energetix group

Interim Financial Statements for the six months ended 30 June 2007

delivering value

new energy

new power

Energetix is a leading developer of new energy products using robust proven technologies to deliver fast to market low cost product solutions.

With an initial focus on distributed power generation and energy storage, Energetix has grown businesses to develop and commercialise new products for these markets.

"Energetix has had a very successful six month period with the initial field trials for Genlec, the Group's mCHP boiler, completed to plan, a significant increase in the market opportunities for Pnu Power, the Group's compressed air battery for industrial applications and the appointment of seasoned management teams to two of its core subsidiaries.

The start to the second half of the year has delivered significant progress with the entering into letters of intent with two European boiler manufacturers to progress the commercial launch of Genlec based heating appliances, and placing in August of 10 million new ordinary 5 pence shares raising £12 million (before expenses). This has served to accelerate additional opportunities for Genlec and Pnu Power as well as assisting the working capital requirements of other opportunities. Genlec has been awarded a £0.2 million development grant by the NWDA which will be used towards the development of the next generation of Genlec.

In addition the Group has progressed its subsidiary, Energetix Voltage Control Limited, an energy efficiency technology for domestic properties which is being taken to AIM via a reversal into Flightstore Group plc.

We continue to maintain a strong focus on good cash management and at the end of the period had £1.2 million more cash than budgeted".

Alan Aubrey, Chairman

CONTENTS

highlights

Financial & operational highlights

- Genlec's field trial of its lightweight wall hung appliance completed to plan and identified that a Genlec enabled appliance can be operated at an overall efficiency of up to 95 per cent.;
- A significant increase in the number of potential partners expressing an interest in Genlec;
- Pnu Power product line expanded to include a low power long duration unit for telecoms' applications in addition to the existing high power short duration UPS product. New product to be launched at Intelec 2007 in Rome;
- Pnu Power accelerated life cycle testing progress has achieved 8 years of product life;
- A substantial expansion in the footprint of market opportunities for the Pnu Power product;
- The establishment of two seasoned management teams for both core subsidiaries;
- Progress with the Group's domestic energy efficiency device in its subsidiary, Energetix Voltage Control Limited;
- Cash in bank at the period end was £2.9 million, some £1.2 million ahead of budget;
- Pre tax loss for the period in review increased from £0.3 million to £1.3 million in line with budget reflecting the increased level of development activity occurring since IPO.

Post-30 June 2007 highlights

- The signing of two letters of intent with mainland European boiler manufacturers for Genlec;
- The Group raised £12 million before expenses (£11.3 million net) via a placing of new ordinary shares of 5 pence each at 120 pence per share. The placing price represented a discount of 10.1 per cent. to the closing market price of 133.5 pence per share on 31 July 2007;
- Genlec has been awarded a grant of £0.2 million to accelerate the development of the next generation Genlec unit for use in combination boiler applications where the hot water is provided on demand rather than provded from a store of hot water;
- On 3 September 2007 the Company announced its intention to reverse Energetix Voltage Control Limited into Flightstore Group plc and (subject to approval of the Flightstore Group plc shareholders) seek a listing of the enlarged entity on the AIM market of the London Stock Exchange. This transaction will provide funding for the commercialisation of Voltage Control's products whilst leaving the Group with 55.1 per cent. of the enlarged equity of Flightstore Group plc, which it is planned to be renamed as VPhase plc.

chief executive's review

Overview

In the six months ended 30 June 2007, the Group has made significant progress with the commercialisation of its portfolio in particular in its two core businesses Energetix Genlec Limited ("Genlec") and Energetix Pnu Power Limited ("Pnu Power") and the advancement of its new domestic energy efficiency technology in Energetix Voltage Control Limited ("Voltage Control"). This progress together with the establishment of experienced teams in Genlec and Pnu Power and the holding of more cash than budgeted leaves the Group in a strong position for the second half of the financial year.

Portfolio businesses:

Genlec

Genlec continues to make substantial progress with the product which in its field trials has demonstrated that it can be operated at an overall energy efficiency of up to 95 per cent. In certain cases this is better than the latest condensing boilers that operate at an overall efficiency of approximately 90 per cent. and a significant improvement over most of the currently installed conventional boilers many of which operate at around 70 per cent. efficiency.

The field trials also provided data and ongoing development work that has enabled the design of the next generation Genlec enabled appliances to be 20 per cent. smaller and 45 per cent. lighter than the first models.

A Genlec enabled appliance is expected to deliver energy savings of £150 to £200 per year to homeowners and reduce the average home's carbon dioxide emissions by approximately 1 tonne per year compared to a condensing boiler.

In August Genlec entered into its first commercial agreements in the period with the signing of letters of intent with two European Boiler manufacturers to produce Genlec based heating appliances for commercial launch.

In July 2007, Genlec was awarded a development grant of £0.2m from the North West Regional Development Agency to develop the next generation Genlec products which will apply to combination boilers. Combination boilers produce hot water on demand rather than producing it when the central heating is on and storing it in a tank until required. These boilers represent a growing proportion of the UK market.

Pnu Power

The appointment of Neil Bright (previously President of Exide Industrial Energy, a $1bn turnover division of Exide Inc.) as the CEO of Pnu Power to lead this business has assisted in the identification of a significant number of additional applications — in particular:

- Telecoms support for remote locations where the use of fibre networks and remote wireless base stations has led to the use of battery back-up power being required in environments that are detrimental to the operation of traditional lead acid batteries, mainly due to extremes of temperature. Pnu Power devices are predominantly unaffected by extremes of temperature and are therefore suited to these applications.

- Demand response opportunities predominantly in the USA driven by the need for peak power in metropolitan areas, without generating polluting emissions. Pnu Power is investigating the potential to extend the existing technology platform to address this market opportunity.

Each of these opportunities represents a substantial market opportunity for the business significantly increasing its potential earnings compared to those identified at the time of float.

In addition to the appointment of a UK based team the subsidiary has appointed an experienced US representative who has identified a substantial number of opportunities which Pnu Power is currently investigating or preparing proposals for.

Voltage Control

Voltage control controls the incoming voltage to a property to a set point. The voltage level delivered to domestic properties is normally set to a nominal value of between 110 volts to 240 volts depending on location. In the United Kingdom the nominal voltage is set to 230 volts; however, the actual level of voltage delivered to each home can legally vary between 216 volts and 253 volts. Most electrical devices in the United Kingdom are designed to operate at the lower level and any higher level of volts does not give additional performance, rather the surplus energy is wasted in the form of heat.

The company has developed a device designed to be attached to the post-residual current circuit breaker ("RCCB") side of the consumer unit in order to control the incoming voltage to a set point of 220 volts. This is slightly higher than the minimum design point for electrical items in Europe, thereby ensuring that electrical appliances in the home operate closer to the voltage condition for which they were designed.

Tests by Voltage Control have demonstrated that the device can save around 10 per cent. of the electricity used by domestic products such as televisions, fridges, freezers, central heating pumps and other items. This should equate to savings for the homeowner of *c.*£30 to £40 per annum. In addition, there is evidence that the life of electrical appliances can be extended by the use of this device; light bulbs, in particular have demonstrated at least two times longer life when on a circuit managed by the voltage control device as compared to those without the voltage control device.

The business is currently in discussions with organisations about routes to market and other potential wider market opportunities.

Corporate developments

In March 2007 the Group appointed BankOra Limited as joint broker with its nominated adviser and broker Zeus Capital. This arrangement has helped raise the profile of the Group and in the recent placing BankOra were the sole agent for the Company. During the period under review the Company's share price has ranged from a low of 41.5 pence to a high of 144.5 pence and is currently 126 pence as at 12 September 2007.

The placing of 10 million ordinary 5 pence shares at 120 pence per share raised a further £12 million gross (£11.3 million net) for the Group enabling Genlec to engage with more potential partners and for Pnu Power to address an increasing number of leads from across the world. Pnu Power will also be able to progress newly identified markets outside of uninterruptible power.

The fund-raising has also strengthened the Group's balance sheet which helps when in negotiations with partners and suppliers and enables the Directors to continue to research and source applicable technologies focused on the increasingly important sustainable alternative energy sector.

Financial performance

During the six month period to 30 June 2007 pre-tax losses increased to £1.32 million (30 June 2006 : £0.28 million), reflecting the planned increased level of commercialisation activity since the Group's IPO in August 2006. This increase in activity has required additional staff in the recruitment of seasoned management teams for Genlec and Pnu Power, as well as additional supply chain, commercial and technical employees. In addition, the Group is utilising the additional space leased in 2006 to facilitate this expansion.

Capital expenditure has also increased to £0.12 million as the Group had invested in the new test facilities, enabling intense testing of its key products.

At the end of June 2006, the Group has cash of £2.94 million which is some £1.2 million better than budget and leaves the Group in a good position from which to achieve its commercial targets.

Summary

The Group has made excellent progress in the first six months of the year, having established experienced teams in its subsidiaries, continued to exercise strong cash management and starting the second six months with a substantially strengthened balance sheet and focus on business commercialisation, growth and delivering shareholder value.

Adrian Hutchings
Chief Executive

consolidated interim income statement

For the six months ended 30 June 2007

Continuing activities	Note	**Unaudited 6 months ended 30 June 2007 £**	Unaudited 6 months ended 30 June 2006 £	Audited 12 months ended 31 December 2006 £
Revenue		**—**	64,184	66,948
Cost of sales		**—**	(45,941)	(46,441)
Gross profit		**—**	18,243	20,507
Administrative expenses		**(1,314,423)**	(302,321)	(1,219,741)
Operating loss		**(1,314,423)**	(284,078)	(1,199,234)
Finance income		**98,737**	291	67,678
Other gains — net		**(105,845)**	—	110,148
Loss before income tax		**(1,321,531)**	(283,787)	(1,021,408)
Income tax expense		**—**	—	—
Loss for the period		**(1,321,531)**	(283,787)	(1,021,408)
Attributable to				
Equity holders of the Company		**(1,321,531)**	(283,787)	(1,021,076)
Minority interest		**—**	—	(332)
		(1,321,531)	(283,787)	(1,021,408)
Loss per share attributable to the equity holders of the Company during the period				
— Basic and diluted	4	**(2.94)p**	(0.95)p	(2.86)p

All revenue and costs originate from continuing activities.

consolidated interim balance sheet

As at 30 June 2007

	Note	Unaudited At 30 June 2007 £	Unaudited At 30 June 2006 £	Audited At 31 December 2006 £
ASSETS				
Non-current assets				
Goodwill		**—**	—	—
Other intangible assets	5	**6,796,850**	428,211	6,456,833
Property, plant and equipment		**168,440**	7,173	76,506
Trade and other receivables		**—**	2,378,433	—
		6,965,290	2,813,817	6,533,339
Current assets				
Trade and other receivables		**213,344**	930,478	135,138
Cash and cash equivalents		**2,936,712**	892	4,444,731
		3,150,056	931,370	4,579,869
Total assets		**10,115,346**	3,745,187	11,113,208
LIABILITIES				
Non-current liabilities				
Financial liability — borrowings		**2,626,639**	360,000	2,558,574
		2,626,639	360,000	2,558,574
Current liabilities				
Financial liability — borrowings		**187,500**	589,631	200,000
Trade and other payables		**581,606**	217,908	347,345
		769,106	807,539	547,345
Total liabilities		**3,395,745**	1,167,539	3,105,919
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital		**2,250,000**	1,499,990	2,250,000
Share premium		**5,269,819**	179,052	5,269,819
Reverse acquisition reserve		**(1,499,756)**	(1,499,763)	(1,499,756)
Warrant reserve		**256,500**	—	256,500
Other reserves		**77,733**	—	43,890
Retained earnings		**365,305**	2,424,125	1,686,836
Total shareholders' equity	7	**6,719,601**	2,603,404	8,007,289
Minority interest		**—**	(25,756)	—
Total equity		**6,719,601**	2,577,648	8,007,289
Total equity and liabilities		**10,115,346**	3,745,187	11,113,208

consolidated interim cash flow statement

For the six months ended 30 June 2007

	Note	**Unaudited 6 months ended 30 June 2007 £**	Unaudited 6 months ended 30 June 2006 £	Audited 12 months ended 31 December 2006 £
Cash flows from operating activities				
Cash consumed by operations	6	**(854,213)**	(189,006)	(796,976)
Cash flows from investing activities				
Expenditure on intangible fixed assets		**(531,670)**	(118,101)	(564,673)
Purchases of property, plant and equipment		**(115,028)**	(1,032)	(78,096)
Interest received		**98,737**	291	67,678
		(547,961)	(118,842)	(575,091)
Cash flows from financing activities				
Net proceeds from the issue of ordinary shares		**—**	—	5,597,689
Other borrowings		**(105,845)**	89,631	—
		(105,845)	89,631	5,597,689
Net (decrease)/increase in cash and cash equivalents		**(1,508,019)**	(218,217)	4,225,622
Cash and cash equivalents at the beginning of the period		**4,444,731**	219,109	219,109
Cash and cash equivalents at the end of the period		**2,936,712**	892	4,444,731

consolidated interim statement of changes in equity

For the six months ended 30 June 2007

	Attributable to equity holders of the Company							
	Share capital £	Share premium £	Retained earnings £	Reverse acquisition reserve £	Warrant reserve £	Other reserve £	Minority interest £	Total equity £
As previously reported in Energetix (Europe) Limited as at 31 December 2005	166	179,052	2,707,912	—	—	—	(25,756)	2,861,374
Cost of acquisition	1,499,763	—	—	(1,499,763)	—	—	—	—
Balance at 31 December 2005 as restated	1,499,929	179,052	2,707,912	(1,499,763)	—	—	(25,756)	2,861,374
Shares issued 6 April 2006	61	—	—	—	—	—	—	61
Total recognised income/(loss) — Loss for the period	—	—	(283,787)	—	—	—	—	(283,787)
Balance at 30 June 2006	**1,499,990**	**179,052**	**2,424,125**	**(1,499,763)**	**—**	**—**	**(25,756)**	**2,577,648**
8 August 2006 Loan note conversion	10	499,842	—	—	—	—	—	499,852
Proceeds from EIS placing — 15 August 2006	125,000	875,000	—	—	—	—	—	1,000,000
Proceeds from General placing — 16 August 2006	625,000	4,375,000	—	—	—	—	—	5,000,000
Share issue expenses	—	(402,575)	—	—	—	—	—	(402,575)
Warrants issued	—	(256,500)	—	—	256,500	—	—	—
Total recognised income/(loss) — Loss for the period	—	—	(737,289)	7	—	43,890	(332)	(693,724)
Provision against minority interest	—	—	—	—	—	—	26,088	26,088
Balance at 31 December 2006	**2,250,000**	**5,269,819**	**1,686,836**	**(1,499,756)**	**256,500**	**43,890**	**—**	**8,007,289**
Total recognised income/(loss) — Loss for the period	—	—	(1,321,531)	—	—	33,843	—	(1,287,688)
Balance at 30 June 2007	**2,250,000**	**5,269,819**	**365,305**	**(1,499,756)**	**256,500**	**77,733**	**—**	**6,719,601**

selected explanatory notes

1. Nature of operations and general information

Energetix Group plc and subsidiaries ("the Group") principal activity is focused on the commercialisation of intellectual property and technical product development of alternative energy products for global markets.

The Group is a leading developer of new energy products focusing on using robust proven technologies to deliver fast to market, low cost product solutions and Energetix has grown businesses to develop and commercialise new products for alternative energy markets.

Energetix Group plc is the Group's ultimate parent company. It is incorporated in England and Wales. The address of the registered office is Steam Packet House, 76 Cross Street, Manchester, M2 4JU. The Group trades through a number of subsidiaries, whose place of business is Capenhurst Technology Park, Capenhurst, Chester, CH1 6EH. Energetix Group plc's shares are listed on the AIM market of the London Stock Exchange.

These condensed unaudited consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2006.

Energetix Group plc's consolidated interim financial statements are presented in pounds sterling (£), which is also the functional currency of the parent.

2. Accounting policies

The consolidated interim financial statement has been prepared under the historical cost convention. The Group accounting policies used in the interim financial statements are consistent with those applied in its most recent annual financial statements. For further information, please refer to Energetix Group plc's annual financial statements for the year ended 31 December 2006.

3. Segmental information

The business of the Group comprises one segment, alternative energy, and as such no segmental information is provided.

4. Loss per share

The loss per share is calculated by reference to the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period as follows:

	Unaudited 6 months ended 30 June 2007	Unaudited 6 months ended 30 June 2006	Audited 12 months ended 31 December 2006
Loss attributable to equity holders of the Group	**(1,321,531)**	(283,787)	(1,021,076)
Weighted average number of ordinary shares in issue	**45,000,000**	29,999,160	35,718,812
Basic and diluted loss per share (pence)	**(2.94)p**	(0.95)p	(2.86)p

The weighted average number of ordinary shares for the period ended 30 June 2006 and the year ended 31 December 2006 assumes that the 29,998,580 ordinary shares issued in relation to the reverse acquisition of Energetix Group plc had existed for the entire period.

The share options and warrants in issue are anti-dilutive in respect of the basic loss per share calculation and have therefore not been included in the above calculations.

5. Other intangible assets

	Micro CHP			Compressed air battery	
	Intellectual Property	R & D Assets	Total	R & D Assets	Total
At 1 January 2006					
Cost	—	—	—	310,110	310,110
Additions	—	—	—	118,101	118,101
Accumulated amortisation	—	—	—	—	—
At 30 June 2006	—	—	—	428,211	428,211
Additions	5,787,007	272,513	6,059,520	174,059	6,233,579
Accumulated amortisation	(204,957)	—	(204,957)	—	(204,957)
At 31 December 2006	5,582,050	272,513	5,854,563	602,270	6,456,833
Additions	—	276,515	276,515	255,155	531,670
Accumulated amortisation	(191,653)	—	(191,653)	—	(191,653)
	5,390,397	549,028	5,939,425	857,425	6,796,850

Intangibles include internally generated capitalised product development costs in accordance with IAS 38.

The Group currently has internally generated intangible assets from development of its mCHP module and compressed air battery. All other development work has been written off as incurred as the criteria for recognition as an asset are not met.

selected explanatory notes

6. Cash consumed by operations

	Unaudited 6 months ended 30 June 2007 £	Unaudited 6 months ended 30 June 2006 £	Audited 12 months ended 31 December 2006 £
Loss before income tax	(1,321,531)	(283,787)	(1,021,408)
Adjustments for:			
— Depreciation	23,094	1,648	9,379
— Amortisation	191,653	—	204,957
— Other income	(98,737)	(291)	(67,678)
— Other gains — net	105,845	—	(110,148)
— Share option compensation charge	33,843	—	43,890
— Provision against minority interests	—	—	26,088
Changes in working capital			
— Trade and other receivables	(78,206)	3,713	(101,009)
— Trade and other payables	289,826	89,711	218,953
	(854,213)	(189,006)	(796,976)

directors, secretary and advisers

Company registration number
5819555

Registered office
Steam Packet House
76 Cross Street
Manchester
M2 4JU

Directors
A J Aubrey (Non-Executive Chairman)
A C Hutchings (Chief Executive Officer)
R H Smith (Chief Financial Officer)
A C Elsborg (Non-Executive Director)
B M Gray (Non-Executive Director)

Company Secretary
P M Barry
Steam Packet House
76 Cross Street
Manchester
M2 4JU

Nomad/Brokers
Zeus Capital Limited
3 Ralli Courts
West Riverside
Manchester
M3 5FT

Joint Brokers
Bankora Limited
Martin House
26–30 Old Church Street
London
SW3 5BY

Bankers
HSBC Bank plc
Chester & Deeside Commerical Centre
Vista
St David's Park
Ewloe
Flintshire
CH5 3RX

Solicitors
Atticus Legal LLP
Steam Packet House
76 Cross Street
Manchester
M2 4JU

Independent Auditors
Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Public Relations Advisers
Abchurch Communication Limited
Sanford House
Medwin Walk
Horsham
West Sussex
RG12 1AG

Registrars
Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen
West Midlands
B63 3DA

Design and print by Jonesandpalmer www.jonesandpalmer.co.uk

Energetix Group plc
Capenhurst Technology Park
Chester
CH1 6EH
t. 0151 348 2100
f. 0151 348 2101

info@energetixgroup.com