

Energetix Group plc
("Energetix" or "the Group")

Consolidated Interim Financial Statements for the six months ended 30 June 2008

Energetix Group plc (AIM:EGX) a leading developer of low cost products for alternative and sustainable energy markets, today reports its Interim Results for the six months ended 30 June 2008.

Financial highlights

- Turnover £29,000 (30 June 2007: £Nil)
- Operating loss £2,075,000 (30 June 2007: £1,314,000)
- Profit before tax £664,000 (30 June 2007: loss £1,322,000)
- Basic earnings per share 1.21 pence (30 June 2007: loss 2.94 pence)
- Cash at bank at the end of the period £13,778,000 (30 June 2007: £2,937,000), of which £3,628,000 is held in VPhase plc.

Alan Aubrey, Chairman of Energetix, said "We are delighted by the substantial progress the Group has made in the first six months of the year. We continue to deliver all the targets we have set for the company and we see the following 6 to 12 months as a truly exciting period as each of our subsidiaries will be completing the development and commercial launch of their first products. Indeed, a fully working, Genlec home power unit has already been demonstrated to Malcolm Wickes, the Energy Minister, and he is planning to take part in the formal launch event later this year.

"To have all three subsidiaries reach the point of near term revenue generation at the same time is extremely rewarding. In addition the continued rise in energy prices has further improved the competitive advantage of the Group's products, potentially increasing the scale of each of these opportunities. We are delighted with the market's response to our VPhase business since it started trading on the AIM market in September 2007."

- ENDS -

For further information:

Energetix Group plc

Adrian Hutchings, Chief Executive Officer

Tel: +44 (0) 151 348 2111

Richard Smith, Chief Financial Officer

Tel: +44 (0) 151 348 2116

www.energetixgroup.com

Zeus Capital

Tel: +44 (0) 161 831 1512

Alex Clarkson

www.zeuscapital.co.uk

Novum Securities

Tel: +44 (0) 20 7099 1940

Michael Brennan

Henry Turcan

www.novumsecurities.com

Media enquiries:

Abchurch Communications

Tel: +44 (0) 20 7398 7712

Justin Heath

Monique Tsang

monique.tsang@abchurch-group.com

www.abchurch-group.com

Chief Executive's Statement

Overview

I am pleased to present the Group's interim results for the six months ended 30 June 2008 which reflect the substantial progress made in the period – and indeed the period since the half year end. All three of Energetix's businesses have reached the same point at almost the same time, with Pnu Power's next generation products being launched at Intelec in San Diego in September 2008, VPhase's first product being launched at Interbuild in October 2008 and Malcolm Wickes, the Energy Minister, launching Genlec in Westminster in November 2008. These are very exciting times for the Group and we look forward to early commercialisation of sales across the Group in 2009.

At the same time, the business environment for the Group continues to improve with rises in global energy prices, combined with growing public awareness of the need for advanced alternative energy products giving our clean, energy efficient products an even greater competitive advantage over older technologies. At the same time, there is also increased positive regulatory pull and resources for products that meet lower carbon emission targets. Since the flotation of Energetix Group in August 2006, the average cost of electricity for a UK domestic customer has increased by 16%. These increases have a direct, positive impact on the competitive advantage of both our Genlec and VPhase products.

Our businesses continue to deliver to the targets set for them at the beginning of the year and the rest of 2008 and 2009 will see milestones continuing to be met.

Energetix Genlec Limited ("Genlec")

Genlec entered the 2008 'heating season' with one utility partner and three major European boiler partners meaning that Genlec units are now being tested in the UK and Holland. Progress continues to be made on both the unit product design and performance.

Our Dutch partner, Daalderop, exhibited a Genlec enabled product named CombiVolt at the prestigious VSK show in Holland in February this year and we continue to work with them to enable the start of a Genlec field trial in Holland this winter. As part of this project, Genlec has started to work with previously identified third parties to ensure the delivery of Genlec units and to test the supply chain. Genlec will not have to invest in or build any plant to manufacture its units for mass production.

Our other boiler partners continue to work positively with us and all eyes, including those of other potential boiler partners, will be on the results of the field trial which will mark a watershed in the Company's progress.

In addition to the above, Genlec continues to work with E.ON UK, its utility partner to progress assessment of the Genlec micro-CHP technology leading to independent evaluation in accordance with the British Standards Institute's Publicly Available Specification (PAS) 67 – the UK's draft performance specification document for micro-CHP test methodology.

The culmination of all of the above is that Malcolm Wickes, the Energy Minister, is currently scheduled to formally launch the Genlec product on 10 November 2008 and we continue to raise the profile of Genlec through attendance at shows, presentations and exhibitions.

Energetix Pnu Power Limited (“Pnu Power”)

The Pnu Power product and product offering have been substantially improved during calendar year 2008, both as a result of trials that are being undertaken with the South African Utility, Eskom, and on-going research and dialogue with other potential partners.

Most importantly, the unit installed on Eskom’s network has delivered exemplary performance. Johan Beukes at Eskom recently commented:

“The unit we have on test continues to perform as required, every time there has been an outage the system has responded.”

In September 2008, a paper by Eskom was presented on the performance of the Pnu Power system at the major Intelec power show in San Diego, generating significant further interest in the Pnu Power product range.

We continue to add to the product range and our new higher power TC2 product is performing well in accelerated life cycle tests and our first 50kW UPS unit is currently in assembly. Accelerated life testing of the initial product range has exceeded 20 years compared to an average battery life of 3 to 5 years. In addition, we have also developed a new rack, or wall mounted version called Pnu Bay which will fit into a standard electronics rack in a computer centre, and this was first displayed at Intelec in San Diego in September.

We have also installed an environmental chamber on our site at Capenhurst and are successfully testing Pnu Power products in aggressive environments such as high heat and humidity where batteries have very short life expectancy.

On-going testing and development has also resulted in the use of even less components, substantial operating improvements, cost savings and an improved IP position. We have also started to test the supply chain that has been put in place and we are confident that Pnu Power has the capability to deliver on future orders. Again, the majority of this will be outsourced and there are no plans to invest in factories and substantial plant.

The sales cycle for Pnu Power is as expected, as potential customers are buying an insurance policy and we are negotiating with European operators for initial trial sites. Our first sales office has been opened in North America and we are confident that this will deliver results in the current financial year.

VPhase plc (“VPhase”)

A VPhase unit has now been on test continuously since March 2008 and we are rapidly progressing through the design for manufacture and CE certification phases. CE certification (Conformité Européenne (CE) is a mandatory conformity mark on products sold in the single market in the European Economic Area to prove the equipment has met the necessary European legislation and directives, thereby enabling the product to be sold in the UK and Europe. After this stage, the product will be supplied to partners and select early adopters before anticipated volume roll out in 2009. VPhase has announced that it will launch its first commercial product, VX1, at Interbuild, the UK’s largest building industry exhibition in October 2008. This exciting development keeps us on target for the start of mainstream sales in 2009.

VPhase has also announced the signing of a letter of intent with SSE to fund product trials to achieve CERT approval which is a major step forward for the Company. It is intended that the relationship with Scottish and Southern Energy plc (“SSE”) will support the commercialisation of VPhase’s energy saving products and that SSE will work with VPhase to identify and explore opportunities to use the VPhase device to promote energy efficiency.

The CERT scheme is a Government initiative and is intended to stimulate about £2.8 billion of investment by energy suppliers in promoting carbon reduction measures, usually through subsidies, in the period from 2008-2011.

In addition, during the period, discussions have been on-going with consumer unit (fuse box) manufacturers and other utility companies. It is through these channels that VPhase expects to achieve volume product sales. Further discussions have been held with market influencers such as Government bodies and third party test and certification providers.

We already have in place a fixed price contract for the production of the first 1,000 VPhase units, and have established target prices in line with our expectations for production rates of up to 10,000 units in a month.

Summary

In summary, each of our subsidiaries continue to meet their commercial obligations under our agreements, whether with E.ON, Daalderop or Eskom – and now SSE - plus our other commercial partners and they are progressing along the adoption curve for new technologies as their products are tested and are performing to expectations.

Financial performance

I am pleased to report that for the six month period ended 30 June 2008 the Group's financial performance was in line with expectations. Revenues of £29,000 (2007: £nil) were achieved through sales of prototype product to our partners. Research and development costs and administrative overheads increased to £2,094,000 (2007: £1,314,000) as each of our three businesses established themselves and continued to invest in the products and commercial capabilities of the Group.

Interest receivable increased to £327,000 in the period (2007: £99,000) reflecting the increased cash balances held on short term deposit with financial institutions. A further financial gain of £799,000 resulted from the reassessment of the fair value of long term liabilities.

During the period our subsidiary, VPhase plc, raised £3,305,000, net of expenses, by the issue of 70,000,000 new ordinary shares of 0.25 pence each at 5 pence per share. This transaction has both strengthened the Group's bank balances as well as recording a profit on a deemed disposal of £1,613,000. The Group holds 49.29% of VPhase plc which has a market value of £64 million at 7 September 2008 and the Group continues to control the company on the basis that it controls the financial and operating policies of VPhase plc through its board members.

The profit for the period attributable to equity holders of the Company increased to £845,000 (2007: loss £1,322,000).

The net increase in cash and cash equivalents for the period was £1,000,000 to £13,778,000.

People

We continue to recruit high calibre individuals experienced in developing and managing commercial organisations with a global customer base and supply chain. Our commercial supply contracts are being established to deliver volume product supply through 2009 and 2010.

In March 2008, the Energetix Group Board was further strengthened with the appointment of Dr Henry Cialone as a Non-Executive Director. Henry's world class experience having led Battelle Memorial Institute's commercial energy business, served on the governing board of

the US National Renewable Energy Laboratory (NREL) and being non-executive director of a spinout company from Idaho National Laboratory, brings the Group both access to and understanding of additional markets and intellectual property sources. At the same time as Henry's appointment, Bryan Gray stepped down from the Board as Non-Executive Director, although he continues to act as Genlec's representative on the Micropower Council. I would like to thank Bryan for his commitment and support to the Group.

Circulation to Shareholders

Following this RNS announcement, a pdf copy of the consolidated interim Financial Statements will be contained on the Group's website (www.energetixgroup.com) due to the Group's views on the environmental impact of printing and distributing glossy sets of consolidated interim Financial Statements. The Group's website is the primary source of information on the Group and this includes an overview of the activities of the Group, information on the Group's subsidiaries and details on all recent Group announcements.

Adrian Hutchings
Chief Executive
16 September 2008

Consolidated interim income statement

For the six months ended 30 June 2008

		Unaudited 6 months ended 30 June 2008 £'000	Audited 12 months ended 31 December 2007 £'000	Unaudited 6 months ended 30 June 2007 £'000
Continuing activities	<i>Note</i>			
Revenue	3	29	55	-
Cost of sales		(10)	(24)	-
Gross profit		19	31	-
Administrative expenses		(2,094)	(3,045)	(1,314)
Operating loss		(2,075)	(3,014)	(1,314)
Finance income	4	1,126	488	(8)
Other gains – net	5	1,613	685	-
Profit/(loss) before income tax		664	(1,841)	(1,322)
Income tax expense		-	(6)	-
Profit/(loss) for the period		664	(1,847)	(1,322)
Attributable to:				
Equity holders of the Company		845	(1,842)	(1,322)
Minority interest		(181)	(5)	-
		664	(1,847)	(1,322)
Profit/(Loss) per share attributable to the equity holders of the Company during the period:				
-Basic	6	1.21p	(3.74)p	(2.94)p
-Diluted	6	1.19p	-	-

All revenue and costs originate from continuing activities.

The notes are an integral part of these consolidated interim Financial Statements.

Consolidated interim balance sheet

As at 30 June 2008

	Unaudited 6 months ended 30 June 2008 £'000	Audited 12 months ended 31 December 2007 £'000	Unaudited 6 months ended 30 June 2007 £'000
ASSETS			
Non-current assets			
Goodwill	311	311	-
Other intangible assets	7,841	7,144	6,797
Property, plant and equipment	277	205	168
	<u>8,429</u>	<u>7,660</u>	<u>6,965</u>
Current assets			
Inventories	13	58	-
Trade and other receivables	289	360	213
Cash and cash equivalents	13,778	12,778	2,937
	<u>14,080</u>	<u>13,196</u>	<u>3,150</u>
Total assets	<u>22,509</u>	<u>20,856</u>	<u>10,115</u>
LIABILITIES			
Non-current liabilities			
Financial liability - borrowings	4 1,385	2,245	2,626
	<u>1,385</u>	<u>2,245</u>	<u>2,626</u>
Current liabilities			
Financial liability - borrowings	4 38	89	188
Trade and other payables	837	719	582
	<u>875</u>	<u>808</u>	<u>770</u>
Total liabilities	<u>2,260</u>	<u>3,053</u>	<u>3,396</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	2,754	2,752	2,250
Share premium	15,169	15,376	4,591
Retained earnings	690	(155)	365
Reverse acquisition reserve	(821)	(821)	(821)
Warrant reserve	591	256	256
Other reserves	168	144	78
	<u>18,551</u>	<u>17,552</u>	<u>6,719</u>
Minority interest	1,698	251	-
Total equity	<u>20,249</u>	<u>17,803</u>	<u>6,719</u>
Total equity and liabilities	<u>22,509</u>	<u>20,856</u>	<u>10,115</u>

The notes are an integral part of these consolidated interim Financial Statements.

Consolidated interim cash flow statement

For the six months ended 30 June 2008

	Unaudited 6 months ended 30 June 2008	Audited 12 months ended 31 December 2007	Unaudited 6 months ended 30 June 2007
<i>Note</i>	£'000	£'000	£'000
Cash flows from operating activities			
Cash consumed by operations	9 (1,532)	(2,437)	(854)
Cash flows from investing activities			
Expenditure on intangible fixed assets	(866)	(1,020)	(532)
Purchases of property, plant and equipment	(122)	(190)	(114)
Proceeds from part disposal of business	-	600	-
Net cash acquired with subsidiaries	-	30	-
Interest received	327	413	98
	(661)	(167)	(548)
Cash flows from financing activities			
Net proceeds from the issue of ordinary shares	-	11,287	-
Net proceeds from the issue of subsidiary shares to minorities	3,305	-	-
Other borrowings	-	-	(106)
Repayment of other borrowings	(112)	(350)	-
	3,193	10,937	(106)
Net increase/(decrease) in cash and cash equivalents	1,000	8,333	(1,508)
Cash and cash equivalents at the beginning of the period	12,778	4,445	4,445
Cash and cash equivalents at the end of the period	13,778	12,778	2,937

The notes are an integral part of these consolidated interim Financial Statements.

Consolidated interim statement of changes in equity

For the six months ended 30 June 2008

	Attributable to equity holders of the Company							Minority interest	Total equity
	Share capital	Share premium	Retained earnings	Reverse acquisition reserve	Warrant reserve	Other reserves	Total shareholders' equity		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2007	2,250	4,591	1,687	(821)	256	44	8,007	-	8,007
Total recognised loss for the period	-	-	(1,322)	-	-	-	(1,322)	-	(1,322)
Share based payments	-	-	-	-	-	34	34	-	34
Balance as at 30 June 2007	2,250	4,591	365	(821)	256	78	6,719	-	6,719
Total recognised loss for the period	-	-	(520)	-	-	-	(520)	(5)	(525)
Partial disposal of Energetix Voltage Control Limited	-	-	-	-	-	-	-	256	256
Share based payments	-	-	-	-	-	34	34	-	34
Other share based payments	-	-	-	-	-	32	32	-	32
Proceeds from placing Shares issued by legal subsidiary before reverse acquisition	500	11,500	-	-	-	-	12,000	-	12,000
- 21 August 2007	1	11	-	-	-	-	12	-	12
- 8 October 2007	1	11	-	-	-	-	12	-	12
Share issue expenses	-	(737)	-	-	-	-	(737)	-	(737)
Balance as at 31 December 2007	2,752	15,376	(155)	(821)	256	144	17,552	251	17,803
Total recognised profit/(loss) for the period	-	-	845	-	-	-	845	(181)	664
Share based payments (note 8)	-	-	-	-	-	37	37	-	37
Other share based payments	-	-	-	-	-	12	12	-	12
Shares issued by legal parent									
- 13 February 2008	1	11	-	-	-	(12)	-	-	-
- 12 June 2008	1	12	-	-	-	(13)	-	-	-
Deemed disposal in VPhase plc (note 5)	-	-	-	-	-	-	-	1,628	1,628
Issue of warrants in VPhase plc	-	-	-	-	105	-	105	-	105
Issue of warrants	-	(230)	-	-	230	-	-	-	-
Balance as at 30 June 2008	2,754	15,169	690	(821)	591	168	18,551	1,698	20,249

Total income and expense recognised directly to equity amounts to £nil.

The notes are an integral part of these consolidated interim Financial Statements.

Warrant reserve

VPhase plc issued 3,500,000 warrants to its Broker and Nominated Adviser in relation to the placing of 19 May 2008. The fair value of warrants is calculated using the Black-Scholes model at the time of grant and is charged to the consolidated income statement.

Other reserves

Other reserves comprise share-based payments for the fair value of options granted, £49,000. In addition, it includes £13,000 for other share based payments issued to the joint brokers. The fair value of share-based payments is calculated using the Black-Scholes model at the time of grant and is charged to the consolidated income statement.

Selected explanatory notes

1. Nature of operations and general information

Energetix Group looks for major opportunities in the energy sector and develops innovative low cost solutions through smart engineering, utilisation of existing components and strong intellectual property. Our focus is on:

- Distributed generation – small scale, deeply embedded generation and Combined Heat and Power (CHP) delivering enhanced efficiency, reducing carbon emissions, costs and providing greater security of supply to the end user;
- Power Security and Quality – the storage of energy to provide high quality, reliable and secure energy supply;
- Load Management – products to “buffer” the end user and power provider from supply and demand variations and peak costs associated with network loads;
- Renewable, Sustainable and Efficient Energy - technologies and products to facilitate renewable and sustainable energy or systems to make existing energy production and usage more efficient.

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.

The financial information set out in these Financial Statements does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The consolidated balance sheet as at 31 December 2007 and the consolidated income statement, consolidated cash flow statement and associated notes for the year then ended have been extracted from the Group’s Financial Statements. Those Financial Statements have received an unqualified report from the auditors and have been delivered to the Registrar of Companies. The 2007 statutory accounts contained no statement under section 237(2) or (3) of the Companies Act 1985.

The accounting policies applied by the Group in these consolidated interim Financial Statements are the same as those set out in the Group’s annual Financial Statements for the year ended 31 December 2007, except research and development costs which have been capitalised in the period.

The consolidated interim Financial Statements for the period ended 30 June 2008 has not been audited or reviewed in accordance with International Standard on Review Engagement 2410 issued by the Auditing Practices Board.

The consolidated interim Financial Statements has been approved by the Board of Directors on 16 September 2008.

Energetix Group plc’s consolidated interim Financial Statements are presented in pounds sterling (£), which is also the functional currency of the parent company.

2. Accounting policies

The consolidated interim Financial Statements have 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 except research and development costs which have been capitalised in the period. For further information, please refer to Energetix Group plc’s annual Financial Statements for the year ended 31 December 2007.

3. Segmental information

The Group operates in the following three business segments:

- products for distributed generation and load shifting, these are the micro CHP products from Genlec;
- products for power quality and reliability, these comprise the compressed air battery products for Pnu Power; and
- products for energy efficiency, these comprise the voltage control device of VPhase plc.

The segment results for the six months ended 30 June 2008 are as follows:

	Distributed generation and load shifting £'000	Power quality and reliability £'000	Energy Efficiency £'000	Unallocated £'000	Group £'000
Segment revenue	29	-	-	-	29
Operating loss	(707)	(366)	(369)	(633)	(2,075)
Financial income	-	-	14	1,112	1,126
Other gains	-	-	1,613	-	1,613
Profit/(loss) before income tax	(707)	(366)	1,258	479	664
Profit/(loss) for the year	(707)	(366)	1,258	479	664
Depreciation and amortisation expense	204	-	-	17	221
Other non cash movements	799	-	(105)	24	718

The segment results for the year ended 31 December 2007 are as follows:

	Distributed generation and load shifting £'000	Power quality and reliability £'000	Energy Efficiency £'000	Unallocated £'000	Group £'000
Segment revenue	47	8	-	-	55
Operating loss	(1,160)	(757)	(191)	(906)	(3,014)
Financial income	25	-	3	460	488
Other gains	-	-	685	-	685
Profit/(loss) before income tax	(1,135)	(757)	497	(446)	(1,841)
Income tax expense	-	-	-	(6)	(6)
Profit/(loss) for the year	(1,135)	(757)	497	(452)	(1,847)
Depreciation and amortisation expense	(338)	(35)	-	(22)	(395)
Other non cash movements	(174)	26	(6)	(123)	(277)

3. Segmental Information (continued)

The segment results for the six months ended 30 June 2007 are as follows:

	Distributed generation and load shifting £'000	Power quality and reliability £'000	Energy Efficiency £'000	Unallocated £'000	Group £'000
Segment revenue	-	-	-	-	-
Operating loss	(667)	(421)	(38)	(188)	(1,314)
Financial income	(107)	-	-	99	(8)
Profit/(loss) before income tax	(774)	(421)	(38)	(89)	(1,322)
Income tax expense	-	-	-	-	-
Loss for the year	(774)	(421)	(38)	(89)	(1,322)
Depreciation and amortisation expense	192	12	-	10	214
Other non cash movements	-	-	-	34	34

The segment assets and liabilities at 30 June 2008 and capital expenditure for the period then ended are as follows:

	Distributed generation and load shifting £'000	Power quality and reliability £'000	Energy Efficiency £'000	Unallocated £'000	Group £'000
Assets	7,560	522	3,704	10,723	22,509
Liabilities	(1,320)	(147)	(80)	(700)	(2,247)
Capital expenditure					
-Tangible	17	58	2	45	122
-Intangible	488	369	9	-	866

The segment assets and liabilities at 31 December 2007 and capital expenditure for the year then ended are as follows:

	Distributed generation and load shifting £'000	Power quality and reliability £'000	Energy Efficiency £'000	Unallocated £'000	Group £'000
Assets	6,306	1,273	953	12,324	20,856
Liabilities	(2,164)	(99)	(87)	(703)	(3,053)
Capital expenditure					
-Tangible	38	73	7	72	190
-Intangible	535	485	-	-	1,020

3. Segmental Information (continued)

The segment assets and liabilities at 30 June 2007 and capital expenditure for the period then ended are as follows:

	Distributed generation and load shifting £'000	Power quality and reliability £'000	Energy Efficiency £'000	Unallocated £'000	Group £'000
Assets	6,347	166	10	3,592	10,115
Liabilities	(501)	(396)	(36)	(2,463)	(3,396)
Capital expenditure					
-Tangible	13	63	-	38	114
-Intangible	532	-	-	-	532

Revenue and loss before income tax are attributable to the principal activity of the Group. All revenue and costs originate from continuing operations. Revenue can be summarised as follows:

Geographical analysis of revenue:

	30 June 2008 £'000	31 December 2007 £'000	30 June 2007 £'000
UK	7	39	-
Europe	22	8	-
Rest of world	-	8	-
	29	55	-

4. Finance income

	30 June 2008 £'000	31 December 2007 £'000	30 June 2007 £'000
Loans and receivables including bank balances	327	413	98
Fair value adjustment of long term borrowings	799	75	(106)
	1,126	488	(8)

In July 2006, Energetix (Europe) Limited and Energetix Genlec Limited entered into an agreement with Battelle Memorial Institute (Battelle) under which Battelle agreed to waive all rights to subscribe for 40% of the share capital of Energetix Genlec Limited in exchange for a £3,000,000 preference debt in Energetix Genlec Limited. The preference debt has been discounted at 7.50% (2007: 7.50%) from the date of assuming until anticipated settlement date giving rise to a non current liability of £1,135,000 (2007: £1,995,000) and a current liability of £37,500 (2007: £89,000). The terms are that it is non interest bearing, that £500,000 will be repaid over the two years ending August 2008 and that the balance will be repaid by (i) an amount equal to 10% of any license fees paid to Energetix Genlec Limited by any third party and (ii) 2% of amounts received by Energetix Genlec Limited in respect of all mainstream sales of the product. During the period, £112,000 was repaid and the discounting of estimated future repayments at 7.50% has resulted in an adjustment to the carrying value of the liability. The obligation for future repayments based on a percentage of mainstream sales is considered an embedded derivative. Accordingly the Group has designated the entire instrument as fair value through profit and loss (FVTPL).

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related changes and changes in an instruments fair value are reported in the Group Income Statement and are shown within finance income.

5. Deemed disposals

During the period, the Group made deemed disposals in its AIM listed subsidiary, VPhase plc. The chronology of the transactions is outlined below:

- On 7 February 2008, VPhase plc issued 1,248,240 ordinary shares of 0.25 pence each at 1.6 pence per share to Novum Securities Limited, its broker in settlement of outstanding fees reducing the Group's interest from 55.1% to 54.9%.
- On 19 May 2008, VPhase plc issued 70,000,000 ordinary shares of 0.25 pence each at 5 pence per share via a placing. The placing raised £3,500,000 before issue costs of £195,000 and share based payments of £105,000. This reduced the Group's interest from 54.9% to 49.38%.
- On 12 June 2008, VPhase plc issued an additional 1,248,240 ordinary shares of 0.25 pence each at 1.6 pence per share to Novum Securities Limited, its broker in settlement of outstanding fees reducing the Group's interest from 49.38% to 49.29%.

The reductions in the Group's interest in VPhase plc constitutes deemed disposals at Group level and results in gains to the Group as calculated below:

Deemed disposal 1

	Group	Minority Interest	Total
	£	£	£
Fair value of consideration	20,000	-	20,000
Share of net assets disposed of	(9,695)	9,695	-
Group gain on deemed disposal	10,305	9,695	20,000

Deemed disposal 2

	Group	Minority Interest	Total
	£	£	£
Proceeds from placing	3,500,000	-	3,500,000
Share issue expenses	(300,000)	-	(300,000)
Share of net assets disposed of	(1,607,452)	1,607,452	-
Group gain on deemed disposal	1,592,548	1,607,452	3,200,000

Deemed disposal 3

	Group	Minority Interest	Total
	£	£	£
Fair value of consideration	20,000	-	20,000
Share of net assets disposed of	(10,353)	10,353	-
Group gain on deemed disposal	9,647	10,353	20,000

The total deemed gain resulting from the disposals is £1,612,500 and the increase in minority interest is £1,627,500.

Following the deemed disposals in VPhase plc, the Group held 49.29% of the ordinary share capital of VPhase plc. The Group continues to consolidate the results of the subsidiary on the basis that it controls the financial and operating policies of VPhase plc through Board members.

The Group has control over 53.85% of the voting rights of the ordinary shares in VPhase plc as a result of retaining the voting rights over shares held by an employee benefit trust.

6. Profit/(loss) per share

Basic earnings per share amounts are calculated by dividing net profit/(loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing net profits attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period adjusted for the effects of dilutive options and warrants.

	Unaudited 6 months ended 30 June 2008	Audited 12 months ended 31 December 2007	Unaudited 6 months ended 30 June 2007
Profit/(loss) attributable to equity holders of the group (£'000)	664	(1,842)	(1,322)
Basic weighted average number of Ordinary shares in issue ('000)	55,065	49,178	45,000
Dilutive effect of:			
-Employee share options	320	-	-
-Warrants	535	-	-
Diluted weighted average number of shares ('000)	55,920	-	-
Basic profit/(loss) per share (<i>pence</i>)	1.21p	(3.74)p	(2.94)p
Diluted profit/(loss) per share (<i>pence</i>)	1.19p	(3.74)p	(2.94)p

Share options and warrants in issue for the periods ended 31 December 2007 and 30 June 2007 are anti-dilutive in respect of the basic loss per share calculation and have therefore not been included.

7. Other intangible assets

	Micro CHP			Compressed air battery	Energy Efficiency	Total
	Intellectual property £'000	R&D Assets £'000	Total £'000	R&D Assets £'000	R&D Assets £'000	£'000
At 1 January 2007	5,583	272	5,855	602	-	6,457
Additions	-	277	277	255	-	532
Accumulated amortisation	(192)	-	(192)	-	-	(192)
At 30 June 2007	5,391	549	5,940	857	-	6,797
Additions	-	259	259	230	-	489
Accumulated amortisation	(142)	-	(142)	-	-	(142)
At 31 December 2007	5,249	808	6,057	1,087	-	7,144
Additions	-	489	489	367	10	866
Accumulated amortisation	(169)	-	(169)	-	-	(169)
At 30 June 2008	5,080	1,297	6,377	1,454	10	7,841

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 micro CHP module, compressed air battery and energy efficiency device. All other development work has been written off as incurred as the criteria for recognition as an asset are not met.

On 19 May 2008 VPhase plc raised £3,305,000 net of expenses via a placing of 70,000,000 new ordinary shares of 0.25 pence each at a price of 5 pence per share. The Directors consider that, following the placing, VPhase plc has adequate financial resources, to complete the development and marketing of the product and that the product is considered to be technically feasible in accordance with IAS 38. Accordingly, development costs incurred subsequent to the placing have been capitalised as intangible assets.

8. Share options

The Company established, in June 2006, two share option schemes in relation to ordinary shares, namely the Energetix Unapproved Share Option Scheme 2006 and the Energetix Enterprise Management Incentive Scheme 2006.

The Group grants options over the ordinary shares of the Company at not less than the market value of the Company's ordinary shares on the date of grant. The vesting period is generally three to four years. If the option remains unexercised after a period of 10 years from the date of grant, the options expire. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

No share options were granted during the period to 30 June 2008. As at 30 June 2008, 337,500 share options were capable of being exercised (2007: 337,500). The options outstanding at 30 June 2008 had a weighted average exercise price of 48.1 pence (2007: 40 pence), and a weighted average remaining contractual life of eight years five months. The weighted average exercise price of share options granted during the prior year was 60.1 pence. No options were exercised during the year.

The Group uses the Black-Scholes model to fair value the Group's share options which resulted in a fair value charge of £49,000 (2007:£nil) and a corresponding credit to other reserves.

9. Cash consumed by operations

	Unaudited 6 months ended 30 June 2008 £'000	Audited 12 months ended 31 December 2007 £'000	Unaudited 6 months ended 30 June 2007 £'000
Profit/(loss) before income tax	664	(1,847)	(1,322)
Adjustments for:			
Depreciation	52	62	23
Amortisation	169	333	191
Finance income	(1,126)	(488)	(8)
Gain on deemed disposal of Subsidiary (note 5)	(1,613)	(685)	-
Share based payment	37	68	34
Other share based payments	12	32	-
Issue of warrants in subsidiary	105	-	-
Income tax charge	-	6	-
Changes in working capital:			
Decrease/(increase) in inventories	45	(58)	-
Decrease/(increase) in trade and other receivables	71	(232)	(78)
Increase in trade and other payables	52	372	306
	<u>(1,532)</u>	<u>(2,437)</u>	<u>(854)</u>