, and from the low-cost manufacturing base in Thailand. The Directors believe that the Thai operations also represent a valuable asset in the long-term development of Active Energy's business, offering the potential to expand manufacturing capacity as necessary.

Post-period events

Following the year end, Active Energy made further progress in its aim to increase its share of the voltage optimisation market by entering into a strategic partnership with Southern Electric

Contracting Limited ("SEC"), a wholly owned subsidiary of Scottish and Southern Energy plc. Under the terms of the agreement, Active Energy is the preferred supplier of voltage optimisation technology to SEC, one of the largest mechanical and electrical contractors in the UK, and SEC is Active Energy's preferred installation sub-contractor. The agreement has already proved beneficial in supporting the delivery, in a very tight time frame, of a major contract signed with the Ministry of Justice in February 2010 for the installation of VoltageMaster units across 52 Courts.

The relationship with SEC continues to bring exciting new sales opportunities which should help to support the business' growth. In order to maximise the potential benefits, Active Energy has launched a number of initiatives including formal training programmes for SEC's sales and installation staff.

The Company advises that it has accepted the resignation of Michael Hughes as a non executive director. His experience of the electricity industry has been of considerable assistance and we thank him for his contribution.

Change of name

Your Directors have determined that the name of the Company should be changed to Active Energy Group plc, to reflect the growth of that part of the Group's businesses. Accordingly, a special resolution is to be proposed at the Annual General Meeting to change the name of the Company to "Active Energy Group plc".

Bonus issue

Given the progress made during the last year, the Board proposes that the Group should initiate a bonus issue of fully paid Ordinary Shares to the holders of Ordinary Shares on the register at the close of business on 30 July 2010 ("the Bonus Issue"), equating to 1 new Ordinary Share for every 20 Ordinary Shares then held. The proposal is subject to shareholder approval at the Annual General Meeting of the Company to be held on 30 July 2010.

The new Ordinary Shares will have the same rights as the existing Ordinary Shares and will rank pari passu in all respects. It is expected that, conditional upon the proposed bonus issue being approved and subject to admission of the new shares to trading on the AIM, dealings in the new Ordinary Shares will commence on 6 August 2010.

It is proposed that part of the amount now standing to the credit of the share premium account of the Company, will be utilised in paying up at par the new Ordinary Shares to be issued pursuant to the Bonus Issue.

Definitive certificates for those shares allotted pursuant to the Bonus Issue will be posted to shareholders no later than 20 August 2010 and stock accounts in CREST will be credited with the new Ordinary Shares on 20 August 2010.

Future development

Your Board believes that the progress made to date at Active Energy will stand the Company in good stead in the future. We have a highly capable sales team and the sales pipeline in the UK continues to strengthen, underpinned by our relationship with SEC.

We are also seeing strong levels of interest from other countries, including the USA, Australia and the Middle East. The reduction of CO_2 emissions remains a key focus for many governments, with voltage optimisation offering an innovative solution to cutting energy consumption and the Directors believe Active Energy is well placed to benefit from a "first mover" advantage internationally. These markets are generally less advanced than the UK in terms of the take-up of voltage optimisation technology and represent a substantial growth opportunity in the long term. In order to achieve overseas growth in the most cost-effective manner, the Group will continue to look to build additional strategic relationships.

USA memorandum of understanding

As announced separately today, the Company has entered into a Memorandum of Understanding ("MoU") with County Executives of America ("County Executives"), which represents elected county leaders across 700 counties in the USA, acting on behalf of 48% of the USA population. The MoU provides for County Executives to actively promote Active Energy to government bodies and potential commercial partners in the USA as well as to assist Active Energy in securing sales with county authority owned public facilities such as prisons, schools and hospitals which could benefit from the technology. The Company is considering establishing an assembly facility in the USA to service the expected demand and the MoU also sets out terms for assistance from County Executives with setting up such an operation, in particular in obtaining grants and financial incentives. The Board believes this is a major step forward for the Group.

Outlook

We have achieved further progress in the current financial year, establishing strategic relationships both in the UK with SEC and now in the USA with County Executives. We have already seen the benefits of our SEC relationship starting to flow and this should continue to generate new opportunities. Our UK sales pipeline continues to grow and demand for technologies to reduce energy consumption and CO_2 emissions is being driven by both legislative and cost saving pressures.

In the longer term, we will also seek to explore opportunities as we believe there is a substantial further international market for our product. Consequently, the Directors remain confident that the Group will be successful in achieving its long-term strategic goals and growth which will in turn enhance shareholder value.

Philip E. Palmer
Chairman

25 June 2010

REPORT OF THE DIRECTORS

For the year ended 31 December 2009

The Directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2009.

Principal activity

The principal activity of the Group in the year under review was that of the manufacture and sale of components used in gas ignition systems for gas cookers, gas ovens and gas boilers. The principal place of business for the Group is Samutprakarn, Thailand. The secondary activity of the business during 2009 was the sale of voltage optimising equipment to commercial entities within the United Kingdom. It is expected that this will become the principal activity of the Group during 2010.

Review of business

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

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

Active Energy

The Group established Active Energy Limited ("Active Energy") as a new business venture in March 2009. Late in 2008 the Directors had identified a business opportunity relating to a specific product VoltageMaster that reduces the voltage distributed throughout a commercial building to an optimal level. Because of a mismatch between the design voltage of the generation, transmission and distribution system in the United Kingdom, and the design voltage of most electrical equipment used, it is possible to reduce distributed voltage and in so doing electricity consumption.

During the second quarter of 2009, the focus was on the recruitment and training of an initial core staff. In June 2009 Active Energy won its first major contract for the supply of VoltageMasters to an international chain of furniture stores. There followed a number of smaller contracts as Active Energy established its presence in the market.

As the Company engaged with the market all the assumptions made during the evaluation stage were confirmed and the size and scope of this new business opportunity became increasingly apparent. All the indications are that the total overall market penetration of these types of product is less than ½% and it is estimated that in excess of 400,000 buildings could benefit from this application of this proven technology.

The VoltageMaster has won approval from the Carbon Trust as a device that ensures carbon reduction. This is because the generation of 1 kilowatt-hour of electricity in the United Kingdom in oil or gas fired power stations leads to the emission of 0.575kg of CO_2. The Carbon Trust provides interest free loans to small and medium sized enterprises to enable them to install the devices.

In September 2009 the Company was successful in winning a framework tender from ESPO, a large local authority purchasing consortium. This win effectively allows Active Energy to pre-qualify as an approved supplier to any government funded organisation; several contracts have subsequently been won and the Company now receives a number of tender opportunities through this source.

The sales process involves an accurate assessment of the load characteristics of any prospective customer together with analysis of 12 months of the customer's electricity bills and data logging of actual distributed voltage.

The Directors are confident that the Active Energy venture will continue to grow.

Gasignition and Derlite

The collapse of the housing market in late 2008 led to reduced sales in white goods (household appliances) in the first quarter of 2009 and a reduced demand for gas ignition components. In April the Group took the decision to cut its Thai workforce by almost one third. Wage rates were renegotiated for the remaining staff.

Fortunately demand for gas ignition components returned to previous levels later in the year and there was a necessity to increase staff in November 2009 in order to handle increasing orders levels.

A consequence of the decline in world demand was increased competition, with a number of customers receiving attractive pricing proposals from our competitors. The good relationship that Derlite in particular, has with its customers meant that in almost all cases the Company was given the opportunity to match the pricing of its competitors and whilst some efficiencies in purchasing was achieved there was a decline in overall margins as a result.

Since the year end some existing customers have added to their model range and Derlite has benefitted from the introduction of additional of new product lines. In some cases it has been possible to utilise raw materials in these product lines that had previously been declared obsolete. There has also been a concentrated effort to reduce overall inventory by using alternative raw materials. Again it has been possible to write back inventory obsolescence provisions where this has occurred.

The Group considers the manufacturing operation in Thailand to be a valuable asset that will assist in the international expansion plans of Active Energy.

Post balance sheet events

The reorganisation of the Group has continued after the end of the year and the main developments are outlined in note 24 of these financial statements.

Dividends

No dividend is proposed for the year ended 31 December 2009 (2008: £nil).

Principal risks and uncertainties

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

a. New Business Venture: The new business Active Energy Limited commenced operations in the second quarter of 2009 with a small number of employees. The Company has expanded rapidly and this expansion has continued during 2010. It is fortunate that the business is able to draw on the experiences of SDC Industries and that Active Energy can rely on a proven product in developing this new business. It is possible that some potential customers will have concerns about doing business with a recently established Company. This will be mitigated by emphasising the connections with both SDC Industries Limited which has been established for over 30 years and the support afforded by Cinpart plc being a public listed Company with over 12 years international business experience.

b. Prevailing Economic Conditions in Primary Markets: The Group has historically sold its products to manufacturers that serve two main markets, namely USA and United Kingdom. The new business has been established to take the VoltageMaster product to market in the United Kingdom. Both these markets have experienced an extended period of recession and for the Gas Ignition business there has been a significant reduction in orders received from customers particularly in the early part of 2009. Demand for gas ignition systems is connected with white good appliance manufacturing which in turn is affected by housing market activity and in particular new home building. The Groups manufacturing operation will continue to match the labour resource with demand.

c. Exchange Rate Variations: The Group now primarily sells its products in UK £, the gas ignition business also has significant sales in US$. There has been significant volatility in exchange rates between these currencies. While gross margins are affected by prevailing exchange rates in particular the £/$ cross rate, the Group has a natural hedge in that the majority of raw materials are now purchased from China and these are priced in US$. Of increasing importance is the exchange rate between Thai Baht and £ Sterling. Gains or losses in the balance sheet that arise on revaluation of the assets in Thailand while attributable to shareholders are not taken to the income statement. It must be noted that there would need to be significant and dramatic changes in the comparative strength of the Thai Baht before these costs make manufacturing in Thailand uneconomic.

Research and development

Research and development in the gas ignition business is concentrated on the development of new products capable of maintaining and increasing sales. Primarily this is achieved by developing solutions for specific customer needs.

Group's policy on payment of creditors

It is the Groups policy that payments to suppliers are made in accordance with those terms and conditions agreed between the companies of the Group and their respective suppliers, provided that all trading terms and conditions have been complied with. Trade creditors at the year-end amounted to 91 days of average supplies for the year (2008: 59 days). All of these calculations are based on year-end figures.

Financial instruments

Details of the use of financial instruments by the Company and by the Group and its subsidiary undertakings are contained in note 18 of the financial statements.

Directors

The Directors of the Company during the year under review were:

P E Palmer
K F Baker
C K Foster

The beneficial interests of the Directors holding office on 31 December 2009 in the issued share capital of the Company were as follows:

	31.12.09	*1.1.09*
Ordinary shares of 1p each		
P E Palmer	3,539,346	3,081,808
K F Baker	763,146	163,1466
C K Foster	7,525,071	2,875,071

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group 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 IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Website publication

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

Statement as to disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each director has 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 auditors are aware of that information.

Auditors

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

On behalf of the board:

Kevin Baker
Director

25 June 2010

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CINPART PLC
for the year ended 31 December 2009

We have audited the financial statements of Cinpart Plc for the year ended 31 December 2009 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the Company statement of financial position, the statement of changes in equity and statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

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 2009 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, which is not qualified, we have considered the adequacy of the disclosures in note 1 of the financial statements concerning the Group's ability to continue as a going concern. These include the following material uncertainties:

- the achievability of forecasts and key assumptions within the forecasts; and
- the ability to obtain additional funding from alternative sources should it be required.

These conditions, along with other matters as disclosed in note 1, indicate the existence of material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group 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 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.

Russell Field (Senior Statutory Auditor)
For and on behalf of
BDO LLP Statutory Auditor
Epsom
United Kingdom

25 June 2010

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2009

	Notes	*2009* £	*2008* £
Revenue	2	2,880,197	2,028,918
Cost of Sales		(2,167,579)	(1,236,639)
Gross profit		712,618	792,279
Other income		14,332	22,292
Administrative expense		(1,891,384)	(1,132,349)
Loss from operations	5	(1,164,434)	(317,778)
Finance cost	4	(11,823)	(18,597)
Finance income	4	381	1,438
Loss before tax		(1,175,876)	(334,937)
Tax expense	6	–	(3,304)
Loss for year from continuing operations		(1,175,876)	(338,241)
Loss from discontinued operations net of tax	23	–	(8,305)
Other comprehensive income		(1,175,876)	(346,546)
Exchange differences on translating foreign operations		(107,253)	154,823
Total comprehensive income for the period		(1,283,129)	(191,723)
Loss for the year attributable to			
Owners of the parent		(1,175,876)	(338,241)
Minority interest		–	–
		(1,175,876)	(338,241)
Total comprehensive income attributable to			
Owners of the parent		(1,283,129)	(191,723)
Minority interest		–	–
		(1,283,129)	(191,723)
Loss per share attributable to the owners of the parent during the year			
Basic and diluted (pence)	8	(1.76)	(1.09)
Loss per share from continuing operations			
Basic and diluted (pence)	8	(1.76)	(1.06)
Loss per share from discontinued operations			
Basic and diluted (pence)	8	–	(0.03)

The notes on pages 18-48 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2009

	Notes	*2009*	*2008*	*2007 Restated*
		£	£	£
Assets				
Non-current assets				
Goodwill	9	285,653	105,028	105,028
Property, plant and equipment	10	191,106	202,479	178,280
		476,759	307,507	283,308
Current assets				
Inventories	12	428,202	404,169	281,961
Trade and other receivables	13	1,726,873	547,692	787,796
Cash and cash equivalents	14	840,122	22,059	98,717
		2,995,197	973,920	1,168,474
Total assets		3,471,956	1,281,427	1,451,782
Liabilities				
Current liabilities				
Trade and other payables	15	1,254,803	436,898	421,084
Financial liabilities – interest bearing loans	16	21,284	109,096	118,483
Corporate Tax		–	3,304	–
		1,276,087	549,298	539,567
Non-current liabilities				
Financial liabilities – interest bearing loans	16	1,101	25,135	13,498
Total liabilities		1,277,188	574,433	553,065
Net assets		2,194,768	706,994	898,717
Equity				
Called up share capital	19	4,317,217	3,766,748	3,759,763
Share premium	20	4,315,269	2,233,163	2,186,108
Shares to be issued reserve	20	–	–	54,040
Merger reserve	20	128,571	128,571	128,571
EBT share reserve	20	(25,000)	–	–
Retained earnings	20	(6,561,783)	(5,549,235)	(5,202,689)
Foreign exchange reserve	20	20,494	127,747	(27,076)
Attributable to equity holders of parent		2,194,768	706,994	898,717
Minority interest	20	–	–	–
Total Equity		2,194,768	706,994	898,717

The financial statements were approved by the Board of Directors and authorised for issue on 25 June 2010 and were signed on its behalf by:

Kevin Baker
Director

The notes on pages 18-48 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

31 December 2009

	Notes	*2009* £	*2008* £	*2007 Restated* £
Assets				
Non-current assets				
Property, plant and equipment	10	844	1,925	2,759
Investments	11	580,827	150,172	150,160
		581,671	152,097	152,919
Current assets				
Trade and other receivables	13	1,612,746	654,892	585,725
Cash and cash equivalents	14	669,915	1,322	13,356
		2,282,661	656,214	599,081
Total assets		2,864,332	808,311	752,000
Liabilities				
Current liabilities				
Trade and other payables	15	132,918	279,472	155,919
Total liabilities		132,918	279,472	155,919
Net assets		2,731,414	528,839	596,081
Equity				
Called up share capital	19	4,317,217	3,766,748	3,759,763
Share premium	20	4,315,269	2,233,163	2,186,108
Shares to be issued reserve	20	–	–	54,040
Merger reserve	20	128,571	128,571	128,571
Retained earnings	20	(6,029,643)	(5,599,643)	(5,532,401)
Total equity		2,731,414	528,839	596,081

The financial statements were approved by the Board of Directors and authorised for issue on 25 June 2010 and were signed on its behalf by:

Kevin Baker
Director

The notes on pages 18-48 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009

Group	*Share capital* £	*Share premium* £	*Shares to be issued* £	*Retained earnings* £	*Translation of foreign operations* £	*Merger reserve* £	*EBT share reserve* £	*Total Equity* £
Balance at 1 January 2008 *(Restated)*	3,759,763	2,186,108	54,040	(5,202,689)	(27,076)	128,571	–	898,717
Issue of share capital	6,985	47,055	(54,040)	–	–	–	–	–
Total comprehensive income for the period	–	–	–	(346,546)	154,823	–	–	(191,723)
Balance at 31 December 2008	3,766,748	2,233,163	–	(5,549,235)	127,747	128,571	–	706,994
At 1 January 2009	3,766,748	2,233,163	–	(5,549,235)	127,747	128,571	–	706,994
Issue of share capital	550,469	2,229,761	–	–	–	–	–	2,780,230
Share issue costs	–	(147,655)	–	–	–	–	–	(147,655)
Share option expense	–	–	–	163,328	–	–	–	163,328
EBT share purchase	–	–	–	–	–	–	(25,000)	(25,000)
Total comprehensive income for the period	–	–	–	(1,175,876)	(107,253)	–	–	(1,283,129)
At 31 December 2009	4,317,217	4,315,269	–	(6,561,783)	20,494	128,571	(25,000)	2,194,768

Group	*Share capital* £	*Share premium* £	*Shares to be issued* £	*Retained earnings* £	*Merger reserve* £	*Total Equity* £
Balance at 1 January 2008 *(Restated)*	3,759,763	2,186,108	54,040	(5,532,401)	128,571	596,081
Issue of share capital	6,985	47,055	(54,040)	–	–	–
Total comprehensive income for the period	–	–	–	(67,242)	–	(67,242)
Balance at 31 December 2008	3,766,748	2,233,163	–	(5,599,643)	128,571	528,839
At 1 January 2009	3,766,748	2,233,163	–	(5,599,643)	128,571	528,839
Issue of share capital	550,469	2,229,761	–	–	–	2,780,230
Share issue costs	–	(147,655)	–	–	–	(147,655)
Share option expense	–	–	–	163,328	–	163,328
Total comprehensive income for the period	–	–	–	(593,328)	–	(593,328)
At 31 December 2009	4,317,217	4,315,269	–	(6,029,643)	128,571	2,731,414

The notes on pages 18-48 form part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2009

	Group		Company	
	2009	*2008 Restated*	*2009*	*2008 Restated*
	£	£	£	£
Cash flows from operating activities				
Loss for the year	(1,175,876)	(343,242)	(593,328)	(67,242)
Adjustments for				
Depreciation charges	63,763	57,032	1,081	1,057
Closure of subsidiaries	–	–	–	88
Share based payment expense	163,328	–	163,328	–
Exchange translation (gain)/loss	(81,157)	103,060	–	–
Finance costs	11,797	18,597	–	–
Finance income	(382)	(1,438)	–	(183)
	(1,018,527)	(165,991)	(428,919)	(66,280)
(Increase)/decrease in trade & receivables	(1,114,410)	178,320	(832,854)	(69,167)
Increase/(decrease) in trade & payables	828,747	44,086	(146,554)	123,553
Increase in inventories	(46,515)	(116,345)	–	–
Net cash used in operating activities	(1,350,705)	(59,930)	(1,408,327)	(11,894)
Cash flows from investing activities				
Purchase of property, plant and equipment	(64,690)	(29,468)	–	(223)
Investment in subsidiary	(180,625)	–	(430,655)	(100)
Interest received	382	1,438	–	183
Net cash (used in)/generated from investing activities	(244,933)	(28,030)	(430,655)	(140)
Cash flows from financing activities				
Repayment of loans	–	(14,184)	–	–
Repayment of finance leases	(21,963)	(19,543)	–	–
Repayment of bank loans and borrowing	(86,976)	(10,397)	–	–
Proceeds on issue of shares	2,507,575	–	2,507,575	–
Proceeds from sale and leaseback	–	46,374	–	–
Purchase of EBT shares	(25,000)	–	–	–
Interest paid	(11,797)	(18,420)	–	–
Net cash generated from/(used in) financing activities	2,361,839	(16,170)	2,507,575	–
Net increase/(decrease) in cash and cash equivalents	766,201	(104,130)	668,593	(12,034)
Cash and cash equivalents at start of year	22,059	98,717	1,322	13,356
Exchange gains on cash and cash equivalents	51,862	27,472	–	–
Cash and cash equivalents at end of year	840,122	22,059	669,915	1,322

The notes on pages 18-48 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

1. Accounting policies

Basis of preparation

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

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

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

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in the most appropriate application in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 24.

At 31 December 2009, certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, and which the Group has opted not to adopt early. These are:

Changes in accounting policies

(a) ***New standards, interpretations and amendments effective from 1 January 2009***

The following new standards, interpretations and amendments, applied for the first time from 1 January 2009, have had an effect on the financial statements:

- *Improving Disclosures about Financial Instruments (Amendments to IFRS 7):* The application of this Amendment has resulted in changes to the disclosures provided in respect of financial instruments, primarily in note 18 to the financial statements including an analysis of financial asset and financial liability that is measured at fair value in the statement of financial position, into a three level fair value measurement hierarchy. The Amendment does not change the recognition or measurement of transactions and balances in the financial statements.
- *Amendments to IAS 1 Presentation of Financial Statements:* A Revised Presentation: As a result of the application of this Amendment the Group have elected to present a single statement of comprehensive income; previously it presented an income statement and the statement of recognised income and expense. In addition, a statement of changes in equity is now presented as a primary statement where previously the information was included in a note and an analysis of the tax effect of items recognised in other comprehensive income has been included in note 6. The Amendment does not change the recognition or measurement of transactions and balances in the financial statements.

The following new standards, interpretations and amendments, also effective for the first time from 1 January 2009, have not had a material effect on the financial statements:

- *Amendment to IAS 23 Borrowing Costs*
- *Amendment to IFRS 2 Share-based Payment: Vesting Conditions and Cancellations*
- *Amendments to IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

- *Improvements to IFRSs (2009)*
- *IFRIC 15 Agreements for the Construction of Real Estate*
- *Embedded Derivatives (Amendments to IFRIC 9 and IAS 39)*

IFRS 8 Operating Segments is also mandatory for periods beginning on or after 1 January 2009 however the Group elected to apply the standard early in its financial statements for the year ended 31 December 2008.

(b) ***New standards, interpretations and amendments not yet effective***

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

IAS 27 Consolidated and separate financial statements (amendment) (effective for accounting periods beginning on or after 1 July 2009). Management is currently assessing the impact of the amendment to the standard on the accounts.

IFRIC 17 Distribution of Non Cash Assets to Owners (effective for accounting periods beginning after 1 July 2009). Currently the Group does not pay dividends to shareholders. This policy will be reviewed and considered when it is resolved to pay a dividend.

IFRIC 18 Transfer of Assets from Customers (effective for assets received from customers after 1 July 2009). Management is currently assessing the impact of the amendment on the presentation of the accounts.

IFRS 3 Business combinations (revised) (effective for accounting periods beginning on or after 1 July 2009). Management is currently assessing the impact of the revised standard on the accounts.

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

IAS 39 and IFRS 7 Reclassification of Financial Instruments – (effective for accounting periods beginning on or after 1 July 2009). As the Group has no non-derivative financial assets available for sale this amendment has no impact on the financial statements.

IAS 39 Financial Instruments – Recognition and Measurement Eligible Hedged Items (amendment) (effective for accounting periods beginning on or after 1 July 2009). As the Group has no hedged items this amendment will have no impact on the financial statements.

IFRIC 13 Customer Loyalty Programmes – (effective for accounting periods beginning on or after 1 July 2009). As the Group has no customer loyalty programmes this amendment has no impact on the financial statements.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation – (effective for accounting periods beginning on or after 1 October 2009). As the Group has no hedges with respect to its investment in foreign operations this amendment has no impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

Prior year adjustments

In the 2008 financial statements it was reported that on 15 January 2008, 165,176 new ordinary 1p shares were issued to Dr Leon Sharples with consideration of 8.5p per share as part of his termination agreement and 533,333 new ordinary 1p shares with consideration of 7.5p per share were allotted Millstream Solutions Limited as part of their loan restructure. This issue of new shares had previously been announced on 6 December 2008. Following advice received from the Financial Reporting Review Panel the Company acknowledges that the proceeds of these issues should have been included within equity at 31 December 2007, as it represented an obligation to issue a fixed number of shares at a fixed price; the opening balance for equity for 2008 has been restated in these Financial Statements. The Financial Reporting Review Panel advises that in view of this correction together with the correction regarding the write back of inventory provisions details of which are provided in note 5 of these accounts, the Panel considers its inquiry closed.

Revenue

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

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

Basis of consolidation

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

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

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

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

Goodwill

On acquisition, the assets and liabilities and contingent liabilities of subsidiaries are measured at their fair values at the date of acquisition. Any excess of cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. Goodwill arising on consolidation is recognised as an intangible asset and reviewed for impairment at least annually by comparing the carrying value of the asset to the recoverable amount. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts, subject to being tested for impairment at that date. In addition where the Group acquires additional shares in a subsidiary undertaking from a minority shareholder additional goodwill arises.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

Property, plant and equipment

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

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

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

Financial instruments

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

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

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

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

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

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

Inventories

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (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 balance sheet date.

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

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

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

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

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

Research and development

Research expenditure is recognised as an expense as incurred.

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

Foreign currencies

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

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

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

Leased assets

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

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

Share based payments

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

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

Invoice discounting

From time to time the Group discounts a proportion of its trade receivables. The accounting policy is to include trade debt within trade receivables due within one year and record cash advances within trade payables due within one year. Discounting fees and interest are charged to the income statement when incurred. Bad debts are borne by the Group and are charged to the income statement when incurred. No trade receivables were discounted at 31 December 2009 (2008: £91,447).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. The Group has made an operating loss from continuing operations for the year ended 31 December 2009.

In March 2009 the Group established the new business venture Active Energy Limited. In order to develop this new business while at the same time supporting the existing gas ignition business, the Company has progressively raised additional funds of £2,632,575 net of expenses through three share placings in March, July and December 2009 together with a new share issue to fund the acquisition of further shares in Active Energy in August 2009.

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

For the gas ignition business the forecasts indicate that sales revenues in 2010 could return to levels similar to that achieved in 2008 but only modest growth can be expected in 2011.

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

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

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

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

However for the reasons described above, the Directors recognise that there are material uncertainties that may cast doubt on the Group's ability to continue as a going concern, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. These material uncertainties comprise:

- the achievability of forecasts and key assumptions within the forecasts; and
- the ability to obtain additional funding from alternative sources should it be required.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

2. Segment reporting

The Group has two main reportable segments:

Voltage Correction – This division Active Energy Limited markets and sells the VoltageMaster a device that adjusts voltage distributed throughout a commercial building. This business commenced operations during 2009 and operated only in the United Kingdom during the year under review. The Group has 72.8% of the equity in this business venture. Within this segment the Group had one customer for which the revenue represented 28% total Group revenue in 2009 (2008: nil); this customer is located in the United Kingdom.

Gas Ignition – This division manufactures and distributes gas ignition systems for gas appliances such as hot water boilers, hobs and stoves. It comprises two operations Gasignition Limited which imports, distributes and sells within the United Kingdom and Derlite Co Limited which manufactures and sells throughout the world including some sales direct to the United Kingdom. Gasignition Limited does not meet the quantitative thresholds required by IFRS 8 and so management has resolved that this unit should be combined with Derlite for segmental reporting. Within this segment the Group had two customers that together represented 36% of total Group revenue in 2009 (2008: 55%). One of these with 17% of revenue is located in Mexico for which currency of trade is US$ and the other with 19% is located in the United Kingdom with currency of trade £ sterling.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

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

Other segmented items included in the statement of comprehensive income

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

Segmented assets and liabilities as at 31 December 2009, capital expenditure for the year are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

	2008 Voltage Correction £	*2008 Gas Ignition* £	*2008 (Restated) Total* £
Total segment revenue	–	2,028,918	2,028,918
Inter segment revenue	–	–	–
Revenue from external customers	–	2,028,918	2,028,918
Operating loss from continuing operations	–	(317,778)	(317,778)
Finance income	–	1,438	1,438
Finance costs	–	(18,597)	(18,597)
Profit before tax	–	(17,159)	(334,937)
Tax expense			(3,304)
Loss from continuing operations			(338,241)
Loss from discontinued operations		(8,305)	(8,305)
Loss for the year			(346,546)

Other segmented items included in the statement of comprehensive income

	2008 Voltage Correction £	*2008 Gas Ignition* £	*2008 Total* £
Depreciation	–	57,032	57,032

Segmented assets and liabilities as at 31 December 2008, capital expenditure for the year are as follows:

	2008 Voltage Correction £	*2008 Gas Ignition* £	*2008 (Restated) Total* £
Segment Assets	–	1,150,992	1,150,992
Unallocated corporate assets			130,435
Consolidated total assets			1,281,427
Segment Liabilities	–	302,018	302,018
Unallocated corporate liabilities			272,415
Consolidated total liabilities			574,433
Capital Expenditure	–	75,843	75,843

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

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

	2009	2008
Profit or loss after income tax expense		
Total profit or loss from reportable segments	(364,818)	(338,241)
Share based payments	(163,328)	–
Unallocated amount – corporate expenses	(647,730)	–
Loss after income tax expense (continuing activities)	(1,175,876)	(338,241)

Geographical information:

	External revenue by location of customers		*Non-current assets by location of assets*	
	2009	*2008*	*2009*	*2008*
	£	£	£	£
United Kingdom	1,828,045	955,388	333,976	107,498
Mexico	667,918	620,151	–	–
USA	125,784	345,747	–	–
Thailand	27,798	24,812	142,783	200,009
Other Countries	230,652	82,820	–	–
	2,880,197	2,028,918	476,759	307,507

3. Employees and Directors

	Group	
	2009	*2008*
	£	£
Staff costs (including directors) comprise:		
Wages and salaries	956,197	612,138
Social security costs	48,838	24,515
Share based payments	163,328	–
	1,168,363	636,653

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

	Group	
	2009	*2008*
Current:		
Directors	5	3
Manufacturing	106	126
Sales	7	5
Administration	5	4
Research and development	5	5
	128	143

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

Directors and key management personnel remuneration

Directors and key management personnel consists only of the directors of the company listed on page 9.

	Group	
	2009	*2008*
	£	£
Directors' emoluments	3,521,912	186,680
Gain on exercise of options	4,464	–
Share based payments	155,470	–
	3,681,846	186,680

No director receives contributions to a pension scheme.

4. Net Finance costs

	2009	*2008*
	£	£
Finance income:		
Deposit account interest	21	658
Interest on other loans	360	780
	381	1,438
Finance expense:		
Interest on shareholder loan	593	4,179
Finance charges payable under finance leases and hire purchase contracts	3,484	3,487
Factoring interest and fees	7,746	10,931
	11,823	18,597
Net finance cost	11,442	17,159

5. Loss from operations

The loss from operations is stated after charging/(crediting):

	2009	*2008*
	£	£
		(Restated)
Operating leases – Property	83,883	46,918
Depreciation of property, plant and equipment	63,763	57,032
Write back of inventory provisions	(22,657)	(46,441)
Auditors' remuneration – parent company and consolidation	75,273	40,000
– subsidiary audit	7,648	4,650
– taxation services	21,759	34,350
Foreign exchange differences	16,209	(21,734)
Share based payments	163,328	–
Research and development expenditure	16,631	22,234

Disclosure of the credit arising from reassessment of inventory was omitted in the 2008 accounts. The write back of inventory provisions occurred because successes with raw material substitutions and a changing profile of finished products sold by Derlite meant that raw materials previously deemed obsolete can now be utilised.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

6. Tax

Analysis of the tax charge

	2009	*2008*
	£	£
Current tax:		
Foreign corporation tax	–	3,304

Factors affecting the tax charge

The tax assessed for the year ended 31 December 2009 is higher (2008 higher) than the standard rate of corporation tax in the UK. The difference is explained below.

	2009	*2008*
	£	£
Loss before tax	(1,175,876)	(343,242)
Loss multiplied by the standard rate of corporation tax in the UK of 28%	(329,245)	(96,108)
Effects of:		
Expenses not deductible for tax purposes	3,951	12,080
Non taxable income	–	(20,217)
Current year tax losses	338,194	114,213
Utilisation of tax losses	–	(124)
Excess of capital allowances over depreciation on qualifying assets	(12,900)	(453)
Other timing differences	–	(6,306)
Difference in tax rates	–	219
Total tax	–	3,304

7. Loss of parent Company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent Company is not presented as part of these financial statements. The parent Company's loss for the financial year was £(593,328) (2008 £(67,242)).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

8. Earnings per share

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

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

Reconciliations are set out below.

	Earnings £	*2009 Weighted average number of shares*	*Per-share amount pence*
Basic EPS			
Loss attributable to ordinary shareholders	(1,175,876)	66,806,784	(1.76)
Effect of dilutive securities			
Options	–	6,400,886	–
Diluted loss per share	(1,175,876)	73,207,670	(1.76)
Continuing operations			
Basic EPS			
Earnings attributable to ordinary shareholders	(1,175,876)	66,806,784	(1.76)
Effect of dilutive securities			
Options	–	6,400,886	–
Diluted earnings	(1,175,876)	73,207,670	(1.76)

Diluted EPS shows a lower loss per share than the basic loss per share and therefore has not been disclosed.

	Earnings £	*2008 Weighted average number of shares*	*Per-share amount pence*
Basic EPS			
Loss attributable to ordinary shareholders	(346,546)	31,920,728	(1.09)
Effect of dilutive securities			
Options	–	3,501,182	–
Diluted loss per share	(346,546)	35,421,910	(1.09)
Continuing operations			
Basic EPS			
Loss attributable to ordinary shareholders	(338,241)	31,920,728	(1.06)
Effect of dilutive securities			
Options	–	3,501,182	–
Diluted loss per share	(338,241)	35,421,910	(1.06)
Discontinued operations			
Basic EPS			
Loss attributable to ordinary shareholders	(8,305)	31,920,728	(0.03)
Effect of dilutive securities			
Options	–	3,501,182	–
Diluted loss per share	(8,305)	35,421,910	(0.03)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

9. Goodwill

Group	£
Cost	
At 1 January 2008	1,660,980
Retired	(1,555,952)
At 31 December 2008	105,028
At 1 January 2009	105,028
Additions	180,625
Retired	–
At 31 December 2009	285,653
Accumulated impairment losses	
At 1 January 2008	1,555,952
Retired	(1,555,952)
At 31 December 2008 and 31 December 2009	–
Net book value	
At 31 December 2009	285,653
At 31 December 2008	105,028
At 1 January 2008	105,028

Goodwill at 31 December 2008 relates to the acquisition of Gasignition Limited in 2007 which constitutes one cash generating unit.

The additional goodwill recognised in 2009 relates to the acquisition of a further 7.8% the equity of Active Energy Limited which was acquired from Alpha Prospects Plc for a consideration of £180,695.

Goodwill that has been retired relates to the acquisition of DK Gas Components Limited which went into liquidation in 2006.

Goodwill values have been tested for impairment through a value in use calculation. The value in use was calculated using the operation cash flows from the board approved budgets for Gasignition Limited and Active Energy Limited for the two years ended 31 December 2011, together with a prediction of continued operation for a further eight years. The present value of these cash flows was calculated by applying a discount rate of 15 per cent.

The key assumptions used in determining value in use were:

Gasignition: Sales revenues, margins and overheads were derived from trends in the historic performance of the Company. Forward projections: sales revenue, -5% per annum, gross margin, 33%, overhead costs, +2% per annum.

Active Energy: As this Company is only recently established sales revenues, margins and overheads were in part based on the performance since establishment together with the projected expansion of the operation during 2010 and 2011. Sales revenues in particular are limited by the budgeted resource to serve what is expected to be significant demand. The forward projections beyond 2011 are: sales revenues +5% per annum, gross margin, 31%, overhead costs +5% per annum.

On this basis the recoverable amount for the cash generating unit Gasignition exceeds is carrying amount by £259,900 (2008: £96,000) and for Active Energy £627,000 (2008: N/A).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

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

Assumption	*GasIgnition*	*Active Energy*
Annual sales revenue growth	From -5% to -82%	From +5% to -16%
Gross margin	From 33% to 8%	From 31% to 17%
Annual overhead growth	From 2% to 49%	From 5% to 26%

10. Property, plant and equipment

Group	*Leasehold Improvements* £	*Plant and equipment* £	*Furniture and office equipment* £	*Totals* £
Cost				
At 1 January 2008	13,987	225,072	14,180	253,239
Additions	–	71,674	4,169	75,843
Disposals	–	(47,951)	–	(47,951)
Exchange differences	4,645	79,472	4,462	88,579
At 31 December 2008	18,632	328,267	22,811	369,710
At 1 January 2009	18,632	328,267	22,811	369,710
Additions	–	30,878	33,072	63,950
Exchange differences	(1,073)	(18,627)	(1,095)	(20,795)
At 31 December 2009	17,559	340,518	54,788	412,865
Depreciation				
At 1 January 2008	3,290	70,037	1,632	74,959
Charge for the year	3,055	49,894	4,083	57,032
Eliminated on disposal	–	(1,577)	–	(1,577)
Exchange differences	1,764	33,933	1,120	36,817
At 31 December 2008	8,109	152,287	6,835	167,231
At 1 January 2009	8,109	152,287	6,835	167,231
Charge for the year	3,279	53,180	7,304	63,763
Exchange differences	(463)	(8,458)	(314)	(9,235)
At 31 December 2009	10,925	197,009	13,825	221,759
Net book value				
At 31 December 2009	6,634	143,509	40,963	191,106
At 31 December 2008	10,523	175,980	15,976	202,479
At 1 January 2008	10,697	155,035	12,548	178,280

Included within the carrying amount of plant and equipment is an amount of £55,086 (2008: £70,732) in respect of assets held under finance leases and hire purchase contracts. Depreciation charged in the year on assets under finance leases was £16,311 (2008: £12,993).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

Company	*Furniture and office equipment* £
Cost	
At 1 January 2008	3,021
Additions	223
At 31 December 2008	3,244
At 1 January 2009 and 31 December 2009	3,244
Depreciation	
At 1 January 2008	262
Charge for the year	1,057
Eliminated on disposal	–
At 31 December 2008	1,319
At 1 January 2009	1,319
Charge for the year	1,081
At 31 December 2009	2,400
Net book value	
At 31 December 2009	844
At 31 December 2008	1,925
At 1 January 2008	2,759

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

11. Investments

Company	*Shares in Group Undertakings* £
Cost	
At 1 January 2008	1,172,894
Additions	100
Disposals	(88)
At 31 December 2008	1,172,906
At 1 January 2009	1,172,906
Additions	500,030
Sale of shares in subsidiary	(69,375)
At 31 December 2009	1,603,561
Provisions	
At 1 January 2008	1,022,734
Charge for the year	–
At 31 December 2008	1,022,734
At 1 January 2009	1,022,734
Charge for the year	–
At 31 December 2009	1,022,734
Net book value	
At 31 December 2009	580,827
At 31 December 2008	150,172
At 1 January 2008	150,160

At 31 December 2009 the Group held share capital of the following companies:

Subsidiary undertaking	*Country of incorporation*	*Nature of business*	*Date of incorporation/ acquisition*	*Percentage*
Derlite Company Limited*	Thailand	Manufacturing	21 February 2003	100.0
Buckland Group (Hong Kong) Limited	Hong Kong	Holding	29 October 2003	100.0
Gasignition Limited	United Kingdom	Trading	30 June 2007	100.0
Active Energy Limited	United Kingdom	Trading	21 May 2008	72.8
Cinpart EBT Limited	Hong Kong	Trustee	22 September 2009	100.0

* Indicates an investment held through an intermediate holding Company. All companies within the Group have co-terminus year ends.

On 21 May 2008 the Group established Component Imports Limited with an initial share capital of £100. On 16 January 2009 the name of this Company was changed to Active Energy Limited.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

On 4 March 2009 the Company increased the share capital of Active Energy Limited, previously Component Imports Limited from £100 to £200 and then sold a 35% interest to Stephen Coomes (25%) and Alpha Prospects Plc (10%) for a consideration of £70. On 13 August 2009 the Company acquired the 10% stake belonging to Alpha Prospects for a consideration of £250,000. On the same day Stephen Coomes purchased 2.2% for a consideration of £69,305 from the Company.

On 8 September 2009 the Company acquired 100% of the equity of Kingtide Limited a Company registered in Hong Kong for consideration of HK$1. On the 2 October 2009 the name of the Company was changed to Cinpart EBT Limited. This Company has been appointed as trustee of the Cinpart Employee Benefit Trust a trust established by execution of a trust deed on 18 November 2009.

The Company has advanced the sum of £30,000 to the EBT to cover expenses and to allow it to acquire shares in the Company.

12. Inventories

	Group	
	2009	*2008*
	£	£
Raw materials	209,425	241,790
Work-in-progress	78,313	97,264
Finished goods	140,464	65,115
	428,202	404,169

The amount of inventories recognised as an expense during the year was £1,765,744 (2008: £1,083,313) There is no material difference between the replacement costs of stocks and the amounts stated above. As indicated in note 5 during the period under review the Group was able to write back £22,657 (2008: £46,441) inventory that had previously been deemed obsolete.

13. Trade and other receivables

	Group		*Company*	
	2009	*2008*	*2009*	*2008*
	£	£	£	£
Current:				
Trade receivables	1,507,601	400,631	–	–
Amount owed by Group undertakings	–	–	1,452,000	635,014
Loans to related parties	–	8,000	–	–
Other receivables	105,103	4,034	125,000	–
VAT receivable	17,922	8,240	8,052	7,964
Prepayment and accrued income	96,247	126,787	27,694	11,914
	1,726,873	547,692	1,612,746	654,892

At 31 December 2009 £Nil (2008: £91,447) trade receivables had been factored.

All financial assets are classified as loans and receivables under IAS39. In the directors' opinion the carrying values of trade and other receivables are stated at their fair value, after deduction of appropriate allowances for irrecoverable amounts as these assets are not interest bearing and receipts occur over a short period and are subject to an insignificant risk of changes in value. All trade and other receivables that are neither past due nor impaired are considered recoverable.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

As at 31 December 2009, trade receivables of £Nil (2008: £107,268) had not been paid within the period agreed with the customer. They relate to customers with no previous default history. All such trade receivables from 2008 have subsequently been received. The ageing of these receivables was as follows:

Group	*2009* £	*2008* £
Up to 3 months	–	106,775
3 to 6 months	–	–
6 to 12 months	–	493
	–	107,268

The company has no trade receivables.

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

	Group		*Company*	
	2009 £	*2008* £	*2009* £	*2008* £
Pound sterling	1,468,862	137,196	1,612,746	654,892
Euro	15,470	–	–	–
US Dollar	196,030	308,277	–	–
Thai Baht	46,511	102,219	–	–
	1,726,873	547,692	1,612,746	654,892

Movement on the Group provision for impairment to trade receivables are as follows:

	2009	*2008*
At the beginning of the year	–	48,596
(Utilised)/Provided in the year	–	(48,596)
	–	–

All provisions for impairment relate to 100% of the related trade receivable balance.

The Company has no trade receivable balance.

14. Cash and cash equivalents

	Group		*Company*	
	2009 £	*2008* £	*2009* £	*2008* £
Cash in hand	205	32	–	–
Bank accounts	839,917	22,027	669,915	1,322
	840,122	22,059	669,915	1,322

At the year end the Group held £8,022 in Thai Baht (2008: £4,033) and £1,021 in US$ (2008: £604). Cash at bank is held in non-interest bearing current accounts.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

15. Trade and other payables

	Group		*Company*	
	2009	*2008*	*2009*	*2008*
	£	£	£	£
Current:				
Trade payables	558,298	308,980	58,872	139,840
Amounts owed to Group undertakings	–	–	–	38,424
Social security and other taxes	5,818	8,830	–	1,861
Accruals and deferred income	690,687	119,088	74,046	99,347
	1,254,803	436,898	132,918	279,472

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

16. Financial liabilities – borrowings

	Group		*Company*	
	2009	*2008*	*2009*	*2008*
	£	£	£	£
Current:				
Bank loans	–	63,559	–	–
Shareholder loans	–	23,594	–	–
Finance lease creditor (see note 17)	21,284	21,943	–	–
	21,284	109,096	–	–
Non-current:				
Finance lease creditor	1,101	25,135	–	–

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

The gross amount payable in respect of the shareholder loan at 31 December 2009 is £Nil (2008: £23,594).

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

17. Leasing Agreements

Group
Future lease payments fall due as follows:

Finance leases

	2009 £	*2008* £
Amount payable under finance lease:		
Within one year	23,188	25,060
Later than one year less than five years	1,199	25,307
	24,387	50,367
Less future finance charges	2,002	3,289
Present value of lease obligations:		
Within one year	21,284	21,943
Later than one year less than five years	1,101	25,135
	22,385	47,078

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

The Company does not hold any assets under finance leases.

Non-cancellable operating leases
The total value of minimum lease payments in respect of operating leases all of which relate to either property or motor vehicles are due as follows:

	Group		*Company*	
	2009 £	*2008* £	*2009* £	*2008* £
Within one year	124,363	–	30,625	–
Later than one year less than five years	77,609	168,898	–	–
	201,972	168,898	30,625	–

18. Financial Instruments

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

Market Risk

Currency risk

With the manufacturing base in Thailand and customers around the world the Group experiences translational and transactional exchange risk.

The significant investment in overseas operations in Thailand does mean the Groups balance sheet, expressed in sterling, can be affected by exchange fluctuations between £ sterling and Thai Baht. The board regularly reviews the respective rates and feels the prevailing financial conditions in Thailand preclude the need to hedge against the Baht.

There is some exposure to currency risk arising from the mix of trading currencies; during 2009 the ratio of US$ revenue compared with £ sterling revenue decreased markedly; this was primarily due to the revenue derived from the new business venture all being denominated in £ sterling. The proportion of US$ denominated trade receivables therefore decreased to just 11.0% of all trade receivables as at 31 December 2009 (2008: 79.3%). For the gas ignition business a significant value of raw materials are purchased from China and these purchases are denominated in US$, however all purchases for the Active Energy business are in £ sterling. The proportion of US$ denominated accounts payable at 31 December 2009 was 16.4% (2008: 23.9%).

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

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

	Net foreign currency monetary assets/(liabilities)		
Functional currency of operation	*EURO*	*GBP*	*USD*
At 31 December 2009			
Thai Baht	12,823	130,800	140,038
GBP	–	–	–
At 31 December 2008			
Thai Baht	(1,750)	(41,402)	236,245
GBP	–	–	–

During 2009 the average monthly US$/£ exchange rates varied between 1.6564 $/£ and 1.4164 $/£. Had the dollar been 10% weaker, the impact on post tax profit would have been a gain of £3,584. Had the dollar been 10% stronger, the impact on post tax profit would have been a loss of £2,932. This assumes that the exchange rate between Thai Baht and £ remained constant throughout.

The average monthly Thai Baht/£ exchange rates varied between 56.9817 Baht/£ and 50.0943 Baht/£. Had the Baht been 10% weaker, the impact on post tax profit would have been a gain of £90,752. Had the Baht been 10% stronger, the impact on post tax profit would have been a loss of £110,919. This assumes that the US$/£ exchange rate remained constant throughout.

Interest rate risk

The Group and Company finances its operations through equity introductions and bank borrowings. The Group and Company exposure to interest rate fluctuations on its borrowings has

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

been limited by the new equity and debt for equity swaps actioned during the year and therefore the Directors do not consider the Group or Company to be materially sensitive to interest rate risk.

During the year ended 31 December 2009 interest fees relating to invoice discounting amounted to £7,746, a 10% adjustment would impact on interest charge by just £775.

Credit risk

Operational

The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings, taking into account local business practices are then factored into any decisions. The Group does not enter into any derivatives to manage credit risk. The maximum exposure to credit risk at 31 December 2009 is £1,544,476 (2008: £400,631).

Financial

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

Liquidity risk

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

Loans

Buckland Hong Kong Limited had a loan due to a shareholder, Millstream Solutions Limited. This loan was repaid on 6 May 2009. The balance due at 31 December 2009 was £Nil (2008: £23,594).

Bank loans

Bank Loans amounting to £Nil (2008: £63,559) relate to invoice finance facilities. When taken the borrowings bear interest of 2% over base rate (2008: 2% per annum). These become due for payment as customers make payments in settlement of the invoices discounted.

Bank overdrafts

The Group had no overdraft at 31 December 2009 (2008: Nil) and no debentures or personal guarantees were in place.

Fair values

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

Capital risk management

Management consider capital to include ordinary and deferred shares issued, share premium and share options and revenue reserves – see note 19 for a detailed breakdown thereof.

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

19. Called up share capital

	2009 Number	2008 Number	2007 Number
Authorised:			
New ordinary shares of 1p each	500,000,000	500,000,000	500,000,000
Deferred shares of 9. 5p each	15,409,000	15,409,000	15,409,000
New deferred shares of 0.49p each	404,779,408	404,779,408	404,779,408
	920,188,408	920,188,408	920,188,408

	2009 Value £	2008 Value £	2007 Value £
Authorised:			
New ordinary shares of 1p each	5,000,000	5,000,000	5,000,000
Deferred shares of 9. 5p each	1,463,855	1,463,855	1,463,855
New deferred shares of 0.49p each	1,983,419	1,983,419	1,983,419
	8,447,274	8,447,274	8,447,274

	2009 Number	2008 Number	2007 Number
Allotted, issued and fully paid:			
New ordinary shares of 1p each	86,994,398	31,947,511	31,249,011
Deferred shares of 9.5p each	15,409,000	15,409,000	15,409,000
New deferred shares of 0.49p each	404,779,408	404,779,408	404,779,408
	507,182,806	452,135,919	451,437,419

	2009 Value £	2008 Value £	2007 Value £
Allotted, issued and fully paid:			
New ordinary shares of 1p each	869,944	319,475	312,490
Deferred shares of 9.5p each	1,463,855	1,463,855	1,463,855
New deferred shares of 0.49p each	1,983,418	1,983,418	1,983,418
	4,317,217	3,766,748	3,759,763

Class rights

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

Changes in issued share capital

At 31 December 2007, 698,500 shares had been fully paid, however these shares were not issued until 15 January 2008.

During 2009 the following new shares were issued:

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

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

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

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

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

Changes in issued share capital – post year end

On 17 November 2009 at an Extraordinary General Meeting the shareholders of the Company approved a proposal for the Company to make an application to the High Court for the cancellation of all the Company's deferred shares.

The Company received an Order from the Court confirming the reduction of capital and approving the Statement of Capital on 18 February 2010. Refer to Note 24 – Post balance sheet events

Options

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

Holder	*Price*	*Granting Date*	*Expiry Date*	*At 31 December 2009*	*At 1 January 2009*	*At 1 January 2008*
Consortia Trustees	7.500p	19/07/2006	30/09/2009	–	27,777	27,777
	7.000p	12/12/2006	30/09/2009	–	29,761	29,761
	7.000p	29/06/2007	06/06/2017	857,142	857,142	857,142
	1.000p	29/06/2007	06/06/2017	450,000	450,000	450,000
KF Baker	7.000p	29/06/2007	06/06/2017	357,142	357,142	357,142
	6.375p	22/05/2009	22/05/2019	1,823,480	–	–
CK Foster	7.000p	29/06/2007	06/06/2017	357,142	357,142	357,142
	1.000p	29/06/2007	06/06/2017	500,000	500,000	500,000
	6.375p	29/06/2009	06/06/2019	1,823,480		
LK Sharples	7.500p	19/07/2006	30/09/2009	–	27,777	27,777
	7.000p	12/12/2006	30/09/2009	–	29,761	29,761
	7.000p	29/06/2007	30/09/2009	–	357,142	357,142
	1.000p	29/06/2007	30/09/2009	–	450,000	450,000
PR Rogers	7.500p	19/07/2006	30/09/2009	–	27,777	27,777
	7.000p	12/12/2006	30/09/2009	–	29,761	29,761
Mirabaud Securities LLP	10.000p	09/07/2009	09/07/2011	232,500	–	–
				6,400,886	3,501,182	3,501,182

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

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

PR Rogers resigned as a director on 6 June 2008; LK Sharples resigned as a director on 7 December 2008.

On 22 May 2009 the Company granted 1,823,480 share options to Kevin Baker and 1,823,480 to Christopher Foster. These were issued with an exercise price of 6.375p, vested immediately and are exercisable until 22 May 2019.

On 10 July 2009 the Company issued warrants over 232,500 new ordinary shares to Mirabaud Securities LLP as part settlement of fees in connection with the placing on the same date. The warrants are exercisable at 10p per share and must be exercised before 10 July 2011.

The following information is relevant in the determination of the fair value of warrants and options granted during the year. No warrants or options were issued during 2008.

	Options	*Warrants*
Option pricing model used	Black Scholes	Black Scholes
Weighted average share price at date of grant	6.375p	10.0p
Exercise price	6.375p	10.0p
Expected life	10 years	2 years
Expected volatility	56%	56%
Expected dividend yield	Nil	Nil
Risk free interest rate	4.5%	4.5%

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

The charge for equity settled share based payments in the year ended 31 December 2009 was £163,328, (2008: Nil).

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

20. Reserves

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

Reserve	*Description and purpose*
Share premium	Amounts subscribed for share capital in excess of nominal value
Shares to be issued	Shares for which consideration has been received but which are not yet issued
Merger	Difference between fair value and nominal value of shares issued to acquire subsidiaries
EBT share	Cost of own shares held by the employee benefit trust
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income
Foreign exchange	Gains/losses arising on retranslating the net assets of overseas operations into sterling
Minority interest	The minority interest balance is nil at 31 December 2009 due to the allocation of losses in the parent Company's subsidiary Active Energy Limited

21. Related party disclosures

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

On 30 November 2007 Buckland (Hong Kong) Limited advanced a loan to K F Baker of £16,000. This loan which attracted interest of 6% per annum was repaid in 2009. The balance outstanding at 31 December 2009 was £Nil (2008: £8,000).

In accordance with normal business practice in Thailand whereby borrowings by an overseas owned Company often must be supported by a personal guarantee from a Thai national, K F Baker's spouse has provided a personal guarantee value at 31 December 2009 £24,387, (2008: £50,367) with respect to the finance leases of Derlite Company Limited.

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

During the financial year ended 31 December 2009 the value of goods and services provided by SDC Industries Limited was £723,697. The net balance outstanding to SDC Industries at 31 December 2009 was £225,785.

Mr Coomes also received £30,207 for director fees and expense reimbursement in the period ended 31 December 2009.

Transactions between the Company and its subsidiaries, which are related parties to the Company, have been eliminated on consolidation. During the year in the Company's financial statements, there have been no Group provision adjustments as outlined below, cash advances to fellow Group companies of £816,986 (2008: £Nil), repayment of advances from fellow Group companies of £38,424 (2008: receipt of advance £38,424), recharge of expenses of £58,651 (2008: £72,194) and payment of amounts owed to fellow Group companies of £Nil (2008: £Nil).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

The Cinpart Employment Benefit Trust was established by execution of a trust deed on 18 November 2009. The Company has since made unsecured advances to the trust to meet expenses of the trust and to enable the trust to acquire shares in the Company. The outstanding balance at 31 December 2009 was £30,000. The Cinpart EBT Trust subscribed to 200,000 new ordinary shares in the Company at 12.5p per share in the 21 December placing.

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

	2009	*2008*
	£	*£*
Doubtful debts provision released to income statement	–	(372,880)
Amounts due from related parties	1,452,000	635,014
Provisions against amounts due from related parties	–	–
	1,452,000	635,014
Amounts due to related parties	–	38,424

Movements in impairment

	2009	2008
	£	£
At the beginning of the year	–	822,010
Credit to the income statement	–	(372,880)
Utilised in the year	–	(449,130)
	–	–

22. Deferred Tax

Unprovided deferred tax

	Group		*Company*	
	2009	*2008*	*2009*	*2008*
	£	*£*	*£*	*£*
Accelerated capital allowance	12,191	(664)	(788)	(664)
Short term timing differences	–	–	–	–
Losses	(1,179,961)	(938,677)	(1,096,849)	(938,293)
	(1,167,770)	(939,341)	(1,097,637)	(938,957)

No provision for the deferred tax asset has been made in the Group or Company due to the uncertainty of the Group or Company being able to generate sufficient future taxable profits from which the future reversal of the timing difference can be deducted.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

23. Discontinued operations

	2009 £	*2008* £
Results of discontinued operations:		
Cost of sales	–	–
Other operating income	–	–
Administrative expense	–	(8,305)
Loss on discontinued operations	–	(8,305)
Basic loss per share (pence)	–	(0.03)
Diluted loss per share (pence)	–	(0.03)

The discontinued operation that incurred expense in 2008 was the connector business (being the manufacture and sale of cable connectors for cathode ray televisions and computers). This business ceased trading in 2006 and the expenses shown above relate to the costs of preparing accounts prior to liquidation.

24. Post balance sheet events

On 1 February 2010 the Company announced that the subsidiary Active Energy Limited had signed a Memorandum of Understanding ("MOU") with Southern Electric Contracting a wholly owned subsidiary of Scottish and Southern Energy plc. The MOU includes, amongst other things, the commercial terms relating to the marketing, sale and installation by SEC of Active Energy's VoltageMaster product as the preferred voltage optimisation device for its commercial clients.

Southern Electric Contracting is one of the largest mechanical and electrical contractors in the United Kingdom operating from 63 regional offices and employing approximately 4,000 experienced engineers and electricians nationwide. The MOU also provides that SEC will become Active Energy's preferred installation sub contractor.

Active Energy has subsequently initiated a number of initiatives in order to maximise the potential benefits arising from this MOU including formal training programs for Active Energy sales and installation staff, the establishment of a rebate scheme that allows Southern Electric Contracting to benefit should sales ensuing from the relationship exceed certain levels.

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

This means that the Authorised Share Capital now comprises 500,000,000 new ordinary shares of 1 pence each. The new Statement of Capital indicates that there are 86,994,398 allotted issued and fully paid new ordinary shares with value of £869,944.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

25. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial information in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. No provision for impairment was made in the period and the carrying value of goodwill at the balance sheet date was £285,653. The value in use calculations are based on cash flow projections from formally approved budgets covering a two year period to 31 December 2011 and a discount rate of 15%

Share based payments

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

Inventory provisions

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

Trade receivable provisions

A provision is made against trade receivables when there is a reasonable expectation that payment will not be received within six months and that the likely cost of legal recovery will exceed the value of the outstanding amount.

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