



**Press Release**

**15 September 2009**

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

**Consolidated Interim Financial Statements for the six months ended 30 June 2009**

Energetix Group plc (AIM:EGX), a company with three cost-effective products to meet the growing demand for alternative energy, today announces its Interim Results for the six months ended 30 June 2009.

**Financial highlights**

- Turnover up to £0.12 million (2008: £0.03 million);
- Operating costs reduced to £2.06 million (2008: £2.09million);
- Operating loss reduced to £2.00 million (2008: £2.08 million);
- Loss before tax of £1.97 million (2008 profit: £0.66 million); and
- Cash and cash equivalents of £8.28 million (2008: £13.78 million).

**Operating highlights**

- Genlec signed a commercial agreement with Daalderop targeting the sale of 30,000 units over three years;
- Genlec improved product performance and achieved a wider range of heat-to-power ratios, increasing the size of the addressable market;
- Pnu Power and VPhase achieved CE marking for their products;
- Pnu Power won orders in the US from M/A-COM to supply backup power for the Florida state trooper telephone network, and in Italy for backup power of landline services; and
- Pnu Power targeted markets where the product is first cost competitive: utility switching and emergency telephone networks.

**Since the period end**

- Pnu Power received an order from National Grid UK for a unit for utility switching,

which is now installed and in operation; and

- VPhase secured product supply and has commenced supply of mainstream product to customers.

Alan Aubrey, Chairman of Energetix Group, said: "During the first half of 2009, the Group has achieved all its key commercial milestones within the timescales set out in the Group's preliminary results. The Group's strategy of partnering with highly regarded partners and manufacturing suppliers, using relatively low-cost components, and focusing on robust engineering, is now delivering returns. The three subsidiaries of the Group are all generating revenue and establishing the necessary volume manufacturing channels in the fairly short timeframe anticipated.

"We are very pleased with the progress that the Group has made. Over the next six months the key priorities for the Group are to achieve further sales for VPhase and Pnu Power products and to carry out further field trials for Genlec units. The Board is confident that the Group will continue to deliver during the second half of the year and move towards being a cash-generative business."

– Ends –

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## **Chief Executive's Statement**

### **Overview**

I am pleased to present the Group's interim results for the six months ended 30 June 2009 during which, despite the tough economic environment, the Group has continued to make substantial progress against its plans for commercialising its three businesses as communicated to investors at the 2008 results presentation. All three businesses have made substantial progress in commercial agreements. The Group now has products available to sell with VPhase and Pnu Power having achieved the necessary CE marking. In order to drive shareholder value we will focus upon delivering these products to their end market users via various sales channels, while maintaining our focus on managing our overhead base and extracting maximum benefit from our cash utilisation. With £8.3 million in the bank and a cash utilisation of £0.46 million per month, the Group is confident that these businesses will reach cash generation from existing funds alone.

The Group has not been totally immune to the effects of the economic downturn, however we have adjusted our strategy to counteract these effects as much as possible. We have recognised that in the current climate the customers of our Pnu Power products are more reluctant to accept a life-cycle payback proposition, and this has led Pnu Power to focus, during this period, on those markets where the Pnu Power product can show first-cost as well as life-cycle cost advantages. The Group is pleased to report that this strategy is starting to deliver orders from the two key markets we have identified that fit this first-cost advantage strategy, namely in utility network grid protection and emergency telephone networks. Orders for Pnu Power units have been received and installed with the UK National Grid, Florida's M/A-COM, and Italy's Telecom Italia in the past few months.

In addition, the slow-down in the market has led to a slow-down in the pace of development of some of our boiler partners' progress towards the launch of Genlec-enabled mCHP boilers. Recently this trend has started to reverse, partially driven by the UK Government's commitment to feed-in tariffs (due to be implemented in April 2010), that further increases the value of our mCHP product. The Group is confident that we will achieve our goal of having Genlec-enabled boilers on test in real homes before the end of this year. Genlec has initiated the design and build of a full Genlec enabled boiler appliance with a specialist boiler design group. The first version of this design is due to be delivered Q4 09 and will be used to stimulate partner progress and provide an independent appliance solution.

VPhase has progressed from development to having a fully CE marked product available for sale and following the appointment of its manufacturing partner is well placed to achieve product sales in the second six months of the year. VPhase has also released its interim results for the six months ended 30 June 2009 today.

All three businesses remain well positioned to deliver against the targets of cash conservation and revenue generation in 2009.

### **Energetix Genlec Limited (“Genlec”)**

In January, Genlec signed a commercial agreement with Daalderop targeting the sale of 30,000 Genlec-enabled Combivolt boilers over three years. Progress with the core Genlec module has continued and the module is now producing power at a wider range of heat-to-power ratios which will increase the size of Genlec’s addressable market. In addition, Genlec has made substantial progress with E.ON and other partners, and field trials are still on track for the second half of 2009.

### **Energetix Pnu Power Limited (“Pnu Power”)**

Pnu Power achieved CE marking for its first products, the TC1 and TC2 compressed air energy back-up systems, and has received orders from, and delivered product to:

- Telecom Italia (for back-up power to the company’s landline services);
- M/A-COM Florida (for back-up power at a state law enforcement radio system site);
- post the half year, National Grid in the UK (for a standby power application supporting switchgear at National Grid’s 275kV switchyard in Capenhurst, Cheshire; and
- shipment of the first stage of the P&E Automation contract.

All the installations of Pnu Power units carried out to date continue to deliver exemplary performance.

### **VPhase plc (“VPhase”)**

During the first half of 2009, VPhase completed its design, development and production engineering of its first product. The VPhase product achieved CE marking in June 2009 and units from the first commercial sales have now been delivered.

VPhase has received delivery of product from its recently appointed contract manufacturer, and is taking orders for direct supply, whilst concluding the advanced discussions on commercial arrangements with its preferred partners. In addition, VPhase has been ramping up its marketing efforts, including the product’s appearance on the BBC’s Working Lunch programme and in The Times newspaper.

## **Personnel**

The management team was restructured in January with Neil Bright taking responsibility for Genlec in addition to Pnu Power, and was appointed to the Group Board as Operations Director. The consolidation of the Pnu Power and Genlec teams has enabled the Group to make substantial savings in its administrative costs of over £0.3 million in the first six months of 2009.

In January 2009, Anton Elsborg stood down from his position of Non-Executive Director and the Board would like to thank Anton for his contribution.

The Board will continue to monitor the appropriate levels and focus of its staff as it moves into the sales phase of the development of each of its products.

## **Financial Results**

The Group continues to maintain a strong financial position. At 30 June 2009, the Group had £8.3 million in net cash and cash equivalents. As previously reported, the Group's treasury policy sets out to optimise the value from surplus deposits whilst giving priority to security, then liquidity, and then to yield; and to preserve the principal value of the investment by investing surplus funds only with institutions of a high credit standing.

Revenue for the six months ended 30 June 2009 increased to £0.12 million (2008: £0.03 million) as initial Pnu Power and VPhase units were sold along with income for the service element of VPhase's contract with Scottish and Southern Energy.

Administrative costs were reduced to £2.06 million (2008: £2.09 million) largely as a result of the restructuring carried out in January partly offset by increased commercial activity in VPhase. The Group's resultant operating loss for the six months to 30 June 2009 was also lower at £2.00 million (2008: £2.08 million).

Other income in part includes £0.04 million (2008: £0.33 million) gain which represents interest earned on funds held on deposit, reflecting the substantially lower interest rates available in 2009 as compared to 2008, and fair value adjustment on long-term borrowings which amounted to £nil (2008: £0.80 million). Without the contribution from these items the half year result is a loss before income tax of £1.97 million (2008: loss £0.47 million). In addition other income includes the book gain on the deemed disposal through the accounting impact of VPhase issuing new shares which was £0.01

million (2008: £1.61 million), the resultant loss before income tax is £1.97 million (2008: profit £0.66 million).

During the period the Group received a tax credit of £0.14 million (2008: £nil) in relation to research and development expenditure in 2006/07. In accordance with the Group's accounting policies no further amounts have been accrued for subsequent accounting periods as the amount expected to be recovered can not be reliably measured.

The Group has continued to invest in its products with expenditure on development activities capitalised as an intangible asset increasing to £1.00 million (2008: £0.87 million). In line with the Group's strategy of outsourcing much of its manufacturing requirements, expenditure on Tangible Fixed Assets reduced to £0.05 million (2008: £0.12 million).

Cash utilised by the Group before interest received and cash flows from financing amounted to £2.77 million (2008: £2.52 million). The majority of this arises from the operating loss and investment in development activities.

### **Circulation to Shareholders**

Following this RNS announcement, a pdf copy of the Consolidated Interim Financial Statements will be posted on the Group's website ([www.energetixgroup.com](http://www.energetixgroup.com)) rather than made available in hard copy. This is in line with the Group's efforts to minimise the environmental impact of printing and distributing glossy sets of Consolidated Interim Financial Statements. The Group's website is the primary source of information on the Group and this includes an overview of the activities of the Group and details on all recent Group announcements.

### **Outlook**

The Group is in a major transition from being a technology and development business into a product sales and supply business. Our staff are delivering the necessary infrastructure and procedures, commercial supply arrangements, and sales processes to deliver these goals.

The Group is on target to conserve cash, generate revenue in 2009 and drive the business forward to future profitability. We have achieved a number of the challenging milestones set out at the time of our preliminary results and we remain on track to achieve our product commercialisation goals.

The key priorities over the next six months are sales for VPhase and Pnu Power products and further field trials for Genlec units. The Board is confident that the Group will continue to deliver during the second half of the year.

**Adrian Hutchings**  
**Chief Executive Officer**  
**15 September 2009**

## Unaudited consolidated income statement

		Unaudited 6 months to 30 June 2009 £'000	Unaudited 6 months to 30 June 2008 £'000	Audited Year to 31 December 2008 £'000
<b>Continuing operations</b>				
<b>Revenue</b>	3	<b>123</b>	<b>29</b>	<b>32</b>
Cost of sales		(69)	(10)	(32)
<b>Gross profit</b>		<b>54</b>	<b>19</b>	<b>-</b>
Administrative expenses		(2,061)	(2,094)	(4,202)
<b>Operating loss</b>		<b>(2,007)</b>	<b>(2,075)</b>	<b>(4,202)</b>
Other income		42	2,739	2,540
Finance costs		(2)	-	-
<b>(Loss)/profit before income tax</b>		<b>(1,967)</b>	<b>664</b>	<b>(1,662)</b>
Income tax credit		135	-	-
<b>(Loss)/profit for the financial period</b>		<b>(1,832)</b>	<b>664</b>	<b>(1,662)</b>
<b>Attributable to:</b>				
Equity holders of the parent		(1,625)	845	(1,272)
Minority interest		(207)	(181)	(390)
		<u>(1,832)</u>	<u>664</u>	<u>(1,662)</u>
<b>Earnings per share:</b>				
Basic earnings per share	7	<u>(2.95p)</u>	<u>1.53p</u>	<u>(2.31p)</u>
Diluted earnings per share	7	<u>(2.95p)</u>	<u>1.51p</u>	<u>(2.31p)</u>

The Group has no items to be recognised in the "Consolidated statement of comprehensive income" and, consequently, this statement has not been shown.

All revenue and costs originate from continuing activities.

The notes are an integral part of these Consolidated Interim Financial Statements.

## Unaudited consolidated statement of financial position

	Note	Unaudited 6 months to 30 June 2009 £'000	Unaudited 6 months to 30 June 2008 £'000	Audited Year to 31 December 2008 £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		412	277	415
Goodwill		311	311	311
Other intangible assets	6	9,852	7,841	9,063
		<u>10,575</u>	<u>8,429</u>	<u>9,789</u>
<b>Current assets</b>				
Inventories		8	13	-
Trade and other receivables		293	289	415
Cash and cash equivalents		8,282	13,778	11,025
		<u>8,583</u>	<u>14,080</u>	<u>11,440</u>
<b>Total assets</b>		<b><u>19,158</u></b>	<b><u>22,509</u></b>	<b><u>21,229</u></b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		(1,142)	(837)	(1,355)
Financial liability-borrowings		(264)	(38)	(264)
		<u>(1,406)</u>	<u>(875)</u>	<u>(1,619)</u>
<b>Non-current liabilities</b>				
Financial liability-borrowings		(1,625)	(1,385)	(1,625)
<b>Total liabilities</b>		<b><u>(3,031)</u></b>	<b><u>(2,260)</u></b>	<b><u>(3,244)</u></b>
<b>Net assets</b>		<b><u>16,127</u></b>	<b><u>20,249</u></b>	<b><u>17,985</u></b>
<b>Equity</b>				
<b>Equity attributable to equity holders of the parent</b>				
Share capital		2,757	2,754	2,756
Share premium account		15,213	15,169	15,198
Retained earnings		(2,988)	690	(1,401)
Reverse acquisition reserve		(821)	(821)	(821)
Warrant reserve		591	591	591
Other reserves		57	168	150
		<u>14,809</u>	<u>18,551</u>	<u>16,473</u>
Minority interest		1,318	1,698	1,512
<b>Total equity</b>		<b><u>16,127</u></b>	<b><u>20,249</u></b>	<b><u>17,985</u></b>

The notes are an integral part of these Consolidated Interim Financial Statements.

### Unaudited consolidated statement of changes in equity

	Share capital	Share premium account	Retained earnings	Reverse acquisition reserve	Warrant reserve	Other reserve	Total	Minority interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 January 2009</b>	<b>2,756</b>	<b>15,198</b>	<b>(1,401)</b>	<b>(821)</b>	<b>591</b>	<b>150</b>	<b>16,473</b>	<b>1,512</b>	<b>17,985</b>
Share based payments	-	-	76	-	-	(71)	5	-	5
Other share based payments	-	-	6	-	-	(6)	-	-	-
Deemed disposal in VPhase plc	-	-	-	-	-	-	-	13	13
Share buy back in subsidiary	-	-	(44)	-	-	-	(44)	-	(44)
Shares issued: - 05 June 2009	1	15	-	-	-	(16)	-	-	-
<b>Transactions with owners</b>	<b>2,757</b>	<b>15,213</b>	<b>(1,363)</b>	<b>(821)</b>	<b>591</b>	<b>57</b>	<b>16,434</b>	<b>1,525</b>	<b>17,959</b>
Loss for the financial period	-	-	(1,625)	-	-	-	(1,625)	(207)	(1,832)
<b>Balance at 30 June 2009</b>	<b>2,757</b>	<b>15,213</b>	<b>(2,988)</b>	<b>(821)</b>	<b>591</b>	<b>57</b>	<b>14,809</b>	<b>1,318</b>	<b>16,127</b>

Unaudited consolidated statement of changes in equity (continued)

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Reverse acquisition reserve £'000	Warrant reserve £'000	Other reserve £'000	Total £'000	Minority interest £'000	Total equity £'000
<b>Balance at 1 January 2008</b>	<b>2,752</b>	<b>15,376</b>	<b>(155)</b>	<b>(821)</b>	<b>256</b>	<b>144</b>	<b>17,552</b>	<b>251</b>	<b>17,803</b>
Share-based payments	-	-	-	-	-	37	37	-	37
Other share based payments	-	-	-	-	-	12	12	-	12
Issue of share capital	2	23	-	-	-	(25)	-	-	-
Issue of warrants	-	(230)	-	-	230	-	-	-	-
Issue of warrants in subsidiary	-	-	-	-	105	-	105	-	105
Deemed disposal in VPhase plc	-	-	-	-	-	-	-	1,628	1,628
<b>Transactions with owners</b>	<b>2,754</b>	<b>15,169</b>	<b>(155)</b>	<b>(821)</b>	<b>591</b>	<b>168</b>	<b>17,706</b>	<b>1,879</b>	<b>19,585</b>
Loss for the financial period	-	-	845	-	-	-	845	(181)	664
<b>Balance at 30 June 2008</b>	<b>2,754</b>	<b>15,169</b>	<b>690</b>	<b>(821)</b>	<b>591</b>	<b>168</b>	<b>18,551</b>	<b>1,698</b>	<b>20,249</b>

**Unaudited consolidated statement of changes in equity (continued)**

	Share capital	Share premium account	Retained earnings	Reverse acquisition reserve	Warrant reserve	Other reserve	Total	Minority interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 January 2008</b>	<b>2,752</b>	<b>15,376</b>	<b>(155)</b>	<b>(821)</b>	<b>256</b>	<b>144</b>	<b>17,552</b>	<b>251</b>	<b>17,803</b>
Share based payments	-	-	6	-	-	22	28	-	28
Other share based payments –	-	-	20	-	-	(4)	16	-	16
Issue of warrants	-	(230)	-	-	230	-	-	-	-
Issue of warrants in VPhase plc	-	-	-	-	105	-	105	-	105
Deemed disposal in VPhase plc	-	-	-	-	-	-	-	1,651	1,651
Shares issued:									
- 13 February 2008	1	11	-	-	-	(12)	-	-	-
- 12 June 2008	1	11	-	-	-	-	12	-	12
- 14 August 2008	1	15	-	-	-	-	16	-	16
- 8 October 2008	1	15	-	-	-	-	16	-	16
<b>Transactions with owners</b>	<b>2,756</b>	<b>15,198</b>	<b>(129)</b>	<b>(821)</b>	<b>591</b>	<b>150</b>	<b>17,745</b>	<b>1,902</b>	<b>19,647</b>
Loss for the financial year	-	-	(1,272)	-	-	-	(1,272)	(390)	(1,662)
<b>Balance at 31 December 2008</b>	<b>2,756</b>	<b>15,198</b>	<b>(1,401)</b>	<b>(821)</b>	<b>591</b>	<b>150</b>	<b>16,473</b>	<b>1,512</b>	<b>17,985</b>

### Unaudited consolidated statement of cash flows

	Unaudited 6 months to 30 June 2009 £'000	Unaudited 6 months to 30 June 2008 £'000	Audited Year to 31 December 2008 £'000
<b>Cash flows from operating activities</b>			
Loss/(profit) after income tax	(1,832)	664	(1,662)
Adjustments for:			
Depreciation	57	52	125
Amortisation	219	169	336
Finance Income	(30)	(1,126)	(615)
Other Income	-	-	(296)
Other gains on part disposal of Energetix Voltage Control Limited/VPhase plc	(12)	(1,613)	(1,629)
Share based payments	29	37	135
Share buy back in subsidiary	(44)	-	-
Other share based payments	-	12	136
Issue of warrants in subsidiary	-	105	105
(Increase)/Decrease in inventories	(8)	45	58
Decrease/(Increase) in trade and other receivables	122	71	(55)
(Decrease)/Increase in trade and other payables	(212)	52	429
<b>Net cash from operating activities</b>	<u>(1,711)</u>	<u>(1,532)</u>	<u>(2,933)</u>
<b>Cash flows from investing activities</b>			
Expenditure on intangible assets	(1,008)	(866)	(2,255)
Purchase of property, plant and equipment	(54)	(122)	(335)
Interest received	30	327	615
<b>Net cash used in investing activities</b>	<u>(1,032)</u>	<u>(661)</u>	<u>(1,975)</u>
<b>Cash flows from financing activities</b>			
Net proceeds from the issue of ordinary shares	-	3,305	3,305
Repayment of financial liabilities	-	(112)	(150)
<b>Net cash used in financing activities</b>	<u>-</u>	<u>3,193</u>	<u>3,155</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(2,743)	1,000	(1,753)
<b>Cash and cash equivalents at beginning of period</b>	<u>11,025</u>	<u>12,778</u>	<u>12,778</u>
<b>Cash and cash equivalents at end of period</b>	<u>8,282</u>	<u>13,778</u>	<u>11,025</u>

The notes are an integral part of these Consolidated Interim Financial Statements.

## Notes to the Consolidated Interim Financial Statements

### 1 Nature of operations and general information

Energetix Group plc (“the Company”) and its subsidiaries (together “the Group”) looks for major opportunities in the energy sector and develops innovative low cost solutions through smart engineering, utilisation of existing components and strong intellectual property. Our businesses are:

- Genlec – products for distributed generation and load shifting;
- Pnu Power – products for power quality and reliability; and
- VPhase – products for energy efficiency.

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

The financial information set out in these Financial Statements does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The consolidated statement of financial position as at 31 December 2008 and the consolidated income statement, consolidated statement of cash flows and associated notes for the year then ended have been extracted from the Group’s Financial Statements as at 31 December 2008. Those Financial Statements have received an unqualified report from the auditors and have been delivered to the Registrar of Companies. The 2008 statutory accounts contained no statement under section 237(2) or (3) of the Companies Act 1985.

The Consolidated Interim Financial Statements for the period ended 30 June 2009 have not been audited or reviewed in accordance with International Standard on Review Engagement 2410 issued by the Auditing Practices Board.

The Consolidated Interim Financial Statements have been approved by the Board of Directors on 15 September 2009.

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

## **2 Basis of preparation**

These interim consolidated financial statements are for the six months ended 30 June 2009. They have not been prepared in accordance with IAS 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2008.

These financial statements have been prepared under the historical cost convention, except for revaluation of financial instruments.

The Group has considerable financial resources and, together with contractual arrangements with certain economic partners in different geographical areas and industries, this provides a sound platform for launching the Group's products and generating future sales. As a consequence, the Directors believe that the Group is well placed to manage its business risk successfully despite the current uncertain economic outlook.

The Group's forecasts and projections, which have been prepared for the period to 31 December 2011 and taking account of reasonably possible changes in performance, show that the Group should be able to operate within the level of its current cash resources.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Group's Consolidated Interim Financial Statements

These Consolidated Interim Financial Statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 31 December 2008 except for the adoption of IAS 1 Presentation of Financial Statements (Revised 2007). IFRS 8 Operating Segments and IFRS 2 (amendment), 'Share based payments' on 'Vesting conditions and cancellations'.

The adoption of IAS 1 (Revised 2007) does not affect the financial position or profits of the Group, but gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. IAS 1 (Revised 2007) affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. In accordance with the new standard the entity does not present a

'Statement of recognised income and expenses (SORIE)'. Further, a 'Statement of changes in equity' is presented.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these Consolidated Interim Financial Statements.

### **3 Segment analysis**

The Group operates in the following three business segments:

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

The revenues and net result generated by each of Energetix Group plc's business segments are summarised as follows:

6 months to 30 June 2009

	Distributed generation and load shifting £'000	Power quality and reliability £'000	Energy Efficiency £'000	Unallocated £'000	Group £'000
Revenue from external customers	43	20	60	-	123
Profit/(loss) before income tax	(1,087)	(821)	(602)	543	(1,967)
Total assets	5,106	602	3,172	10,278	19,158

6 months to 30 June 2008

	Distributed generation and load shifting £'000	Power quality and reliability £'000	Energy Efficiency £'000	Unallocated £'000	Group £'000
Revenue from external customers	29	-	-	-	29
Inter-segment revenues	-	-	-	-	-
Profit/(loss) before income tax	(707)	(366)	1,258	479	664
Total assets	7,560	522	3,704	10,723	22,509

Year to 31 December 2008

	Distributed generation and load shifting £'000	Power quality and reliability £'000	Energy Efficiency £'000	Unallocated £'000	Group £'000
Revenue from external customers	32	-	-	-	32
Profit/(Loss) before income tax	(2,488)	(1,631)	(768)	3,225	(1,662)
Total assets	7,330	2,350	3,641	7,908	21,229

#### 4 Finance income

	<b>30 June 2009 £'000</b>	30 June 2008 £'000	31 Dec 2008 £000
Loans and receivables (including cash and cash equivalents)	<b>30</b>	327	615
Fair value adjustments of long term borrowings	-	799	296
	<u><b>30</b></u>	<u>1,126</u>	<u>911</u>

In July 2006, Energetix (Europe) Limited and Energetix Genlec Limited entered into an agreement with Battelle Memorial Institute (Battelle) under which Battelle agreed to waive all rights to subscribe for 40% of the share capital of Energetix Genlec Limited in exchange for a £3,000,000 preference debt in Energetix Genlec Limited. The preference debt has been discounted at 12.5% (2008: 7.50%) from the date of assuming until anticipated settlement date giving rise to a non current liability of £1,625,000 (2008: £1,385,000) and a current liability of £264,000 (2008: £37,500).

The terms are that it is non interest bearing, that £500,000 was repaid over the two years ending August 2008 and that the balance will be repaid by (i) an amount equal to 10% of any license fees paid to Energetix Genlec Limited by any third party and (ii) 2% of amounts received by Energetix Genlec Limited in respect of all mainstream sales of the product. During the period, £Nil was repaid (2008: £112,000) and the discounting of estimated future repayments at 12.5% has resulted in no adjustment to the carrying value of the liability.

Any future repayment of the Battelle liability is contingent on Energetix Genlec Limited achieving mainstream sales of product or receiving license fees for the use of the technology.

The obligation for future repayments based on a percentage of mainstream sales is considered an embedded derivative. Accordingly the Group has designated the entire instrument as fair value through profit and loss (FVTPL). Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related changes and changes in an instrument's fair value are reported in the consolidated income statement and are shown within finance income.

## **5 Share issue**

During the period to 30 June 2009, 16,025 ordinary shares of 5 pence each were issued at 97.5 pence per share to Novum Securities Limited in settlement of broker services received. On 6 July 2009, Ambrian Partners Limited were appointed as Nominated Adviser and Broker to the Company. Fees payable to Ambrian Partners Limited will be settled in cash.

### *Share options*

The Company established, in June 2006, two share option schemes in relation to ordinary shares, namely the Energetix Unapproved Share Option Scheme 2006 and the Energetix Enterprise Management Incentive Scheme 2006. The Group grants options over the ordinary shares of the Company at not less than the market value of the Company's ordinary shares on the date of grant. The vesting period is generally three to four years. If the option remains unexercised after a period of 10 years from the date of grant, the options expire. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

412,500 share options were granted during the period to 30 June 2009. As at 30 June 2009, 206,250 share options were capable of being exercised (2008: 337,500). The options outstanding at 30 June 2009 had a weighted average exercise price of 50.8 pence (2008: 48.1 pence), and a weighted average remaining contractual life of nine years two months.

The weighted average exercise price of share options granted during the prior year was 50.7 pence. No options were exercised during the year. The Group uses the Black-Scholes model to fair value the Group's share options which resulted in a fair value charge of £5,000 (2008: £49,000) and a corresponding credit to other reserves.

## **6 Additions of intangible assets**

The following tables show the significant additions to intangible assets.

6 months to 30 June 2009

	Micro-CHP			Compressed air battery	Smart voltage management	
	Intellectual property	Research and development asset	Total	Research and development asset	Research and development asset	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Carrying amount at 1 January 2009</b>	4,913	2,106	7,019	1,822	222	9,063
Additions	-	589	589	229	190	1,008
Disposals	-	-	-	-	-	-
Amortisation	(185)	-	(185)	(34)	-	(219)
<b>Carrying amount at 30 June 2009</b>	<u>4,728</u>	<u>2,695</u>	<u>7,423</u>	<u>2,017</u>	<u>412</u>	<u>9,852</u>

6 months to 30 June 2008

	Micro-CHP			Compressed air battery	Smart voltage management	
	Intellectual property	Research and development asset	Total	Research and development asset	Research and development asset	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Carrying amount at 1 January 2008</b>	5,249	808	6,057	1,087	-	7,144
Additions	-	489	489	367	10	866
Amortisation	(169)	-	(169)	-	-	(169)
<b>Carrying amount at 30 June 2008</b>	<u>5,080</u>	<u>1,297</u>	<u>6,377</u>	<u>1,454</u>	<u>10</u>	<u>7,841</u>

Year to 31 December 2008

	Intellectual property	Micro-CHP Research and development asset	Total	Compressed air battery Research and development asset	Smart voltage management Research and development asset	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Carrying amount at 1 January 2008</b>	5,249	808	6,057	1,087	-	7,144
Additions	-	1,298	1,298	735	222	2,255
Amortisation	(336)	-	(336)	-	-	(336)
<b>Carrying amount at 31 December 2008</b>	<u>4,913</u>	<u>2,106</u>	<u>7,019</u>	<u>1,822</u>	<u>222</u>	<u>9,063</u>

## 7 Loss per ordinary share

The calculation of the loss per ordinary share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares and the post tax effect of dividends and/or interest, on the assumed conversion of all dilutive options and other dilutive potential ordinary shares.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

	<b>Unaudited Period to 30 June 2009 £'000</b>	<b>Unaudited Period to 30 June 2008 £'000</b>	<b>Audited Year to 31 December 2008 £'000</b>
(Loss)/profit after tax and earnings attributable to ordinary shareholders (£'000)	(1,625)	845	(1,272)
Weighted average number of shares (used for basic earnings per share) (thousands)	55,048	55,065	55,088
Dilutive effect of options and warrants	<u>-</u>	<u>855</u>	<u>-</u>
Diluted weighted average number of shares (used for diluted earnings per share) (thousands)	55,048	55,920	55,088
Basic (loss)/earnings per share (pence)	<u>(2.95)</u>	<u>1.53</u>	<u>(2.31)</u>
Diluted (loss)/earnings per share (pence)	<u>(2.95)</u>	<u>1.51</u>	<u>(2.31)</u>

The share options and warrants in issue are anti-dilutive in respect of the basic loss per share calculation and have therefore been excluded in the above calculation for the period to 30 June 2009 and year to 31 December 2008.

## **8 Deemed disposals**

During the period, the Group made a deemed disposal in its AIM listed subsidiary, VPhase plc.

On 30 June 2009, VPhase plc issued 416,666 ordinary shares of 0.25 pence each at 6.0 pence per share to Novum Securities Limited, its broker in settlement of outstanding fees reducing the Group's interest from 49.11% to 49.09% resulting in a gain to the Group as calculated below:

	<b>Group</b>	Minority Interest	Total
	£	£	£
Fair value of consideration	<b>25,000</b>	-	25,000
Share of net assets disposed	<b>(13,152)</b>	13,152	-
<b>Gain on disposal</b>	<u><b>11,848</b></u>	<u>13,152</u>	<u>25,000</u>

The Group continues to consolidate the results of the subsidiary on the basis that it controls the financial and operating policies of VPhase plc through Board members. The Group has

control over 53.3% of the voting rights of the ordinary shares in VPhase plc as a result of retaining the voting rights over shares held by an employee benefit trust.