ZENERGY POWER plc

Interim Results 2010

ZENERGY POWER

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Highlights

Financial Overview

	H1 10 €000	H1 09 €000
Revenue	646	214
Gross margin	34	29
Operating loss	(5,304)	(4,527)
Cash burn	(6,665)	(6,029)
Backlog	3,606	799
Closing cash balance	23,204	11,710

Operating Overview

» Repeat order for MBH unit from first customer Weseralu GmbH
» First order for medium-voltage FCL unit
» Placing to raise £20.04m (approximately £19.2m net of expenses)

Chairman and CEO Statement

As foreshadowed in the company's trading update issued on the 9th of July 2010, contracts were slower to materialise than expected in the Period. Both the completion of the 11kV FCL order and the anticipated follow-on 33kV FCL contract are delayed pending resolution of contract-specific uncertainties unrelated to Zenergy Power.

As revenue is at present recognised on a long-term contract basis, the slow order intake and delayed FCL work also negatively impacted revenue in the Period. Margins were adversely affected by materials cost increases and specification changes on a Magnetic Billet Heater contract due for delivery in the second half.

Cash consumption in the Period was managed broadly in line with plans, with expenditure deferrals compensating for reduced margins. The company has initiated a review of its cost base with the objective of reducing cash burn. Following the Period end, the Board has re-affirmed the company's strategy, which is elaborated below.

Strategic Review

Superconductors are materials that are capable of conducting electricity without electrical resistance. The potential market for high efficiency power applications incorporating these materials is substantial, driven by a number of factors:

» Superconductive materials conduct electricity with no electrical or heat losses making them nearly 100% efficient
» Superconductive materials carry over 100X more electrical current than copper enabling reductions in material use and equipment size and weight

Zenergy Power plc focuses on creating patented superconductor clean energy solutions for industrial-scale consumers, producers and distributors of electrical energy. The company's core value creation is the development of a portfolio of patented superconductor technology solutions and the manufacture of products derived from this know-how which are incorporated into industrial power applications to enhance energy efficiency, performance and design.

The goal of Zenergy Power is to create value for shareholders through its base of Intellectual Property and know-how in the field superconductivity in which it has developed industrial applications.

To achieve this, the company's superconductor technology has to date been applied to four main areas addressing different market segments. The purpose behind the company's strategy of incorporating superconducting coils and magnets into industrial machines has been to demonstrate the effectiveness of Zenergy Power's magnet assemblies to end-users unfamiliar with the technology. In the early stages of this process the company has invested resources in creating end-product and in providing technical support and know-how to OEM customers.

2G HTS Wire

Zenergy Power's strategy for the development of its 2G wire is based on both: the development of a continuous chemical process which, when scaled-up, can deliver quantities of wire at lower cost, thus facilitating and stimulating the adoption of superconducting equipment generally; and using materials available in quantity from substantial and reputable suppliers to ensure that industrial manufacture is a feasible process. It is a significant enabling product for the whole superconducting equipment industry.

The company has reviewed the investment required to scale-up production, the economics of volume manufacture and external assessments of the market potential, which predict that the main volume opportunities are likely to occur in the HTS power cable and wind generation industries. The company has concluded that the investment, timescale, management and financial resources required are too great for Zenergy Power to contemplate realisation itself.

Zenergy Power therefore intends to engage with companies experienced in the wire and cable universe to negotiate the transfer of responsibility for future scaled commercialisation of 2G wire production. Successful implementation of this strategy would deliver a reward to Zenergy Power shareholders for the substantial investment made in 2G wire development delivered in the form of transfer payments and royalty streams. It would also secure longer term supply of low-cost superconductor wire for the company's manufacturing requirements.

Magnet Billet Heaters ('MBH')

This is the company's most advanced product line which fits the desired model most closely. Market acceptance through our sole OEM partner, Bültmann GmbH, is growing and over time Zenergy Power will seek to focus solely on providing superconductor magnets and technical support.
The key market drivers of the MBH, being energy efficiency and consistency of product heating, have been demonstrated and orders to date have been won as a result of these performance criteria. Notwithstanding these performance improvements, user acceptance continues to influence purchasing decisions albeit less so over time as confidence in the product grows. However, timing of order placement is determined in many cases by the replacement cycle of existing capital or the creation of new capacity and the present economic environment is unhelpful.

Fault Current Limiters ('FCL')

Zenergy Power in the US is responsible for taking magnets made in the German facility and using its own design and technical teams to create stand-alone FCL's for incorporation into electrical grid systems. It employs internal and external network engineering resources to satisfy the needs of power utilities to protect power grids, reduce the cost of capacity expansion and to make secure connections for new sources of power generation. The immediate goal for Zenergy Power is to sell and install, often with publicly-funded 'smart grid' or 'new energy' project support, sufficient units to demonstrate the performance and economic effectiveness across a range of distribution and transmission voltages.

The narrowness of the company's product range within the Transmission & Distribution equipment universe and the need for a global marketing, sales and support footprint preclude Zenergy Power from addressing the market directly. It will therefore seek to engage with international corporations with the necessary product range, geographical reach and reputation. The timescale for this is unpredictable, but anticipated delivery progress over the next two years suggests increased engagement with industrial corporations during 2012.

Renewable Energy

This is in general a longer term opportunity and the company's approach is aligned with that of other industry participants and partners.

In hydropower, the approach is to accept orders for appropriate end-user funded studies of hydropower turbine installations to assist in identifying opportunities for the replacement installation of superconductor based generators in, usually ageing, run-of-river power plants.

Superconducting coils hold potential promise in generator designs for use in large-scale offshore wind-turbines. However, with the exception of coil supply for proof-of-technology generator prototypes, the long term nature of the commercial opportunity and the engineering obstacles to be overcome put the prospect of revenue for the company beyond any immediate timescales. Zenergy Power does however have the capability to provide technical and know-how support for work on superconductor wind applications as demand emerges.

The timescales for the implementations of these strategic decisions are necessarily uncertain. Successful implementation is important for the transition to profitability and the creation of shareholder value, not only from future payments or revenue streams, but from a reduction in the cost burden currently carried by the company.

The Board

Following the interims both Michael Fitzgerald and John Voltz will be stepping down from the main board of Zenergy Power. Michael initiated the development of Zenergy Power and was until recently Non Executive Chairman. Both have been Directors since before the company's listing. The Board wishes to extend its thanks for their significant contribution to the company. Head hunters are engaged in the process of identifying a new UK-based NED and audit committee chairman, which is well advanced.

Given the company's recent trading, the Non Executive Directors and the Chairman have waived their entitlement to share based payments due on the publication of these interim results.

Future Accounting / Reporting

Currently, Zenergy Power contractually receives the full revenue value of contracts relating to equipment sales and accounts for revenue on a long term contract basis. Following the company's strategic review and the subsequent focus on the manufacture and supply of core components to OEM customers, it will, over time, migrate its policy to recognising revenue solely related to the provision of core components recognised at the point of shipping, thus better reflecting the company's strategy and improving transparency of gross margins.

Outlook

Second half trading, based on orders planned for delivery in the period, including three MBH units, will show an improvement over the first half of the year. The timing of individual orders for large items of capital equipment is unpredictable at the best of times, although the prospects for order intake appear better in the forthcoming months as user experience builds.

The 2G wire development processes which would form the basis for manufacture continue to make good progress and are targeted for completion at the end of 2010.

John Poulter
Chairman

Dr Jens Mueller
Chief Executive Officer

Consolidated income statement
For the six months ended 30 June 2010

	Notes	Unaudited Six months to 30 June 2010 €000	Unaudited Six months to 30 June 2009 €000	Audited Year ended 31 December 2009 €000
Revenue	2	646	214	2,437
Cost of sales		(612)	(185)	(2,038)
Gross profit		34	29	399
Other operating income	3	115	453	894
Sales and marketing expenses		(1,212)	(824)	(1,544)
Administrative expenses		(1,530)	(1,815)	(4,056)
Research & development expenses		(2,711)	(2,115)	(3,745)
Strategic marketing project		-	(255)	(267)
Loss before research & development, depreciation & amortisation, strategic marketing project & equity settled share based payments		(2,097)	(1,409)	(2,933)
Research & development expenses		(2,711)	(2,115)	(3,745)
Depreciation & amortisation		(466)	(469)	(926)
Equity settled share-based payment expenses		(30)	(279)	(448)
Strategic marketing project		-	(255)	(267)
Operating loss		(5,304)	(4,527)	(8,319)
Financial income	4	71	30	103
Financial expenses	4	(925)	(489)	(289)
Net financing (expense)/ income		(854)	(459)	(186)
Loss before tax		(6,158)	(4,986)	(8,505)
Taxation		13	13	24
Loss for the period attributable to equity holders of the Parent		(6,145)	(4,973)	(8,481)
Earnings/(loss) per share (Euros)				
Basic and fully diluted loss per share	5	(0.10)	(0.11)	(0.17)

Consolidated statement of Comprehensive Income
For the six months ended 30 June 2010

	Unaudited Six months to 30 June 2010 €000	Unaudited Six months to 30 June 2009 €000	Audited Year to 31 December 2009 €000
Loss for the period	(6,145)	(4,973)	(8,481)
Other Comprehensive Income			
Foreign exchange differences on translation of foreign operations	2,442	684	223
Other comprehensive income for the year, net of tax	2442	684	223
Total comprehensive income for the period	(3,703)	(4,289)	(8,258)

Consolidated balance sheet

	Note	Unaudited 30 June 2010 €000	Unaudited 30 June 2009 €000	Audited 31 December 2009 €000
Non-current assets				
Property, plant and equipment	6	3,601	3,423	3,452
Goodwill	7	1,516	1,335	1,321
Other intangible assets	7	8,157	5,897	6,308
		13,274	10,655	11,081
Current assets				
Inventories		836	1,248	1,198
Trade and other receivables		3,587	1,353	2,349
Cash and cash equivalents		23,204	11,710	6,900
		27,627	14,311	10,447
Total assets		40,901	24,966	21,528
Current liabilities				
Trade and other payables		(3,285)	(2,317)	(2,702)
Non current liabilities				
Deferred tax liabilities		(708)	(638)	(615)
Total liabilities		(3,993)	(2,955)	(3,317)
Net assets		36,908	22,011	18,211
Equity attributable to equity holders of the parent				
Share capital	8	934	738	738
Share premium		64,387	42,213	42,213
Translation reserve		(122)	(2,108)	(2,569)
Warrant reserve		200	200	200
Retained loss		(28,491)	(19,032)	(22,371)
Total equity attributable to shareholders		36,908	22,011	18,211

Consolidated statement of changes in equity

For the six months ended 30 June 2010

	Share capital €000	Share premium €000	Translation reserve €000	Warrant reserve €000	Retained loss €000	Total equity €000
Balance at 1 January 2010	738	42,213	(2,569)	200	(22,371)	18,211
Loss for the period	-	-	-	-	(6,145)	(6,145)
Other comprehensive income						
Foreign exchange differences on translation of foreign operations	-	-	2,442	-	-	2,442
Total comprehensive income for the period	-	-	2,442	-	(6,145)	(3,703)
Transactions with equity holders						
Equity-settled share based payment transactions	-	-	-	-	30	30
Paid in share capital - cash	196	22,174	-	-	-	22,370
Balance at 30 June 2010	934	64,387	(127)	200	(28,486)	36,908

For the six months ended 30 June 2009	Share capital €000	Share premium €000	Translation reserve €000	Warrant reserve €000	Retained loss €000	Total equity €000
Balance at 1 January 2009	649	32,050	(2,792)	200	(14,338)	15,769
Loss for the period	-	-	-	-	(4,973)	(4,973)
Other comprehensive income						
Foreign exchange differences on translation of foreign operations	-	-	684	-	-	684
Total comprehensive income for the period	-	-	684	-	(4,973)	(4,289)
Transactions with equity holders						
Equity-settled share based payment transactions	-	-	-	-	279	279
Paid in share capital - cash	89	10,163	-	-	-	10,252
Balance at 30 June 2009	738	42,213	(2,108)	200	(19,032)	22,011

The aggregated current and deferred tax relating to items that are charged or credited to equity is €Nil.

Consolidated cash flow statement

For the six months ended 30 June 2010

	Notes	Unaudited 30 June 2010 €000	Unaudited 30 June 2009 €000	Audited 31 December 2009 €000
Cash flows from operating activities				
Loss for the period		(6,145)	(4,973)	(8,481)
Adjustments for:				
Depreciation and amortisation	6,7	466	469	926
Foreign exchange (losses)/gains		(220)	330	(430)
(Gain)/loss on sale of fixed assets		(8)	39	55
Financial income	4	(71)	(30)	(103)
Financial expenses	4	925	489	289
Equity settled share-based payment expenses		30	279	448
Taxation		(13)	(13)	(24)
Operating loss before changes in working capital		(5,036)	(3,410)	(7,320)
Increase in trade and other receivables		(1,238)	(223)	(447)
Decrease /(increase) in inventories		362	(740)	(690)
Increase in trade and other payables		583	290	724
Cash absorbed by operations		(5,329)	(4,083)	(7,733)
Tax received		1	-	-
Net cash absorbed by operating activities		(5,328)	(4,083)	(7,733)
Cash flows from investing activities				
Interest received		70	24	34
Proceeds from the sale of fixed assets		17	1	1
Acquisition of property, plant and equipment	6	(500)	(1,098)	(1,505)
Development expenditure capitalised and other intangible assets acquired	7	(924)	(873)	(1,369)
Net cash absorbed by investing activities		(1,337)	(1,946)	(2,839)
Cash flows from financing activities				
Proceeds from the issue of share capital	8	22,320	10,252	10,252
Equity issued for services	8	49	-	-
Net cash inflow from financing activities		22,369	10,252	10,252
Net increase/(decrease) in cash and cash equivalents		15,704	4,223	(320)
Cash and cash equivalents at start of period		6,900	6,797	6,797
Effect of exchange rate fluctuations on cash held		600	690	423
Cash and cash equivalents at end of period		23,204	11,710	6,900

Notes

1. Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2010 have been prepared under applicable International Financial Reporting Standards adopted by the European Union ('IFRS'), which include International Accounting Standards ('IAS') and interpretations issued by the International Accounting Standards Board ('IASB') and its committees, which are expected to be endorsed by the European Union.

The financial information included in this document is unaudited and does not comprise statutory accounts within the meaning of section 240 of the Companies Act 1985. The comparative figures for the year ended 31 December 2009 are extracted from the statutory financial statements for that financial period which have been filed with the Registrar of Companies and on which the auditor gave an unqualified report, without any statement under section 237(2) or (3) of the Companies Act 1985.

The interim financial statements have been prepared under the same accounting policies as those used for the financial statements for the year ended 31 December 2009.

Numerous IFRS's and other interpretations have been endorsed by the EU in the period to 30 June 2010 and although they have been adopted by the Group, none of them has had a material impact on the Group's financial statement.

The Group's 2009 annual report provides full details of significant judgements and estimates used in the application of the Group's accounting policies. There have been no significant changes to these judgements and estimates during the period.
The interim statements are prepared on a going concern basis. The directors consider that the Group has adequate funding to enable it to continue to operate for at least 12 months from the date of signing these accounts.

2. Operating Segments

The Group has four operating segments which are described below, which are the Group's subsidiary entities. The subsidiaries are managed separately and have separate functions within the Group. For each of the subsidiaries the Group CEO, who is considered to be the Group's Chief Operating Decision Maker, reviews the management accounts on a monthly basis as well as the annual budgets.

The operating segments are as follows:

- Zenergy Power GmbH – is responsible for the manufacture of superconducting coils and magnets which are used in all of the Group's products, as well as being responsible for sales of the MBH and renewable coils worldwide. Zenergy Power GmbH is also responsible for the development of the Group's intellectual property strategy.
- Zenergy Power, Inc. – is responsible, for the FCL product for the entire group including sales, engineering, integration and final assembly of the product, which incorporates components from both Zenergy Power GmbH and third party suppliers. Zenergy Power, Inc. is also responsible for the activities of Zenergy Power Pty Ltd. Zenergy Power Pty Ltd is partly responsible for the development and design efforts for the Fault Current Limiter including modelling and simulation experiments.
- Zenergy Power plc – is the Group holding company and is responsible for Group finances and Treasury, investor relations and marketing. The company also acts as an agent for sales of the Group's products in the UK.

The accounting policies of all segments are consistent with Note 1.

Information regarding each operating segment, which are also our reporting segments, is included below. Segments are assessed based on revenues and loss before tax, as included in the internal management accounts that are reviewed by the Group CEO. Inter-segment pricing is determined on an arm's length basis.

Information about reportable segments

Six months to 30 June 2010	GmbH €000	Inc €000	Pty €000	Plc €000	Eliminations €000	Consolidated €000
Revenue						
Sales to external customers	336	-	-	310	-	646
Sales to other segments	1,307	323	616	-	(2,246)	-
Total segment revenue	1,643	323	616	310	(2,246)	646
Result						
Segment result being loss from operations	(3,177)	(932)	(175)	(648)	(372)	(5,304)
Finance income	30	4	2	63	(28)	71
Finance expense	-	-	-	(925)	-	(925)
Loss before tax	(3,147)	(928)	(173)	(1,510)	(400)	(6,158)
Tax	-	-	-	-	13	13
Loss for the period	(3,147)	(928)	(173)	(1,510)	(387)	(6,145)
Balance sheet						
Segment assets	10,008	8,016	1,115	61,688	(39,926)	40,901
Segment liabilities	(2,517)	(187)	(316)	(288)	(685)	(3,993)
Net assets/(liabilities)	7,491	7,829	799	61,400	(40,611)	36,908
Other information						
Capital additions	667	1,169	13	-	(425)	1,424
Depreciation and amortisation	(303)	(99)	(29)	(1)	(34)	(466)
Other non cash expenses (share option charge)	(74)	(43)	(9)	96	-	(30)
Research & development	(2,132)	(283)	(296)	-	-	(2,711)

Six months to 30 June 2009	GmbH €000	Inc €000	Pty €000	Plc €000	Eliminations €000	Consolidated €000
Revenue						
Sales to external customers	214	-	-	-	-	214
Sales to other segments	643	-	388	-	(1,031)	-
Total segment revenue	857	-	388	-	(1,031)	214
Result						
Segment result being loss from operations	(2,187)	(881)	(15)	(1,064)	(380)	(4,527)
Finance income	2	1	-	27	-	30
Finance expenditure	(1)	-	-	(488)	-	(489)
Loss before tax	(2,186)	(880)	(15)	(1,525)	(380)	(4,986)
Tax	-	-	-	-	13	13
Loss for the period	(2,186)	(880)	(15)	(1,525)	(367)	(4,973)
Balance sheet						
Segment assets	7,163	4,020	841	37,474	(24,532)	24,966
Segment liabilities	(1,836)	(52)	(31)	(399)	(637)	(2,955)
Net assets/(liabilities)	5,327	3,968	810	37,075	(25,169)	22,011
Other information						
Capital additions	1,336	993	8	-	(366)	1,971
Depreciation and amortisation	(300)	(111)	(25)	-	(33)	(469)
Other non cash expenses (share option charge)	(139)	(45)	(16)	(79)	-	(279)
Research & development	(1,613)	(200)	(59)	(179)	13	(2,038)
Strategic Marketing	(255)	-	-	-	-	(255)

Information about geographical areas

The operating segments identified above, being the Group's subsidiary entities are organised according to geographical locations, Zenergy Power GmbH is located in Germany, Zenergy Power Inc is located in USA, Zenergy Power Pty Ltd. is located in Australia and Zenergy Power Plc is located in the United Kingdom. The disclosures presented above therefore are also geographical disclosures. Additional geographical disclosures are noted below:

Revenue by location of customer	Period ended 30 June 2010 €000	Period ended 30 June 2009 €000	Year ended 31 December 2009 €000
Germany	193	214	854
Rest of Europe	453	-	1,327
Other	-	-	256
Total revenues	646	214	2,437

The Group does not hold assets in any countries other than those countries where the operating segments of the Group are domiciled. The assets of each operating segment are located solely in the country in which the subsidiary is domiciled, with the exception of inventory of €322,000 held at Zenergy Power GmbH on behalf of Zenergy Power Inc.

Information about products and services

Revenue by product	Period ended 30 June 2010 €000	Period ended 30 June 2009 €000	Year ended 31 December 2009 €000
Magnetic Billet Heater	336	211	2,032
Fault Current Limiter	310	-	259
Renewables	-	-	101
Other	-	3	45
Total revenues	646	214	2,437

Information about major customers

The Group revenue in 2010 is generated from four customers (2009: Two), of which three each individually account for more than 10% of the Group's revenue. In reporting Segment GmbH, there are three (2009: One) customers, two of which each account for more than 10% of total revenues as follows: €143,000 and €138,000 (2009: €211,000). In reporting Segment Plc there is one (2009: Nil) customer accounting for more than 10% of total revenue as follows: €310,000.

How operating and reporting segments are determined

All reporting to the CODM is prepared at the subsidiary level which is our operating segments and our reportable segments. This is the lowest level of information reviewed by the CODM for the purposes of resource allocation. The Group has three end product areas, namely Magnetic Billet Heater, Fault Current Limiters and coils for Renewable generators however for all products Zenergy's component is Superconducting Coils and Magnets which are all produced by Zenergy Power GmbH. Revenues and gross margins are reviewed by product but this is not used for resource allocation purposes all other information is reviewed at a subsidiary level due to the current size of the Group. During the period the Group has appointed an account director to be responsible for sales of the three products, FCL, MBH and renewable. The account director for MBH and renewable is based in Germany and the account director for FCL is based in the USA. Over time the Group expects production to also evolve as product focused. Once volume production is reached separate teams will manufacture the coils and magnets for each of the Group's products, however due to current manufacturing levels the same team manufacture the superconducting components for all products.

3. Other operating income

	Six months to 30 June 2010 €000	Six months to 30 June 2009 €000	Year to 31 December 2009 €000
Government grants	92	451	806
Other	23	2	88
	115	453	894

4. Finance income and expense

	Six months to 30 June 2010 €000	Six months to 30 June 2009 €000	Year to 31 December 2009 €000
Financial income			
Interest income - bank	68	22	34
Exchange gain on cash held	-	-	62
Other exchange gains	3	8	7
Financial income	71	30	103
Financial expense			
Foreign exchange loss on forward contracts	(9)	(286)	(287)
Foreign exchange loss on cash held	(916)	(202)	-
Other interest expense	-	(1)	(2)
Financial expense	(925)	(489)	(289)
Net financial (expense)/income	(854)	(459)	(186)

In 2010 the foreign exchange loss on cash held comprises losses on Euro bank deposits held by the Company that have decreased in value compared to Sterling, the functional currency of the Company.

5. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2010 is calculated as follows:

Thousand of shares	Six months to 30 June 2010	Six months to 30 June 2009	Year to 31 December 2009
Issued ordinary shares at start of period	52,242	44,325	44,325
Placing	7,275	1,237	5,206
Share options exercised	20	-	-
Shares issued in settlement of fees	10	-	-
Weighted average number of ordinary shares	59,547	45,562	49,531
Loss attributable to ordinary shareholders (€000)	(6,145)	(4,973)	(8,481)
Earnings/(loss) per share (Euros)			
Basic and fully diluted loss per share	(0.10)	(0.11)	(0.17)

Diluted earnings per share

Share options and warrants have not been included in the calculation of fully diluted earnings per share since these are anti-dilutive. The instruments that could potentially dilute the basic earnings per share in the future, but were not included because they were anti-dilutive for the periods presented are:

Thousand of shares	30 June 2010	30 June 2009	31 December 2009
Warrants issued in respect of the working capital facility from Cloverleaf Holdings Limited (issued 16 August 2006)	160	160	160
Share options	2,026	2,395	2,477
Total potential dilutive instruments	2,186	2,555	2,637

In the period 1 January 2010 to 30 June 2010 the following changes to the share options have occurred: 390,000 surrendered (2009: nil); 79,000 have been exercised (2009: nil), 22,000 (2009: 537,000) new options have been granted and 4,000 (2009: nil) share options have lapsed.

6. Property, plant and equipment

	Technical plant and equipment €000	Motor vehicles €000	Tenant improvements €000	Office and business equipment €000	Assets under construction €000	Total €000
Cost						
Balance at 1 January 2009	2,768	-	155	505	352	3,780
Additions	90	-	5	44	959	1,098
Disposals	(116)	-	-	(39)	-	(155)
Effect of movements in foreign exchange	(5)	-	-	19	-	14
Balance at 30 June 2009	2,737	-	160	529	1,311	4,737
Balance at 1 January 2010	3,097	19	1,267	616	130	5,129
Additions	73	-	65	71	291	500
Disposals	-	(11)	-	(14)	-	(25)
Effect of movements in foreign exchange	115	-	-	54	-	169
Balance at 30 June 2010	3,285	8	1,332	727	421	5,773
Depreciation						
Balance at 1 January 2009	(807)	-	(4)	(284)	-	(1,095)
Depreciation charge for the period	(243)	-	(12)	(79)	-	(334)
Disposals	84	-	-	31	-	115
Effect of movements in foreign exchange	7	-	-	(7)	-	-
Balance at 30 June 2009	(959)	-	(16)	(339)	-	(1,314)
Balance at 1 January 2010	(1,185)	(3)	(56)	(433)	-	(1,677)
Depreciation charge for the period	(241)	(2)	(52)	(85)	-	(380)
Disposals	-	3	-	2	-	5
Effect of movements in foreign exchange	(78)	-	-	(42)	-	(120)
Balance at 30 June 2010	(1,504)	(2)	(108)	(558)	-	(2,172)
Net book value						
At 30 June 2009	1,778	-	144	190	1,311	3,423
At 30 June 2010	1,781	6	1,224	169	421	3,601

No assets are held under finance leases.

There are no restrictions on title associated with the group's fixed assets. No assets are pledged as security and there are no contractual commitments to purchase.

The company has no fixed assets and hence no separate Company fixed asset note is presented.

7. Intangible assets

	Goodwill	Patents and Trademarks	Development rights and capitalised development expenditure	Total
	€000	€000	€000	€000
Cost				
Balance at 1 January 2009	1,341	958	4,586	6,885
Additions	-	2	871	873
Effect of movements in foreign exchange	(6)	(10)	(10)	(26)
Balance at 30 June 2009	1,335	950	5,447	7,732
Balance at 1 January 2010	1,321	935	5,956	8,212
Additions	-	4	920	924
Effect of movements in foreign exchange	195	127	924	1,246
Balance at 30 June 2010	**1,516**	**1,066**	**7,800**	**10,382**
Amortisation				
Balance at 1 January 2009	-	(242)	(128)	(370)
Amortisation charge for the period	-	(55)	(80)	(135)
Effect of movements in foreign exchange	-	5	-	5
Balance at 30 June 2009	-	(292)	(208)	(500)
Balance at 1 January 2010	-	(333)	(250)	(583)
Amortisation charge for the period	-	(45)	(41)	(86)
Effect of movements in foreign exchange	-	(40)	-	(40)
Balance at 30 June 2010	**-**	**(418)**	**(291)**	**(709)**
Net book value				
At 30 June 2009	1,335	658	5,239	7,232
At 30 June 2010	**1,516**	**648**	**7,509**	**9,673**

Amortisation charge

The Group amortisation charge is recognised in Research & development expenses in the income statement to the extent it does not relate to sales made in the period. An allocation of amortisation is included in the overhead rates included in cost of sales.

Goodwill

Goodwill arose on the following acquisitions: Zenergy Power GmbH €170,000, Zenergy Power, Inc. €1,251,000 (US$1,535,000) and Zenergy Power Pty Ltd €95,000 (Australian Dollars 136,000). Goodwill is denominated in the currency of the acquired entity.

Development rights and capitalised development expenditure

The Group's intangible assets relate to development rights acquired through business combinations and subsequent development expenditure meeting the criteria for capitalisation as required by IAS 38.

Significant expenditure has been incurred during the period in respect of research and development activities. In respect of costs relating to the Magnetic Billet Heater, Fault Current Limiter and superconducting coils the directors have concluded that the expenditure meets the IAS38 criteria for capitalisation and as such these costs have been capitalised, €920,000 has been capitalised in 2010 (€2,433,000 of internal costs net of €1,513,000 of grants receivable).

8. Capital and reserves

Share capital

	30 June 2010	30 June 2009	31 December 2009
Ordinary shares in thousands of shares			
On issue at start of period	52,242	44,325	44,325
Issued for cash			
Placing	16,700	7,917	7,917
Share options exercised	79	-	-
Issued in settlement of services	38	-	-
On issue - fully paid	69,059	52,242	52,242

	30 June 2010 £000	30 June 2010 €000	30 June 2009 £000	30 June 2009 €000	31 December 2009 £000	31 December 2009 €000
Allotted, called up and fully paid						
Ordinary shares of £0.01 each	725	934	522	738	522	738
Shares classified in equity		934		738		738

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group.

On 5 May 2009 7,916,667 new ordinary 1p shares were issued, at a price per share of £1.20, raising £9.5 million (£9.1 million net after fees of £0.4 million), which at the exchange rate prevailing on that date was equivalent to €10.8 million (net €10.3 million after fees of €0.5 million).

On 22 January 2010 16,700,000 new ordinary 1p shares were issued, at a price per share of £1.20, raising £20.04 million (net £19.2 million after fees of £0.8 million), which at the exchange rate prevailing on the date the shares were admitted to trading was equivalent to €23.3 million (net €22.3 million after fees of €1.0 million).

On 18 March 2010 52,035 shares were issued in respect of an exercise of options resulting in proceeds of £15,611 (€17,461).

On 30 March 2010 38,568 shares, with a value of £44,000 (€49,000), were issued to the non executive directors in lieu of their surrendered options.

On 15 April 2010 26,795 shares were issued in respect of an exercise of options resulting in proceeds of £8,039 (€9,129).

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Warrant reserve

The warrant reserve comprises the fair value of the equity component of warrants issued by the Group.

In line with our Corporate and Social Responsibility aims, this Annual Report is printed on part recycled paper.

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