



**Press Release**

**28 September 2010**

**Energetix Group plc**

("Energetix" or "the Group")

**Consolidated Interim Financial Statements for the six months ended 30 June 2010**

Energetix Group plc (AIM: EGX), a group of companies with three cost-effective products (Genlec, Pnu Power and VPhase) to meet the growing demand for alternative and efficient energy, today announces its Interim Results for the six months ended 30 June 2010.

**Financial and operational highlights**

- Turnover increased to £0.13 million (2009: £0.12 million)
- Operating loss increased to £2.48 million (2009: £2.01 million)
- Cash and cash equivalents of £3.30 million (2009: £8.28 million)
- Genlec unveils UK configured Kingston micro-CHP ("mCHP") boiler in March 2010
- UK government introduces Feed In Tariffs for mCHP enhancing likely demand for the Kingston appliance in the UK market
- Pnu Power granted US patent
- Pnu Power secures BSI accreditation
- VPhase staff home trials demonstrate savings between 6% and 12% per annum (between £75 and £135 per annum)
- VPhase Great Places Housing Group trial demonstrates average energy savings of 8.7%.

## Post Period End

- Contracted with major white goods manufacturer to commence the Kingston technology transfer programme to provide volume manufacturing capability
- VPhase has a number of framework agreements with large utilities and a leading outsourcing company in negotiation.

Alan Aubrey, Chairman of Energetix Group commented: "The Group has made some important steps towards commercialisation with each of its three technologies, and although this process is taking longer than originally anticipated, we are making considerable progress in all areas. Take up of our products by large corporate customers is a lengthy process, but we are now making real headway and look forward to updating shareholders over the coming months. As with many new technology developments, progress has been slower than expected, particularly in the mCHP space, however we are now very close to creating the major commercial value we believe is inherent in all three products."

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## **Chief Executive's Review**

In presenting the Group's Interim Results for the six months ended 30 June 2010, I recognise that the progress to full commercialisation of our products has been slower than we anticipated. However, we remain convinced that these delays are due to the processes required when dealing with our major corporate clients and do not reflect any issues with the products themselves. Whilst the rate of progress has been frustrating, some major steps have been achieved on the route to having our products accepted by our customers.

At the end of the period the Group had £3.30 million in the bank; comprising £2.36 million in Energetix and £0.94 million in VPhase. Energetix has also applied for a substantial R&D tax credit from HMRC for the 2008 and 2009 financial years.

### **Energetix Genlec Limited ("Genlec")**

Technical progress on Genlec's Kingston appliance has advanced rapidly, with full prototype mCHP appliances built and tested. In particular, testing to the PAS67 standard, as requested by our potential utility partner, has been undertaken and has demonstrated greater levels of power output and efficiency than anticipated. We believe that Kingston is on track to be the smallest, lightest, lowest cost mCHP product. The market conditions for mCHP have continued to significantly improve, in particular with the Feed In Tariff in the UK, this tariff doubles the savings from 10p for each kWh to between 20-23p per kWh, effectively doubling the homeowner's savings made from a Kingston appliance. This additional benefit has led to an increased level of interest in the Kingston appliance from a range of major potential routes to market in the UK, including power utilities that have other arrangements with other mCHP based technologies. An intense programme of work that has undertaken the initial design for manufacture, the design for certification, and the design for installation and serviceability is nearing completion. The Genlec team have been working with industry experts in the fields of boiler design, gas appliance certification, and volume manufacture to ensure that the Kingston design will be fit for rapid transfer to volume manufacturing. We are pleased to have recently entered into a contract with a major UK manufacturer with expertise in boiler production and we are working with this company to set up initial production of Kingston appliances in the Genlec facility at Capenhurst using boiler assembly staff from the manufacturer. This is the first stage in the technology transfer process which, it is intended, will lead to a volume manufacturing capacity.

The Kingston programme is currently on track to enable full mCHP appliances to be installed and operating in homes during the coming winter period.

Whilst the Kingston appliance has been developed specifically for the UK market, in response to the growing benefits of the UK market for mCHP, we believe that this appliance is likely to be suitable for supply directly to a number of EU countries and, with some further customisation, to all countries in the EU. We believe the unique Kingston features of being small, lightweight, and low cost can lead to Kingston being the mCHP of choice in many EU countries.

### **VPhase plc (“VPhase”)**

The rate of commercial progress in VPhase has accelerated significantly in the last few months. In particular VPhase is in the final stages of negotiating several national framework agreements with leading power utilities and a large outsourcing company that provides heating and renewable energy in the UK. We believe successful negotiation of these contracts would be a substantial step toward the company being able to reach breakeven and profitability.

Key milestones have also been reached: external trials of VPhase have demonstrated electricity savings of between 6% and 12% per annum in the home; VPhase is now listed in over 1,000 electrical wholesalers’ outlets across the UK; and an increasing number of electrical contractors are being trained in its installation. We were also delighted to be awarded a full EU patent for the unique VPhase technology.

As a result of the appointment of Vanda Murray OBE in July 2010 to Chair VPhase and Rick Smith taking responsibility for overseeing commercial activity, a new commercial strategy has been implemented.

Rick has now been appointed Chief Executive Officer of VPhase taking full responsibility for all activities within the Group from Lee Juby who steps down with immediate effect. The Board would like to thank Lee for his contribution over the last three years.

Rick will, for an interim period, remain as Energetix Chief Financial Officer and stay on the Energetix board, and Energetix Group will seek to appoint a new Chief Financial Officer in due course. The Board believes that the current finance team is more than capable of meeting the demands of this role in the intervening period.

Highlights from the new VPhase commercial strategy include:

- increased consumer awareness through TV and magazine coverage, as well as a new website [www.vphase.co.uk](http://www.vphase.co.uk);
- increased awareness amongst professional electricians through magazine advertising, and increased efforts of the field sales team;

- a new pricing structure which should result in an installed price for the homeowner of no more than £250 if installed in conjunction with a new consumer unit; and
- a mail shot sent to over 2,200 social housing providers outlining the results of the Great Places trial.

Typically demonstrating electricity savings of between 6% and 12% per annum and carbon savings in excess of four tonnes over its lifetime, the energy savings to the homeowner makes installing a VPhase unit a compelling economic case. Qualification under the UK Government's Carbon Emissions Reductions Target ("CERT"), due later this year, should further accelerate VPhase's adoption in the social housing arena.

### **Energetix Pnu Power Limited ("Pnu Power")**

Commercial progress with Pnu Power has been disappointingly slow as we had not fully understood the processes our customers needed to go through to adopt the product into their mainstream purchasing systems. In particular, the requirements and protocols of the National Grid companies have required Pnu Power to cross significant technical hurdles. All those hurdles presented to Pnu Power to date have been successfully cleared and the Company is now registered by Achilles who provide supplier management services that are used by companies throughout the utility industry, including the power generation, transmission and distribution, nuclear, water, telecom and gas industries, as a Qualified Supplier to National Grid. Whilst there are still further criteria to be met in order for Pnu Power to become the backup power solution for National Grid, we have not identified any reasons why this cannot be achieved.

### **Outlook**

Each business is making solid progress and the Board is working to drive further growth. The coming months will be important for the Group, as we continue to undertake the relevant processes to penetrate our large corporate clients. Whilst the processes that we have to go through in order to achieve this can cause delays, the Board has confidence in our products and is optimistic that we will be able to make further progress with these clients, securing growing sales and achieving full commercialisation.

**Adrian Hutchings**

**Chief Executive Officer**

**28 September 2010**

## Unaudited consolidated income statement

	Note	Unaudited 6 months to 30 June 2010 £'000	Unaudited 6 months to 30 June 2009 £'000	Audited Year to 31 December 2009 £'000
<b>Continuing operations</b>				
Revenue	3	133	123	255
Cost of sales		(104)	(69)	(222)
<b>Gross profit</b>		<b>29</b>	<b>54</b>	<b>33</b>
Administrative expenses		(2,512)	(2,061)	(4,042)
<b>Operating loss</b>		<b>(2,483)</b>	<b>(2,007)</b>	<b>(4,009)</b>
Other income		-	12	30
Net finance income/(costs)	4	8	28	(3)
<b>Loss before income tax</b>		<b>(2,475)</b>	<b>(1,967)</b>	<b>(3,982)</b>
Income tax credit		-	135	135
<b>Loss for the financial period</b>		<b>(2,475)</b>	<b>(1,832)</b>	<b>(3,847)</b>
<b>Attributable to:</b>				
Equity holders of the parent		(2,104)	(1,625)	(3,350)
Minority interest		(371)	(207)	(497)
		(2,475)	(1,832)	(3,847)
<b>Earnings per share:</b>				
Basic and diluted loss per share	7	(3.81p)	(2.95p)	(6.08p)

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 unaudited Consolidated Interim Financial Statements.

## Unaudited consolidated statement of financial position

	Note	Unaudited 6 months to 30 June 2010 £'000	Unaudited 6 months to 30 June 2009 £'000	Audited Year to 31 December 2009 £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		215	412	284
Goodwill		311	311	311
Other intangible assets	6	9,843	9,852	9,865
		<u>10,369</u>	<u>10,575</u>	<u>10,460</u>
<b>Current assets</b>				
Inventories		432	8	375
Trade and other receivables		274	293	272
Cash and cash equivalents		3,300	8,282	5,657
		<u>4,006</u>	<u>8,583</u>	<u>6,304</u>
<b>Total assets</b>		<b><u>14,375</u></b>	<b><u>19,158</u></b>	<b><u>16,764</u></b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		(1,022)	(1,142)	(944)
Financial liability-borrowings		(85)	(264)	(85)
		<u>(1,107)</u>	<u>(1,406)</u>	<u>(1,029)</u>
<b>Non-current liabilities</b>				
Financial liability-borrowings		(1,600)	(1,625)	(1,600)
<b>Total liabilities</b>		<b><u>(2,707)</u></b>	<b><u>(3,031)</u></b>	<b><u>(2,629)</u></b>
<b>Net assets</b>		<b><u>11,668</u></b>	<b><u>16,127</u></b>	<b><u>14,135</u></b>
<b>Equity</b>				
<b>Equity attributable to equity holders of the parent</b>				
Share capital		2,758	2,757	2,758
Share premium account		15,228	15,213	15,228
Retained earnings		(6,574)	(2,988)	(4,470)
Reverse acquisition reserve		(821)	(821)	(821)
Warrant reserve		335	591	335
Other reserves		85	57	77
		<u>11,011</u>	<u>14,809</u>	<u>13,107</u>
Minority interest		657	1,318	1,028
<b>Total equity</b>		<b><u>11,668</u></b>	<b><u>16,127</u></b>	<b><u>14,135</u></b>

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

**Unaudited consolidated statement of changes in equity**

	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 2010</b>	<b>2,758</b>	<b>15,228</b>	<b>(4,470)</b>	<b>(821)</b>	<b>335</b>	<b>77</b>	<b>13,107</b>	<b>1,028</b>	<b>14,135</b>
Other sharebased payments	-	-	-	-	-	8	8	-	8
<b>Transactions with owners</b>	<b>2,758</b>	<b>15,228</b>	<b>(4,470)</b>	<b>(821)</b>	<b>335</b>	<b>85</b>	<b>13,115</b>	<b>1,028</b>	<b>14,143</b>
Loss for the financial period	-	-	(2,104)	-	-	-	(2,104)	(371)	(2,475)
<b>Balance at 30 June 2010</b>	<b>2,758</b>	<b>15,228</b>	<b>(6,574)</b>	<b>(821)</b>	<b>335</b>	<b>85</b>	<b>11,011</b>	<b>657</b>	<b>11,668</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 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: - 5 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>

	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	-	-	-	-	-	11	11	-	11
Other share-based payments	-	-	-	-	-	(16)	(16)	-	(16)
Lapse of share-based payments	-	-	68	-	-	(68)	-	-	-
Lapse of warrants	-	-	256	-	(256)	-	-	-	-
Deemed disposal in VPhase plc	-	-	-	-	-	-	-	13	13
Shares issued:									
- 4 June 2009	1	15	-	-	-	-	16	-	16
- 6 August 2009	1	15	-	-	-	-	16	-	16
Share buy-back	-	-	(43)	-	-	-	(43)	-	(43)
<b>Transactions with owners</b>	<b>2,758</b>	<b>15,228</b>	<b>(1,120)</b>	<b>(821)</b>	<b>335</b>	<b>77</b>	<b>16,457</b>	<b>1,525</b>	<b>17,982</b>
Loss for the financial year	-	-	(3,350)	-	-	-	(3,350)	(497)	(3,847)
<b>Balance at 31 December 2009</b>	<b>2,758</b>	<b>15,228</b>	<b>(4,470)</b>	<b>(821)</b>	<b>335</b>	<b>77</b>	<b>13,107</b>	<b>1,028</b>	<b>14,135</b>

## Unaudited consolidated statement of cash flows

	<b>Unaudited 6 months to 30 June 2010 £'000</b>	Unaudited 6 months to 30 June 2009 £'000	Audited Year to 31 December 2009 £'000
<b>Cash flows from operating activities</b>			
Loss before income tax	(2,475)	(1,967)	(3,982)
Adjustments for:			
Depreciation	91	57	207
Amortisation	414	219	591
Finance Income	(8)	(30)	(45)
Other Income	-	-	48
Other gains on part disposal of Energetix Voltage Control Limited/VPhase plc	-	(12)	(12)
Share based payments	8	29	11
Other share based payments	-	-	16
Deemed fair value of consideration on deemed disposal	-	-	25
Discount on settlement of Axiomlab liability	-	-	(18)
Increase in inventories	(57)	(8)	(375)
(Increase)/decrease in trade and other receivables	(2)	122	143
Increase/(decrease) in trade and other payables	78	(213)	(413)
<b>Net cash from operating activities</b>	<b>(1,951)</b>	<b>(1,803)</b>	<b>(3,804)</b>
<b>Taxation</b>			
Tax received	-	135	135
<b>Cash flows from investing activities</b>			
Expenditure on intangible assets	(392)	(1,008)	(1,393)
Purchase of property, plant and equipment	(22)	(54)	(76)
Interest received	8	30	45
<b>Net cash used in investing activities</b>	<b>(406)</b>	<b>(1,032)</b>	<b>(1,424)</b>
<b>Cash flows from financing activities</b>			
Repayment of financial liabilities	-	-	(232)
Share buy back in subsidiary	-	(43)	(43)
<b>Net cash used in financing activities</b>	<b>-</b>	<b>(43)</b>	<b>(275)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,357)</b>	<b>(2,743)</b>	<b>(5,368)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>5,657</b>	<b>11,025</b>	<b>11,025</b>
<b>Cash and cash equivalents at end of period</b>	<b>3,300</b>	<b>8,282</b>	<b>5,657</b>

The notes are an integral part of these unaudited 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 Castfield House, Liverpool Road, Castlefield, Manchester M3 4SB. 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 434 of the Companies Act 2006. The consolidated statement of financial position as at 31 December 2009 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 2009. Those Financial Statements have received an unqualified report from the auditors and have been delivered to the Registrar of Companies. The 2009 statutory accounts contained no statement under section 498(2) or section 498(3) of the Companies Act 2006.

The Consolidated Interim Financial Statements for the period ended 30 June 2010 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 2 September 2010 for release on 28 September 2010.

Energetix Group plc’s Consolidated Interim Financial Statements are presented in pounds sterling (£).

## **2 Basis of preparation**

These interim consolidated financial statements are for the six months ended 30 June 2010. 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 2009.

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

The Directors recognise that the customer adoption process of the Group's products has taken longer than anticipated and the Directors have tightly managed the Group's cash resources to reflect this position.

In addition, each Group company is in a position to generate income from the contractual negotiations currently in progress with major utilities, power infrastructure organisations and a large heating and renewable outsourcing company. Given this position and, if required, the availability of alternative funding opportunities through, for example, loans under the Enterprise Finance Guarantee scheme, 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 2009.

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 mCHP products from Genlec;
- Products for power quality and reliability, these comprise the compressed air battery products for Pnu Power; and
- Products for energy efficiency, these comprise the voltage control 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 2010

	Distributed generation and load shifting £'000	Power quality and reliability £'000	Energy Efficiency £'000	Other segments £'000	Total £'000
Revenue from external customers	-	12	121	-	133
Segment revenues	-	12	121	-	133
Operating loss	(858)	(512)	(480)	(322)	(2,172)
Finance income	-	-	1	-	1
Loss for the year	(858)	(512)	(479)	(322)	(2,171)
Depreciation and amortisation expense	(186)	(32)	(25)	(1)	(244)

#### 6 months to 30 June 2009

	Distributed generation and load shifting £'000	Power quality and reliability £'000	Energy Efficiency £'000	Other segments £'000	Total £'000
Revenue from external customers	43	20	60	-	123
Segment revenues	43	20	60	-	123
Operating loss	(1,009)	(587)	(373)	(510)	(2,479)
Finance income	-	-	8	-	8
Loss before income tax	(1,009)	(587)	(365)	(510)	(2,471)
Income tax expense	-	-	5	1	6
Loss for the year	(1,009)	(587)	(360)	(509)	(2,465)
Depreciation and amortisation expense	(177)	(22)	(9)	(1)	(209)

Year to 31 December 2009

	Distributed generation and load shifting £'000	Power quality and reliability £'000	Energy Efficiency £'000	Other segments £'000	Total £'000
Revenue from external customers	44	87	124	-	255
Segment revenues	44	87	124	-	255
Operating loss	(1,930)	(1,015)	(733)	(846)	(4,524)
Finance income	-	-	11	-	11
Other Income	92	-	-	-	92
Discounts allowed	-	-	-	18	18
Loss before income tax	(1,838)	(1,015)	(722)	(828)	(4,403)
Income tax expense	78	52	5	-	135
Loss for the year	(1,760)	(963)	(717)	(828)	(4,268)
Depreciation and amortisation expense	(373)	(81)	(26)	(7)	(487)
Other non cash movements	92	-	-	-	92

The segment assets, liabilities and non-current assets for the period then ended are as follows:

30 June 2010

	Distributed generation and load shifting £'000	Power quality and reliability £'000	Energy Efficiency £'000	Other Segments £'000	Total £000
Assets	8,323	2,528	2,826	9,724	23,401
Liabilities	(12,168)	(5,650)	(3,615)	(4,701)	(26,134)
Non-current assets at net book value					
-Tangible	46	66	46	2	160
-Intangible	3,573	1,540	321	-	5,434

30 June 2009

	Distributed generation and load shifting £'000	Power quality and reliability £'000	Energy Efficiency £'000	Other Segments £'000	Total £000
Assets	7,787	2,649	3,655	9,705	23,796
Liabilities	(10,769)	(4,757)	(3,584)	(4,124)	(23,234)
Non-current assets at net book value					
-Tangible	80	157	66	9	312
-Intangible	2,695	2,017	412	-	5,124

31 December 2009

	Distributed generation and load shifting £'000	Power quality and reliability £'000	Energy Efficiency £'000	Other Segments £'000	Total £000
Assets	8,069	2,561	3,337	9,849	23,816
Liabilities	(11,308)	(5,128)	(3,638)	(4,563)	(24,637)
Non-current assets at net book value					
-Tangible	55	98	61	3	217
-Intangible	3,181	1,736	371	-	5,288

The totals presented for the Group's operating segments reconcile to the entity's key financial figures as follows:

	Unaudited 6 months to 30 June 2010 £'000	Unaudited 6 months to 30 June 2009 £'000	Audited Year ended 31 December 2009 £000
<b>Revenue</b>			
Total segment revenues	133	123	255
Group revenues	133	123	255
<b>Profit or loss</b>			
Segment operating loss	(2,172)	(2,479)	(4,524)
Other expenses not allocated	(703)	(536)	(878)
Research and development costs	392	1,008	1,393
<b>Group operating loss</b>	(2,483)	(2,007)	(4,009)
Net finance (costs)/income	8	28	(3)
Other gains	-	12	30
Group loss before tax	(2,475)	(1,967)	(3,982)
<b>Assets</b>			
Total segment assets	23,401	23,796	23,816
Consolidation	(19,697)	(19,012)	(18,095)
Group headquarters	10,671	14,374	11,043
Group assets	14,375	19,158	16,764

#### 4 Net finance income/(costs)

	Unaudited 6 months to 30 June 2010 £'000	Unaudited 6 months to 30 June 2009 £'000	Audited Year ended 31 December 2009 £000
Loans and receivable (including cash and cash equivalents)	8	28	45
Fair value adjustments of long term borrowings	-	-	(48)
	8	28	(3)

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 11.6% (2009: 12.50%) from the date of assuming until anticipated settlement date giving rise to a non current liability of £1,600,000 (2009: £1,625,000) and a current liability of £85,000 (2009: £264,000).

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 licence 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 (2009: £Nil) and the discounting of estimated future repayments at 11.6% has resulted in no adjustment to the carrying value of the liability (2009: £Nil).

Any future repayment of the Battelle liability is contingent on Energetix Genlec Limited achieving mainstream sales of product or receiving licence 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 2010, no shares were issued to Novum Securities Limited in settlement of broker services received (30 June 2009: 16,025 5 pence shares were issued at 97.5 pence per share). On 6 July 2009, Ambrian Partners Limited was appointed as Nominated Adviser and Broker to the Company. Fees payable to Ambrian Partners Limited are 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.

During the period to 30 June 2010 no share options were granted (30 June 2009: 412,500). As at 30 June 2010, 637,500 share options were capable of being exercised (2009: 206,250). The options outstanding at 30 June 2010 had a weighted average exercise price of 50.7 pence (2009: 50.8 pence), and a weighted average remaining contractual life of eight years two months.

No options were exercised during the period. The Group uses the Black-Scholes model to fair value the Group's share options which resulted in a fair value charge of £8,000 (2009: £5,000) and a corresponding credit to other reserves.

## 6 Other intangible assets

The following tables show the significant additions to intangible assets.

### 6 months to 30 June 2010:

	Micro-CHP			Compressed air battery	Smart voltage management	Total
	Intellectual property £'000	Research and development asset £'000	Total £'000			
<b>Carrying amount at 1 January 2010</b>	<b>4,577</b>	<b>3,181</b>	<b>7,758</b>	<b>1,736</b>	<b>371</b>	<b>9,865</b>
Additions	-	392	392	-	-	392
Amortisation	(168)	-	(168)	(196)	(50)	(414)
<b>Carrying amount 30 June 2010</b>	<b>4,409</b>	<b>3,573</b>	<b>7,982</b>	<b>1,540</b>	<b>321</b>	<b>9,843</b>

### 6 months to 30 June 2009:

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

### Year to 31 December 2009:

	Micro-CHP			Compressed air battery	Smart voltage management	Total
	Intellectual property £'000	Research and development asset £'000	Total £'000			
<b>Carrying amount at 1 January 2009</b>	<b>4,913</b>	<b>2,106</b>	<b>7,019</b>	<b>1,822</b>	<b>222</b>	<b>9,063</b>
Additions	-	1,075	1,075	142	176	1,393
Amortisation	(336)	-	(336)	(228)	(27)	(591)
<b>Carrying amount 30 June 2009</b>	<b>4,577</b>	<b>3,181</b>	<b>7,758</b>	<b>1,736</b>	<b>371</b>	<b>9,865</b>

## 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.

	Unaudited 6 months to 30 June 2010 £'000	Unaudited 6 months to 30 June 2009 £'000	Audited Year to 31 December 2009 £'000
Loss after tax and earnings attributable to ordinary shareholders (£'000)	(2,104)	(1,625)	(3,350)
Weighted average number of shares (thousands)	55,155	55,048	55,138
Basic and diluted loss per share (pence)	<b>(3.81)</b>	<b>(2.95)</b>	<b>(6.08)</b>

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.

## 8 Deemed disposals

During the period, the Group made no deemed disposals in its AIM listed subsidiary, VPhase plc. The Group continues to consolidate the results of the subsidiary on the basis that it controls the financial and operating policies of VPhase plc through Board members. As at 30 June 2010, the Group had 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.