ENERGETIX Group

ADMISSION TO AIM

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in doubt about the contents of this document, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. Prospective investors should also carefully consider Part II of this document entitled "Risk Factors".

The Directors and the Proposed Director of Energetix Group, whose names appear on page 5 under the heading "Directors and Advisers", accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Proposed Director (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. This document comprises an AIM Admission document and is drawn up in compliance with the AIM Rules. It does not comprise a prospectus and has not been filed with the FSA.

Application will be made for all the Ordinary Shares in issue immediately following the EIS Placing and for the General Placing Shares to be admitted to trading on AIM, a market operated by the London Stock Exchange plc. It is expected that Admission will become effective and that dealings in the Ordinary Shares currently in issue and the EIS Placing Shares will commence on or around 15 August 2006 and that admission of the General Placing Shares will become effective and that dealings in the General Placing Shares will commence on 16 August 2006. It is emphasised that no application is being made for the Ordinary Shares to be admitted to the Official List or to any other recognised investment exchange.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List. The AIM Rules are less demanding than those which apply to securities admitted to trading on the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document which has been drawn up in accordance with the AIM Rules.

Energetix Group plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 5819555)

Admission to trading on AIM
and
Placings of 15,000,000 Ordinary Shares of 5p each at 40p Ordinary Share
by
Zeus Capital Limited
Nominated Adviser and Broker

ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING COMPLETION OF THE PLACINGS

Authorised			*Issued and fully paid*	
Number	*Amount*		*Number*	*Amount*
60,000,000	£3,000,000	Ordinary Shares of 5p each	45,000,000	£2,250,000

The new Ordinary Shares will rank in full for all dividends or other distributions hereafter declared or made or paid on the ordinary share capital of Energetix Group and will rank *pari passu* in all other respects with all the Ordinary Shares which will be in issue on completion of the Placings.

Zeus Capital Limited, which is regulated by the Financial Services Authority, is acting as Nominated Adviser and Broker to Energetix Group in connection with the Admission and Placings. Zeus Capital Limited is not acting for any other person and will not be responsible to any other person for providing the protections afforded to its customers or for providing advice in relation to the transactions and arrangements detailed in this document. Under no circumstances should the information set out in this document be relied upon as being accurate at any time after Admission.

The Ordinary Shares have not been, nor will they be registered under the US Securities Act of 1933 or under any applicable laws of any Prohibited Territory. This document does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction in which such offer or invitation is unlawful and is not for distribution in or into Prohibited Territories. This document should not be copied or distributed by recipients and, in particular, should not be distributed by any means, including electronic transmission, to persons with addresses in any of the Prohibited Territories or to any citizens, residents or nationals thereof, or to any corporation, partnership or other entity created or organised under the laws thereof. Any such distribution could result in violation of the laws of such jurisdictions.

Attention is drawn to the risks associated with an investment in the Ordinary Shares, which are set out in Part II of this document.

CONTENTS

SUMMARY

The following information is extracted from and should be read in conjunction with the full text of this document. Prospective investors should read the whole of this document, including the Risk Factors set out in Part II and not rely solely on the following summarised information.

Introduction

Energetix has utilised simple and robust technology based on proven components to establish two product based businesses aimed at selling alternative energy products into the UK and European boiler market and the global battery market for UPS applications.

Energetix has a strong board including individuals experienced in the formation and delivery of new technology businesses, with specific market knowledge and governmental influence. A team is in place with over 80 man years of experience in alternative energy product development.

History and Background

The business was established by Adrian Hutchings in 1997, having spent the previous four years at British Nuclear Fuels plc ("BNFL") developing alternative energy products and identifying new business ventures for energy systems. Energetix raised £1.3m of private equity funds to develop products for both the energy storage and distributed generation markets. Energetix had identified the need for new products for these markets and initiated a search for intellectual property that could be developed to produce suitable products. A number of technologies were considered, including the Fuel Cell and the Stirling Engine. In 2002, technology was identified at Battelle with the potential to be a low cost product, based on mass produced components. Energetix subsequently entered into a joint venture with Battelle to develop the technology in 2003.

Energetix started development of Genlec in 2003 and identified that the core technology within the Genlec system could also be utilised for energy storage applications.

Core Technology

Energetix has two key products that have been built around the same core scroll technology.

Scroll Compressors are mass produced for the refrigeration and air conditioning marketplaces. Energetix take these Scroll Compressors and with minor modifications run them in reverse to operate as a scroll expander. When in normal operation, they are driven by a motor to compress a gas. However, once modified to operate in reverse, compressed gas is injected into the scroll which then expands, driving the scroll expander which in turn drives a generator to produce electricity. Despite the simple nature of this core component, Energetix has international patent protection for both products using this system.

Products and Markets

Energetix has developed two products, Genlec and Pnu Power which are aimed at markets currently valued at £8bn per annum and £1bn per annum respectively. Genlec is a new module which is incorporated into a boiler and uses a technology known as micro CHP. Energetix has received a proposal from a prominent boiler manufacturer to become a sales and manufacturing partner for this product. Pnu Power is an alternative energy storage technology to batteries, that uses compressed air. Its primary use and market will be the energy storage element of the uninterruptible power supply market.

Details of the Placings, Admission and Use of Funds

Energetix Group intends to raise an aggregate of £6m before expenses by way of the EIS Placing being a placing of 2,500,000 new Ordinary Shares and the General Placing being a placing of 12,500,000 new Ordinary Shares in each case at 40p per share. The Placings are conditional, *inter alia*, upon Admission. The General Placing is also conditional on the EIS Placing having been completed and the EIS Placing Shares having been allotted and issued and the General Placing Shares being admitted to trading on AIM. The new Ordinary Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the existing Ordinary Shares. Application will be made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM. It is expected that trading in the existing Ordinary Shares and the EIS Placing Shares will commence on 15 August 2006 and trading in the General Placing Shares will commence on 16 August 2006. Assuming full subscriptions under the Placings, the Placing Shares will represent approximately 33.33 per cent. of the Enlarged Share Capital following admission of the General Placing Shares.

The funds raised will be split between the two subsidiary companies responsible for Genlec and Pnu Power. These funds will be used on operations and recruitment of the key personnel; product development; field trials and obtaining certification; capital; and ongoing working capital facility. These sums will also include costs for Group overheads.

PLACING STATISTICS

Placing Price	40p
Number of Ordinary Shares in issue prior to the Placings	30,000,000
Number of EIS Placing Shares being placed	2,500,000
Number of Ordinary Shares in issue following the EIS Placing	32,500,000
EIS Placing Shares as a percentage of the enlarged issued share capital	7.69%
Gross Proceeds of the EIS Placing	£1,000,000
Market capitalisation at the Placing Price following the EIS Placing	£13,000,000
Number of General Placing Shares being placed	12,500,000
Number of Ordinary Shares in issue following the General Placing	45,000,000
Placing Shares as a percentage of the enlarged issued share capital	33.33%
Net proceeds of the Placings	£5.4m
Market capitalisation at the Placing Price following the Placings	£18,000,000
International Security Identification Number	GB00B19H7076

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission effective and dealings in existing Ordinary Shares and EIS Placing Shares expected to commence on AIM	15 August 2006
CREST accounts credited for uncertificated EIS Placing Shares	15 August 2006
Admission of the General Placing Shares effective and dealings expected to commence on AIM	16 August 2006
CREST accounts credited for uncertificated General Placing Shares	16 August 2006
Despatch of definitive share certificates	30 August 2006

DIRECTORS AND ADVISERS

Directors	Alan John Aubrey – Non Executive Chairman Adrian Charles Hutchings – Chief Executive Officer Richard Henry Smith – Chief Financial Officer Anton Cecil Elsborg – Non Executive Director
Proposed Director	Bryan Mark Gray – Non Executive Director*
	all of:
	Capenhurst Technology Park Capenhurst Chester CH1 6EH
Company Secretary	Philip Martin Barry
Registered Office	Steam Packet House 76 Cross Street Manchester M2 4JU
Nominated Adviser and Broker	Zeus Capital Limited 3 Ralli Courts West Riverside Manchester M3 5FT
Solicitors to the Company	Wacks Caller Steam Packet House 76 Cross Street Manchester M2 4JU
Auditors and Reporting Accountants	Grant Thornton UK LLP Heron House Albert Square Manchester M60 8GT
Principal Bankers	HSBC Bank plc Chester Commercial Centre 47 Eastgate Street Chester Cheshire CH1 1XW
Public Relations Advisers	Buchanan Communications Limited 45 Moorfields London EC2Y 9AE
Registrars	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B6 3DA

* Bryan Mark Gray will be appointed as a Non Executive Director upon Admission.

DEFINITIONS

References in this document to statutes or government agencies are, unless specifically stated otherwise, to statutes or government agencies in the UK. The following definitions apply throughout this document unless the context requires otherwise:

"Act"	the Companies Act 1985, as amended;
"Admission"	the admission of the Ordinary Shares, issued and to be issued pursuant to the EIS Placing, to trading on AIM in accordance with the AIM Rules;
"AIM"	the AIM Market of the London Stock Exchange;
"AIM Rules"	the rules of the London Stock Exchange for AIM companies and their nominated advisers governing admission to and operation of AIM;
"Articles"	the articles of association of Energetix Group plc, a summary of which is set out in paragraph 11 of Part VI of this document;
"Battelle"	Battelle Memorial Institute based in Columbus, Ohio; a global science and technology enterprise that develops and commercialises technology and manages laboratories for customers;
"Board" or "Directors"	the directors of Energetix Group plc, whose names appear on page 5 of this document;
"certificated" or "in certificated form"	an Ordinary Share which is not in uncertificated form;
"Combined Code"	the Combined Code on Corporate Governance and the code of best practice included in an Appendix to the Listing Rules of the UK Listing Authority issued by the Financial Reporting Council in July 2003;
"Companies Act"	the Companies Act 1985 (as amended);
"CREST"	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form, operated by CRESTCo for UK, Irish and International Securities;
"CRESTCo"	CRESTCo Limited (registered in England and Wales under number 2878738);
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended);
"EIS Placing"	the placing by Zeus Capital of 2,500,000 Ordinary Shares at the Placing Price pursuant to the Placing Agreement, as described in this document;
"EIS Placing Shares"	2,500,000 new Ordinary Shares to be issued in connection with the EIS Placing;
"Energetix Group" or "the Company"	Energetix Group plc (registered in England and Wales under number 5819555);
"Energetix" or "the Group"	Energetix Group, together with its subsidiaries;
"Enlarged Share Capital"	the issued ordinary share capital of Energetix Group upon Admission;
"ESCOs"	Energy Supply Companies;

"FSA"	the Financial Services Authority;
"FSMA"	the Financial Services and Markets Act 2000, as amended;
"General Placing"	the placing by Zeus Capital of 12,500,000 Ordinary Shares at the Placing Price pursuant to the Placing Agreement;
"General Placing Shares"	12,500,000 new Ordinary Shares to be issued in connection with the General Placing;
"London Stock Exchange"	London Stock Exchange plc;
"Official List"	the Official List of the UKLA;
"Ordinary Shares" or "Shares"	ordinary shares of 5p each in capital of Energetix Group;
"Placing Agreement"	the conditional agreement dated 9 August 2006 between (1) Energetix Group, (2) the Directors, the Proposed Director and (3) Zeus Capital, a summary of which is set out in paragraph 12 of Part VI of this document;
"Placing Price"	40p per Ordinary Share;
"Placings"	the EIS Placing and the General Placing;
"Placing Shares"	15,000,000 new Ordinary Shares to be issued in connection with the Placings;
"Prohibited Territories"	USA, Australia, Canada, Japan, the Republic of Ireland, the Republic of South Africa and their respective territories and possessions;
"Proposals"	the Placing and Admission;
"Proposed Director"	Bryan Mark Gray;
"Shareholders"	holders of shares in the capital of Energetix Group;
"Share Option Schemes"	the Energetix Enterprise Management Incentive Scheme 2006 and the Energetix Unapproved Share Option Scheme 2006;
"UK"	United Kingdom of Great Britain and Northern Ireland;
"United Kingdom Listing Authority" or "UKLA"	the FSA acting in its capacity as the competent authority for the purposes of part VI of FSMA;
"US", "USA" or "United States"	the United States of America, its territories and possessions, any state in the United States, the District of Columbia and all other areas subject to its jurisdiction;
"VAT"	value added tax; and
"Zeus Capital"	Zeus Capital Limited (registered in England and Wales under number 4417845).

GLOSSARY OF TERMS

The following technical terms apply throughout this document, unless the context requires otherwise:

"Battery"	a device used to store energy for conversion into electrical energy;
"CHP"	Combined Heat and Power: a system which provides a secure and highly efficient method of generating electricity and heat simultaneously at the point of use. By using excess heat from electricity generation and avoiding grid transmission losses, CHP achieves a large reduction in CO_2 emissions compared with centralised power stations where the heat generated is not utilised;
"Fuel Cells"	an electrochemical device where the chemical energy of a fuel, such as hydrogen, and an oxidant such as oxygen are converted to directly produce electricity;
"micro CHP"	Micro Combined Heat and Power: a system that can be installed in place of a standard domestic boiler. A domestic micro CHP system not only provides heat for the home, but also a proportion of the electricity in the same process. Excess electricity produced when heating the home has the potential to be fed back into the grid;
"Organic Rankine Cycle"	a Rankine cycle (being a heat engine commonly used in power production plants where the power is generated through the expansion of a high pressure vapour which is subsequently condensed, repressurised and evaporated in a closed loop) which uses an organic working fluid. Also used in reverse for refrigeration in fridges, freezers and air conditioning;
"Stirling Engine"	a combustion engine where a sealed quantity of gas is repeatedly heated and cooled to drive a piston to derive mechanical work;
"Scroll Compressor"	a device that uses two interleaved spiral shaped scrolls to compress gas. One of the scrolls is fixed whilst the other orbits eccentrically without rotating thereby trapping and compressing pockets of gas between the scrolls;
"UPS"	Uninterruptible Power Supply; a device that sits between a power supply (e.g. a wall outlet) and a device (e.g. a computer) to prevent undesired features of the power source (outages, sags, surges, bad harmonics, etc.) from adversely affecting the performance of the device; and
"VRLA batteries"	Valve Regulated Lead Acid batteries; electro-chemical batteries which are widely used in UPS applications.

PART I

INFORMATION ON THE GROUP

1. INTRODUCTION

Energetix has utilised simple and robust technology based on proven components to establish two product based businesses aimed at selling alternative energy products into the UK and European boiler market and the global battery market for UPS applications.

Energetix has a strong board including individuals experienced in the formation and delivery of new technology businesses, with specific market knowledge and governmental influence. A team is in place with over 80 man years of experience in alternative energy product development.

Energetix is seeking Admission and at the same time raising £6m before expenses to fund the commercialisation of its two key products.

2. INFORMATION ON THE GROUP

History and Background

The business was established by Adrian Hutchings in 1997, having spent the previous four years at British Nuclear Fuels plc ("BNFL") developing alternative energy products and identifying new business ventures for energy systems. Energetix raised £1.3m of private equity funds to develop products for both the energy storage and distributed generation markets. Energetix had identified the need for new products for these markets and initiated a search for intellectual property that could be developed to produce suitable products. A number of technologies were considered, including the Fuel Cell and the Stirling Engine. In 2002, technology was identified at Battelle with the potential to be a low cost product, based on mass produced components. Energetix subsequently entered into a joint venture with Battelle to develop the technology in 2003.

Energetix started development of the micro CHP product in 2003 and identified that the core technology within the micro CHP system could also be utilised for energy storage applications.

The Directors believe that Energetix is now well placed to build large profitable businesses using its two key products to meet increasing pressure and demand for solutions in the micro CHP and energy storage marketplaces.

Directors

Alan John Aubrey (aged 45) Non Executive Chairman

Alan was appointed CEO of IP Group plc in 2005 after joining the board following the acquisition of Techtran Group Limited which he established in 2002. He is also the NED Chair of Proactis Group plc. Previously Alan was a partner in KPMG where he specialised in corporate finance advice to technology-based fast-growth businesses and has significant experience at helping them raise money and prepare for sale or flotation. Alan is a Chartered Accountant and holds a BA in Economics from the University of Leeds and an MBA from the University of Bradford.

Adrian Charles Hutchings (aged 45) Chief Executive Officer

Adrian has a degree in Chemical Engineering. Prior to founding Energetix Group in 1997, he was the Managing Director of International Energy Systems Ltd ("IES"), a subsidiary of BNFL which developed, manufactured, and marketed a high technology flywheel for storing electrical energy, for the UPS and distributed generation markets.

Before this, Adrian was a Commercial Manager with BNFL New Business Ventures. His role was identifying technologies and business opportunities based on internal intellectual property, for non-nuclear applications, as part of a diversification program. Prior to this he was the BNFL Project Manager for a £50m capital, £500m life cycle, design and construction project for a major facility at the Sellafield Site.

Richard Henry Smith (aged 45) Chief Financial Officer

A Chartered Management Accountant with an MBA from Warwick University, he was previously Finance Director for Ultraframe (UK) Limited (2001 to 2004). Ultraframe are the UK's leading manufacturer of conservatory roofing systems. Before joining Ultraframe, Rick was the Finance Director for Norcros Adhesives Limited (1997 to 2001) which comprised subsidiary, joint venture and licensee operations in the UK, Europe, the Middle East and India. Rick was involved in a number of corporate transactions.

From 1995 to 1997 Rick worked with Adrian Hutchings as the Finance Director for IES and prior to this was the Financial Controller for Robinson Healthcare, a division of Robinson Limited that manufactured consumables for the healthcare industry.

Anton Cecil Elsborg (aged 55) Non Executive Director

Following roles in finance and general management with Lucas Aerospace Limited Anton joined David Brown Group plc as Finance Director after a £46m MBI in January 1990. David Brown later floated at a valuation of £90m on the London Stock Exchange in April 1997. Continued growth through new products and international expansion lead to the purchase by Textron Inc of the David Brown Group in 1998 for approximately £260m. Anton remained with Textron as President of the Power Transmission Division until July 2001 and joined Energetix in 2002. Anton graduated in Chemical Engineering, gained a Masters in Industrial Management and is a Chartered Management Accountant.

Proposed Director

Upon Admission, the Board of Energetix will comprise the four directors listed above, and Bryan Gray, whose biography is set out below.

Bryan Mark Gray (aged 53) Non Executive Director

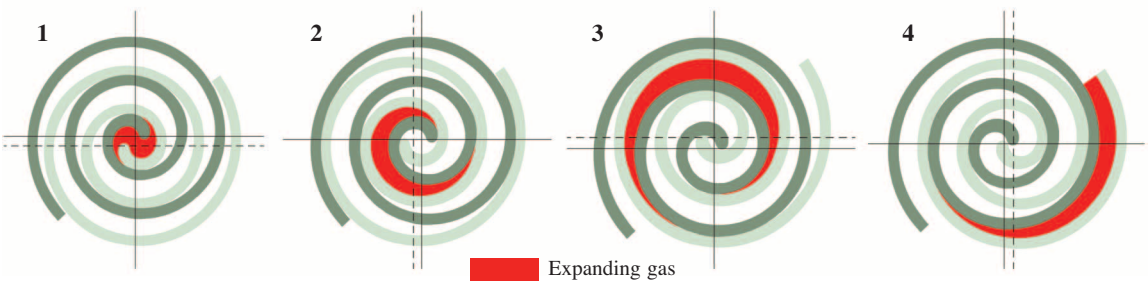
Bryan is Chairman of the Northwest Regional Development Agency. Previously he was Chairman of Baxi Technologies, now part of Baxi Group Limited. He is Vice President of the Micropower Council, promoting new energy technologies.

In June 2002 he was appointed a Deputy Lieutenant for Lancashire and was High Sheriff of Lancashire from April 2003 to March 2004. He is Non Executive Chairman of Westmorland Limited.

3. CORE TECHNOLOGY

Energetix has two key products that have been built around the same core scroll technology.

Scroll Compressors are mass produced for the refrigeration and air conditioning marketplaces. Energetix take these Scroll Compressors and with minor modifications run them in reverse to operate as a scroll expander. When in normal operation, they are driven by a motor to compress a gas. However, once modified to operate in reverse, compressed gas is injected into the scroll which then expands, driving the scroll expander which in turn drives a generator to produce electricity. Despite the simple nature of this core component, Energetix has international patent protection for both products using this system.



4. PRODUCTS AND MARKETS

Genlec

What is micro CHP?

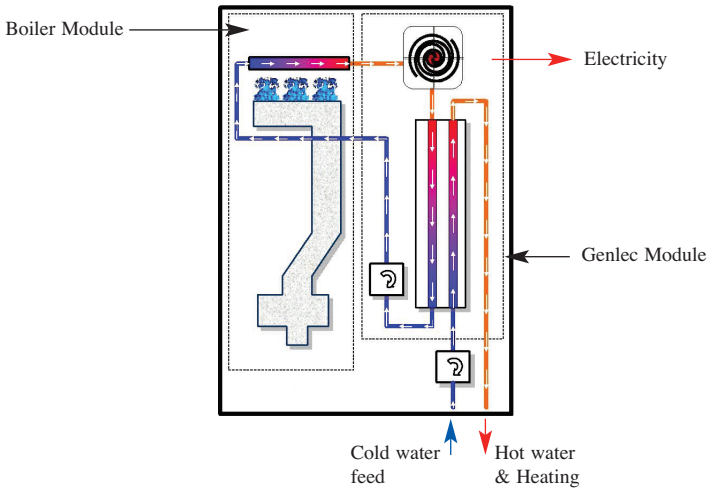
A micro CHP unit is a domestic appliance that produces heat and hot water; however, unlike conventional boilers, it simultaneously produces electricity. Currently, electricity is typically supplied to the home from

central generators via the transmission and distribution network. Around 60 per cent. of the energy is lost during the process of generation, and a further 5 per cent. is lost in transmission and distribution. This leaves only 35 per cent. of the energy available to the home. Micro CHP units convert the energy stored in the gas, supplied to homes in the normal way, into electricity and heat with only a 10 per cent. loss, so that 90 per cent. can be used by the home. This enables micro CHP to be more efficient than central electricity generation and hence uses less gas. Other micro CHP technologies are in development but the Energetix core scroll technology differentiates its product significantly from that of the competition.

How does Genlec work and what are its characteristics?

Energetix has called its micro CHP module Genlec. It uses the Organic Rankine Cycle, similar to that used in refrigeration. An organic liquid is pressurised by a pump and then evaporated using heat from the boiler. This pressurised vapour then passes through the scroll expander, driving the scroll as it decompresses turning a generator that produces electricity. The low-pressure organic vapour then passes through the heat exchanger to produce useable hot water. The organic vapour condenses to a liquid and then repeats the process.

A Genlec based micro CHP appliance



The Genlec modules are incorporated into boilers with the addition of a simple connection to the domestic electrical mains circuit. Whenever the boiler is on, electricity is produced. This typically coincides with times of peak electrical demand being morning and early evening when electricity costs are at their highest.

The final micro CHP appliance is effectively two modules within the case of a single boiler; one is the boiler unit as produced by the boiler manufacturer, the second is Genlec, as produced by Energetix. These two units are connected in the boiler case but are in effect two separate units so Genlec can be easily removed and replaced.

The Genlec based micro CHP appliance has similar dimensions to current boilers and is wall hung, which is important given that *circa* 90 per cent. of the Western European boiler market comprises wall hung units. The appliance will also have very similar service and maintenance requirements to normal boilers.

Energetix's module operates at low temperatures and pressures allowing it to use existing mass produced components. This gives a good cost advantage over the competition, rapid start up characteristics and a low weight.

UK and European Boiler Markets

In 2003, the EU domestic boiler market (valued at manufacturers' selling price) was £8.1bn per annum. In May 2004, Cambridge Consultants predicted the European market for micro CHP to be worth £1.5bn per annum by 2010; and in March 2006, the Society of British Gas Installers ("SBGI") predicted the UK market for micro CHP to reach 540,000 unit sales per annum by 2015.

In the UK there is already government support for micro CHP appliances, in the form of reduced VAT, down from 17.5 per cent. for normal boilers to 5 per cent. If further government support is put in place in the form of grants and legislation then the upper level penetration projected by the SBGI rises to 1,450,000 unit sales per

annum by 2020 and would be equivalent to 78 per cent. of the UK domestic boiler market. At this level, the installed base by 2020 would be 12.5 million units. This would be equivalent to 44 per cent. of the total UK households. To put this into context, if this level of market penetration were achieved, by 2020, the installed electrical generation capacity of micro CHP would be equivalent to the total of today's UK nuclear power stations.

The benefits of Genlec

The current model of centralised production for electricity has several inherent problems which Genlec addresses. Genlec uses less gas to produce the equivalent amount of power, this delivers the following benefits:

- the impact of high (and increasing) cost of gas is reduced;
- the need for emergency gas storage to meet the winter peak demand is reduced;
- reduces carbon emissions to the environment; and
- reduces the risks associated with security of supply.

Additionally ESCOs are sometimes forced to provide electricity at a high cost that they cannot directly pass on to their customers, typically Genlec will produce electricity at peak demand, therefore reducing the risk of this occurring.

A homeowner could expect a 3½ to 4½ year payback period on the additional installed cost of a Genlec based appliance compared to a conventional boiler, through the reduced cost of energy bills which equates to *circa* £150 to £200 per annum. Energy suppliers can also see a potential package of benefits worth up to an additional 50 per cent. of the saving to the homeowner through increased customer retention, improved purchase profile, service contracts and environmental credits.

Commercialisation Strategy

The strategy is for Energetix to assemble the Genlec modules and supply them to boiler manufacturer partners, who will use their existing channels to market including their sales, marketing and distribution network as well as their training facilities for installers. Energetix has already received a proposal from a prominent boiler manufacturer to become a sales and manufacturing partner. An advantage for Energetix with respect to time to market, and in production ramp up, is that the production of Genlec is an assembly process and does not require sophisticated manufacturing equipment and processes.

A key stage of the commercialisation of the micro CHP product is proving the system in field trials. It is planned to test two systems in non-occupied properties, and then to undertake larger field trials in occupied properties during the 2007/8 winter. To support these plans, Energetix has already recruited staff with experience in setting up and managing such micro CHP field trials for EA Technology.

Energetix will operate this business in a wholly owned subsidiary. A dedicated management team will be recruited in particular a Managing Director and Commercial Director soon after Admission and an Operations Director within 18 months of Admission.

Energetix anticipates a product launch of the first Genlec based appliance in the latter half of 2008.

Competition

There are a number of organisations at various stages of development of products for the micro CHP market. The technologies used by these competitors fall into two main categories; Fuel Cells and Stirling engines.

A selection of Fuel Cell micro CHP developers is Ceres Power Plc, CMR Fuels Cells Plc and European Fuel Cell GmBH. These are at various stages of development with at least one at the field trials stage. The Directors believe that a number of these companies are at an earlier stage of development than Energetix as they have to develop the prime power generator (the Fuel Cell core). As the Energetix prime power generator is the mass produced scroll expander, Energetix has been able to focus on producing an integrated micro CHP system.

There are two main Stirling engine developers; WhisperTech Ltd and Microgen Energy Ltd. WhisperTech already has a product and indicate that it has supplied Powergen with 400 units for installation. This unit is floor mounted due to its weight and therefore only addresses a small element of the market. Microgen has stated that

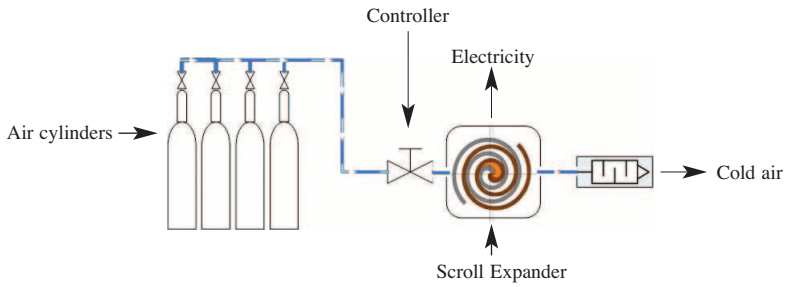
their product is due for field trials in 2006. Whilst all technologies offer differing benefits for the end user a significant advantage of Genlec based micro CHP appliances is that their operational routine fits with normal boiler operation. In the Directors' opinion the other technologies will require some modification of end user behaviour. The Directors also believe that the use of mass produced components will enable Genlec based micro CHP appliances to have a lower price point than competing technologies.

Pnu Power

What is UPS and how does Pnu Power work?

UPS systems automatically provide power in times of power sags or outages. This provides time to switch over to a backup generator or the safe shut down of critical systems. UPS protects equipment in large markets such as telecommunications, data communications, utility applications and financial services. The incumbent technology for energy storage for UPS is VRLA batteries which have a range of problems discussed below.

Pnu Power is a new type of battery for UPS using compressed air, designed to overcome the problems inherent in VRLA batteries. When a power outage has been detected, compressed air stored in air cylinders is released. The air is then injected into a scroll expander and as it decompresses drives a generator. The generator then produces electricity and the scroll expander vents the cold air.



UPS Energy Storage Market

The energy storage element of the commercial and industrial UPS market is valued at over £1bn per annum. This market also has good potential for growth due to the increasing demand for power protection in particular in the IT, data, and communications markets. Given Pnu Power generates cold air as part of its process, the product could be attractive to those sectors such as IT where the provision of cold air is important.

The benefits of Pnu Power

The scroll expander has a rapid response time to provide power in times of power sags or outages. Currently, Pnu Power can produce 20kWe output from a single scroll device, which is well suited for the low to mid range market sector. Multiple modules can be joined together to deliver higher power systems. The Directors believe that Pnu Power can deliver backup power reliably and repeatedly without the problems associated with batteries. Batteries suffer from loss of run time with, for example; age, environmental temperature variation and depth of discharge.

A single Pnu Power unit can also produce up to 40kWt of cooling. The Directors believe this cold air is likely to be important in data centre applications where upon power failure the UPS system keeps the computers running but not the air conditioning. New servers can overheat and shutdown due to high temperatures before the backup generator can restore the air conditioning.

VRLA batteries have a short life span and require regular maintenance, however, Pnu Power uses mass produced components that have been tested extensively in automotive applications. One of the main reasons for UPS systems failing to operate on demand is the failure of the batteries. It is also very difficult to measure the amount of run time left in a battery until it is being used. The Directors believe the use of these mass produced components enables Pnu Power to have a low cost base and supports the Pnu Power product life. Pnu Power is able to give consistent and accurate estimates of run time allowing it to overcome another of the inherent problems of VRLA batteries.

VRLA Batteries have high life cycle costs compared to Pnu Power, due to their need for maintenance and regular replacement. VRLA Batteries require environmental and temperature control otherwise battery life can be very short, and thermal runaway can occur leading to hydrogen generation and ultimately explosion. Pnu Power does not require any environmental and temperature control, and instead of occupying an expensive air-conditioned room, can be stored and operated from outside of a building. Pnu Power not only generates very

high life cycle savings, up to 70 per cent. to the end user dependent of pricing strategy of Pnu Power, but it can also be cost competitive on a first cost basis whilst still delivering good margins to Energetix.

Energetix staff have previously had considerable experience of the sale and installation of high cost flywheels for UPS applications where batteries were unsuitable, for example in underground transit systems, mines, military applications, telecommunications and load levelling. The Directors believe that these are likely to be high value market opportunities for Pnu Power.

Commercialisation Strategy

The strategy is for Energetix to assemble the Pnu Power battery modules and supply them to UPS partners who will use their existing distribution and installation channels to bring them to market. The Pnu Power module will behave as a VRLA battery replacement and so it is the intention of Energetix to become an alternative battery supplier not a UPS supplier.

System proving and field trials of Pnu Power are an important part of the commercialisation of this product. Due to very low usage, systems may operate only infrequently over a 20 year life, and accordingly accelerated life cycle testing is possible leading to a more rapid time to market than Genlec.

Energetix will operate this business in a wholly owned subsidiary. A dedicated management team will be established including a Managing Director and a Commercial Director soon after Admission and an Operations Director within nine months of Admission.

Energetix anticipates a product launch of the Pnu Power UPS battery replacement product in the latter half of 2007.

Competition

There are currently two main technologies that will be in competition with Pnu Power – VRLA batteries and flywheels. The inherent problems with VRLA batteries have been highlighted above. Nevertheless, VRLA batteries currently represent 95 per cent. of the energy storage market. Flywheels are used as a battery in UPS applications where their high costs can be justified given the potential impact of VRLA batteries' deficiences. Flywheels can cost up to 10 times the price of VRLA batteries, however, even at this high cost point, they have taken nearly 5 per cent. of the market. Active Power Inc, Pentadyne Corporation, Beacon Power Corporation and Piller Power Systems GmBH are among the key flywheel manufacturers.

In particular Active Power has a compressed air energy storage product, CoolDC, that is based on a radial axial turbine which is driven by compressed air. As this device uses a flywheel and a second generator to provide the ride through capacity, it is therefore in the opinion of the Directors unlikely to be able to compete with the Pnu Power cost point.

5. PATENT PROTECTION

Energetix has core technology patents for both Genlec and Pnu Power that are granted or progressing to grant in key geographic regions following international patent applications. Reports for both products have been included in Part V of this document.

Genlec's core patent has been granted in the United States and Norway and accepted for grant by the European Patent Office, with applications in a further six countries giving protection in a total of 32 countries. Energetix has also identified further micro CHP inventions which will be the subject of new patent applications.

Pnu Power has had its core patent accepted for grant by the European Patent Office with applications ongoing in the United States, China and Japan giving protection in a total of 30 countries. Pnu Power has two further inventions with patent applications pending and a further four inventive concepts under review for application.

Granted patents afford Energetix technology protection for 20 years from patent application date in the countries where protection is in force giving protection against other organisations making, importing, stocking or selling infringing products in that country. Countries selected for protection by Energetix represent the major target markets for these products.

6. FINANCIAL INFORMATION ON ENERGETIX

Below is an extract from the financial information and should be read in conjunction with the full information found in Part III of this document.

Financial Information for the two years ended 31 December 2005 and 2004 has been presented in accordance with IFRS, being the accounting standards that will be applicable on an ongoing basis. Note 5.24 on page 34 provides an explanation of the transition adopted to IFRS.

Consolidated Income Statement of Energetix (Europe) Limited under IFRS

	Year ended 31 December	
	2005	**2004**
Revenue – continuing	183,106	227,564
Cost of sales	(163,721)	(205,581)
Gross profit	19,385	21,983
Administrative expenses	(570,277)	(565,757)
Operating loss – continuing	(550,892)	(543,774)

7. OTHER GROUP COMPANIES

Energetix Group consists of six subsidiaries, as set out in paragraph 1.6 in Part VI of this document, some of which contain other intellectual properties that do not form part of the recent strategy.

8. TECHNICAL INFORMATION ON GENLEC AND PNU POWER

Technical reports on both products by independent experts can be found in Part IV of this document.

9. DETAILS OF THE PLACINGS, ADMISSION AND USE OF FUNDS

Energetix Group intends to raise £6m before expenses by way of the EIS Placing and the General Placing which together will comprise placings of 15,000,000 new Ordinary Shares at 40 pence per share. The Placings are conditional, *inter alia*, upon Admission. The General Placing is also conditional upon the EIS Placing having been completed and the EIS Placing Shares having been allotted and issued and the General Placing Shares being admitted to trading on AIM. The new Ordinary Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the existing Ordinary Shares. Application will be made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM. It is expected that trading in the existing Ordinary Shares and the EIS Placing Shares will commence on 15 August 2006 and trading in the General Placing Shares will commence 16 August 2006. Assuming full subscription, the Placing Shares will represent approximately 33.33 per cent. of the Enlarged Share Capital following admission of the General Placing Shares.

Details of the Placing Agreement are set out in paragraph 12 Part VI of this document.

Assuming full subscription under the Placings, the funds raised will be split between the two subsidiary companies responsible for Genlec and Pnu Power. These funds will be used on operations and recruitment of the key personnel; product development; field trials and obtaining certification; capital; and ongoing working capital facility. These sums will also include costs for Group overheads. Of these funds, around £3.2m will be used to meet: staff costs, field trials, production engineering, product certification, and operations. £1.6m is allocated to working capital, and the remaining £0.6m for capital.

Part of the business' ongoing operations will be the development of future products from these product platforms that will address other areas of the market and will help maintain the Company's competitive edge.

10. TAX RELIEF AVAILABLE TO INVESTORS

The Company has received provisional approval from HM Revenue & Customs that the Placing Shares are capable of being a "qualifying holding" for the purpose of investment by Venture Capital Trusts ("VCT") for funds raised prior to 6 April 2006. The Company does not make any representations as to whether any such investment will be or will continue to be one in respect of which reliefs under the VCT leglisation will be available.

The Company has requested clarification from HM Revenue & Customs that the Company is carrying on a qualifying trade for the purposes of EIS and that the EIS Placing Shares will constitute eligible shares for the purposes of EIS legislation. The Company does not make any representations as to whether any investment in EIS Placing Shares will be or will continue to be one in respect of which relief under the EIS legislation will be available.

For UK resident Shareholders who are individuals, taper relief may apply depending on the length of ownership so that the effective rate of capital gains tax on any gain on a disposal by an individual Shareholder would be reduced the longer the Ordinary Shares are held. For corporate Shareholders an indexation allowance based on

the cost of the shares (not taper relief) may be available on a disposal in respect of the subscription cost of the Ordinary Shares. An indexation allowance cannot be used to create or increase a loss for tax purposes. Further information concerning UK taxation in relation to the Placing and Admission is set out in paragraph 9 of Part VI of this document.

11. SETTLEMENT AND DEALINGS

Arrangements have been made for dealings in the Ordinary Shares to be settled in uncertificated form through CREST.

Where Ordinary Shares are issued pursuant to the Placings in certificated form, temporary documents of title will not be issued pending the despatch by post of definitive share certificates which is expected to take place during the week commencing 25 September 2006. Pending the despatch of such certificates, transfers will be certificated against the register of members.

It is expected that Admission will become effective and dealings in the existing Ordinary Shares and the EIS Placing Shares will commence on 15 August 2006 and admission to trading on AIM and dealings in the General Placing Shares will commence on 16 August 2006.

12. CORPORATE GOVERNANCE

The Board recognises the importance of sound corporate governance whilst taking into account the size and nature of the Group. As the Group grows, the Directors intend that Energetix Group should develop policies and procedures which reflect the Principles of Good Governance and Code of Best Practice, as published by the Committee on Corporate Governance (commonly known as the "Combined Code") and which are appropriate for a company of its size. The Board will take such measures, so far as is practicable, to comply with the Combined Code.

Energetix Group has, subject to Admission, established an audit committee and a remuneration committee. The audit committee will meet at least twice per annum and is responsible for ensuring the integrity of the financial information reported to Shareholders and the systems of internal controls. This committee will provide an opportunity for reporting by Energetix Group's auditors. The remuneration committee will meet at least twice per annum to determine the terms of employment and total remuneration of the Executive Directors, including the granting of any share options and the administration of any incentive schemes. The objective of this committee will be to attract, retain and motivate executives capable of delivering Energetix Group's objectives. Both these committees will consist of the Chairman and the other Non Executive Directors.

Energetix Group will ensure, in accordance with Rule 21 of the AIM Rules, that the Directors and applicable employees do not deal in any of the Ordinary Shares during a close period (as defined in the AIM Rules) and will take all reasonable steps to ensure compliance by the Directors and applicable employees.

13. LOCK-IN ARRANGEMENTS

All of the Shareholders (the "Locked-in Shareholders") have agreed that they will not (save in certain specific circumstances) dispose of any Ordinary Shares for a period of 12 months following Admission, and thereafter for a further 12 months have agreed only to dispose of shares through Energetix Group's broker in an orderly manner. To the extent that any Placing Shares are being issued to persons other than Locked-in Shareholders, such Placing Shares will not be subject to any lock-in arrangements.

14. DIVIDEND POLICY

It is the Directors' intention to consider the payment of dividends, if appropriate and when commercially prudent. However, this is unlikely in the near future as the business is in an early stage of development.

15. SHARE OPTIONS

The Directors believe that to enable the recruitment, motivation and retention of employees it is important to be able to offer incentives linked to the future success of the Group. In order to do this in a manner which aligns the interest of employees with shareholders, the Company has established the Share Option Schemes. Further details are set out in paragraph 6 of part VI of this document.

PART II

RISK FACTORS

In addition to the other relevant information set out in this document, the following specific risk factors should be considered carefully in evaluating whether to make an investment in Energetix. The investment offered in this document may not be suitable for all of its recipients. If you are in any doubt about the action you should take, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

In addition to the usual risks associated with an investment in a business, the Directors consider that the factors and risks described below are the most significant and should be carefully considered, together with all the information contained in this document, prior to investing in the Ordinary Shares. It should be noted that the risks described below are not the only risks faced by Energetix, but there may be additional risks that the Directors currently consider not to be material or of which they are currently not aware.

References in this Part II to Energetix should be deemed to include the Group and any of its subsidiaries and vice versa.

General

Following Admission, the market price of the Ordinary Shares may be subject to significant fluctuations in response to many factors, including variations in the results of the Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts', general economic conditions, legislative changes in the Group's sector and other events and factors outside of the Group's control.

In addition, stock market prices may be volatile and may go down as well as up. The price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to Energetix and others of which are extraneous.

Admission should not be taken as implying that there will be a liquid market for the Ordinary Shares. It may be more difficult for an investor to realise an investment in Energetix than in a company whose shares are quoted on the Official List. In addition, the market price of the Ordinary Shares may not reflect the underlying value of the Group's net assets.

Requirement for further funds

It may be necessary for Energetix to raise further funds in the future, which may be by the issue of further Ordinary Shares on a non pre-emptive basis which could result in a dilution of the interests of the Shareholders at the time of such issue. There can be no guarantee that such further fundraising will be successful.

Investment risk

Potential investors should be aware that the value of shares can rise or fall and that there may not be proper information available for determining the market value of an investment in Energetix at all times. An investment in a share which is traded on AIM, such as the Ordinary Shares, is likely to be difficult to realise and carries a high degree of risk. The ability of an investor to sell Ordinary Shares will depend upon there being a willing buyer for them at an acceptable price. Consequently, it might be difficult for an investor to realise his/her investment in Energetix and he/she may lose all his/her investment. The Ordinary Shares therefore may not be suitable as a short term investment.

Economic, political, judicial, administrative, taxation or other regulatory matters

Energetix may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, as well as other unforeseen matters.

Taxation

The attention of potential investors is drawn to paragraph 9 of Part VI headed "Taxation". The tax rules and their interpretation relating to an investment in Energetix may change during the life of Energetix.

Any change in Energetix's tax status or in taxation legislation or its interpretation could affect the value of the investments held in Energetix or Energetix's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders. Representations in this document concerning the taxation of Energetix and its investors are based upon current tax law and practice which is, in principle, subject to change.

Legislation and tax status

Any change in tax status or tax residence of Energetix or in tax legislation or practise may have an adverse effect on the returns available on an investment in Energetix.

Attraction and retention of key employees

The Group depends on its Directors and other key employees and whilst it has entered into contractual arrangements with these individuals with the aim of securing the services of each of them, retention of these services cannot be guaranteed. The loss of the services of any of the Directors or other key employees could damage the Group's business. Equally the ability to attract new employees and in particular senior executives for each of the businesses with the appropriate expertise and skills cannot be guaranteed. The Group may experience difficulties in hiring appropriate employees and the failure to do so may have a detrimental effect upon the trading performance of the Group.

Trading history

The Group's future success will depend on the Directors' ability to implement their objectives and strategy. Whilst the Directors are optimistic about the Group's prospects, there is no certainty that anticipated revenues or growth can be achieved.

Forward looking statements

Certain statements within this document, including those in Part I of this document, constitute forward looking statements. Such forward looking statements involve risks and other factors which may cause the actual results, achievements or performance of the Group to be materially different from any future results, achievements or performance expressed or implied by such forward looking statements. Such risks and other factors include, but are not limited to, general economic and business conditions, changes in government regulation, competition, changes in development plans and the other risks described in this Part II. There can be no assurance that the results and events contemplated by the forward looking statements contained in this document will, in fact, occur. These forward looking statements are correct only as at the date of this document. Neither Energetix nor the Directors have undertaken any obligation to release publicly any revisions to these forward looking statements to reflect events or circumstances occurring after the date of this document except as required by law or by regulatory authority.

Intellectual Property

A significant part of the Group's future depends on its intellectual property for future development and growth. If intellectual property is inadequately protected, the Group's future success could become adversely affected. The nature of the low-cost assembly processes envisaged by the Company may result in early emulators of the Group's technology emerging and the Group may not be able to maintain advantage in the market.

Early stage of development

The Group is at an early stage of development. The commencement of the Group's revenues is difficult to predict and there is no guarantee that the Group will generate any revenues in the foreseeable future. The Group has a limited operating history upon which its performance and prospects can be evaluated and faces the risks frequently encountered by developing companies. There can be no assurance that the Group's proposed operations will be profitable or produce a reasonable return, if any, on investment.

Product Development

The Group is developing products that are intended to have a commercial application. However, there is no guarantee that such products will actually result in any commercial applications.

The success of the Group is reliant upon there being a demand for its products and in the case of Genlec the ability for third parties to incorporate the Group's products into their own products or processes. A particular third party having access to the Group products may fail to produce a successful product or use the products in an effective process or the products or processes may not be or become commercially viable.

The Group requires the sourcing of appropriate components to produce its products, it is possible that the Group will not be able to source these components on suitable commercial terms.

There can be no guarantee that any of the Group's technologies will result in any profitable commercial applications.

It may take longer than anticipated after Admission and/or more investment before development or commercialisation is complete.

Market Acceptances

The Group's technologies are to be incorporated into the products or processes of third parties. There can be no assurance that such products or processes will achieve commercial success or be an attractive alternative to conventional products or processes. The development of a mass market for a new product or process is affected by many factors, many of which are beyond the control of the Group, including the emergence of newer and more competitive products or processes, the costs of the products or processes developed by third parties, regulatory requirements, including any future regulatory changes, end-users' perceptions as to the safety of any product or process and the reluctance of end-users to try new products or processes.

If a mass market for any product or process fails to develop or develops more slowly than anticipated, the Group may fail to achieve profitability with respect of the technology associated with such product or process. In addition, the Group may not continue to develop such technology if market conditions do not support the continuation of the product or process.

EIS Placing

The EIS Placing is conditional on Admission. The General Placing is conditional on, amongst other things, Admission, the EIS Placing Shares being allotted and issued and the admission of the General Placing Shares to trading on AIM and accordingly it is possible that the General Placing may not occur. In the event that the General Placing is not completed, funds raised in the EIS Placing will be used as working capital for the Company to enable it to seek further funding to satisfy the funding requirements as set out previously.

EIS Relief

The Company has requested clarification from HM Revenue & Customs that the Company is carrying on a qualifying trade for the purposes of EIS and that the Placing Shares will constitute eligible shares for the purposes of EIS legislation. The Company does not make any representations as to whether any investment in Placing Shares will be or will continue to be one in respect of which relief under the EIS legislation will be available.

Tax Dispute

In April 2004 as part of the disposal of the entire issued share capital of Micropower referred to at paragraph 12.4 of Part VI Energetix (Europe) Limited applied to HM Revenue & Customs for Substantial Shareholder Exemption (SSE) on the transaction. SSE allows businesses to dispose of a holding greater than 10 per cent. in subsidiary companies free of tax as long as the subsidiary and its parent are deemed to be trading companies. HM Revenue & Customs replied with provisional approval confirming that the transaction would qualify for SSE based on the information provided.

Following the submission of the 2004 corporation tax returns HM Revenue & Customs indicated that it wanted to enquire into the return. As part of the ongoing enquiry the Inspector has challenged the SSE status of the transaction, the basis being that Micropower was not a trading company. The Directors and their tax advisers strongly dispute the Inspectors interpretation and have made representations refuting the Inspector's contention.

Whilst the Directors (as advised by the Group's tax advisers) consider the likelihood of a successful HM Revenue & Customs challenge to be remote should HM Revenue & Customs be successful the final tax bill could be in the region of £1,500,000.

General

The risks noted above do not necessarily comprise all those potentially faced by the Group and are not intended to be presented in any assumed order of priority.

PART III: FINANCIAL INFORMATION

SECTION A

ACCOUNTANTS' REPORT ON ENERGETIX (EUROPE) LIMITED FOR THE THREE YEARS ENDED 31 DECEMBER 2005

The Directors
Energetix Group plc
Capenhurst Technology Park
Capenhurst
CHESTER CH1 6EH

Grant Thornton

9 August 2006

Dear Sirs

ENERGETIX (EUROPE) LIMITED (THE COMPANY)

We report on the financial information on Energetix (Europe) Limited set out in Part III B(i) and B(ii) of the Admission Document relating to the Placing of new Ordinary Shares in, and the Admission of, Energetix Group plc's shares to trading on AIM dated 9 August 2006. This financial information has been prepared on the basis of the accounting policies set out in the notes to the financial information. This report is required by the AIM rules and is given for the purpose of complying with Schedule Two thereof and for no other purpose.

RESPONSIBILITIES

The Directors of Energetix Group plc are responsible for preparing the financial information on the basis of preparation set out in the notes in Part III B(i) and B(ii), to the financial information and in accordance with applicable financial reporting standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

BASIS OF OPINION

We conducted our work in accordance with the Statements for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and of whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

OPINION

In our opinion, the financial information gives, for the purposes of the Admission Document dated 9 August 2006, a true and fair view of the state of affairs of Energetix (Europe) Limited as at the dates stated and of its income statements, profits and cash flows for the periods then ended in accordance with the basis of preparation set out in the notes and in accordance with applicable financial reporting standards.

DECLARATION

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omissions likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

GRANT THORNTON UK LLP

PART III: FINANCIAL INFORMATION

SECTION B

(i) HISTORICAL FINANCIAL INFORMATION FOR ENERGETIX (EUROPE) LIMITED FOR THE TWO YEARS ENDED 31 DECEMBER 2005 UNDER IFRS

All amounts in £ sterling unless otherwise stated

1. Consolidated Income Statement

	Note	Year ended 31 December 2005	2004
Revenue – continuing	5.4	183,106	227,564
Cost of sales		(163,721)	(205,581)
Gross profit		19,385	21,983
Administrative expenses		(570,277)	(565,757)
Operating loss - continuing		(550,892)	(543,774)
Finance costs	5.5	249,169	15,796
Other gains – net	5.6	–	4,319,224
(Loss)/profit before income tax	5.4	(301,723)	3,791,246
Income tax expense	5.9	–	–
(Loss)/profit for the year		(301,723)	3,791,246
Attributable to			
Equity holders of the Company	5.18	(301,124)	3,796,338
Minority interest	5.18	(599)	(5,092)
		(301,723)	3,791,246
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year:			
– Basic	5.11	(18.55)	243.48
– Diluted	5.11	(18.55)	243.48

The notes in section 5 are an integral part of this Historical Financial Information

2. Consolidated statement of changes in equity

	Attributable to equity holders of the Company			
	Share capital	**Retained Earnings**	**Minority interest**	**Total equity**
Balance at 1 January 2004	99,231	(787,302)	(20,065)	(708,136)
Total recognised income/(loss)				
– Profit for the year	–	3,796,338	(5,092)	3,791,246
Proceeds from shares issued	79,979	–	–	79,979
Balance at 31 December 2004	179,210	3,009,036	(25,157)	3,163,089
Total recognised income/(loss)				
– Loss for the year	–	(301,124)	(599)	(301,723)
Proceeds from shares issued	8	–	–	8
Balance at 31 December 2005	179,218	2,707,912	(25,756)	2,861,374

The notes in section 5 are an integral part of this Historical Financial Information.

3. Consolidated Balance Sheet

	Note	As at 31 December 2005	2004
ASSETS			
Non-current assets			
Intangible assets	5.12	310,110	–
Property, plant and equipment	5.13	7,789	1,336
Trade and other receivables	5.14	2,378,433	3,071,707
		2,696,332	3,073,043
Current assets			
Trade and other receivables	5.14	934,130	324,781
Cash and cash equivalents	5.15	219,109	719,484
		1,153,239	1,044,265
Total Assets		3,849,571	4,117,308
LIABILITIES			
Non-current liabilities			
Financial Liabilities – Borrowings	5.16	360,000	860,000
		360,000	860,000
Current liabilities			
Trade and other payables	5.17	127,068	87,907
Financial Liabilities – Borrowings	5.16	501,129	6,312
		628,197	94,219
Total liabilities		988,197	954,219
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	5.18	166	160
Share premium	5.18	179,052	179,050
Retained earnings	5.18	2,707,912	3,009,036
Total Shareholders' equity		2,887,130	3,188,246
Minority interest	5.18	(25,756)	(25,157)
Total equity		2,861,374	3,163,089
Total equity and liabilities		3,849,571	4,117,308

The notes in section 5 are an integral part of this Historical Financial Information.

4. Consolidated Cash Flow Statement

	Note	Year ended 31 December 2005	2004
Cash flows from operating activities			
Cash consumed by operations	5.19	(205,014)	(441,573)
Cash flows from investing activities			
Expenditure on intangible fixed asset	5.12	(310,110)	–
Disposal of subsidiary		–	1,031,400
Purchases of property, plant and equipment	5.13	(8,483)	(1,150)
Interest received	5.5	23,224	15,796
		(295,369)	1,046,046
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	5.18	8	79,979
Net (decrease)/increase in cash and cash equivalents		(500,375)	684,452
Cash and cash equivalents and bank overdrafts at the beginning of the year		719,484	35,032
Cash and cash equivalents and bank overdrafts at the end of the year	5.15	219,109	719,484
Comprising:			
Cash		219,109	719,484
Bank Overdraft		–	–
		219,109	719,484

The notes in section 5 are an integral part of this Historical Financial Information

5. Notes to the Historical Financial Information

5.1 General information

Energetix (Europe) Limited (formerly Energetix Group Limited) and its subsidiaries develop products that provide solutions to problems in the alternative energy market.

The Company is a limited liability company incorporated and domiciled in England with its registered office at Steam Packet House, 76 Cross Street, Manchester M2 4JU.

5.2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Historical Financial Information has been prepared under the historical cost convention.

The preparation of the Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in this Note.

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.

Management have reviewed the Group's Research and Development activities and have made estimates on the amount of development expenditure to capitalise.

In addition, management have exercised judgement in selecting the appropriate discount rate for application against future deferred receivables and liabilities and have selected 6.75 per cent. to represent the best estimate of the cost of debt to the Group.

Consolidation

(a) Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated on consolidation but are also used as an indicator of any impairment to the asset. Accounting policies of the subsidiaries have been established to ensure consistency with the policies adopted by the Group.

(b) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group.

Intangible Assets

Intangible assets are tested for impairment at least annually or when events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Intangible assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Property, plant and equipment

Plant and equipment is stated at historical cost (less residual value), less depreciation. Depreciation of assets is calculated using the straight line method to allocate their cost over their estimated useful lives as follows:

– Furniture, fittings and equipment three years

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the income statement.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax. Revenue is recognised as follows:

(a) Sales of services

The Group has historically provided services through the provision of consultancy to selected partners. Sales of services are recognised in the accounting period in which the services are rendered.

(b) Interest income

Interest income is recognised as received.

(c) Other income

Other income includes the revaluation of long term receivables as the term to payment reduces in accordance with IAS18.

(d) Contingent income

Contingent income is only recognised when the contingent sale crystallises. Crystallisation will vary dependant on the specific terms of the sale to which it refers.

Research and development

Research costs are charged against income as incurred. Development costs are capitalised as intangible assets, in particular when it is probable that future economic benefits will flow to the Group. Such

intangible assets are amortised on a straight line basis over the period of the expected benefit, and are reviewed for impairment at each balance sheet date. Other development costs are charged against income as incurred since the criteria for their recognition as an asset are not met.

Operating Leases

The Group's building and fixtures and fittings leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease of the term. Lease incentives are spread over the term of the lease.

Deferred Taxation

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Temporary differences include those associated with shares in subsidiaries and joint ventures if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity (such as the revaluation of land) in which case the related deferred tax is also charged or credited directly to equity.

5.3 Segment information

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

5.4 Revenue and (loss)/profit before income tax

Revenue and (loss)/profit before income tax are attributable to the principal activity of the Group, which are carried out entirely in the United Kingdom.

	Note	2005	2004
Depreciation, amortisation and impairment charges	5.13	2,030	1,382
Employee benefit expense	5.8	628,740	595,418
Research costs		104,990	141,378
Operating lease rentals			
– plant and machinery		5,524	–
– buildings		19,640	16,995
Auditors remuneration			
– audit services		3,600	3,500
– non-audit services		16,501	2,555

Non-audit services incurred during the year were for the provision of taxation advice.

5.5 Finance Costs

	2005	2004
Interest income on bank deposits	23,224	15,796
Fair value gain on long term receivable	225,945	–
	249,169	15,796

5.6 Other gains

During the year the Group has not disposed of any of its investments £nil (2004: £4,319,224).

5.7 Directors' Remuneration

	2005	2004
Directors' emoluments		
Aggregate emoluments	241,800	234,519

Highest paid director

The above includes remuneration of the highest paid director as follows:

	2005	2004
Aggregate emoluments	123,203	168,000

5.8 Employee benefit expense

	2005	2004
Wages & salaries	556,733	529,488
Social security costs	70,316	65,030
Pension costs – stake holder schemes	1,691	900
	628,740	595,418

Average number of persons employed

	2005	2004
Finance and administration	1	1
Research and development	7	5

Employee benefits capitalised in the development asset total £231,088 (2004: £nil).

5.9 Income tax expense

Unrelieved tax losses of £1,600,113 remain available to offset against future taxable trading profits. No deferred tax asset has been recognised in respect of the losses as recoverability is uncertain.

The income tax for the year differs from the standard rate of Corporation Tax in the UK of 30 per cent. The differences are explained below:

	2005	2004
(Loss)/profit on ordinary activities before income tax	(301,723)	3,791,246
(Loss)/profit on ordinary activities multiplied by rate of corporation tax in the UK of 30 per cent. (2004: 30%)	(90,517)	1,137,374
Expenses not deductible	(113,518)	(1,367,894)
Capital allowances in excess of depreciation	(893)	270
Other short term timing differences	3,600	–
Increase in unused losses	201,328	230,250
Current Tax	–	–

Energetix Group Limited claimed substantial shareholding exemptions on the gain on the sale of Energetix Micropower Limited. Where the substantial shareholdings exemption applies, a gain is exempt from the charge to corporation tax. HM Revenue & Customs are challenging the exemption as part of a routine enquiry into the corporation tax return for the period ended 31 December 2004. The Company strongly refutes this challenge. If HM Revenue & Customs were to be successful in their challenge the maximum liability which could arise could be in the region of £1,500,000.

5.10 Deferred Taxation

The unprovided deferred taxation asset calculated at a tax rate of 30 per cent. is set out below:

	2005	2004
Accelerated capital allowance	375	(519)
Other timing differences	(3,600)	–
Trade losses	(480,034)	(278,708)
	483,259	(279,227)

5.11 Earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Group by the weighted average number of Ordinary Shares in issue during the year.

	2005	2004
(Loss)/profit attributable to equity holders of the Group	(301,124)	3,796,338
Weighted average number of ordinary shares in issue	16,234	15,592
Basic (loss)/earnings per share	(18.55)	243.48
Diluted (loss)/earnings per share	(18.55)	243.48

5.12 Intangible Assets

The Group currently has one internally generated intangible asset £310,110 (2004: £nil) from development for its compressed air battery. All other development work has been written off as incurred as the criteria for recognition as an asset are not met.

	Other	Total
At 1 January 2005		
Cost	–	–
Additions	310,110	310,110
Amortisation	–	–
Closing net book value	310,110	310,110
At 31 December 2005		
Cost	310,110	310,110
Accumulated amortisation and impairment	–	–
Closing net book value	310,110	310,110

Other intangibles include internally generated capitalised product development costs in accordance with IAS 38. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its cost can be measured reliably.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

Development assets are tested annually for impairment, in accordance with IAS 38.

5.13 Property, Plant and Equipment

	Furniture fittings & equipment	Total
At 1 January 2004		
Cost or valuation	7,667	7,667
Accumulated depreciation	(6,099)	(6,099)
Net book value	1,568	1,568
Year ended 31 December 2004		
Opening net book value	1,568	1,568
Additions	1,150	1,150
Depreciation charge	(1,382)	(1,382)
Closing net book value	1,336	1,336
At 31 December 2004		
Cost or valuation	8,817	8,817
Accumulated depreciation	(7,481)	(7,481)
Net book value	1,336	1,336
Year ended 31 December 2005		
Opening net book value	1,336	1,336
Additions	8,483	8,483
Depreciation charge	(2,030)	(2,030)
Closing net book value	7,789	7,789
At 31 December 2005		
Cost or valuation	17,300	17,300
Accumulated depreciation	(9,511)	(9,511)
Net book value	7,789	7,789

5.14 Trade and other receivables

	2005	2004
Trade receivables	3,293,726	3,387,510
Prepayments	5,938	–
Loans to employees	1,500	2,500
Other debtors	4,921	–
Corporation tax recoverable	6,478	6,478
	3,312,563	3,396,488
Less non-current portion – Deferred consideration	(2,378,433)	(3,071,707)
Current portions	934,130	324,781

The £3,900,000 (2004: £4,200,000) gross book value of the non-current trade receivable has been discounted at 6.75 per cent. to reflect the time value of money. Gains and losses in the restatement of the amount outstanding, as payments are made and final payment is nearer, are reflected through the Income Statement.

5.15 Cash and cash equivalents

	2005	2004
Cash at bank and in hand	219,109	719,484

5.16 Financial liabilities – Borrowings

	2005	2004
Current		
Bank borrowings	1,129	6,312
Debentures and other loans	500,000	–
	501,129	6,312
Non-current		
Debentures and other loans	360,000	860,000

The debentures and other loans are due to a related party Axiomlab. The loans were granted to Energetix Group between 2001 and 2003 to assist the development of the business. Whilst the original loans were interest bearing, following a restructuring of Energetix Group Limited in 2003, it was agreed that Axiomlab would waive all accrued interest and rights to interest in the future.

The loans are repayable in multiples of £10,000 between November 2006 and November 2011.

The maturity of non-current borrowings is as follows:

	2005	2004
Within one year	–	–
Between one and two years	–	–
Between two and five years	360,000	860,000
More than five years	–	–
	360,000	860,000

Subsequent to the year end, the Company has established a £100,000 overdraft facility with its bankers.

The Company has agreed with Axiomlab plc, the holder of the loan notes that £610,000 will be converted to £500,000 of equity on a successful flotation of the Group on the AIM Market of the London Stock Exchange, conversion to be at the flotation price.

£250,000 of the loan notes will be deferred for repayment within two to five years.

5.17 Trade and other payables

	2005	2004
Trade payables	24,813	19,917
Social security and other taxes	19,651	13,662
Accrued expenses	82,604	54,328
	127,068	87,907

5.18 Share capital and reserves

	Number of shares	Ordinary Shares	Share Premium	Total equity	Retained Earnings	Minority Interest	Total equity
Authorised							
Ordinary Shares of 1p each at 31 December 2004 and 2005	100,000	1,000					
Issued and Fully Paid							
As at 1 January 2004	15,404	154	99,077	99,231	(787,302)	(20,065)	(708,136)
Proceeds from shares issued	616	6	79,973	79,979	–	–	79,979
Retained earnings for year	–	–	–	–	3,796,338	(5,092)	3,791,246
As at 31 December 2004	16,020	160	179,050	179,210	3,009,036	(25,157)	3,163,089
Proceeds from shares issued	599	6	2	8	–	–	8
Retained loss for year	–	–	–	–	(301,124)	(599)	(301,723)
As at 31 December 2005	16,619	166	179,052	179,218	2,707,912	(25,756)	2,861,374

5.19 Cash consumed by operations

	2005	2004
Net (loss)/profit	(301,723)	3,791,246
Adjustments for:		
– Depreciation	2,030	1,382
– Other income	(249,169)	(15,796)
– Other gains – net	–	(4,319,224)
Changes in working capital		
– Trade and other receivables	309,870	71,222
– Trade and other payables	33,978	29,597
Cash consumed by operations	(205,014)	(441,573)

5.20 Operating lease commitments – minimum lease payments

Commitments under non cancellable operating lease expiring:

	2005		2004	
	Buildings	Fixtures & Fittings	Buildings	Fixtures & Fittings
Within one year	–	2,793	10,000	2,793
More than one year and less than five years	16,989	–	4,214	–
Over five years	–	–	–	–
	16,989	2,793	14,214	2,793

5.21 Events after the balance sheet date

On 16 April 2006 the Company's long term receivable indicated that they would not be paying the Company the deferred consideration for Energetix Micropower Limited which was originally sold in April 2004. The terms of the original Sale & Purchase Agreement contained clauses to this eventuality and results in the return of the intellectual property into a new subsidiary (Energyboost Limited) formed for the purpose.

The agreement also made provision for the original parties to Energetix Micropower Limited to participate in the new subsidiary with their original 40 per cent. equity split.

Energetix Group Limited has agreed that its original partner in this venture will receive a £3,000,000 preference debt in the new subsidiary in lieu of any entitlement to equity. This debt will be paid out of the future earnings of the new subsidiary.

In accordance with IAS 38 the intellectual property will be capitalised at the discounted value of the deferred consideration foregone plus the value of debt assumed by the Company.

Current receivable foregone	900,000
Discounted value of deferred consideration foregone	2,378,433
Preference debt given for 40 per cent. of the equity	3,000,000
Value of intellectual property to be included in balance sheet	6,278,433

Loan notes

The Company has Agreed with Axiomlab plc, the holder of the loan notes that £610,000 will be converted to £500,000 of equity on a successful floatation of the Group on the AIM Market of the London Stock Exchange, conversion to be at the floatation price. £250,000 of the loan notes will be deferred for repayment within two to five years.

Group re-organisation

The Company was involved in a group reconstruction whereby a share for share exchange occurred between Energetix (Europe) Limited and Energetix Group plc.

In addition, Energetix (Europe) Limited transferred four trading subsidiary undertakings (Pnu Power Limited, Thermetica Limited, Energyboost Linited and Voltage Control Limited) to Energetix Group Plc at Net Book Value.

5.22 Ultimate Controlling party

The ultimate controlling party is Adrian Hutchings, a director of the Company.

5.23 Related party transactions

At 31 December 2005 the amount owed to Axiomlab Limited in relation to Loan Notes issued was £860,000, (2004: £860,000).

Within the year the Company paid management fees to Axiomlab Limited of £15,000 (2004: £15,000). The amount outstanding at 31 December 2005 was £8,812 (2004: £13,218).

5.24 Explanation of the transition to adopted IFRS

Energetix Group Limited reported under UK GAAP in its previously published financial statements for the year ended 31 December 2004. This note sets out an explanation of how the transition to Adopted IFRS's has affected the financial reported position, financial performance and cash flows of the Group.

The 2004 income statement and the balance sheet at 1 January 2004 and 31 December 2004 under IFRS did not require restatement from that previously disclosed.

The 2005 reconciliation of loss under UK GAAP of £611,833 and the loss under IFRS of £301,723 is accounted for by the capitalisation of R&D costs under IAS 38 resulting in an intangible asset of £310,110.

PART III: FINANCIAL INFORMATION

SECTION B

(ii) HISTORICAL FINANCIAL INFORMATION FOR ENERGETIX (EUROPE) LIMITED FOR THE TWO YEARS ENDED 31 DECEMBER 2004 UNDER UK GAAP

All amounts in £ sterling unless otherwise stated

1. Consolidated profit and loss account

	Note	Year ended 31 December 2004	2003
Revenue		227,564	32,898
Cost of sales		(205,581)	–
Gross profit		21,983	32,898
Research & development costs		(141,378)	(373,557)
Administrative expenses		(424,379)	(20,697)
Operating loss	5.3	(543,774)	(361,356)
Interest receivable	5.6	15,796	51,315
Surplus on disposal of fixed assets investments	5.2	4,319,224	–
Profit/(loss) on ordinary activities before taxation		3,791,246	(310,041)
Taxation on profit/(loss) on ordinary activities	5.7	–	(4,124)
Profit/(loss) on ordinary activities after taxation		3,791,246	(314,165)

The notes in section 5 are an integral part of this Historical Financial Information.

2. Statement of total recognised gains and losses

There were no other recognised gains or losses other than those shown in the profit and loss account for both the years ended 31 December 2003 and 2004.

3. Consolidated balance sheet

	Note	As at 31 December 2004	2003
Fixed assets			
Tangible assets	5.8	1,336	2,491
Current assets			
Debtors	5.9	324,781	13,375
Debtors due after more than one year	5.9	3,071,707	–
Cash at bank and in hand		719,484	35,032
		4,115,972	48,407
Creditors: Amounts falling due within one year	5.10	(94,219)	(91,777)
Net current assets/(liabilities)		4,021,753	(43,370)
Total assets less current liabilities		4,023,089	(40,879)
Creditors: amounts falling due after more than one year	5.11	(860,000)	(860,000)
Net assets/(liabilities)		3,163,089	(900,879)
Capital and reserves			
Called up share capital	5.12	160	154
Share premium account	5.13	179,050	99,077
Profit and loss account		3,009,036	(902,972)
		3,188,246	(803,741)
Less minority interest		(25,157)	(97,138)
Equity shareholders' funds		3,163,089	(900,879)

The notes in section 5 are in an integral part of this Historical Financial Information

4. Consolidated cash flow

	Note	Year 31 December 2004	2003
Cash inflow/(outflow) from operating activities	5.14	589,827	(225,007)
Returns on investment and servicing of finance			
Interest received		15,796	51,315
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,150)	(159)
Financing			
Loans		–	150,000
Issue of ordinary share capital		79,979	–
Increase/(decrease) in cash		684,452	(23,851)

The notes in section 5 are an integral part of this Historical Financial Information.

5. Notes to the Historical Financial Information

5.1 Summary of significant accounting policies

Basis of preparation

The Historical Financial Information has been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002) and include the results of the Group's operations.

Deferred taxation

Deferred taxation arises as a result of including items of income and expenditure in taxation computations in periods different from those in which they are included in the Group accounts. Deferred tax is provided in full on timing differences which result in an obligation to pay more or less tax at a future date, at the average tax rates that are expected to apply when the timing differences reverse, based on current tax rates and laws.

Depreciation

The cost of fixed assets is their purchase cost together with any incidental costs of acquisition.

Depreciation is provided on the tangible fixed assets on the following basis:

Fixtures & Equipment – Annual rate of 33⅓ per cent. on straight line basis.

Research & development

Expenditure on research and development is written off in the year in which it is incurred.

Consolidation

Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated on consolidation but are also used as an indicator of any impairment to the asset. Accounting policies of the subsidiaries have been established to ensure consistency with the policies adopted by the Group.

Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax. Revenue is recognised as follows:

Sales of services

The Group has historically provided services through the provision of consultancy to selected partners. Sales of services are recognised in the accounting period in which the services are rendered.

Interest income

Interest income is recognised as received.

Other income

Other income includes the revaluation of long term receivables as the term to payment reduces.

Contingent income

Contingent income is only recognised when the contingent sale crystallises. Crystallisation will vary dependant on the specific terms of the sale to which it refers.

Investments

Investments are stated at cost, less amounts provided for permanent diminutions in value.

Pension costs and other post retirement benefits

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group. The annual contributions payable are charged to the profit and loss account.

5.2 Surplus on disposal of fixed assets investments

On 16 April 2004, the Company disposed of its 60 per cent. investment in Energetix Micropower Limited for an initial consideration of £1,031,400 on completion of the transaction, deferred consideration of £4,200,000 and contingent consideration of £600,000 (based upon the sale of 60,000 units by the acquirer).

Cash received	1,031,400
Deferred consideration	4,200,000
Less financing costs	(846,000)
Less transaction costs	(66,176)
Profit reported	4,319,224

The deferred consideration has been discounted at 6.75 per cent. from the date of disposal to the anticipated settlement date. The discount is recorded as financing costs of £846,000.

5.3 Operating loss

This is stated after charging:

	2004	**2003**
Depreciation – owned assets	2,305	5,190
Directors' remuneration	234,519	51,867

5.4 Directors' remuneration

	2004	2003
Directors' emoluments		
Aggregate emoluments	234,519	51,867
Highest Paid Director		
The above includes remuneration of the highest paid director as follows:		
Aggregate emoluments	168,000	30,242

5.5 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the period, analysed by category, was as follows:

	2004	2003
Finance and administration	1	1
Research and development	5	5

The aggregate payroll costs of these persons were as follows:

	2004	2003
Wages and salaries	529,488	142,445
Social security costs	65,030	15,566
Pension costs	900	–
	595,418	158,011

5.6 Interest Receivable

	2004	2003
Bank interest received	15,796	–
Loan interest written off	–	51,315
	15,796	51,315

The loan interest relates to the restructuring in 2003 with Axiomlab when it was agreed that the loan notes due would be reclassified as interest free.

5.7 Taxation

There is no corporation tax payable on the profit for the year (2003: £4,124).

5.8 Tangible fixed assets

	Fixtures & equipment	Total
Cost		
As at 1 January 2004	13,384	13,384
Additions	1,150	1,150
At 31 December 2004	14,534	14,534
Depreciation		
As at 1 January 2004	10,893	10,893
Charge for Year	2,305	2,305
As at 31 December 2004	13,198	13,198
Net Book Value		
As at 31 December 2004	1,336	1,336
As at 31 December 2003	2,491	2,491

5.9 Debtors

	2004	2003
Trade Debtors	315,949	–
Amounts falling due after one year	3,071,707	–
VAT	–	4,543
Corporation tax recoverable	8,832	8,832
	3,396,488	13,375

5.10 Creditors: Amounts falling due within one year

	2004	2003
Trade Creditors	19,917	81,440
VAT	3,072	–
Other Creditors	71,230	10,014
Bank overdraft	–	323
	94,219	91,777

5.11 Creditors: Amounts falling due after one year

	2004	2003
Loan Notes	860,000	860,000
Debt due between one and five years	860,000	860,000

The debentures and other loans are due to a related party called Axiomlab. The loans were granted to Energetix Group between 2001 and 2003 to assist in the development of the business. Whilst the original loans were interest bearing, following a restructuring of Energetix Group Limited in 2003 it was agreed that Axiomlab would write off all accrued interest and rights to interest in the future.

The loans are repayable in multiples of £10,000 between November 2006 and November 2011.

5.12 Share capital

	2004		2003	
	No	£	No	£
Authorised				
Ordinary Shares of 1p each	100,000	1,000	100,000	1,000
Issued and fully paid	16,020	160	15,404	154

During 2004, 616 Ordinary Shares of 1p each were issued at a value of £129.84 per share (2003: nil).

5.13 Share premium

	2004	2003
Balance at 1 January 2004	99,077	99,077
Shares issued during the year	79,973	–
As at 31 December 2004	179,050	99,077

5.14 Reconciliation of operating profit to net cash in/(out) flow from operating activities

	2004	2003
Profit/(loss) on ordinary activities before taxation	3,791,246	(310,041)
Depreciation charge	1,382	5,190
Other income	(15,796)	(51,315)
(Increase)/decrease in debtors	(3,216,602)	102,217
Increase in creditors	29,597	28,942
Net cash inflow/(outflow) from operating activities	589,827	(225,007)

5.15 Leasing Commitments

Commitments under non-cancellable operating leases expiring:

	2004		2003	
	Buildings	Fixtures & Fittings	Buildings	Fixtures & Fittings
Within one year	10,000	2,793	–	2,600
More than one year and less than five years	4,214	–	14,214	–
Over five years	–	–	–	–
	14,214	2,793	14,214	2,600

5.16 Related Party Transactions

The Company has taken advantage of the exemption in Financial Reporting Standard No. 8 "Related party disclosures" and has not disclosed transactions with Company undertakings.

5.17 Ultimate Controlling Party

The ultimate controlling party is Adrian Hutchings, a director of the Company.

PART III: FINANCIAL INFORMATION

SECTION C

ACCOUNTANTS' REPORT ON ENERGETIX GROUP PLC FOR THE PERIOD ENDED 31 MAY 2006

Grant Thornton

The Directors
Energetix Group plc
Capenhurst Technology Park
Capenhurst
CHESTER CH1 6EH

9 August 2006

Dear Sirs

ENERGETIX GROUP PLC ("THE COMPANY")

We report on the financial information on Energetix Group plc set out in Part III D of the Admission Document relating to the Placing of new Ordinary Shares and the Admission of the Company's shares to trading on AIM dated 9 August 2006. This financial information has been prepared on the basis of the accounting policies set out in note 2 to the financial information. This report is required by the AIM rules and is given for the purpose of complying with Schedule Two thereof and for no other purpose.

RESPONSIBILITIES

The Directors of Energetix Group plc are responsible for preparing the financial information on the basis of preparation set out in respective note 2 in Part III D to the financial information and in accordance with applicable financial reporting standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

BASIS OF OPINION

We conducted our work in accordance with the Statements for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and of whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

OPINION

In our opinion, the financial information gives, for the purposes of the Admission Document dated 9 August 2006, a true and fair view of the state of affairs of Energetix Group plc as at 31 May 2006 in accordance with the basis of preparation set out in note 2 and in accordance with applicable financial reporting standards.

DECLARATION

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omissions likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

GRANT THORNTON UK LLP

PART III: FINANCIAL INFORMATION

SECTION D

HISTORICAL FINANCIAL INFORMATION FOR ENERGETIX GROUP PLC FOR THE PERIOD ENDED 31 MAY 2006

1. Balance sheet

	As at 31 May 2006 £
Current assets	
Unpaid share capital	1
Capital and reserves	
Called up share capital	1

2. Notes to the financial information

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards.

The Company was incorporated on 17 May 2006. It has not traded during the period from the date of incorporation to 31 May 2006. No dividends have been paid or declared.

On 7 August the Company increased its authorised share capital and issued 29,999,980 ordinary shares of 5p each credited as fully paid in consideration for the acquisition of the entire issued share capital of Energetix (Europe) Limited and re-registered as a public limited company.

Capital and reserves

	Ordinary Shares of £1 each	
	Number	£
Called up share capital		
Authorised	1,000	1,000
Issued	1	1

3. Events after the balance sheet date

The Company was involved in a group reconstruction whereby a share for share exchange occurred between Energetix (Europe) Limited and Energetix Group plc.

In addition, Energetix (Europe) Limited transferred four trading subsidiary undertakings (Energetix Pnu Power Limited, Thermetica Limited, Energyboost Linited and Energetix Voltage Control Limited) to Energetix Group Plc at Net Book Value.

PART IV

SECTION A

EA TECHNOLOGY LIMITED TECHNICAL REPORT ON GENLEC

(registered in England and Wales under number 2566313)

The Directors
Energetix Group plc
Capenhurst Technology Park
CAPENHURST
Chester
CH1 6EH

Zeus Capital Limited
3 Ralli Courts
West Riverside
Manchester
M3 5FT
for itself as Nominated Adviser and Broker

9 August 2006

Dear Sirs

EA Technology is one of the UK's leading energy technology services companies, based at Capenhurst, near Chester. The business has evolved and developed over the past 40 years to its present status of an independent limited company, working on behalf of clients in the electricity, energy, infra-structural and associated sectors. EA Technology has an extensive programme of activities in relation to micro-CHP (micro Combined Heat and Power) and other microgeneration technologies, their applications and implementation. Specific and relevant expertise in this area includes EA Technology's assessment of the benefits of domestic-CHP, performed on behalf of the Energy Saving Trust, its project management of Powergen's field trial of the WhisperGen Stirling engine micro-CHP unit and, currently, the performance of independent monitoring services in the Carbon Trust's small-scale CHP field trial. EA Technology was also pleased to respond to the DTI's consultation on microgeneration strategy, September 2005.

EA Technology has been instructed by Zeus Capital Ltd and Energetix Group plc ("Energetix"; "the Company") to prepare an independent expert Technical Report in connection with the proposed offering of shares in the Company pursuant to a placing and its admission onto the AIM Market of the London Stock Exchange plc. Any use which a third party makes of this document, or any reliance on it, or decisions to be made or not made based on it, are the responsibility of such a third party.

The report covers various aspects of the Energetix's Organic Rankine Cycle (ORC) micro-CHP technology, its development, applications and markets, including:

- the Company's core technology base, in relation to its micro-CHP activities
- the validation of the design and performance of the reference technology
- a series of technology and associated product related issues
- applications related aspects
- the merits of the technology

The contents of the AIM admission document dated 9 August 2006, in which this Technical Report is included, are the responsibility of the Directors of the Company. This Technical Report is limited specifically to the matters set out above and EA Technology is not advising on the merits of an investment in Energetix.

EA Technology does not express any opinion as to Energetix's ownership or of rights to use Intellectual Property (if any) nor on any aspect of Energetix's financial record or future financial prospects or performance.

The present document represents the principal findings from the performance of the independent technical review of Energetix's ORC micro-CHP technology. The technical review was performed over the timescale 9 to 31 May 2006 and is based principally on a number of meetings with the Company, complementary telephone dialogue and correspondence and selected background desk research. In the course of this work, EA Technology has reviewed design information, inspected equipment, witnessed demonstrations and reviewed plans. EA Technology has no reason to doubt the veracity of the information gathered, but unless otherwise indicated, has undertaken no additional work to establish the reliability of the information provided, via reference to evidence independent of Energetix itself.

Introduction

- The Energetix mCHP Unit is a micro-CHP unit based around an Organic Rankine Cycle. Micro-CHP refers to a generic class of technologies (including Organic Rankine Cycle, Stirling Cycle engine and fuel cell systems) designed to deliver both heat and electricity to individual houses (micro-CHP is also commonly referred to as domestic CHP or dCHP). The basic concept is that the boiler in a standard domestic central heating system is replaced with the micro-CHP unit and, that whenever there is a demand for heat, the unit fires to satisfy the heat demand and, in so doing, generates electricity. Micro-CHP systems offer householders potentially lower utility bills (electricity and gas), whilst also delivering savings in household CO_2 emissions. As its name implies, the ORC system operates via the Rankine cycle, analogous to the thermodynamic cycle in a steam turbine power plant, albeit designed and engineered at a much smaller scale and with an alternative working fluid, in the present micro-CHP application. The Energetix mCHP Unit is innovative via its application of a scroll expander as the expansion mechanism and the overall engineering of the unit, within the context of its potential suitability for the micro-CHP market. The Energetix mCHP Unit is initially being developed to target the natural gas fired central heating markets in the UK and Europe, via a unit of nominal electrical output rating of 1 kWe and thermal output of 10 kWt (ie a Heat to Power ratio of 10:1).
- Energetix was established in 1997 to develop and commercialise a range of energy related technologies and systems. The Company pursues its developmental programme activities from a combination of office and workshop accommodation at the Capenhurst Technology Park, located to the north of Chester. The Company has built up a core developmental team comprising some eight professionally qualified engineers and scientists, with significant experience in relation to the development of engineering and energy related technologies and products. In particular, the two Commercialisation Managers leading the development of the Energetix mCHP Unit have previously accumulated significant experience in relation to the development, trialling and application of complementary micro-CHP systems and technologies. Energetix is therefore judged to be able to pursue its development of the ORC system from a position of well developed professional knowledge in the field.
- The technical review was conducted via a series of visits to Energetix's offices at Capenhurst, access to various engineering, design and manufacturing related information and data, complemented via attendance at the operation of a unit.

Technology Overview

- The current design of the Energetix mCHP Unit has evolved from a concept demonstrator created and patented by Battelle Memorial Institute ("Battelle") in the USA. The concept demonstrator was a floor mounted unit with peak electrical and thermal outputs of 3 kWe and 33 kWt, respectively. Electrical output was 3-phase, from a directly coupled induction generator. The working fluid within the ORC was HFC 245fa – a synthetic hydrofluorocarbon. The original Battelle Patent was assigned to Energetix in April 2003.
- As was noted previously, the essential modus operandi of the ORC system follows that of a Rankine thermodynamic cycle. Here, evaporation of the high pressure liquid phase working fluid takes place in an externally heated evaporator unit, with the high pressure vapour then being expanded through an

expander (in this case a scroll expander), to produce a work output, which is converted into electrical energy via a generator. The low pressure vapour phase is then condensed back to the liquid phase in a condenser unit, thereby releasing thermal output, for recovery into the domestic heating system. The cycle is completed via return of the liquid phase to the evaporator at an elevated pressure, via an ORC feed pump.

- The overall design philosophy is to utilise standardised, readily available components as far as is practicable, in order to minimise capital cost. As embodied in the Energetix mCHP Unit, the system incorporates the following principal components:
  - a steam/water thermosiphon loop is employed, to transfer heat from the burner to the evaporator. This represents a departure from the directly heated evaporator design, previously employed in the Battelle unit and allows a wider choice of working fluid. Energetix have therefore selected a hydrocarbon working fluid, in order to give improved thermodynamic performance and environmental benefits, relative to the Battelle unit. The use of the thermosiphon also allows simple integration of an auxiliary heat exchanger to increase the heat output from the unit. The burner and steam coil used are modifications of an existing boiler burner design.
  - Plate heat exchangers are utilised for the other heat exchanger elements, based upon low cost series produced designs used in the boiler and air conditioning industries.
  - a readily available rotary vane pump is used as the ORC feed pump. The design is limited to a pressure lift of 16 bar, but this is not regarded as a limitation by the design team (currently a lift of around 12 bar is utilised).
  - The scroll expander is based upon the use of a standard automotive air-conditioning compressor, running in reverse as an expander. This has a built-in volume ratio which limits the performance of the ORC to some extent. There is scope to increase the volume ratio of the scroll to improve the overall performance. However, this would require custom built scrolls, which would increase costs, at least initially. The current design, utilising a standard scroll, appears to be a sound, pragmatic approach to bring the product to market quickly.
  - a high efficiency permanent magnet generator is utilised, to provide the unconditioned electrical output from the unit.
  - a custom designed electronics module will complete the make-up of the system. This will serve to convert the unconditioned 3-phase output from the generator into a regulated single phase output and provide the necessary protection measures for connection to the public electricity supply network, together with the provision of additional functionalities, namely speed control for the ORC pump and control loop interfaces for standard central heating controls.

The system as described above provides the essential basis for the engineering developmental units, which may then be further developed into pre-series and ultimately production units.

Technology Validation

- The ORC is contained within a separate module. This has a number of important advantages, including:
  - on-site installation (safe lifting weight for all items)
  - separate manufacture
  - wider choice of working fluids and improved safety
  - the avoidance of the operational problems encountered with Battelle's concept demonstrator design, where the direct gas flame heating of the evaporator caused degradation of the oil necessary to lubricate both the scroll expander and the ORC pump
  - improved sound reduction
- The complete Energetix mCHP Unit is engineered as a wall-hung, gas fired, boiler replacement. Its target volume envelope (800 mm x 480 mm x 380 mm) is comparable with some modern condensing boilers of similar thermal output. Target mass is 70 kg with a maximum lift of any one component of 30 kg (the unit will be assembled on-site into the "boiler" case), making it safe for handling by a two man installation team.

- Reliability and longevity are seen by the development team as key issues to the success of the Energetix mCHP Unit. The philosophy adopted is to ensure that there are no serviceable parts within the ORC module. Any failure of the module (vacuum loss), or within the ORC cycle, would result in the service engineer simply exchanging the old ORC module for a new one. Clearly it is desirable to achieve an ORC module lifetime equivalent to the 10 to 15 years expected life of a modern boiler, requiring 30,000 to 50,000 hours of running and a similar number of stop / starts. Units have presently achieved *circa* 1,000 hours of operation, with no adverse failure or wear effects reported. The Company plans to conduct various extended run time and accelerated life tests, for all the principal components and modules.

- Safety and product certification issues represent another of the key development issues associated with the Energetix mCHP Unit. The Company has therefore sought professional advice from recognised experts in these areas. The potential issues associated with the use of an indirectly fired hydrocarbon working fluid have been identified, including the risk associated with the loss of the hydrocarbon into the ORC containment vessel. Testing is planned here, in order to determine the necessary design rating for the unit's casing. The satisfactory achievement of CE marking will represent a key milestone in the unit's further development and an essential pre-requisite of future field trial demonstrations and product development. Energetix has therefore identified the measures that need to be addressed to achieve this, including the demonstration of conformity with the various European Union Directives.

- The performance and operation of a prototypical Energetix mCHP Unit was witnessed on 11 May 2006. The unit demonstrated was operating with the HFC working fluid. The rig was well instrumented with a sensible choice of measurement techniques. Data logging was via a PC giving a visual mimic diagram of the system and its operating parameters.

- During the witness test on the HFC rig, pressures were chosen to be similar to those that would occur with the hydrocarbon working fluid in normal ORC unit operation. This gives slightly lower temperatures than if using the hydrocarbon working fluid, but maintains the design pressure ratio across the pump and scroll. The results observed in terms of overall efficiency and Heat to Power ratio appeared plausible and, based on reasonable developmental assumptions, would appear to translate to a Heat to Power ratio for series produced "boiler replacement" units within the range 10:1 to 11.2:1, over a range of flow temperatures from 60 to 75^{o}C.

Applications Related and Business Development Issues

- EA Technology noted Energetix's projected manufacturing and production cost breakdowns for the mCHP unit. These are based on the use of standard components throughout, with the exception of the custom electronics module and the casing for the unit. The manufacturing and production cost projections would appear to show that, in volume production, the marginal installed cost to the customer, over and above that of a high efficiency condensing boiler, could be of the order of £600.

- the applications potential for the Energetix mCHP unit was reviewed in relation to the UK central heating boiler replacement market. The review showed that, at its 10:1 target Heat to Power ratio, the Energetix mCHP Unit is likely to be an attractive proposition for households with heating demands in excess of 22,000 kWh per annum. This represents an estimated UK market entry potential of several million households.

- Energetix states that its micro-CHP market entry strategy is to partner with one or more of the main central heating boiler manufacturers. The Company notes that the European boiler market is worth in excess of £8 billion per annum, with the UK representing the largest market by volume, accounting for some 25 per cent. of unit sales. EA Technology has corroborated such market information by reference to independent sources. Energetix further notes the publication of the recent SBGI (Society of British Gas Industries) update report on micro-CHP, which predicts UK micro-CHP sales volumes of 117,000 units per annum in year 2010, increasing to 540,000 per annum in 2015 and 938,000 per annum in 2020.

- The Company envisages that it will develop and supply its mCHP Units to one or more partner boiler manufacturer(s), with the latter then packaging these into the complete finished product, for their onward sale through established distribution channels. The Company is presently in receipt of a proposal from a prominent boiler manufacturer in relation to them being the first of such boiler manufacturer partner organisations. Based upon its background knowledge and experience in relation to micro-CHP developments, EA Technology generally supports the Company's views in relation to both overall magnitude of the European central heating boiler market and of the associated market potential for micro-

CHP systems. EA Technology further notes that many of the leading European domestic boiler manufacturers are pursuing micro-CHP developmental activities of one form or another, in collaboration with particular technology developers and suppliers.

- Energetix has demonstrably established itself as one of a number of developers of micro-CHP systems for the European market, with the Organic Rankine Cycle technology representing one of the three principal developmental technologies at the present time, alongside Stirling engine and fuel cell systems. Although early stage market development and demonstration programmes are being pursued in relation to a number of these systems, it is somewhat premature to identify any fundamental competitive advantage in relation to any of the systems available at the present time. Whilst the Energetix mCHP Unit is likely to be initially somewhat more suitable to properties with higher heating demands, this represents a significant market and, within this sector, the unit has the potential to offer a low manufacturing cost option for a micro-CHP unit. The overall commercial success of any particular technology in the embryonic UK and European micro-CHP markets is however likely to be influenced by a combination of factors, including the technical merits of the technology concerned, the strength of the commercial relationships formed with appropriate boiler manufacturer and energy supply company partners, their associated distribution channels and the overall market demand for such systems, facilitated, at least in the early stages of market development, by fiscal and promotional incentives.
- the ultimate commercial success of the Energetix mCHP system will be dependent upon the Company's ability to translate the pre-series units into a reliable, durable, certificated and fully cost competitive product. Although no fundamental problems are envisaged here, the challenges associated with these future stages of product development must be recognised.

Merits

The principal merits associated with the Energetix mCHP developmental programme are assessed as follows:

- the Company's ORC system has the potential to provide boiler manufacturers and other interested parties with a relatively low production cost entrée into the micro-CHP market, potentially having clear advantages in terms of capital cost, simplicity, and reliability.
- the Company has achieved a demonstrable ability in relation to the systematic development of the ORC system for the micro-CHP market and has a similarly well developed knowledge of the principal applications issues.
- the Company has succeeded in establishing itself as one of a relatively small number of emerging micro-CHP systems developers in a fast moving and embryonic market.
- the Energetix ORC system is favourably positioned to capture market share in what is anticipated to be a rapidly expanding market for micro-CHP systems, particularly in relation to the potential for such systems in houses with higher heating demands.

Conclusion

- EA Technology believes that, based on the information provided by Energetix and its own background knowledge and experience, the Energetix mCHP Unit represents a credible contender in the embryonic micro-CHP market and, as such, ranks alongside the various Stirling Engine and fuel cell developments.

Yours faithfully

EA TECHNOLOGY LIMITED

PART IV

SECTION B

TGT TECHNICAL REPORT ON PNU POWER

(registered in England and Wales under number 5284512)

The Directors
Energetix Group plc
Capenhurst Technology Park
Chester
CH1 6EH

Zeus Capital Limited
3 Ralli Courts
West Riverside
Manchester
M3 5FT
for itself as Nominated Adviser and Broker

9 August 2006

Dears Sirs

TGT Energy Limited ("TGT") is a company incorporated for the purpose of providing technical consulting services to its clients. It has particular expertise in the area of energy storage technologies arising from the experience of its two Directors, Dr. Kelvin Schneider and Mr. Colin Tarrant. Dr. Schneider has over 30 years' experience of research & development and was recently the Managing Director of Urenco Power Technologies Limited, a company which designed and manufactured flywheel energy storage systems. Mr. Tarrant has worked for over 40 years on the design and manufacture of high speed rotating machines and composite materials and was recently the Technical Director of Urenco Power Technologies Limited. He is recognized internationally as an expert on energy storage technologies and has served on a number of advisory boards for the EPSRC.

TGT has been instructed by Zeus Capital Ltd and Energetix Group plc ("Energetix") to prepare an independent expert technical report in connection with the proposed offering of shares in the Company pursuant to a placing and its admission to AIM, a market operated by the London Stock Exchange plc. Any use which a third party makes of this document, or any reliance on it, or decisions to be made or not made based on it, are the responsibility of such third party.

The report covers aspects of the technologies of Energetix's Pnu Power product, specifically:

- An overview of the technology platform
- A validation of the specification and performance of the component technologies
- The merits of the technology
- The plans to develop and exploit the technology

The contents of the AIM admission document dated 9 August 2006, in which this expert report is included, are the responsibility of the directors of the Company. This expert report is limited specifically to the matters set out above and TGT is not advising generally on the merits of an investment in Energetix.

TGT does not express any opinion as to the Energetix's ownership of or rights to use intellectual property (if any) nor on any aspect of the Energetix's financial record or future financial prospects or performance.

In preparing this expert report, TGT has visited Energetix's premises at Capenhurst, and has held discussions with directors and key staff. In the cause of these discussions, TGT has reviewed design information, inspected equipment, witnessed demonstrations and assessed plans. These discussions have been supplemented by industry research and by the knowledge and expertise of Dr. Schneider and Mr. Tarrant, who carried out this expert report.

This expert report has been prepared based upon information provided to TGT by Energetix at the time of preparation. TGT has no reason to doubt the veracity of such information but has not independently verified it other than to the extent indicated in this expert report below. Changes in circumstances may render the information or conclusions reached in this expert report invalid at any time hereafter.

Introduction

- The Pnu Power product is designed to provide a temporary backup source of power in the event of loss of the primary power source, usually mains supply. This class of product is generally known as an Uninterruptible Power Supply ("UPS"). UPS products are widely used to safeguard sensitive and valuable equipment and facilities in the event of a temporary loss of power. A UPS typically comprises a source of stored energy and an electronic interface which both detects the problem and smoothly splices in the temporary backup. By far the most widely used form of energy storage is that of the lead acid battery. The major innovation represented by the Pnu Power product is the use of compressed air to drive a generator via a scroll expander and thereby provide a dc supply which can take the place of a standard battery in a conventional UPS.
- Energetix specializes in the process of recognizing innovative intellectual property and developing it to the point at which it forms the basis for an exploitable product. It has particularly focused on novel small-scale energy or power systems and has assembled a team commensurate with this area of technology. The team mainly comprises experienced engineers with a background in product design, development and testing. TGT found the personnel to be knowledgeable about technical issues relevant to the Pnu Power product.
- Three visits were made to the Capenhurst premises of Energetix during which documentation was made available and discussed, presentations were received, and a demonstration was witnessed.

Technology Overview

- *The technology comprises five key elements:*
  - *Energy is stored in the form of* ***compressed air*** *in standard high pressure compressed air cylinders*
  - *Upon demand,* ***a pressure reducing/control valve*** *feeds compressed air to a* ***scroll expander*** *via* ***an in-line heater***
  - *The scroll expander drives* ***a generator*** *producing, via a rectifier, dc output equivalent to that more usually supplied by a battery*
- Scroll expanders and compressors were first patented in 1905 but did not become sufficiently efficient for normal commercial use for 60 years. With the advent of new materials and more accurate methods of volume production, the popularity of scroll compressors has grown rapidly and they are now extensively used in vehicle air conditioning systems as well as consumer refrigeration cycles. The basic concept uses two spiral shaped scrolls which orbit eccentrically, one inside the other without rotation, and thereby produce either an expanding or compressing volume. The device is most commonly used as a compressor, therefore requiring energy to drive it or, as in this case, it can be used as an expander which drives a generator. TGT understands that Energetix first applied for a patent, in December 2002, on the use of a scroll expander in a backup power supply. This has now entered the regional phase at the European Patent Office and the national phase at the Patent Offices of China, Japan and USA.
- Using standard components from established suppliers, Energetix has designed and assembled a system which integrates these five key elements into a unit capable of supplying up to 20kW for as long as $7^1/_2$ minutes; lower powers being supported for longer periods. The UPS electronic interface, which detects the interruption to the mains supply and controls the substitution of power from the Pnu Power product, is a propriety item and not part of the product. The Pnu Power product could be expanded to include such

an interface, in which case it would comprise a complete UPS. Alternatively, it could replace the battery component in UPS systems marketed by other suppliers.

- The system forms the basis for a technology platform that, by appropriate selection of components could be developed to span a range of backup power requirements.

Validation of Technology Specification

- Compressed air is stored in industry standard cylinders, typically containing 64 litres at 300 bar (300 times atmospheric pressure). These cylinders are readily available and, once emptied, can either be refilled using a compressor or replaced under contract. This type of equipment requires a safety case and operational procedures which conform to International Codes of Practice and Regulations (e.g. PSSR2000, PER1999 and the transport of dangerous goods act). The team was aware of these issues and the appropriate safety assessments for the technology demonstrator have been completed. The Pnu Power product will need Product Certification and the necessary work packages have been identified.
- Following a signal from the control system, the compressed air is released through a modified motorized propriety regulator. The regulator incorporates a pressure relief valve that protects the system from overpressure in the event of a malfunction. The output lines from a number of cylinders (four in the current design) are connected to a manifold designed by Energetix using propriety fittings and connections. The manifold has been tested to over-pressure.
- The air expands rapidly in the control valve and the scroll expander and therefore cools. In the absence of any form of heating, the exit temperature of the air from the scroll could fall to -80^{o}C. The Pnu Power product therefore uses a simple heater block to warm the incoming air, to the scroll, to around 190^{o}C. This has the effect of virtually doubling the energy supplied by the system. There is a running cost of keeping the block warm but this is estimated to be only of the order of a few hundred watts.
- Scroll compressors and expanders are readily available from a number of suppliers and in various sizes. The size currently being used is determined by the target power output. It requires lubrication which is provided by a venturi-type device designed by Energetix. A commercial product would require further development of this element.
- The passage of compressed air through the scroll expander drives a crankshaft which is then coupled to a generator. This is a brushless permanent magnet ac generator rated to operate at 11kW continuously. In the Pnu Power application it is required to operate at a higher output, 20kW, for just 7 $^{1}/_{2}$ minutes, which is well within its design capability.
- The scroll expander can operate down to virtually zero power output but the stability of control is governed by the operating characteristic of the control valve. It was recognized by the team that the stability and speed of response is a critical area for future product development and is necessary in order to satisfy control characteristics required by CBEMA.
- Currently, the gas leaves the scroll expander at approximately 10 bar, when operating at 20kW, and therefore requires a silencer to reduce noise to acceptable levels. A silencer has been designed by Energetix which, in the witnessed test, took the level down to around 86 dB. TGT understands that trials of a two-stage expansion system, in which the exit pressure was considerably lower, produced higher powers and also less noise.
- As witnessed, the scroll expander and generator were free-standing, outside of the instrument cabinet which contained the other equipment. However, there is space to integrate these components into one cabinet of dimensions 0.7x0.8x2.2m weighing around 800kg.
- A full power test was witnessed during which a 20kW load was supported for $7^{1}/_{2}$ minutes. TGT understands that a further 32 tests have been conducted at or above this power and examined documentation related to these tests. TGT has been informed that subsequent tests at lower powers have achieved a duration increased to over 17 minutes at 10kW.

Technology Merits

- Although batteries are the dominant form of energy storage in the UPS market, they are widely acknowledged to have drawbacks which include:

  - Condition monitoring is not completely reliable and Failure On Demand is a common fault.
  - Performance deteriorates over time; usually as a result of usage or environmental conditions. This can require over-specification of the system to allow for deterioration.
  - Performance and life deteriorate with increased temperature and necessitate air-conditioned environments.
  - A hazardous gas is given off (hydrogen) during operation necessitating a ventilated room for safe operation.
  - Disposal of spent batteries is increasingly constrained by environmental requirements.
- In these areas, the Pnu Power product has features which could be perceived as advantageous:
  - The compressed air charge in a cylinder is easily measured and will give a reliable indication of the stored energy.
  - The system does not require a ventilated air-conditioned environment and is not sensitive to environmental conditions.
  - The status of gas cylinders is typically guaranteed for five years, during which time there will be no deterioration in the characteristics of the compressed air. The cylinders can be stored in a wide range of environmental conditions.
  - None of the components of the Pnu Power system should present significant cost or environmental issues when required to be disposed.
- TGT understands that it will be an objective to achieve an overall footprint and weight, of a Pnu Power system, similar to that of a comparable battery bank. Maintenance requirements are anticipated to be low. TGT considers that it should be possible to place the Pnu Power system in an outside environment; a feature which may counteract any concerns about noise levels during (infrequent) operation.

Technology and Business Development

- Although special features can be important for particular segments, the UPS market is price sensitive and $/kW is a common basis for comparison of price and performance. TGT understands that a key objective of Energetix's technology and business development is achieving parity or better with the cost of battery-based systems. Currently Energetix has developed a prototype system based on small orders of the component parts. TGT can see no reason why the components cannot be multi-sourced and significant cost reduction achieved by management of the supply chain.
- The compressed air gas cylinders are a key part of the Pnu Power system. TGT understands that Energetix is having discussions with a major supplier in this sector with a view to having a partner relationship.
- TGT understands that Energetix plans initially to assemble, test and supply systems by establishing its own manufacturing activity. TGT inspected potential premises for this activity. The region is well resourced with respect to skilled personnel. TGT would expect that the major part of near-term technical development will be devoted to supporting the manufacturing activity and its goal of cost reduction. Qualification and certification of the system and its components will also be a priority.
- Field trials are an important part of the process of gaining market acceptance of a new technology. TGT understands that potential "early adopters" have been identified and that plans have been made for this activity.
- TGT considers that there is also potential for improvement in the price/performance rating by developing the current technology platform. It considers that the longer-term development objectives, towards units with a higher output, are credible and can see no specific barriers to this target.
- The UPS market is relatively mature and routes to the market are dominated by large companies, often with particular strengths in geographical sectors. TGT understands that Energetix has already had discussions with such companies as "channel partners" and considers that this is a sensible strategy.

Conclusion

Based on the information provided by Energetix, interviews and witnessed tests, TGT considers that the Pnu Power product represents an innovative addition to UPS technology and has the potential to constitute a competitive alternative to battery-based systems.

Yours faithfully

TGT ENERGY LIMITED

PART V

SECTION A

UDL PATENT REPORT ON GENLEC

(registered in England and Wales under number OC307196)

The Directors
Energetix Group plc
Capenhurst Technology Park
CAPENHURST
Chester
CH1 6EH

Zeus Capital Limited
3 Ralli Courts
West Riverside
Manchester
M3 5FT
for itself as Nominated Adviser and Broker.

9 August 2006

Dear Sirs

REPORT BY URQUHART-DYKES & LORD LLP ON THE GENLEC PATENT PORTFOLIO OF ENERGETIX GROUP PLC, HELD BY ENERGYBOOST LIMITED RELATING TO PATENT/APPLICATIONS BASED ON PCT PATENT APPLICATION NO. PCT/US02/24618

1. Introduction

1.1 Urquhart-Dykes & Lord LLP (UDL) advises and represents Energetix in intellectual property matters. UDL is a Limited Liability Partnership in private practice employing Chartered Patent Agents and European Patent Attorneys who can represent clients before the UK and European Patent Office.

1.2 UDL has been instructed to provide a general description of Energyboost's patent portfolio, including the ownership of the patents and patent applications; and a description of the subject matter of Energyboost's patents and applications as well as advising on further steps to be taken with each case. We have not been asked to provide any opinion whether third parties infringe Energyboost's patents or whether Energyboost infringes any third party rights by carrying out acts covered by the inventions described in its patent portfolio.

1.3 This report reflects the status of the patent portfolio of Energyboost as administered by UDL as of 1 June 2006. Further developments of the portfolio are still ongoing.

1.4 UDL was asked to take over responsibility for PCT patent application no. PCT/US02/24618 from Mr John Reed who was a US patent attorney, working at the firm Dinsmore & Shohl of One Dayton Centre, One South Main Street, Suite 500, Dayton, Ohio 45402-2023, USA. Mr Reed previously worked for Killworth, Gottman, Hagan & Schaeff LLP of One South Main Street, Suite 500, Dayton, Ohio 45402-2023. This firm filed the original PCT patent application and a corresponding US patent application 09/998705. The request for the transfer of responsibility was from Simon Redford of Energetix Group Limited and was discussed in May 2003.

1.5 PCT/US02/24618 as of May 2003 was in the name of Battelle Memorial Institute, a US company and this was why up to this date, the PCT patent application was being handled in the US and the United States Patent Office acts as the Receiving Office for Patent Cooperation Treaty (PCT) applications from US applicants.

1.6 On 14 April 2003, PCT patent application no. PCT/US02/24618 together with US patent application no. 09/998705 was assigned from Battelle Memorial Institute to Energetix Micropower Limited, a subsidiary of Energetix with full title guarantee of any and all of its rights, title and interest in and to Patent Applications listed in the schedule attached to the assignment document, these being:

PCT Patent Application No.	PCT/US02/24618 } patents at issue
US Patent Application No.	09/998705
US Patent Application No.	10/145685
US Patent Application No.	10/145800
US Patent Application No.	10/146006
US Patent Application No.	10/146008
US Patent Application No.	10/145643
US Patent Application No.	10/145956
US Patent Application No.	10/35245

1.7 On 16 April 2006, the intellectual property of Energetix Micropower Limited was assigned to Energyboost, a new subsidiary of Energetix set up for the purposes of commercialising the intellectual property.

1.8 At 30 or 31 months from the priority date (or application date if no priority is claimed) it is necessary for the PCT patent application to enter into the national/regional phases for the countries or regions where protection is required for a patent.

1.9 A decision was taken that PCT patent application no. PCT/US02/24618 would enter the national/ regional phase in the following countries:

Canada	Norway
China	Russian Federation
Europe	Ukraine
Hungary	

US patent application 09/998705 proceeded on a separate national application running alongside cases derived from PCT patent application no. PCT/US02/24618.

1.10 Once the European patent application was published, it was agreed that the European patent application would be recorded in Hong Kong.

2. Patent Portfolio

2.1 The Patent Portfolio of Energyboost in relation to the invention covered by PCT Patent Application No. PCT/US02/24618 comprises the following:

2.2 PCT Patent Application No. PCT/US02/24618

The patent application relates to a cogeneration system which is an integrated system to provide for example both heat and electrical power. The system is configured to operate with an organic working fluid and comprises a heat source, a first circuit to transport the organic working fluid. The first circuit comprises a scroll expander, a condenser and a pump. The first circuit is in thermal communication with the heat source and heat from that source superheats the organic working fluid. The fluid passes through the scroll expander which is in fluid communication with the condenser and the pump circulates the organic working fluid through the first circuit. A generator is operatively coupled to the scroll expander to produce electricity.

2.3 *Canada*

Canadian Patent Application No. 2494184

Filed in the name of Energetix Micropower Limited

Pending application: renewal due 2 August 2006

request for examination due 2 August 2007

2.4 *China*

Chinese Patent Application No. 02820108.6

Filed in the name of Energetix Micropower Limited

Request for examination made on 3 August 2004

Pending application: no outstanding actions

2.5 *Europe*

European Patent Application No. 02768410.9

Filed in the name of Energetix Micropower Limited

Designated states:

Austria	Estonia	Luxembourg
Belgium	Spain	Monaco
Bulgaria	Finland	Netherlands
Switzerland/Liechtenstein	France	Portugal
Cyprus	UK	Sweden
Czech Republic	Greece	Slovakia
Germany	Ireland	Turkey
Denmark	Italy	

Application accepted: (grant stage) next action to pay grant fees and file translations with EPO into French and German by 1 July 2006

renewal due for 5th year end of August 2006

2.6 *Hong Kong*

Hong Kong Standard Patent Application No. 04108995.4

Filed in the name of Energetix Micropower Limited

1st request to record in Hong Kong made of 15 April 2005

Pending application: no actions outstanding

need to make 2nd request to record in Hong Kong within six months of grant of the European case

1st renewal fee due by 2 August 2010

2.7 *Hungary*

Hungarian Patent Application No. PD401939

Filed in the name of Energetix Micropower Limited

Examination requested 27 May 2005

Pending application: no official action pending

next renewal due 2 August 2006

2.8 *Norway*

Norwegian Patent Application No. 20041029

Filed in the name of Energetix Micropower Limited

Registration fee paid 19 April 2006

Accepted application: awaiting registration certificate

next renewal due 31 August 2006

2.9 *Russian Federation*

Russian Patent Application No. 2004107997

Filed in the name of Energetix Micropower Limited

Examination requested 3 May 2005

Pending application: no actions outstanding to date

2.10 *Ukraine*

Ukranian Patent Application No. 2004031728/M

Filed in the name of Energetix Micropower Limited

Examination requested 20 April 2005

Pending application: no outstanding actions

2.11 *USA*

US Patent No. 6598397

Stands in the name of Energetix Micropower Limited

Granted 29 July 2003

There are five sets of claims:

1-36 relating to a cogenerative system configured to operate with an organic working fluid. There is a first circuit to transport the organic working fluid and which comprises a scroll expander, a condenser and a pump. The scroll expander is configured to receive the organic working fluid so the fluid remains superheated. A generator is operatively coupled to the scroll expander to produce electricity.

37-58 relating to a directly fired micro heat and power system comprising:

(a) an organic working fluid

(b) piping loop

(c) evaporator

(d) burner in thermal communication with the evaporator

(e) scroll expander

(f) generator to generate electricity

(g) condenser

The condenser comprises a primary loop in the organic working fluid flow path so the loop is in fluid communication with the scroll expander and a secondary loop. The secondary loop is in heat exchange relationship with the primary loop. The pump is in the organic working fluid flow path between the condenser and the evaporator.

67-72 relating to a system for the production of domestic hot water, space heat and electricity from a Rankine-based cycle. The system uses a substantially closed circuit fluid path which transports the organic working fluid and includes a scroll expander, generator, condenser and pump much like the system covered by claims 1-36. In this system, the condenser is configured to extract at least a portion of the heat remaining in the organic working fluid after it passes through the scroll expander.

73-86 which covers a method of producing heat and electrical power from a congeneration device where an organic working fluid is transported round a system, superheated, expanded in a scroll expander where it is maintained in the superheated condition. A generator which is coupled to the scroll expander is turned to generate electricity. The organic working fluid is cooled in a condenser and a portion of the heat is transferred to an external heating loop. At least a portion of the transferred heat is used to provide heat space and the organic working fluid exiting the condenser is returned to the first circuit to receive further heat from the heat source.

87-92 which is directed to a system for producing electricity and space heat. This system comprises an organic working fluid and a flow path for that fluid. There is a combustion chamber in the flow path with a burner. A heat transfer element conveys the organic working fluid adjacent a burner so the fluid becomes superheated. There is an exhaust duct to convey combustion products to the atmosphere. The system includes a scroll expander, condenser, pump and generator that acts in the same way as in the device discussed in the other claim sets.

Granted patent: next renewal due 29 January 2007

2.12 The following US Patent Applications, as listed in the assignment were at various times, allowed to lapse:

US Patent Application No. 10/145685

US Patent Application No. 10/145800

US Patent Application No. 10/146006

US Patent Application No. 10/146008

US Patent Application No. 10/145643

US Patent Application No. 10/145956

US Patent Application No. 10/352452

2.13 The cases all stand in the name of Energetix Micropower Limited.

2.14 On the basis of the PCT case, the inventors were named as William Thompson **Hanna**, Donald **Anson**, George Henry Jr **Stickford** and John Gordon **Coll**.

3. Inventorship

3.1 UDL has not been asked to investigate the circumstances of inventorship nor make any specific independent determination of inventorship. Inventor names have been obtained from the PCT patent application. The applications in the national countries have been filed by UDL in the name of Energyboost on the understanding that all named inventors were employed by Energyboost at the time of making the invention in a capacity where such inventions are a reasonable expectation arising from the carrying out of their employment duties. As such, UK patent law indicates that such inventions accrue to the employer at the time of the invention, Battelle Memorial Institute and by virtue of the assignment, were assigned to Energyboost.

3.2 Explanatory note: For the purposes of international (PCT) patent applications, the inventors must initially be named as applicants for the purposes of patent rights in the USA. This is a formal procedure specific to US law. Rights in the invention are then assigned from the inventors to Energyboost upon filing the relevant US patent application from the PCT application.

3.3 Some other jurisdictions require formal confirmatory assignments from the inventors to the named applicant. We are not aware of any circumstances that could suggest difficulty in completing this formal requirement.

4. Search Reports

4.1 Official search reports have issued on certain ones of the applications listed above. We have not been asked to carry out detailed patentability studies in respect of the documents cited in these search reports. Therefore, we cannot yet comment on the likelihood of obtaining grant of any of the above patents, nor the scope of protection for which it might be possible to obtain grant.

5. Patent Infringement Analysis

5.1. We have not been asked to carry out a detailed infringement opinion in respect of any of the patents cited on the above applications in connection with any of Energyboost's existing or proposed products. Nor have we been asked to commission such an infringement opinion from any overseas attorney. Therefore, the scope of this report does not include a discussion of any patent infringement issue arising in respect of any existing or proposed Energyboost product.

6. Conclusion

6.1 Energyboost has its core technological invention protected through granted patents in the United States of America and Norway with the application having been accepted by the European Patent Office and waiting grant. In total Energyboost has its invention designated for protection in 32 countries (including 24 in Europe).

Yours faithfully

URQUHART-DYKES & LORD LLP

PART V

SECTION B

HGF PATENT REPORT ON PNU POWER

The Directors
Energetix Group plc
Capenhurst Technology Park
CAPENHURST
Chester
CH1 6EH

Zeus Capital Limited
3 Ralli Courts
West Riverside
Manchester
M3 5FT
for itself as Nominated Adviser and Broker.

9 August 2006

Dear Sirs

REPORT BY HARRISON GODDARD FOOTE ON THE PATENT PORTFOLIO OF ENERGETIX GROUP PLC – COMPRESSED AIR ENERGY STORAGE TECHNOLOGY (PNU POWER)

1. Introduction

1.1 Harrison Goddard Foote (HGF) advises and represents Energetix Group plc (Energetix) in intellectual property matters. HGF is a professional partnership in private practice and all of the partners who practise in patent matters are Chartered Patent Agents and European Patent Attorneys and, therefore, can represent its clients before the UK and European Patent Offices.

1.2 HGF has been instructed to provide a general description of: Energetix's Pnu Power patent portfolio (hereinafter referred to as Pnu Power), including an overview of the components of the Pnu Power portfolio; the ownership of the patents and patent applications; and a description of the subject matter of Pnu Power patent applications.

1.3 This report reflects the standing of the Pnu Power patent portfolio as administered by HGF as of 31 May 2006. Further developments in the portfolio are ongoing on a day-to-day basis.

2. Pnu Power patent applications

2.1 Pnu Power has three inventive concepts for which patent applications have been filed. In addition, there are four further concepts of which HGF have been notified that have been considered for patent protection.

2.2 Each of these inventive concepts and their patent applications, where appropriate, is discussed in sections 3 to 6 below.

3. Pnu Power (Electrical Energy from Compressed Gas) [HGF Ref: P651947]

3.1 Priority Date: 7 December 2002

3.2 Family Members:

UK patent application:	GB 0228599.7	7 December 2002
UK patent application:	GB 0309834.0	29 April 2003
International patent application:	PCT/GB2003/005230	2 December 2003
European patent application:	03780323.6	(2 December 2003)
China patent application:	2003805350	(2 December 2003)
Japan patent application:	2005-502330	(2 December 2003)
USA patent application:	11/075,942	(2 December 2003)

3.3 The subject matter of this patent application family concerns a system for providing back-up electrical power in the event of failure of the utility electrical supply. Such a system is known as "An Uninterruptible Power Supply" or "UPS". Essentially it comprises a vessel containing a volume of compressed gas supplied by a compressor, a solenoid valve to release the gas from the vessel through a pressure regulator to a scroll expander containing a rotary member which, through the passage of the gas, drives a generator thus to generate the back-up electrical power. A power conditioning unit and electronic control determine the operation of the system which occurs automatically upon failure of the utility supply, thus to provide a truly uninterruptible power supply for installations such as computers and communications systems.

3.4 The patent applications listed above were all filed in the name of Energetix Group Limited, and upon instructions from Energetix, the inventors were named as Lee Juby, Russell Benstead and Simon James Redford. Energetix have confirmed that all inventors were employed by Energetix at the time of making the invention, such that rights in the invention would accrue to Energetix.

3.5 On 4 October 2004 the European Patent Office issued a Written Opinion on the International patent application under PCT Rule 66. The Opinion expressed the view that while claim 1 of the application defined a novel concept in relation to documents previously cited in the Search Report, nevertheless the claim did not define an inventive step.

3.6 On 3 December 2004 the applicants submitted a voluntary amendment of the claims to introduce into the main claim a feature from claim 10, which will be referred to as "capacitive ride-through".

3.7 In June/July 2005 the International application entered the regional phase at the European Patent Office and the national phase at the Patent Offices of China, Japan and USA. The national/regional phase commenced with amended claims which accompanied the International Preliminary Examination Report of the European Patent Office dated 3 February 2005. Claim 1 of these claims included the additional feature of capacitive ride-through from original claim 10.

3.8 It was subsequently recognised upon further technical discussion and review of the prior art that the capacitive ride-through is an unnecessary limitation in claim 1, and as a result the applications in Europe, China and USA have reverted to the main claim originally filed in the International patent application. This, and its subsidiary claims, are currently being examined by the European Patent Office and those of China and USA. In Japan, where deferred examination has been selected, no amendment of the claims beyond that of the International Preliminary Examination Report, have been filed. Upon the filing of a request for examination in Japan, amended claims will be submitted which are deemed appropriate as a result of ongoing examination in Europe, China and USA.

3.9 In Chinese application 200380105350 the applicants are awaiting substantive examination.

3.10 In European patent application 03780323.6, where accelerated prosecution has been requested, while claim amendments to comply with European Patent Office practice have been entered, the claims are essentially identical in scope to those originally filed in the International patent application. A Notice of Allowance in the form of a Communication under Rule 51(4) EPC has been received, dated 15 May 2006. Energetix have four months from that date to file translations of the claims into German and French and pay the grant fees.

4 Further Pnu Power Applications

Two further patent applications have been made and are yet unpublished.

5. Further Concepts

As stated in paragraph 2.1 above, there are four further concepts of which HGF have been notified by Energetix and which have been considered for patent protection.

6. Inventorship

6.1 HGF has not been asked to investigate the circumstances of inventorship nor make any specific independent determination of inventorship. Inventor names have been supplied by Energetix. The applications have been filed by HGF in the name of Energetix on the understanding that all named inventors were employed by Energetix at the time of making the invention in a capacity where such inventions are a reasonable expectation arising from the carrying out of their employment duties, or that assignment of inventive rights has taken place or will take place as appropriate.

6.2 For clarification, it is noted that for the purposes of International patent applications the inventors must initially be named as applicants for the purposes of patent rights in the USA. This is a formal procedure specific to US law, and rights in the respective inventions are then assigned from the inventors to Energetix as appropriate upon conversion of the relevant International application to the national phase at the US Patent and Trade Mark Office.

6.3 Some other jurisdictions require formal assignments from the inventors to the named applicant. We are not aware of any circumstances that could suggest difficulty in completing this formal requirement.

7. Prior Art

7.1 With the exception of European patent application No.03780323.6 in which, as mentioned in paragraph 3.10 above, a Notice of Allowance has been received, the patent applications listed in this report have not reached a sufficiently advanced stage for HGF to be in a position to comment on the likelihood of obtaining grant of any of the above patents, nor the scope of protection for which it might be possible to obtain grant. However, HGF is not aware of any circumstances which would clearly prevent the grant of a patent in any particular application.

8 Patent Infringement Analysis

8.1 HGF has not been asked to carry out a detailed infringement opinion in respect of any of the patents cited on the above applications in connection with any of Energetix's existing or proposed products. Nor have we been asked to commission such an infringement opinion from any overseas attorney. Accordingly, the scope of this report does not include a discussion of any patent infringement issue arising in respect of any existing or proposed Energetix product.

9. Conclusion

9.1 Energetix Group has both core technology and detailed improvement patent applications under way and is progressing the Pnu Power patent applications in an appropriate manner. The Company's key technology patent application is currently being progressed in 30 countries (the European application representing 27) and the European Patent Office (EPO), having accepted it for grant, has been satisfied of its novelty and inventiveness.

Yours faithfully

MIKE AJELLO

for and on behalf of Harrison Goddard Foote

PART VI

ADDITIONAL INFORMATION

1. The Company and the Group

1.1 The Company was incorporated under the Act and registered in England and Wales on 17 May 2006 with registered number 581955 as a private limited company with the name Futurebay Limited. The liability of the members of the Company is limited.

1.2 The registered office of the Company is at Steam Packet House, 76 Cross Street, Manchester M2 4JU. The principal place of business of the Company is Capenhurst Technology Park, Capenhurst, Chester CH1 6EH. Its telephone number is 0151 348 2100.

1.3 On 8 August 2006 the Company changed its name to Energetix Group Limited.

1.4 On 8 August 2006 the Company re-registered as a public limited company with the name Energetix Group plc.

1.5 The Company's principal objects and activities are to carry on business as a general commercial company. The objects of the Company are set out in full in clause 4 of its Memorandum of Association.

1.6 The Company is the holding company of the following subsidiaries (directly or indirectly) all of which were incorporated and registered in England and Wales:

1.6.1 Energetix (Europe) Limited (Company Number 4287057). Its authorised share capital is £1,000 made up of 100,000 ordinary shares of 1p each of which 23,719 are issued and are registered in the name of and beneficially owned by the Company;

1.6.2 Energetix Laser Technologies Limited (Company Number 4284024). Its issued share capital is £1,000 made up of 601 "A" ordinary shares of 10p each, 249 "B" ordinary shares of 10p each and 150 "C" ordinary shares of 10p each of which 601 "A" ordinary shares are registered in the name of and beneficially owned by Energetix (Europe) Limited, 249 "B" ordinary shares are registered in the name of and beneficially held by Victoria University of Manchester and 75 "C" ordinary shares are registered in the name of and beneficially owned by each of Mark Dickinson and Peter Hammond respectively;

1.6.3 Energetix (Pnu) Power Limited (Company Number 4516611). Its issued share capital is £1 made up of 1 ordinary share of £1 which is registered in the name of and beneficially owned by the Company;

1.6.4 Energetix Voltage Control Limited (Company Number 5244769). Its issued share capital is £1 made up of 1 ordinary share of £1 which is registered in the name of and beneficially owned by the Company;

1.6.5 Thermetica Limited (Company Number 3772981). Its issued share capital is £1,000 made up of 7,670 ordinary shares of 10p and 2,330 preferred ordinary shares of 10p each all of which are registered in the name of and beneficially owned by the Company;

1.6.6 Energyboost Limited (Company Number 5812745). Its authorised share capital is £1,000 made up of 999 ordinary shares of £1 each and 1 preferred ordinary share of £1 of which 5 ordinary shares of £1 each are registered in the name of and beneficially owned by the Company and from Admission the preferred ordinary share is registered in the name of and beneficially owned by Battelle.

1.7 The principal legislation under which the Company operates is the Act and the regulations made thereunder.

2. Share Capital

2.1 The Company's authorised and issued ordinary share capital, at the date of this document is, and immediately following the Placings (assuming full subscription thereunder) will be, as follows:

	As at the date of this document		Following the EIS Placing		Following the General Placing	
	Nominal Value £	Number of Ordinary Shares	Nominal Value £	Number of Ordinary Shares	Nominal Value £	Number of Ordinary Shares
Authorised	3,000,000	60,000,000	3,000,000	60,000,000	3,000,000	60,000,000
Issued and fully paid	1,500,000	30,000,000	1,625,000	32,500,000	2,250,000	45,000,000

2.2 At the date of its incorporation, the authorised share capital of the Company was £1,000 divided into 1,000 ordinary shares of £1 each of which one subscriber share was in issue, fully paid.

2.3 On 8 June 2006 the subscriber share was transferred to Adrian Charles Hutchings.

2.4 On 7 August 2006 the authorised share capital of the Company was increased from £1,000 to £3,000,000 by the creation of 59,980,000 ordinary shares of 5p each in the capital of the Company.

2.5 By way of resolutions dated 7 August 2006 the members of the Company resolved that:

2.5.1 each issued and unissued ordinary share of £1 each in the capital of the Company was subdivided into 20 ordinary shares of 5p each;

2.5.2 the Directors were generally and unconditionally authorised (in substitution for the authority conferred on them by the existing Articles of Association of the Company) to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 Companies Act 1985 (the "Act")) up to an aggregate nominal amount equal to the nominal amount of the authorised but unissued share capital of the Company immediately following the passing of the resolution PROVIDED THAT this authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting) on the date which is five years after the date of passing this resolution, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired;

2.5.3 the Directors were empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority conferred by the resolution referred to at paragraph 2.5.2 of Part VI above as if Section 89(1) of the Act did not apply to any such allotment up to a total issued share capital of £3,000,000.

2.6 On 7 August 2006 the Company issued 29,999,980 ordinary shares credited as fully paid up in consideration for the acquisition of the entire issued share capital of Energetix (Europe) Limited.

2.7 The Placings will entail the Company allotting a further 15,000,000 new ordinary shares (assuming each is subscribed in full) being 2,500,000 under the EIS Placing and 12,500,000 under the General Placing.

2.8 Save as referred to in paragraphs 6.11 and 12.1 of this Part VI, no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

3. Directors and Proposed Director

3.1 Other than their directorships of the Company, the current directorships and partnerships of the Directors and the Proposed Director and those held by them over the previous five years are as follows:

Name	Age	Current	Previous
Directors			
Adrian Charles Hutchings	(45)	Energetix (Europe) Limited Energetix Laser Technologies Limited Energetix (Pnu) Power Limited Energetix Voltage Control Limited Thermetica Limited Energyboost Limited	Energetic Communications Limited Baxi Micropower Limited
Richard Henry Smith	(45)	Energetix (Europe) Limited Energetix Laser Technologies Limited Energetix (Pnu) Power Limited Energetix Voltage Control Limited Thermetica Limited Energyboost Limited	Ultraframe (UK) Limited Building Adhesives Limited Broomco (2483) Limited – *Dissolved*
Alan John Aubrey	(45)	Energetix (Europe) Limited Axiomlab Proactis Group Limited Axiomlab Investments Limited Techtran Services Limited Aquarius Equity Partners Limited Techtran Limited Techtran Group Limited Techtran Investments Limited Axiomlab Group plc Inhoco 2895 Limited Inhoco 2835 Limited Techtran Corporate Finance Limited IP Group plc Modern Biosciences plc Axiomlab Investment Management Limited Lifeuk (IP2IPO) Limited Syntopix Limited Syntopix Group plc Proactis Holdings plc IP2IPO Limited IP2IPO Management Limited IP2IPO Management II Limited Hatt III General Partner Limited Top Technology Ventures Limited TTV IV G.P. Limited	Thermetica Limited Empiricom Technologies Limited AXM Venture Capital Limited Flexisols Limited NWSF Holdings Limited

Name	Age	Current	Previous
Anton Cecil Elsborg	(55)	Energetix (Europe) Limited	Energetix (Pnu) Power Limited Lothian Fifty (1001) Limited – *Dissolved* David Brown Pension Trustee Limited David Brown Group Plc David Brown Corporation Limited David Brown Investments Limited David Brown Engineering Limited David Brown Special Products Limited Raybrook Engineering Limited – *Dissolved* David Brown Fabrications Limited – *Dissolved* David Brown Gear Industries (International) Limited – *Dissolved* David Brown Driveline Services Limited – *Dissolved* David Brown Radicon Limited David Brown Tractors (Engineering) Limited – *Dissolved* David Brown Defence Equipment Limited Power Plant Gears Limited – *Dissolved* David Brown (Huddersfield) Limited – *Dissolved* Sykes Cutting Tools Limited – *Dissolved* The Steam Tractor Co Limited – *Dissolved* Trackpower Transmissions Limited – *Dissolved* David Brown Heatech Limited – *Dissolved* Hygate Transmissions Limited David Brown Vehicle Products Limited David Brown Transmissions Limited – *Dissolved* David Brown Rail Equipment Limited – *Dissolved* Self Changing Gears Limited – *Dissolved* David Brown India Limited – *Dissolved* David Brown Gear Tools and Metrology Limited – *Dissolved* David Brown Gear Industries Limited – *Dissolved* David Brown Transaxles Limited HH Hydraulics Limited – *Dissolved* David Brown Gears Limited – *Dissolved* David Brown Pumps International Limited – *Dissolved* Bostock & Bramley Transmissions Limited – *Dissolved* Bostock and Bramley Limited – *Dissolved* David Brown Birmingham Limited – *Dissolved* David Brown Employee Trust Limited – *Dissolved*

Name	Age	Current	Previous
Anton Cecil Elsborg *(continued)*			David Brown Group Trustees Limited – *Dissolved* David Brown Partnership Investments Limited David Brown Group Investments Limited – *Dissolved* Textron Fluid and Power Systems Holdings Limited – *Dissolved* Baxi Micropower Limited
Bryan Mark Gray *(Proposed Director)*	(53)	Culture Northwest Limited Micropower Limited Westmorland Limited	Central Lancashire Development Agency – *Dissolved* Baxi Guarantees Limited – *Dissolved* Central Heating Information Council Limited – *Dissolved* Preston North End plc The Preston North End Football Club Limited The Preston North End Junior Federation Baxi Finance Limited Baxi 2000 Limited The National Football Museum Baxi Group Limited

3.2 The business address of each of the Directors and the Proposed Director is Capenhurst Technology Park, Capenhurst, Chester CH1 6EH.

3.3 As at the date of this document none of the Directors or the Proposed Director has:

3.3.1 any unspent convictions in relation to indictable offences; or

3.3.2 been declared bankrupt or made any individual voluntary arrangement; or

3.3.3 been a director of a company at the time of or within the 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, voluntary arrangement or any composition or arrangement with creditors generally or any class of creditors; or

3.3.4 been a partner or in a partnership at the time of or within the 12 months preceding the partnership being subject to a compulsory liquidation, administration or partnership voluntary arrangement; or

3.3.5 had any asset subject to receivership or been a partner of any partnership at the time of or within the 12 months preceding any asset of such partnership being subject to a receivership; or

3.3.6 been subject to any public criticism by statutory or regulatory authorities (including recognised professional bodies), nor disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

4. Directors and Other's Interests

4.1 The interests of the Directors and the Proposed Director in the share capital of the Company, all of which are beneficial, as notified to the Company pursuant to section 324 or 328 of the Act, as they appear or will appear in the register of directors' interests required pursuant to section 325 of the Act, or which are interests of persons connected with the Directors and the Proposed Director (within the meaning of section 346 of the Act) as at the date of this document and immediately following Admission (assuming full take-up of the EIS Placing) and immediately following the General Placing are and will be as follows:

	As at the date of this document		At Admission Following completion of the EIS Placing		Following completion of the General Placing *	
	Number of Ordinary Shares	Percentage of issued Ordinary Share capital	Number of Ordinary Shares	Percentage of issued Ordinary Share capital	Number of Ordinary Shares	Percentage of issued Ordinary Share capital
Adrian Charles Hutchings	6,937,476	23.12	7,062,476	21.73	7,062,476	15.69
Susan Deborah Hutchings	4,205,489	14.02	4,205,489	12.94	4,205,489	9.35
Richard Henry Smith	1,740,377	5.80	1,740,377	5.36	1,740,377	3.87
Anton Cecil Elsborg	1,100,384	3.67	1,162,884	3.58	1,162,884	2.58
Alan John Aubrey	908,133	3.03	970,633	2.99	970,633	2.16
Bryan Mark Gray (Proposed Director)	nil	nil	nil	nil	nil	nil

* These numbers and percentages are calculated assuming that the Placings are fully taken-up.

4.2 Save as disclosed above, neither the Directors nor the Proposed Director are aware of any interests of persons connected with them which would, if such connected person were a director, be required to be notified to the Company pursuant to section 324 or section 328 of the Act and would be required to be entered in the register of directors' interests pursuant to section 325 of the Act.

4.3 The Company is not aware of any person other than the Directors and their immediate families as disclosed in paragraph 4.1 above and save as set out in this paragraph 4.3 who is interested (within the meaning given to that expression in Part VII of the Act), directly or indirectly, in 3 per cent. or more of the share capital (as defined in Section 198(2) of the Act) of the Company, or who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

	As at the date of this document		At Admission Following completion of the EIS Placing		Following completion of the General Placing *	
	Number of Ordinary Shares	Percentage of issued Ordinary Share capital	Number of Ordinary Shares	Percentage of issued Ordinary Share capital	Number of Ordinary Shares	Percentage of issued Ordinary Share capital
Axiomlab Group plc	7,832,961	26.11	7,832,961	24.10	7,900,461	17.56
Geoff Barker	1,749,231	5.83	1,749,231	5.38	1,749,231	3.89
Simon Redford	1,153,506	3.85	1,153,506	3.55	1,153,506	2.56
Pershing Keen Nominees	957,460	3.19	957,460	2.95	957,460	2.13
Russell Benstead	944,812	3.15	944,812	2.91	944,812	2.10
Nicola Barker	758,885	2.53	758,885	2.34	758,885	1.69

4.4 None of the Company's major holders of Ordinary Shares listed above has different voting rights from other holders of Ordinary Shares.

4.5 Save as shown above, and save for the options proposed to be granted to Bryan Gray, details of which are set out in paragraph 6.11 below, none of the Directors or the Proposed Director has any interest, beneficial or non-beneficial, in the share or loan capital of the Company.

4.6 Save as disclosed in this document, no Director or the Proposed Director has any interest, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or leased to, the Group and no contract or arrangement exists in which a Director or Proposed Director is materially interested and which is significant in relation to the business of the Group.

4.7 There are no outstanding loans granted by the Group to any of the Directors or the Proposed Director, nor are there any guarantees provided by the Group for their benefit.

5. Directors' Service Contracts

5.1 The Company has entered into service agreements with each of its Executive Directors.

5.2 Details of these service agreements are set out below:-

Director	Date of Agreement	Position	Notice	Annual salary and other benefits
Adrian Charles Hutchings	1 August 2006	Chief Executive Officer	six months	£120,000; participation in senior management bonus scheme; family private medical expenses insurance; life assurance of 3 x salary.
Richard Henry Smith	1 August 2006	Chief Financial Officer	six months	£100,000; participation in senior management bonus scheme; family private medical expenses insurance; life assurance of 3 x salary.

5.3 Each of the Non Executive Directors entered into letters of appointment relating to their office holdings as follows:

Name	Date of Letter of Appointment	Annual Fee	Notice required to terminate
Alan James Aubrey	1 August 2006	£15,000	three months
Anton Cecil Elsborg	1 August 2006	£18,000 (including expenses)	three months
Bryan Mark Gray	1 August 2006	£15,000 plus £10,000 whilst a member of the Micropower Council Executive	three months

5.4 Save that each Director is entitled to payment in lieu of notice, there are no benefits upon termination of employment to members of administrative, management or supervisory bodies' service contracts with the Company or any of its subsidiaries.

5.5 The aggregate remuneration payable (and benefits in kind to be granted) to the Directors in (i) the financial year to 31 December 2005 was £244,580 (including annual discretionary bonuses of £3,800); and (ii) the current financial year ending 31 December 2006 under the arrangements in force at the date of this document is estimated to be £280,780 (excluding discretionary bonuses).

6. Share Options

The Company established on 29 June 2006 two share option schemes ("the Schemes") in relation to Ordinary Shares, namely the Energetix Unapproved Share Option Scheme 2006 ("the Unapproved Scheme") and the Energetix Enterprise Management Incentive Scheme 2006 ("the EMI Scheme") on the basis set out in this paragraph.

Grants under the scheme may be made by the Company as subscription options or, with the consent of the Remuneration Committee, by an existing shareholder over shares already issued.

6.1 *Potential grantees*

The grant of options to any individual under the Schemes is at the absolute discretion of the Remuneration Committee.

An individual will only be granted options if:

(a) in the case of the Unapproved Scheme, he is a *bona fide* employee (including an executive director) of the Group who is required to devote substantially the whole of his working time to the Group, or he is a non executive director of any member of the Group; and

(b) in the case of the EMI Scheme, he is a bona fide employee (including an executive director, but excluding any person who has a 30 per cent. interest in the Company including the interest of his associates) who works at least 25 hours per week for the Group (or, if less, at least 75 per cent. of his working time).

The total market value (at the date of grant) of shares which are subject to unexercised options under the EMI Scheme may not exceed £3,000,000 at the present time due to HM Revenue & Customs restrictions. However, the Remuneration Committee has power to relax those and the other limitations presently imposed by the legislation relating to Enterprise Management Incentive schemes in the event of any future changes in the law permitting this.

6.2 *Life of the Schemes*

Options may be granted at any time in the five year period beginning with the date of adoption of the Schemes provided that no grant may be made at any time when it would cause any person to be in breach of any applicable rules relating to share dealings by directors and employees.

6.3 *Individual limits on number of options*

There are limits on the number of share options that may be granted to any individual as follows:

(a) in the case of the Unapproved Scheme, the grant of options is limited so that an individual (other than a non-executive director) will not be granted subscription options if the total market value of the Ordinary Shares comprised in those options at the time of the proposed grant, when added to the total market value (at the date of grant) of Ordinary Shares under options already granted to him in that year under the Unapproved Scheme and any other share option scheme established by the Company would exceed four times his current actual annual remuneration;

(b) under the EMI Scheme, the grant of options is limited so that an individual will not be granted options if the total market value of the Ordinary Shares comprised in those options at the time of the proposed grant, when added to the total market value (at the date of grant) of Ordinary Shares under unexercised options already granted to him under the EMI Scheme would exceed £100,000.

6.4 *Aggregate limits on number of options*

The maximum number of Ordinary Shares which may be issued on the exercise of options in total under the EMI Scheme may not exceed 10 per cent. of the issued Ordinary Share capital of the Company for the time being during the 10 years from the date of adoption of the scheme.

The maximum number of Ordinary Shares which may be issued on the exercise of options under the Unapproved Scheme may not exceed 10 per cent. of the issued Ordinary Share capital of the Company for time being during the 10 years from the date of adoption of the scheme.

The maximum number of Ordinary Shares which may be issued on the exercise of options in total under the EMI Scheme and the Unapproved Scheme may not in aggregate exceed 15 per cent. of the issued Ordinary Share Capital of the Company for the time being during the 10 years from the date of adoption of the schemes.

6.5 *Exercise Price*

The price at which options may be exercised will be set by the Remuneration Committee at the date of grant but, in the case of subscription options, will not be less than the nominal value of the Ordinary Shares.

6.6 *Conditions of Exercise*

Objective conditions may be imposed by the Remuneration Committee that have to be complied with before options may be exercised.

6.7 *Timing of Exercise*

Unless the Remuneration Committee specifies when granting any options an earlier exercise date (and other than in the case of a takeover or demerger or similar event) an option will be exercisable by the holder (in relation to both Schemes) at any time between the third and tenth anniversaries of the date of the grant. If an optionholder leaves employment exercise of any outstanding options is at the Remuneration Committee's discretion. Any option not so exercised will lapse.

6.8 *Status of options*

All options are non-transferable. Ordinary Shares issued following exercise of any option will rank *pari passu* with the Ordinary Shares then in issue, save as regards any rights attaching to Ordinary Shares by reference to a record date prior to the date of exercise of the option. Options may be exercised in whole or in part subject to a minimum number of options that may be exercised at any one time.

6.9 *Adjustment of options*

The Remuneration Committee may adjust (subject to confirmation in writing by the auditors for the time being that such adjustment is fair and reasonable in their opinion) the number of shares under option and available for option and/or the option price to take account of any shares issued by the Company (other than as consideration for an acquisition) and/or any capitalisation, consolidation, sub-division or reduction of the capital of the Company.

6.10 *Amendment of schemes*

The Schemes may be amended by the Remuneration Committee but to the extent that any amendment would be advantageous in relation to certain rights of eligible employees or option holders the consent of the Company in general meeting is required.

The rules of the Schemes make detailed provision for the exercise and/or exchange of options in the event of a takeover or reverse takeover of the Company.

The Schemes require optionholders to be responsible for any employer's national insurance contributions otherwise payable by the Company on the grant and/or exercise and/or disposal of any options and to indemnify the Company against any income tax due in such circumstances.

6.11 *Current Options*

It is proposed to grant options as soon as reasonably practicable after Admission to Bryan Gray, a non-executive director of the Company. The number of Ordinary Shares over which such options are granted will be equivalent to 0.75 per cent. of the Company's issued share capital immediately following Admission. The grant will be made under the terms of the Unapproved Scheme and the price payable per Ordinary Shares on exercise of the options will be the Placing Price. The options will be exercisable, subject to the rules of the Unapproved Scheme, at any time after Admission.

7. Accounting

The Company's accounting reference date is 31 December each year. The Company's first accounting reference period ends on 31 December 2006.

8. Registered Office and Premises

The registered office of the Company is Steam Packet House, 76 Cross Street, Manchester M2 4JU.

9. Taxation

The following paragraphs, which are intended as a general guide based on current legislation and HM Revenue & Customs practice as at the date of this document, summarise advice received by the Directors about the UK tax position of shareholders who are resident or ordinarily resident in the United Kingdom for tax purposes and who beneficially hold their shares as investments (otherwise than under an individual savings account ("ISA")). Any shareholder who is in doubt as to their tax position, or who is subject to tax in a jurisdiction other than the United Kingdom, is strongly recommended to consult their professional advisers.

Taxation of dividends

Under current UK taxation legislation, no tax is withheld at source from dividend payments made by the Company.

An individual shareholder who is resident (for tax purposes) in the United Kingdom and who receives a dividend paid by the Company will currently be entitled to receive a tax credit equal to 1/9th of the cash dividend. The individual will be taxable upon the total of the dividend and the related tax credit ("the gross dividend") which will be regarded as the top slice of the individual's income. An individual shareholder who is not liable to income tax at a rate greater than the basic rate (currently 22 per cent.) will pay tax on the gross dividend at the dividend ordinary rate, currently 10 per cent. Accordingly, the tax credit will be treated as satisfying the individual's liability to income tax in respect of the dividend and there will be no further tax to pay. It should be noted however that there is no right to claim any repayment of the tax credit from the HM Revenue & Customs. To the extent that the gross dividend (taken together with other taxable income) exceeds the individual's threshold for the higher rate of income tax the individual will, to that extent, pay tax on the gross dividend at the dividend upper rate (currently 32.5 per cent.). Accordingly, a shareholder who is a higher rate tax payer will have further income tax to pay at the rate of 22.5 per cent. on the gross dividend (equivalent to 25 per cent. of the dividend received). Tax credits are generally no longer repayable to shareholders with no income tax liability or whose liability to income tax does not exceed the amount of tax credit.

Subject to exceptions for certain insurance companies and companies which hold shares as trading stock, a shareholder that is a company resident (for tax purposes) in the United Kingdom and that receives a dividend paid by the Company will not be liable to corporation tax or income tax on the dividend.

Trustees who are liable to income tax at the rate applicable to trusts (previously 34 per cent. but increased to 40 per cent. with effect from 6 April 2004) will pay tax on the gross dividend at the dividend trust rate (previously 25 per cent. but increased to 32.5 per cent, with effect from 6 April 2004) against which they can set the tax credit. To the extent that the tax credit exceeds the trustees' liability to account for income tax the trustees will have no right to claim repayment of the tax credit. Special tax provisions apply where trustees of discretionary trusts receive payment of dividends and substantially make a distribution out of the trust. Trustees who are in any doubt as to their position should consult their own professional advisers immediately.

United Kingdom pension funds and charities are generally exempt from tax on dividends which they receive but are not entitled to claim repayment of the tax credit.

Shareholders who are resident in countries other than the UK may be entitled to repayment of all or a proportion of the tax credit in respect of dividends paid to them. This will depend upon the provisions of the double tax treaty (if any) between the country in which the Shareholder is resident and the United Kingdom. Shareholders not resident in the UK should consult their own tax adviser on the application of such provisions and the procedure for claiming relief.

Taxation on capital gains for shareholders

If a shareholder who is resident or ordinarily resident in the UK for tax purposes disposes of all or any of his or its Placing Shares, he or it may, depending on the shareholder's particular circumstances, incur a liability to taxation on chargeable gains.

Stamp duty and stamp duty reserve tax ("SDRT")

No liability to stamp duty or SDRT should arise on the allotment of Placing Shares by the Company under the Placing.

Subsequent sales of Placing Shares inside CREST will generally be liable to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration calculated to the nearest penny. The SDRT is normally settled by CREST, on behalf of the purchaser or transferee, on the same day as the sale, but otherwise is payable on the "accountable date" for SDRT purposes. The accountable date is the seventh day of the month following the month in which the agreement for the transfer is made.

Subsequent sales of Placing Shares outside CREST will generally be liable to *ad valorem* stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration. An obligation to account for stamp duty reserve tax ("SDRT") at the rate of 0.5 per cent. of the amount or value of the consideration will also arise if an unconditional agreement to transfer the Placing Shares is not completed by a duly stamped instrument of transfer before the "accountable date" for SDRT purposes, as described above. Stamp duty is normally, and SDRT is always, the liability of the purchaser or transferee of the Placing Shares. However, where an instrument of transfer which completes an unconditional agreement to transfer shares is duly stamped within six years after the agreement was entered into (or it becomes unconditional) the stamp duty will cancel the SDRT liability and any SDRT paid can be recovered.

The information in this paragraph is intended as a general summary of the UK tax position and should not be construed as constituting advice. Potential investors should obtain advice from their own investment or taxation adviser.

10. Memorandum of Association

The principal objects of the Company are set out in clause 4 of the Company's memorandum of association and are to carry on the business of a general commercial company.

11. Articles of Association

The Articles of Association of the Company contain, *inter alia*, provisions to the following effect:

11.1 Rights attaching to the Ordinary Shares

11.1.1 *Voting*

Subject to any special terms as to voting upon which any shares may be issued, or may for the time being be held, every member present in person or by proxy at any general meeting shall, upon a show of hands, have one vote and every member present in person or by proxy shall, upon a poll, have one vote for each share held by him. Unless the Board otherwise determines, voting rights may not be exercised by a member who has not paid to the Company all calls and other sums then payable by him in respect of shares in the Company, or by a member who has failed to provide the Company with information which he is required to provide to it under any relevant legislation.

Where there are joint holders of a share, any one of them may vote at any meeting either personally or by proxy in respect of the share as if he were solely entitled to it, but if more than one joint holder is present at a meeting either personally or by proxy, that one of them whose name stands first in the register of members in respect of the share shall alone be entitled to vote in respect of it.

11.1.2 *Dividends*

Subject to the Act and any special rights attaching to shares (of which there are none at present), the holders of the Ordinary Shares are entitled, proportionately amongst themselves, to the profits of the Company available for distribution and resolved by ordinary resolution to be distributed (up to the amount recommended by the Directors) according to the amounts paid up on the Ordinary Shares held by them. The Directors may pay interim dividends if profits are available for distribution. No dividends payable in respect of an Ordinary Share shall bear interest. The Directors may, if authorised by an ordinary resolution, offer the holders of Ordinary Shares the

right to elect to receive further Ordinary Shares, credited as fully paid (or other specific assets) instead of cash in respect of all or part of a dividend ("a scrip dividend"). The Directors may, pursuant to the provisions of the Articles relating to disclosure of interests, withhold dividends or other sums payable in respect of shares which are the subject of a notice under section 212 of the Act and which represent 0.25 per cent. or more in nominal value of the issued shares of their class and in respect of which the required information has not been received by the Company within 14 days of that notice and the member holding those shares may not elect, in the case of a scrip dividend, to receive shares (or other specific assets) instead of that dividend.

The Company or its Directors may fix any date as the record date for a dividend. A dividend unclaimed after a period of 12 years from the date when it became due for payment shall, unless the Directors otherwise resolve, be forfeited and shall revert to the Company.

11.1.3 ***Return of Capital***

On a winding-up, subject to any special rights attaching to shares (of which there are none at present), the assets available for distribution shall be divided among the members in proportion to the amounts of capital paid up on the shares held by them respectively. If the Company is wound up (whether the liquidation is voluntary, under supervision or by the court) the liquidator may, with the authority of an extraordinary resolution, divide among the members *in specie* or kind the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the same authority, vest any part of the assets in trustees on trusts for the benefit of the members as he with the same authority thinks fit, but no member shall be compelled to accept any shares or other securities on which there is a liability.

11.1.4 ***Allotment, Redemption and Pre-emption***

Subject to the provisions of the Act the power of the Company to allot any new shares shall be exercised by the Board. The current unissued share capital of the Company may be issued in accordance with the provisions summarised at paragraph 2.5 of this Part VI.

The Company may by special resolution create and sanction the issue of shares which are, or at the option of the Company or the holder are to be liable, to be redeemed, subject to and in accordance with the provisions of any relevant legislation. There are no pre-emption rights on transfer attaching to the shares in the capital of the Company.

11.1.5 ***Alteration of share capital***

The Company may by ordinary resolution increase, consolidate or sub-divide its share capital or cancel any shares which have not, at the date of the ordinary resolution, been taken or agreed to be taken by any person and, subject to the Act, diminish the amount of its capital by the nominal amount of shares so cancelled. The Company may (subject to any conditions and consents required by law) by special resolution reduce its share capital or any capital redemption reserve fund or share premium account in any manner.

11.1.6 ***Purchase of Own Shares***

The Company may purchase its own shares (including any redeemable shares) in accordance with the Articles and the Act.

11.2 **Directors**

11.2.1 ***Directors' Remuneration***

The remuneration of the Directors for their services as Directors shall be determined by the Board or any committee of the Board formed for the purpose. In addition, the Directors are entitled to be reimbursed for all reasonable expenses incurred in connection with their duties as Directors, including attendance at Board meetings and general meetings of the Company. A Director may be appointed by the Board to any employment or executive office with the Company for such period (subject to the provisions of any relevant legislation) on such terms and at such remuneration as the Board may determine.

11.2.2 ***Retirement of Directors by Rotation***

At every annual general meeting of the Company, one-third of the Directors (or, if their number is not three or a multiple of three, the number nearest to but not more than one third) shall retire from office by rotation. The Directors to retire shall be those of the other Directors who have been longest in office since their appointment or last reappointment but, as between persons who became or were re-appointed Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. The Directors to retire shall be determined (both as to number and identity) by the composition of the board at the date of the notice convening the annual general meeting. A Director shall not be required, or be relieved from the obligation, to retire by reason of a change in the Board after that time but before the close of the meeting.

At the meeting at which a Director retires by rotation, the Company may fill the vacated office. A Director who retires at an annual general meeting may, if willing to act, be reappointed. If he is not re-appointed, he shall retain office until the meeting appoints someone in his place or, if it does not do so, until the end of the meeting.

11.2.3 ***Executive Directors***

The Directors may appoint a Director to an executive office in the Company on such terms as the Directors determine. The appointment of a Director to an executive office terminates if he ceases to be a Director, but without prejudice to any claim he has for breach of his contract of employment or service.

11.2.4 ***Directors' Interests***

A Director shall not vote nor be counted in a quorum at a meeting in relation to any resolution of the Board concerning any contract, arrangement or other proposal in which he is, to his knowledge, directly or indirectly, materially interested. The prohibition will not apply to the following:

11.2.4.1 an arrangement for giving a guarantee, security or indemnity to him in respect of money lent or obligations undertaken by him for the benefit of the Company (or any of its subsidiaries) or in respect of a debt or obligation of the Company (or any of its subsidiaries) for which he has assumed responsibility, in whole or in part, under a guarantee or an indemnity or by the giving of security;

11.2.4.2 proposal concerning an offer of securities by the Company (or any of its subsidiary undertakings) in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

11.2.4.3 a proposal concerning another company in which he is not interested, directly or indirectly, in 1 per cent., or more either of any class of its equity share capital or of its voting rights;

11.2.4.4 certain arrangements for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award the Director a privilege or benefit not awarded to the employees to whom the arrangement relates; or

11.2.4.5 a proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons who include Directors.

Subject to the statutes and provided he has disclosed to the Directors the nature and extent of his interest, a Director may contract with the Company and the contract shall not be avoided on the grounds of his interest or benefit and the Director is not liable to account to the Company for any profit realised as a result of the contract.

A Director may not vote or be counted in the quorum in relation to a resolution of the Directors or committee of the Directors concerning his own appointment, including the arrangement or variation of the terms or the termination of his own appointment or the appointment of another person to an office in a company in which the Director has a material interest.

Where proposals are under consideration concerning the appointment, including the arrangement or variation of the terms or the termination of the appointment of two or more Directors, a separate resolution may be put in relation to each Director. In each case, each Director (if not otherwise debarred from voting) is entitled to vote in respect of each resolution except that concerning his own appointment.

11.2.5 ***Directors' Appointments***

Unless otherwise determined by ordinary resolution of the Company the Directors shall be not less than two, but shall be subject to no maximum. A Director is not required to hold any shares in the Company by way of qualification. The Board have power to appoint Directors to the board from time to time up to the maximum number of Directors. A Director may resign his office or be removed by ordinary resolution of the Company before the expiry of his period of office.

11.3 **Transfer of Shares**

Any shares in the Company may be held in uncertificated form and title to shares may be transferred by means of a relevant system. The following provisions apply to uncertificated shares as if the reference therein to the date on which the transfer was lodged with the Company was a reference to the date on which the appropriate instruction was received by or on behalf of the Company in accordance with the facilities and requirements of the relevant system.

The instrument of transfer of a share shall be signed by or on behalf of the transferor (and, in the case of a share which is not fully paid, by or on behalf of the transferee) and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof. All transfers shall be effected by instrument in writing in the usual common form or any other form which the Directors may approve. The Directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a share which is not fully paid. The Directors may likewise refuse to register any transfer in favour of more than four persons jointly. The Directors may decline to recognize any instrument of transfer unless it is lodged, duly stamped, with the Company, accompanied by the relevant certificate and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, and unless the instrument is in respect of only one class of share. The Directors may, pursuant to the provisions of the Articles relating to disclosure of interests, refuse to register the transfer of shares which are the subject of a notice under section 212 of the Act and which represent 0.25 per cent. or more in nominal value of the issued shares of their class and in respect of which the required information has not been received by the Company within 14 days of that notice. The Directors may also refuse to register a transfer of uncertificated shares in such other circumstances as may be permitted or required by the relevant system or The Uncertificated Securities Regulations 2001.

11.4 **Variation of Rights**

The rights attaching to the shares in the Company may be varied or abrogated with the consent in writing of the holders of at least three-quarters of the issued shares of the relevant class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class.

11.5 **Borrowing Powers**

The Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge all or any part of its undertaking, property and assets (both present and future), including its uncalled capital and, subject to the Act, to issue debentures and other securities, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party. The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (or, as regards subsidiaries, so far as they can so secure) that the aggregate amount (after adjustments provided for in the Articles) at any one time owing by the Company and all its subsidiaries in respect of monies borrowed and owing to third parties shall not at any time exceed an amount equal to three times the amount paid up or credited as paid up on the issued share capital of the Company and the amount standing to the credit of the consolidated reserves of the Company and its subsidiaries and including (without limitation) share premium account, capital redemption reserve and credit balance on profit and loss account but after deducting any debit balance on profit and loss account and subject to such adjustments as are specified in the Articles.

11.6 **Electronic communication**

Any requirement for the Company to send, circulate or despatch notices or documents to its members shall be deemed to have been complied with in relation to any member where the Company and the member have agreed to use electronic communication to send such notices or documents, where the notices or documents are notices or documents to which the agreement applies and copies of the notices or documents are sent by electronic communication to the address, number or other location notified by the member to the Company for that purpose, or where the Company and the member have agreed to the member having access to notices or documents on a website and the member is notified of the publication of the notices or documents on the website, the address of the website, the place on the website where the notices or documents can be accessed and how they can be accessed and the period of time for which the notices or documents will be available on the website.

The period of time for which the notices or documents must be available on a website must not be less than 21 days from the date of notification or, if later, until the conclusion of any general meeting to which the notices or documents relate. If the notices or documents are published on the website for a part only of this period of time, they will be treated as being published throughout the period if the failure to publish throughout that period is wholly attributable to circumstances which it would not be reasonable to have expected the Company to prevent or avoid.

Where the Company sends notices or documents to shareholders by electronic communication, it must also make the notices or documents available to members in printed form and free of charge on request during normal business hours for a period of not less than 21 days from the date of communication or notification or, if later, until the conclusion of any general meeting to which the notices or documents relate. The printed copies must be made available in sufficient numbers to satisfy demand from its members and be made available at the Company's registered office and also at the offices of any of the Company's paying agents (if any).

11.7 **Untraced Members**

In certain circumstances the Company is entitled to sell at the best price reasonably obtainable the shares of a member or the shares to which a person is entitled by transmission if, during a period of 12 years, all dividends, warrants and cheques sent in respect of the shares in question have remained uncashed and during such period at least three dividends in respect of the shares in question have been paid. In order to exercise such power the Company must have inserted advertisements in one national daily newspaper and one newspaper circulating in the area in which the registered or last known address of the member in question is located and must not have received any communication that would enable the Company to trace any such member or person entitled by transmission.

11.8 **General Meetings**

The Board may call an extraordinary general meeting whenever it thinks fit and upon requisition of members in accordance with the Act it is required to convene an extraordinary general meeting for a date not more than eight weeks after receipt of the requisition at the registered office. If there are not within the UK sufficient members of the Board to convene a general meeting any director may call one.

Subject to the provisions of the Act annual general meetings should be held at such time and place as the Board may determine. An annual general meeting and an extraordinary general meeting called for the passing of a special resolution or resolution appointing a person as a Director shall be called by at least 21 clear days' notice in writing. All other extraordinary general meetings shall be called by at least 14 clear days' notice in writing. The Notice must specify amongst other things the day, time and place of the meeting and the general nature of the business to be transacted, whether the meeting is an annual general meeting or an extraordinary general meeting, if the meeting is convened to consider a special or extraordinary resolution, the intention to propose the resolution as such and with reasonable prominence that a member entitled to attend and vote is entitled to appoint one or more proxies to attend. Subject to the provisions of the Articles and to any restriction imposed on any shareholder notice shall be given to all members the Directors and the auditors.

12. Material Contracts

Other than as set out below there are no contracts (not being in the ordinary course of business) entered into by the Company or any member of the Group since April 2004 which are or may be material.

12.1 A placing agreement dated 9 August 2006 has been entered into between (1) Zeus Capital Limited (2) the Directors and the Proposed Director and (3) the Company pursuant to which (a) Zeus Capital Limited has agreed as agent for the Company to seek to procure placees for the Placing Shares at the Placing Price.

The obligations of Zeus Capital are conditional upon, *inter alia*, Admission occurring by 8.00am 15 August 2006 or such later time and/or date as the Company and Zeus Capital may agree (but in any event not later than 8.00am on 30 September 2006).

The Directors, the Proposed Director and the Company have given certain warranties and the Company has given an indemnity to Zeus Capital. Liability under such warranties and the indemnity is limited in the case of each Director and the Proposed Director.

The agreement contains termination provisions for the period prior to Admission if, *inter alia*, there has been a material breach of the warranties given by the Directors and the Proposed Director and the Company to Zeus Capital which Zeus Capital reasonably considers to be material in the context of the Placing or an event of *force majeure* occurs.

Subject to certain exceptions (including a disposal pursuant to a general offer to all the shareholders of the Company) the Directors have agreed not to dispose of any of their Ordinary Shares without the prior consent of Zeus Capital for a period of 12 months following Admission.

The Company has agreed upon completion of the General Placing to pay a fee to Zeus Capital of (a) £200,000; (b) a commission of 5 per cent. on the aggregate value at the Placing Price of the new Ordinary Shares raised by Zeus Capital; (c) a commission of 2.5 per cent. on the aggregate value at the Placing Price of the new Ordinary Shares raised by any third party and (d) an option over 3 per cent. of the issued share capital upon admission of the General Placing Shares exercisable at the Placing Price.

12.2 An agreement dated 29 June 2006 between the Company and Zeus Capital appointing Zeus Capital as nominated adviser and nominated broker to the Company, terminable on 90 days' notice in writing by either party. Zeus Capital will receive a fee of £30,000 per annum plus VAT for its services under this agreement. The agreement provides for certain warranties and an indemnity to be given to Zeus Capital and provides, *inter alia*, for the Company and the Directors to comply with the rules of AIM.

12.3 A lock in deed dated 9 August 2006 made between each of Adrian Charles Hutchings, Susan Hutchings, Axiomlab Plc, Geoffrey Barker, Anton Elsborg, Simon Redford, Russell Benstead, Iain Henshaw, Richard Smith, Nicola Barker, Alan Aubrey, Fred Mendelsohn, Ray Ingleby, Julie Anne Brown, Darren Bamforth, John McArthur, Alison Fielding, Robert Quested, Ceri Morgan, David Norwood, Ian Glease, James Derby, Stephen Mangan (the "Shareholders") (1) Zeus Capital (2) and the Company (3) whereby each of the Shareholders agreed, subject to certain exceptions, not to dispose of any interest in the shares held by him or to be held by him upon the exercise of any option, for a period of 12 months from Admission without the prior written consent of Zeus Capital and the Company and thereafter for a further period of 12 months not to dispose of any interest in the shares held by him or to be held by him upon the exercise of any option other than through the Company's broker.

12.4 An agreement dated 16 April 2004 made between (1) Energetix (Europe) Limited (2) Battelle (together "the Vendors") and (3) Baxi Heating UK Limited ("Baxi") under which Baxi acquired the entire issued share capital of Energetix Micropower Limited ("Micropower") for a consideration of a maximum of approximately £10,000,000 of which £1,719,068.49 was paid upon completion and a further £500,000 was paid upon the first anniversary of completion. The agreement contained limited warranties and indemnities given by the Vendors to Baxi in connection with Micropower and its intellectual property. The agreement also provided that upon the occurrence of a transfer event (being amongst other things the failure by Baxi to pay deferred consideration) the intellectual property would be transferred back to Energetix (Europe) Limited and Baxi would have no further obligation to make payments of the deferred consideration. A transfer event occurred on 16 April 2006.

12.5 Two transfer agreements dated 23 June 2006 made respectively between Baxi (1) and Energetix (Europe) Limited (2) and Micropower (1) and Energyboost Limited (2) (a subsidiary of Energetix (Europe) Limited) under which certain intellectual property relating to micro CHP was assigned to Energyboost Limited in consideration for the payment of £1 and Baxi granted to Energetix (Europe) Limited a non-exclusive royalty free worldwide licence to use certain Baxi intellectual property.

12.6 An agreement dated 26 July 2006 entered into between (1) Energetix (Europe) Limited (2) Energyboost Limited and (3) Battelle under which Battelle agreed conditional upon Admission to waive all rights to subscribe for 40 per cent. of the share capital of Energyboost Limited and Energetix (Europe) Limited agreed to:

(A) enter into a consultancy agreement with Battelle;

(B) to pay to Battelle (i) an amount equal to 10 per cent. of any sums paid to Energyboost by any third party in connection with the transfer or grant of any licence to such third party to manufacture or develop the micro CHP product; and (ii) 2 per cent. of amounts received by Energyboost in respect of all sales of the product; and

(C) to issue to Battelle one preferred share of £1 in the capital of Energyboost Limited. The rights attaching to the preferred share include, *inter alia*, a right to receive a preferred dividend of 40 per cent. of the net profit of Energyboost Limited provided that the aggregate of all payments to be made to Battelle under these arrangements (including under the consultancy referred to in paragraph 12.7 below) are capped at £3,000,000.

12.7 An agreement dated 26 July 2005 made between (1) Energetix (Europe) Limited and (2) NM Rothschild & Sons Limited ("Rothschild") under which Rothschild was engaged to act as financial adviser to the company subject to a retainer fee of £30,000 per month payable for up to 5 months and subject to a maximum of £150,000 together with further fees based on the transactions entered into with their advice together with all out of pocket expenses properly incurred. The agreement has been terminated.

12.8 An agreement dated 7 August 2006 made between (1) Axiomlab plc and (2) Energetix (Europe) Limited under which Energetix (Europe) Limited acquired £500,000 Fixed Rate Unsecured Loan Notes 2011, £35,000 of Fixed Rate Unsecured Loan Notes 2012 and all rights under a loan facility letter dated 19 November 2003 (under which Axiomlab granted to Energetix (Europe) Limited a loan facility and of which £75,000 had been drawn down) in consideration for the issue to Axiomlab, credited as fully paid of 988 ordinary shares of 1p each in Energetix (Europe) Limited comprising 4.17 per cent. of its issued enlarged share capital.

12.9 An agreement dated 7 August 2006 made between (1) Axiomlab and (2) Energetix (Europe) Limited under which the terms of repayment of £115,000 Fixed Rate Unsecured Loan Notes 2012 and £135,000 Fixed Rate Unsecured Loan Notes 2012 were modified such that no repayment will occur before August 2007 (without the consent of the nominated adviser) or before August 2008 and then in each case provided only that the board of Energetix (Europe) Limited consider, acting in good faith, that the company has sufficient working capital to make such repayment and further provided that repayment will in any event occur by 31 December 2009.

12.10 Agreements dated 9 August 2006 made between (1) Energetix (Europe) Limited and (2) the Company under which the Company acquired the entire issued share capital owned by Energetix (Europe) Limited of each of Energetix (Pnu) Power Limited, Energetix Voltage Control Limited, Thermetica Limited and Energyboost Limited for a consideration in each case equal to net book value, such amount to be left outstanding on inter company loan account.

13. Litigation

Neither the Company nor any subsidiary is engaged in any governmental, legal or arbitration proceedings nor, so far as the Directors and Proposed Director are aware, are any such proceedings pending or threatened by or against the Company or any subsidiary which may have or have had in the 12 months preceding the date of this document a significant effect on the Company or any subsidiary's financial position.

14. Intellectual Property Rights

Other than as set out in this document, there are no patents or intellectual property rights, licences or particular contracts (whether industrial, commercial or financial) which are of fundamental importance to the Group's business.

15. Investments

Save as set out in this document there are no investments in progress which are significant and the Company has not made any firm commitments concerning future investments.

16. Working Capital

The Directors and the Proposed Director are of the opinion having made due and careful enquiry that taking into account the net proceeds of the EIS Placing and the existing facilities available to the Group, the working capital available to the Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

The Directors and Proposed Director are of the opinion having made due and careful enquiry that, taking into account the net proceeds of the Placings and the existing facilities available to the Group, the working capital available to the Group will be sufficient for its present requirements, that is for at least 12 months from the date of admission of the General Placing Shares.

17. Employees

The number of employees of the Group as at 9 August 2006 was eight.

18. General Information

18.1 In April 2004 as part of the disposal of the entire issued share capital of Micropower referred to at paragraph 12.4 of this Part VI Energetix (Europe) Limited applied to HM Revenue & Customs for Substantial Shareholder Exemption (SSE) on the transaction. SSE allows businesses to dispose of a holding greater than 10 per cent. in subsidiary companies free of tax as long as the subsidiary and its parent are deemed to be trading companies. HM Revenue & Customs replied with provisional approval confirming that the transaction would qualify for SSE based on the information provided.

Following the submission of the 2004 corporation tax returns HM Revenue & Customs indicated that it wanted to enquire into the return. As part of the ongoing enquiry the Inspector has challenged the SSE status of the transaction, the basis being that Micropower was not a trading company. The Directors and their tax advisers strongly dispute the Inspectors interpretation and have made representations refuting the Inspector's contention.

Whilst the Directors (as advised by the Group's tax advisers) consider the likelihood of a successful HM Revenue & Customs challenge to be remote should HM Revenue & Customs be successful the final tax bill could be in the region of £1,500,000.

18.2 The estimated amount of the expenses of the EIS Placing and Admission which are payable by the Company is approximately £140,000 (including VAT). The net proceeds of the EIS Placing available to the Company will be approximately £860,000.

The estimated amount of the expenses of the Placings, and Admission which are payable by the Company, is approximately £650,000 (including VAT). The net proceeds of the Placings available to the Company will be approximately £5.4m.

18.3 Zeus Capital Limited, whose registered office is at 3 Ralli Courts, West Riverside, Manchester M3 5FT has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.

18.4 The financial information contained in this document does not constitute full statutory accounts as referred to in section 240 of the Act. A copy of the audited accounts of Energetix (Europe) Limited for the year ended 31 December 2005 has been delivered to the Registrar of Company in England and Wales. The auditors report on those accounts was unqualified and did not contain any statement under section 237 of the Act.

18.5 This document does not constitute an offer to sell, or the solicitation of an offer to acquire, Ordinary Shares in any jurisdiction where such an offer or solicitation is unlawful and is not for distribution in any jurisdiction in which such distribution is unlawful. The Ordinary Shares have not been, and will not be, registered under the US Securities Act or under the applicable securities laws of any Prohibited Territories and may not be sold, directly or indirectly, within the Prohibited Territories.

18.6 Save as disclosed in this document there has been no significant change in the financial or trading position of the Group since the date to which the latest published financial statements were made up and the Directors are not aware of any exceptional factors which have influenced the Group's activities.

18.7 The Ordinary Shares are in registered form. It is expected that share certificates will be posted to Shareholders at their risk by 30 August 2006. No temporary documents of title will be issued.

18.8 No person directly or indirectly has in the last 12 months received or is contractually entitled to receive directly or indirectly, from the Company on or after Admission (excluding professional advisers otherwise disclosed in this document or trade suppliers), any payment or benefit from the Company to the value of £10,000 or more or securities in the Company to such value or entered into any contractual arrangements to receive the same, directly or indirectly, from the Company on or after Admission.

18.8 Grant Thornton UK LLP of Heron House, Albert Square, Manchester M60 8GT, members of the Institute of Chartered Accountants in England and Wales, are the auditors of the Company and have given and have not withdrawn their written consent to the inclusion in this document of references to their name in the form and context in which it appears and their reports in Part III of this document and accept responsibility for these reports for the purposes of the AIM Rules.

18.10 EA Technology Limited of Capenhurst Technology Park, Capenhurst, Chester CH1 6ES has given and not withdrawn its written consent to the inclusion in the document of references to its name in the form and context in which it appears and its report in Part IV Section A of this document and accepts responsibility for such report for the purposes of the AIM Rules.

18.11 TGT Energy Limited of 68 Argyle Street, Birkenhead, Wirral CH46 1AF has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears and its report in Part IV Section B of this document and accepts responsibility for such report for the purposes of the AIM Rules.

18.12 Urqhuart Dykes & Lord LLP of Three Trinity Court, 21-27 Newport Road, Cardiff, Wales CF24 OAA has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears and its report in Part V Section A of this document and accepts responsibility for such report for the purposes of the AIM Rules.

18.13 Harrison Goddard Foote of Orlando House, 11C Compstall Road, Marple Bridge, Stockport SK6 5HU has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears and its report in Part V Section B of this document and accepts responsibility for such report for the purposes of the AIM Rules.

18.14 Of the Placing Price 5p represents the nominal value and 35p represents the premium.

18.15 Where information in this document has been sourced from a third party, no facts have been omitted which would render the reproduced information inaccurate or misleading so far as the Company the Directors and the Proposed Director are aware or are able to ascertain from information published by that third party.

19. Publication of this document

Copies of this document will be available free of charge to the public at the offices of Zeus Capital Limited, 3 Ralli Courts, West Riverside, Manchester M3 5FT from the date of this document until at least one month after Admission.

Dated: 9 August 2006

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