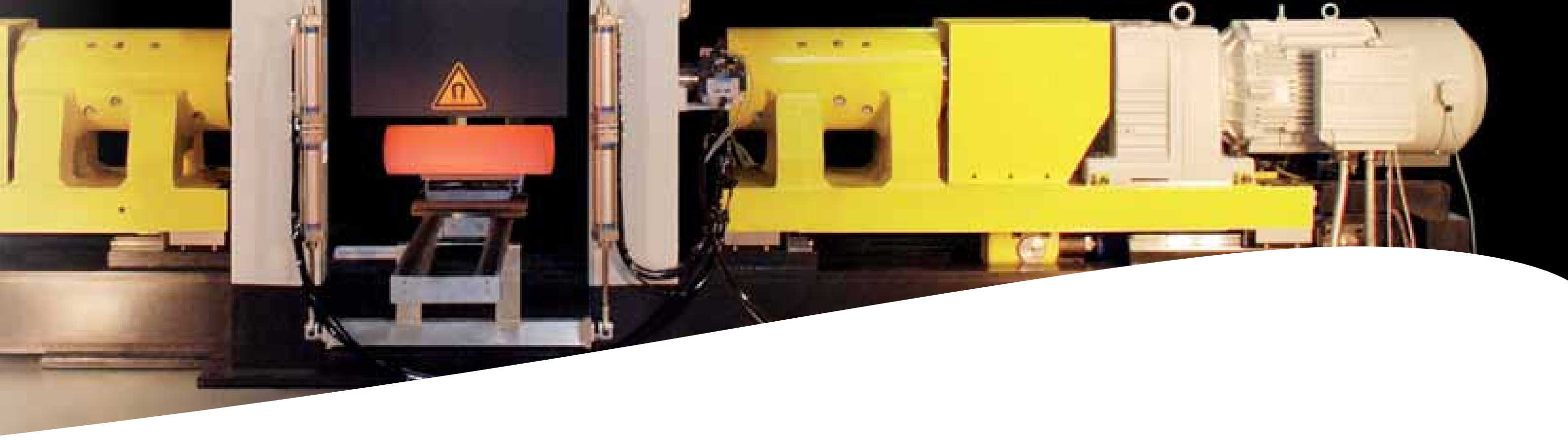

ZENERGY POWER plc
Annual Report 2007




ZENERGY POWER

Directors, Secretary and Advisors
For the year ended 31 December 2007

Directors:	Michael Fitzgerald Chairman, Non-executive Director
	Jens Müller CEO, Executive Director
	Carsten Bührer CTO, Executive Director
	Woody Gibson Executive Director
	Tony O'Reilly Non-executive Director
	John Voltz Non-executive Director
Company Secretary:	John Bottomley
Registered Office:	One America Square, Crosswall London | EC3N 2SG
Company number:	5509873
Nominated Broker and Advisor:	Landsbanki Securities (UK) Limited Beaufort House | 15 St Boltolph Street London | EC3A 7QR
Solicitors:	Lawrence Graham LLP 4 More London Riverside | London | SE1 2AU
Auditors:	KPMG Audit Plc Arlington Business Park Theale | Reading | RG7 4SD
Registrars:	Capita Registrars Ltd Northern House | Woodsome Park Fenay Bridge | Huddersfield | HD8 0LA

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Chairman's statement

Report from the Chairman of the Board

Highlights

- World's first ever commercial sale of an industrial scale High Temperature Superconductor ('HTS') device to be delivered in 2008;
- Establishment of 5-year exclusive collaboration agreement with Converteam SAS ('Converteam') for the exploitation of commercial opportunities within global renewable energy generation markets;
- Initiation of E.ON AG project to develop and install world's first HTS hydro-generator into a commercial hydro-dam;
- Establishment of 5-year exclusive collaboration agreement with ThyssenKrupp GmbH ('ThyssenKrupp') for the development of 2G wire materials;
- Award of US$500,000 grant from California Energy Commission ('CEC') for the development, testing and installation of a medium-voltage Fault Current Limiter ('FCL') – a highly specialised national electricity grid stability device;
- Award of US$11,000,000 grant from US Department of Energy for the development, testing and installation of a high-voltage FCL;
- Successful completion of the construction and testing of our proprietary medium-voltage FCL;
- Successful production of 10m length of 2G wire using the Group's proprietary and unique 'all-chemical' deposition low-cost mass production techniques; and
- Raising of £16,000,000 through two institutional placings.

Since period end

- Commercial upgrade of HTS hydro-generator project requested by E.ON AG;
- Second commercial order of industrial scale HTS induction heater;
- Contract awarded for Homeland Security project named Hydra for the provision of technical analysis detailing how the Group's HTS FCL would perform inside the New York power grid operated by Consolidated Edison Inc. ('ConEd'); and
- Grant of two core patents in relation to proprietary low cost 2G wire program.

Summary

It is with great pleasure that I report on the Group's first full year since its admission to trading in August 2006. Across all of our business divisions we accelerated towards our goal of commercialising the incredible electrical properties of our core HTS technology. The many years of investment, development and industry relationship building that pre-date our listing are fast reaching fruition through a growing number of highly progressive and demanding commercial arrangements, which themselves are fostering further opportunities for the Group.

Zenergy's business proposition is an ambitious one; and I have never been more confident of our ability to execute it. Our global target markets are huge, growing and very real. Throughout the Period we experienced a ubiquitous and growing level of interest for our technology and products, as the issue of energy efficiency continued to become one of great concern for a growing number of multi-national industrial corporations, governments, policy makers and individuals alike. Our products are designed to address many of the economic and environmental requirements of these end-users who operate in a growing number industrial and public service areas. Thus, we work closely with a variety of prominent and influential market participants who are enthusiastic to convert our technology, expertise and products into highly progressive business collaborations resulting in growing commercial orders and sizable government grants.

Chairman's statement

During the Period we enjoyed a continual stream of successes across all of our product development and industrialisation activities, dominated by the world's first ever commercial sale, in September of 2007, of an industrial scale HTS metal billet heater to be delivered in 2008. This was a watershed achievement for both Zenergy and the HTS industry as a whole, particularly when we consider that HTS materials were first discovered in 1987.

Our accomplishments in 2007 allow us to look to 2008 and beyond with enthusiasm and confidence. These have bolstered the forward momentum of our business and are a harbinger for greater successes in 2008, which we enter with a clear understanding of the challenges faced to complete our commercialisation strategy. I am confident that all of Zenergy's operations are appropriately aligned within their target markets and are more than capable of capitalising on the successes realised to date.

Overview – Group structure, geography and products

It is to be recalled that Zenergy was created by the opportunistic consolidation of three pioneers in the field of high-temperature superconductivity; Germany based Trithor GmbH ('Trithor'), SC Power Systems, Inc. ('SC Power') in the USA and Australian Superconductors Pty Limited ('Australian Superconductors'). This amalgamation was achieved with great success and with a level of harmonious efficiency only conferred in instances where the merging assets are highly complementary and the end market opportunities so sizable. As a result, the Group owns and employs a powerful portfolio of proprietary patents for HTS materials and is poised to expeditiously commercialise a number of ground-breaking energy products into a variety of global markets. It is pertinent to look in greater detail at the technical appeal, market potential and progression to commercialisation of these products to better appreciate the Group's growth trajectory:

HTS Induction Heater

Induction heaters are used globally in the metal industry to heat and soften large quantities of metal bulk in order for the metal to be manipulated and shaped. Induction heaters consume massive amounts of electricity: between 1% and 5% of the total annual electricity consumed in industrialised countries is directly attributable to the operation of heating equipment in the metals industry. In conjunction with Bültmann GmbH, Zenergy designed and developed a new generation of induction heater powered by our core HTS technology. Our HTS induction heater not only dramatically reduces the amount of energy consumed in heating large quantities of metal bulk, but also delivers superior heating performance, resulting in improved heat distribution and shortened heating times.

The HTS induction heater's first major development milestone took place in 2007, when we successfully completed the construction and testing of our first machine, which heated aluminium metal billets. As anticipated, the HTS induction heater operated with energy efficiency levels of over 90% compared to conventional induction heaters, which operate normally at significantly lower efficiency levels of between 35% and 45%. This means that our HTS induction heater enables its users to reduce both the huge cost associated with industrial heating processes and also the sizable carbon footprint created by the use of conventional equipment. These two features have a resounding resonance within our target markets.

In September 2007, a mere four months after the completion of the testing of our first HTS induction heater, we contracted the first commercial order thereof with the Germany based aluminium producer, Weser Alu GmbH. This was quickly followed by the Group receiving a fully-funded contract to design an upgrade to the original machine to ascertain its suitability to also undertake large-scale, volume intensive industrial heating of a range of copper and copper alloy metal billets. This design upgrade was recently and successfully completed, enabling us to complete a further commercial order of another industrial scale machine to a multi-billion euro global metals producer.

Chairman's statement

The Group estimates the current addressable market for its induction heaters at c. €2 billion per annum. There are currently no HTS competitors to the Group in this market.

Renewable Energy Generators

In 2007 Zenergy entered into a 5-year exclusive collaboration agreement with Converteam SAS (formerly Alstom Power) to jointly develop, manufacture, market and sell a range of next-generation, highly efficient HTS generators into the global wind and small hydropower markets. Contemporaneously, as Zenergy was made the exclusive supplier for HTS wires and coils for all of Converteam's commercial activities in these areas, we secured a substantial channel to market for our renewable energy products.

During the Period, our HTS technology was successfully evaluated by Converteam, who, after extensive testing, qualified it for use in their commercial scale wind power generators. Converteam also reported electrical performance, capacity and efficiency levels in excess of their expectations.

Zenergy and Converteam have also been commissioned to enter into a development project to deliver and install the world's first hydro-generator powered by HTS components into the commercial hydro-dam of E.ON AG based in Bavaria, Germany. This HTS generator, which is being part funded by the European Commission, will enable the production of hydro-electricity with efficiency levels of greater than 98%: a significant improvement to levels achievable with conventional hydro-generator technologies employing copper coils. This project requires the Group to demonstrate that its technology is suitably engineered to meet the operational demands of major national utility companies. Accordingly, our technology was subjected to extensive electrical stability analysis to ensure compliance with stringent electricity grid codes. These rigorous compliance requirements were performed by Kema Nederland B.V. ('Kema'), an independent specialist organisation who provide high-grade technical consultancy with a world-wide reputation for its KEMA-KEUR certification for industrial electrical equipment.

The E.ON AG project is of particular significance to the Group. Hydropower is currently the largest and most mature source of renewable energy, contributing to the production of about 19% of electricity worldwide. This is estimated to represent an equivalent saving of some 808 million tonnes of $CO2$ emissions yearly. By extrapolation, it is estimated that retrofitting conventional copper-based generators with HTS machines would enable the generation of a further 14GW of electricity 'for free' (and without any further environmental impact) from existing hydro-dam structures. In simple terms, this saving is the equivalent to the energy produced by approximately 40 conventional power stations: hence this change alone would represent a massive contribution to the Kyoto-protocol targets.

Following Kema's successful performance evaluation, the Group received notification from E.ON AG requesting that the HTS generator be upgraded on full commercial terms to increase the size of the ground-breaking machine from 1.25MW to 1.7MW. Significantly, E.ON AG also decided to promote the upgraded HTS generator to be the ‚pole position' generator at the hydropower station. Consequently, the generator will be responsible not just for additional power during peak usage but for the provision of the ongoing ‚base load' supply of electrical power to over 3,000 homes in the local area.

As Germany's largest producer of hydro-electric power, E.ON-WK currently produces more than 10bn KW hours of hydro-electric power per annum from their 2.7GW installed hydro plants.

During the Period, Zenergy and Converteam continued work on their wind-power collaboration to manufacture highly compact, lightweight and efficient wind power generators which are expected to be capable of reducing the cost of generating offshore wind power by 25%. Substantial progress occurred throughout the year in developing systems and components expertise and the collaboration continued to enjoy significant engineering success in relation to the integration of HTS components within wind power generators. During the course of the year Converteam placed commercial orders with the Group worth in excess of €0.9million for delivery in 2008.

Currently, Converteam are leading a UK Department of Business, Enterprise and Regulatory Reform project to develop an 8MW direct-drive wind power generator powered by Zenergy's patented HTS materials and components. Our assessment of the UK's commitment to the development of wind power was further bolstered by the announcement made on 10 December 2007, by the UK Secretary of State for Business, Enterprise and Regulatory Reform, John Hutton, highlighting the Government's ambition to have installed offshore wind farms capable of generating enough electricity to 'power the equivalent of all the UK's homes'.

The Group estimates the current addressable market for its renewable energy products at c. €2.6 billion per annum.

Fault Current Limiters

In response to a number of direct approaches from national utility companies, Zenergy has, for a number of years been developing a patented industrial-scale surge protector called an HTS Fault Current Limiter ('HTS FCL'). The HTS FCL is specifically designed to protect electrical grid equipment from large scale electrical power surges. Analogous to a computer network's 'firewall', Zenergy's HTS FCL is designed to absorb the huge amount of unwanted and highly damaging electrical power generated by fault currents in national electricity grids and thus prevent blackouts to downstream grid users. In doing this, the HTS FCL not only protects electrical grid equipment from damaging power surges, but also prevents the common knock-on effect associated with blackouts when the failure of one part of the grid causes a contagious blackout in adjacent grids.

During 2007, Zenergy's HTS FCL was the subject of growing support and interest from a number of United States government entities and utility companies alike. The Board was further encouraged by a recent report to Congress from the Department of Energy that stressed the importance of grid stability as a Homeland Security measure. Following this, the Federal Energy Regulatory Commission introduced a set of landmark mandatory and enforceable reliability standards in relation to power grid operation. Unlike any previous mandates, the new standards have been made enforceable by the imposition of both monetary and non-monetary penalties on violating utility companies. The introduction of these regulatory standards were particularly significant for the Group's FCL commercialisation programme as utility companies in the U.S. are now obligated to adhere to high technical and consistency standards of delivery which are directly addressed by the Group's FCL device.

The Group also became engaged in two U.S. government funded projects for the development, testing and grid installation of its FCL device. The first of these involved a US$500,000 grant from the California Energy Commission to install a medium-voltage HTS FCL into the Californian Electricity grid. This was followed later in the year by a further US$11 million grant from the U.S. Department of Energy to work with Los Alamos National Laboratory, Delta Star Inc., Southern California Edison (California's largest utility) and the Consolidated Edison Company of New York Inc. (a subsidiary of Consolidated Edison Inc., one of the largest investor-owned energy companies in the US) to develop and install a larger scale high-voltage version of the HTS FCL into the U.S. electricity grid.

Chairman's statement

A major technical and significant milestone for the development of the Group's FCL also took place in the year with the successful building and testing of a medium-voltage HTS FCL. Testing of this device took place at the world class facilities of Powertech Laboratories in Canada and was overseen by representatives from a number of the largest utility companies in the United States. In all tests, the device proved to be capable of instantaneously and automatically responding to multiple surges in electrical power whilst maintaining a continuous, uninterrupted and stable supply of electrical power to 'downstream' devices.

These substantial technical and engineering achievements give the Board significant confidence that Zenergy will be the first company in the world to successfully install an HTS FCL into a commercial grid within the United States.

We estimate the global market for FCLs will be worth up to US$5bn per annum. Different to any competitor, our saturated core FCL technology is inherently failsafe and maintains power supply during faults, whilst also protecting downstream equipment. We believe these attributes are critical requirements of any utility company and competitive solutions, relying on resistive versions of HTS FCL's require the grid to be shut down or the power supply to be actively switched. Accordingly, neither alternative solution is capable of preventing cotangent blackouts in adjacent grids.

2G Wire Development

Reducing the cost of and securing an adequate and sustainable supply of HTS materials is key to ensuring that the industrialisation of HTS products is maintainable. Whilst a number of companies are now engaged in the production of cheaper HTS products, in an effort to lower our long-term production costs, we continue to invest in the development of our own proprietary second generation of HTS wire ('2G wire'), which we manufacture using a patented thin film technology incorporating a unique 'all-chemical' mass production technique. This process and certain of the materials it employs make it considerably cheaper than those utilised in existing 1G wire solutions. Accordingly, we expect to be able to reduce the cost of our 2G wire to below that of copper. We also believe our 2G wire production process enjoys a number of advantages over alternative methods adopted by other industry participants.

2007 saw a number of achievements within our 2G programme, with the most significant being the establishment of a 5-year exclusive agreement for the development and supply of textured nickel tape with the industry's most significant supplier, ThyssenKrupp, who are also the world's largest producer of stainless steel tapes. As part of the agreement, ThyssenKrupp may not enter into any supply or development arrangements with any other HTS industry participant for the duration of the 5-year term. Textured nickel tape is a delicate and key component used in the development and production of all 2G materials. The Board believes this programme affords the Group a significant competitive advantage in the development of 2G wire.

The Group also attained the significant technical milestone of producing a 10 metre length of its 2G wire using its low-cost 'all-chemical' mass production technique in December 2007.

Summary of Research Staff and our Patent Portfolio

Zenergy has a leading research and development team boasting more than 25 employees (2006:21) with PhDs or advanced degrees, based in three countries and a patent portfolio comprising 24 patents (2006:18) and 56 patent applications (2006:45) based on 35 patent families (2006:20).

Financing

With the consummation of two institutional placings in the Period, raising £16,000,000 in total, I am pleased to report that the Group believes it will have adequate cash resources to continue its ongoing technology investment, enabling the development of its range of HTS products and to fund its corporate development through to the point of generating significant commercial revenue and positive operational cash flow in 2010.

2008 Commercialisation Roadmap

At this stage of the Group's development, the executive management deems it appropriate, for the purposes of guidance, to outline to shareholders what we envisage will be the most significant developments over the coming year for the Group to successfully and timely exploit its commercial potential. The following summarises management expectation of major progressive steps to be achieved at this stage of the Group's commercialisation strategy to capitalise on the many years of investment and product development that pre-date the Group's admission to trading.

Whilst being within management timetables, the Board would like to remind shareholders that each of these advancements represent significant challenges to the relevant development or commercial team and their outlining in no way represents guarantee of delivery within the aforementioned timeframes.

1) Induction Heater:

The landmark initial commercial sale in the Period marked the emergence of our first fully developed industrial HTS product, and in 2008 we will look to build our order book for the Group's HTS induction heater products; most significantly we will aim to win new customers from a variety of geographical locations securing the Group not only commercial revenues but also growing acceptance of its ground-breaking technology.

2) Fault Current Limiter:

Further to the technical progress made in building and testing our medium-voltage HTS FCL, we also received a significant amount of government support during the Period to progress and accelerate this technology; we are accordingly on course to be the first ever company to install a full scale HTS FCL into the U.S. power grid. Indeed, since the Period end we have been contracted to deliver detailed technical analysis of our HTS FCL to Consolidated Edison in New York for work being carried out on behalf of the U.S. Department of Homeland Security.

In 2008 we expect to continue to build on the opportunities represented by our involvement with the U.S. Department of Homeland Security and the U.S. Department of Energy and most significantly expect to deliver a fully developed medium-voltage HTS FCL to Southern Californian Edison for installation into the U.S. power grid.

Chairman's statement

3) Renewable energy:
During 2008 we expect to further our work with Converteam in developing a range of highly efficient renewable power generators; this will include our ground-breaking hydro project with E.ON AG, as well as the development work being carried out within the UK Department for Business, Enterprise and Regulatory Reform project. We expect to deliver to Converteam the first set of full scale HTS coils which will be used to power their generators.

Outlook

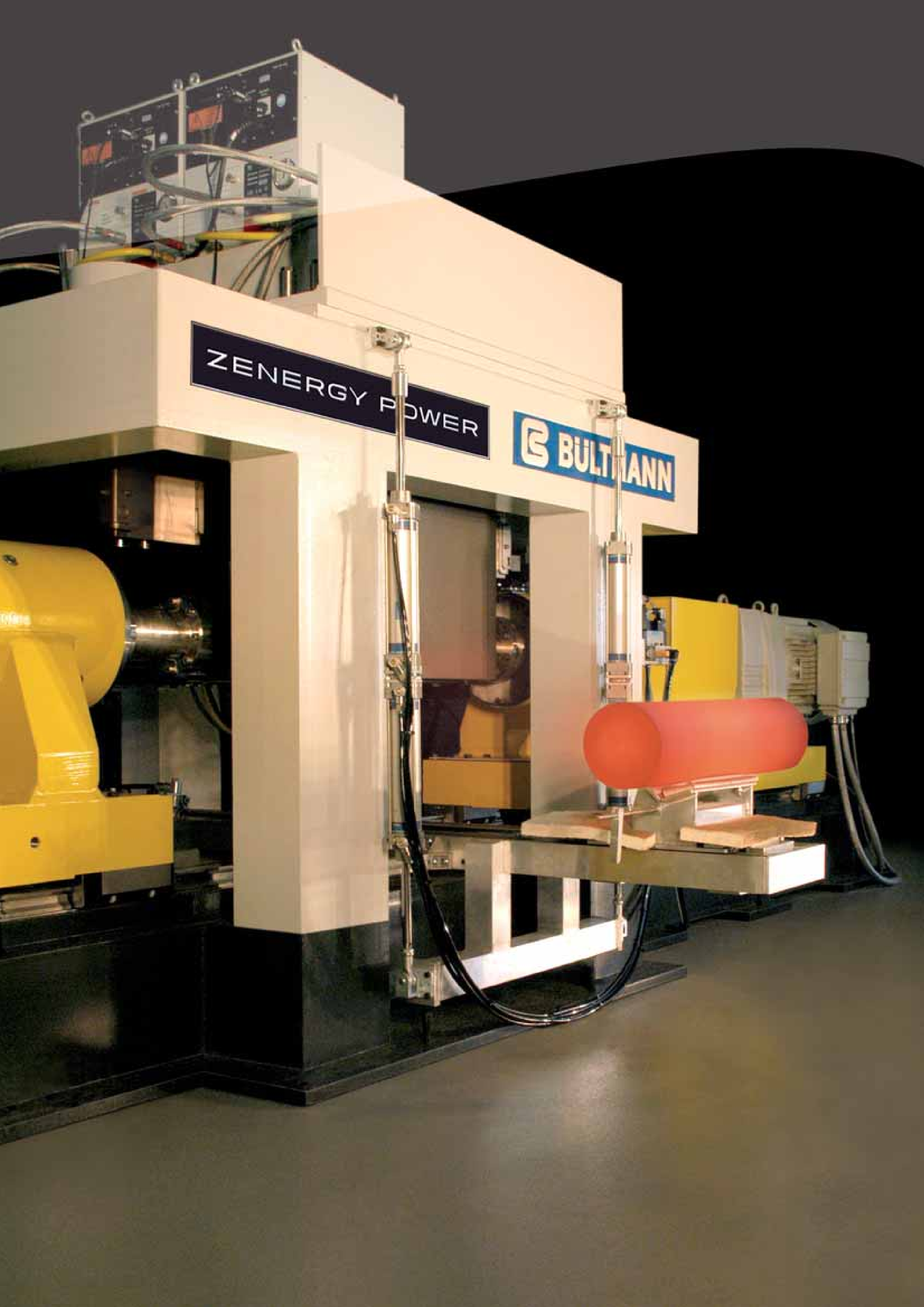
Through-out 2007 and in the first few months of 2008, Zenergy has continued to experience ever increasing levels of commercial interest in its technology and products. Unlike many other companies in emerging technology markets we are experiencing a growing level of commercial engagements and commitment from both end-customers and government legislators.

We have developed our HTS offerings to directly address increasing demands of society for technologies and products that improve the efficiency with which electricity is created and used in a compelling and fundamental manner. The considerable successes which we demonstrated in 2007 give us confidence that we can deliver on our expectations for 2008 and beyond. We have identified a sizable, clearly discernable and highly sustainable global market for our HTS technology in general and our products in particular. As our end markets become more transparent and immediate, the low level of existing competition and the substantial barriers to entry, lead the Board to be highly confident of being able to capture a significant portion of these potential markets.

The Period has been one of significant achievement for the Group which would not have been possible without the complete dedication and commitment of all of our employees. On behalf of the Board of Directors, I thank them sincerely for their extraordinary and continued efforts. I would also like to thank our shareholders for their continued support.

I look forward to the Group fulfilling its objectives and potential in the coming year.

Michael Fitzgerald
Director


ZENERGY POWER
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Directors’ report

Directors’ report

The directors present their Directors’ report and financial statements for the year ended 31 December 2007.

Principal activities

Zenergy Power plc (‘the Group’) is a manufacturer and developer of High Temperature Superconductor ’HTS’ applications, with operations in Germany, the USA, Australia and the UK. All three of the Group’s subsidiaries: Trithor GmbH (’Trithor’), SC Power Systems, Inc. (’SC Power’) and Australian Superconductors Pty Ltd (’Australian Superconductors’) are established market participants in their respective regions in the commercialisation and development of applications for superconductive materials.

The principal activity of the Company is to act as the holding company and to develop business opportunities in the UK market.

Market Overview and product applications

Zenergy Power plc is a global specialist manufacturer and developer of commercial applications for superconductive materials. Zenergy is highly focused on the commercialisation of a number of energy efficient applications to be adopted in renewable energy power generation, energy distribution and large scale, energy intensive industrial processes and achieved the world’s first commercial order for an industrial scale HTS device in September 2007 for delivery in 2008.

About superconductivity

Superconductive materials are capable of conducting electricity without any resistance and were first discovered in 1911 in what was to prove to be one of the most significant scientific breakthroughs of the 20th century.

The global HTS market is substantial and growing, with a number of market studies projecting multi-billion dollar markets for the application of HTS materials and products. The proliferation of the use of superconductor materials is largely being driven by the following key factors:

(a) HTS materials are highly complementary to energy efficient technologies as a substitute for copper
(b) HTS wires have power densities of over 100x that of copper
(c) Current developments are leading to substantially reduced costs in the production of HTS wires and are targeting to be cheaper than copper over the next few years.
(d) HTS applications deliver exceptional energy efficiencies and thus reduced power consumption and running costs
(e) HTS technology is set to play a significant role in reducing CO2 emissions in line with international targets
(f) HTS applications are capable of delivering vastly increased levels of power with increased reliability and reduced material usage.

The Group has to date developed a number of commercial applications for its HTS activities and is seeking to deploy these into three main markets namely renewable energy (HTS coils for wind and hydro), industrial applications (Induction Heater) and power distribution (Fault Current Limiter).

Directors’ report

Business review

The Company was incorporated in July 2005 to acquire and consolidate the assets and businesses of two early pioneers of HTS Technologies:

- Original Trithor, acquired August 2005, founded in 1999, produced its first HTS wire product in 2002 as well as pioneering work on energy-efficient HTS industrial devices. The assets of Original Trithor were acquired by Trithor in 2005. The Directors believe that Original Trithor was and now Trithor is, the largest HTS producer in Europe; and
- SC Power, acquired June 2006, founded in 2004 to acquire the underlying business known as Australian Superconductors, the origins of whose HTS programme dates back to 1987, shortly after HTS was discovered.

The combined business is based on three core elements:

1. Commercial applications for HTS wire – the Group has identified a number of significant applications in the electrical and industrial equipment markets:
   - Induction Heater - during the year the Group received an order for its first large-scale commercial product using HTS wire technology; the board believes this will represent the first sale anywhere in the world of an industrial scale commercial device employing HTS materials. Further to the first commercial order of its groundbreaking HTS induction heater, it was commissioned by a global metals producer to carry out design work to adapt the heater specifically for processing copper and copper alloys.
   - Fault Current Limiter - during the year the Group successfully tested its groundbreaking electricity grid stability device, proving it to be capable of instantaneously and automatically responding to multiple surges in electrical power whilst maintaining a continuous, uninterrupted and stable supply of electrical power to ‘downstream’ devices. The successful testing of the Group’s HTS Medium Voltage Fault Current Limiter (‘FCL’) is the first such achievement in the United States and was conducted under the close observation of a number of US utility companies and representatives of The National Electric Energy Testing, Research and Applications Center (‘NEETRAC’).

2. Expertise in integrating solutions – the Group has been responsible for the development of industry-respected HTS expertise, including many aspects of HTS science, wire usage, coil making and winding, coil and conductor coating and insulation, cryogenics and system integration. The Group leverages this expertise through collaborations with other industrial companies and research organisations to develop HTS devices and products. For example, in the field of cryogenics, the Group possesses its own proprietary data and models and has a team of five employees with PhDs to address the cryogenics and cryogenic integration for commercial usage; and

3 Advanced position in 2G wire development – the Group is at an advanced stage of development of a new low-cost production method for 2G wire. This new process does not use vacuum deposition or pulsed-laser operations or other higher-cost production processes which have been adopted by a number of competitors. It uses only chemical deposition processes which the directors believe will be more suitable for a rapid scale-up of commercial production. During the year the Group announced they had entered into a five-year exclusive co-operation agreement to jointly develop, manufacture, market and sell HTS generators into the global wind and small hydropower markets with Converteam Group SAS (‘Converteam’). As part of this agreement, Zenergy becomes the exclusive supplier for HTS wires and coils for all Converteam‘s commercial activities in relation to wind power and small hydropower projects. In addition the Group announced that ThyssenKrupp VDM GmbH (‘ThyssenKrupp VDM’), one of the world’s largest industrial suppliers of nickel alloy materials, elected to enter into a 5-year joint development agreement with the Group’s wholly owned subsidiary Trithor GmbH. As a result of the agreement, ThyssenKrupp VDM will not enter into any collaborative development agreements with any other HTS industry participants

for a 5-year period and will solely develop in conjunction with Zenergy industrial scale supplies of textured nickel tape to be used in the mass production of 2G HTS wire.

It is the intention of the Group to continue to derive revenues from a range of products based on HTS wires. The Group has generated in excess of €1.3 million of sales since 2003 whilst developing its new lower cost production processes for the manufacture of 2G materials. The Group is currently in advanced stages of its development activities and looks forward to reporting on further progress as and when appropriate.

The key KPI's for the Group are revenue, gross margin and loss before research & development, depreciation & amortisation & equity settled share based payments.

	Statutory reporting period Year ended 31 December 2007 €000	Statutory reporting period Period 15 July 2005 to 31 December 2006 €000	Non statutory reporting period Year ended 31 December 2006 €000
Revenue	268	475	119
Gross profit	47	105	12
Loss before research & development, depreciation & amortisation & equity settled share based payments	(1,586)	(1,266)	(969)

Financial results

During the year the Group generated revenues of €268,000.

During the year the Group made a loss of €5,237,000 as significant expenditure was incurred in respect of the Group's continued research and development program. The Group continues to focus its development effort on commercial applications for HTS wire together with its own proprietary development of 2G wire. The number of customers and potential partners has escalated. Consequently, the directors look forward to the future with confidence.

Financial risk management and going concern

The directors believe that the financial risks facing the Group are obtaining funding in the period to commericalisation of products, namely the induction heater and the FCL and development of 2G. During the year the Group raised €21,738,000 (£15,374,000) net of fees in two placings (May 2007 and December 2007). As anticipated the Group continues to make losses. Notwithstanding such losses, the Directors believe that the Group has sufficient resources to meet its obligations as they fall due for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis for preparing the financial statements.

The Group is exposed to foreign currency risk, notably US Dollar, Australian Dollar, Euro and Sterling. The funds of the Group were raised and are held in Sterling whilst subsidiaries incur costs in local currencies. Short term forward contracts are used to mitigate exchange risk.

Research and development

The Group maintains an active Intellectual Property ('IP') strategy relating to its research and development activities and has sought to maintain ownership of core IP developed in external collaborations whenever possible.

The Directors believe the Group enjoys a strong IP position with respect to its 2G wire process, FCL and induction heater products. Its portfolio of patents, patent applications and IPR covers HTS wire production, HTS components and HTS devices, with 25 patents (2006:18) and a growing number of patent applications covering its products and processes. For some patent applications, the Group can file or has filed PCT applications which allow for international patent applications over an extended period of time.

The Group's IP strategy targets the crucial manufacturing steps of 2G wire as well as processes required for further utilising each product. FCL technology is covered by two basic patent applications, one of which the Group has received Notice of Allowance from the US Patent Office covering the proprietary technology and processes, as well as crucial construction elements of the design.

The Group expects further patent applications and patents to be granted in 2008.

Proposed dividend

The directors do not recommend the payment of a dividend.

Employees

The company recognises the benefit of keeping employees informed of the progress of the business and of involving them in the Group's performance. Due to the size of the Group, regular consultations with senior management take place. Views of all employees are taken into account in making decisions which are likely to affect their interests.

It is the Group's policy to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities, and to ensure that any disabled person who is in employment with the Group receives, so far as is practicable, the same opportunities for training, career development and promotion as other employees.

Policy and practice on payment of creditors

It is the Company's and Group's policy to agree and abide by the terms of payment with each supplier when arranging the transaction. This applies to each class of supplier. Given the nature of the business of the Company, the directors are of the opinion that the creditor days of the Group is a more meaningful measure; at the year end there were 34 days (2006:35 days) purchases in trade payables.

Directors' report

Directors and directors' interests

The directors who held office during the year were as follows:

	Appointed
Michael Fitzgerald (Non-executive Chairman)	26 July 2005
Carsten Bührer (CTO, Executive director)	2 June 2006
Woody Gibson (Executive director)	2 June 2006
Jens Müller (CEO, Executive director)	29 June 2006
St. John Anthony ('Tony') O'Reilly (Non-executive director)	2 June 2006
John Voltz (Non-executive director)	2 June 2006

The directors retiring by rotation are Carsten Bührer and John Voltz who, being eligible, offer themselves for re-election.

The directors who held office at the end of the financial year had the following interests in the ordinary shares of Group companies according to the register of directors' interests:

	Company	Class of share	Interest at 31 December 2007	Interest at 31 December 2006
Michael Fitzgerald	Zenergy Power plc	Ordinary	12,818,990(1)(5)	12,818,990(1)(5)
Carsten Bührer	Zenergy Power plc	Ordinary	1,124,000(2)	1,124,000(2)
Woody Gibson	Zenergy Power plc	Ordinary	4,773,400(3)	4,773,400(3)
Jens Müller	Zenergy Power plc	Ordinary	1,124,000(4)	1,124,000(4)
Tony O'Reilly	Zenergy Power plc	Ordinary	151,111	151,111
John Voltz	Zenergy Power plc	Ordinary	Nil	Nil

(1) These ordinary shares are registered in the name of Cloverleaf Holdings Limited, a company controlled by Mr Fitzgerald. 848,800 of the Ordinary Shares held by Cloverleaf Holdings Limited are non-voting and are held in favour of seven members of the management of Trithor GmbH. There are no performance criteria attached to acquiring the shares, which may be acquired by each relevant member of management on payment of a total of €1.00 for all their respective shares.

(2) Dr Bührer is entitled to 345,200 of these Ordinary Shares from Cloverleaf Holdings Limited and can call for delivery of these shares for an aggregate exercise price of €1.00 at any time before August 2016, there are no performance criteria attached to Dr Bührer's ability to acquire the shares.

(3) 3,650,400 of these Ordinary Shares are registered in the name of Jane Capital Partners, LLC, a Company in which Mr Gibson's spouse, Jane Lindner, is interested.

(4) Dr Müller is entitled to 345,200 of these Ordinary Shares in identical terms to that summarised at Note (2) above.

(5) 160,000 of these Ordinary Shares are the subject of warrants to subscribe for Ordinary Shares at par issued by the Company to Cloverleaf Holdings Limited as a commitment fee for making available a €2 million working capital facility at the time of Admission to Aim. The facility was automatically cancelled in May 2007 when the Group raised new funds from a placing.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of Group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Substantial shareholders

So far as is known to the Company, the only persons who, directly or indirectly, were interested in three per cent, or more of the Company's share capital as at 29th February 2008 were as follows:

Shareholder	Number of shares	% of issued share capital
Michael Fitzgerald(1)(2)	12,818,990	29.1
Woody Gibson(2)	4,773,400	10.8
M&G	5,650,000	12.8
Fidelity	4,607,931	10.5
AXA Farmington	3,378,562	7.7
Credit Suisse Zurich	1,808,500	4.1
Narwally Investments	1,360,000	3.1

(1) These shares are held by Cloverleaf Holdings Limited, a company controlled by Mr Fitzgerald.
(2) See notes under Directors' shareholding(s) table above.

Corporate Governance

The Board is responsible for formulating, reviewing and approving the Company's strategies, budgets and corporate actions. The directors have responsibility for, and recognise the importance of implementing and maintaining, high standards of corporate governance, and intend that the Company will comply with the Combined Code on Corporate Governance dated June 2006, issued by the Financial Reporting Council ('Combined Code') and the Quoted Companies Alliance's Guidance for Smaller Quoted Companies' in such respects as are appropriate for a company of its size, nature and stage of development.

The Board of Directors

The Company is controlled by the Board of Directors, which currently consists of three executive and three non-executive directors.

The board meets regularly and has a formal schedule of matters referred to it for decision; these include:

- Meeting Companies Act requirements including the approval of financial statements, dividends and changes in accounting practices and policies
- Stock Exchange related issues including the approval of communications to the Stock Exchange
- Approval of the company's overall commercial strategy and a review of progress to date
- Financial matters including the approval of budget and financial plans, changes to the Group's capital structure, major investments such as capital expenditures, acquisitions and disposals
- Other policy matters including health and safety, employee remuneration and operational controls.

Operational control is delegated by the Board to the executive directors. Non-executive directors are in regular communication with executive directors.

All the directors have direct access to the advice and services of the Company Secretary and can take independent advice if necessary, at the Company's expense.

Board committees

Audit committee

The audit committee consists of the three non-executive directors and is under the chairmanship of John Voltz. The committee meets at least twice a year and more frequently if required. The committee is responsible for monitoring the quality of internal controls, ensuring the financial performance of the Company is being properly measured and reported on, meeting with the auditors and reviewing reports from the auditors relating to accounting and internal controls. Other board members may be invited to attend meetings.

Remuneration committee

The remuneration committee consists of the three non-executive directors and is chaired by Tony O'Reilly. The committee reviews the performance of executive directors, sets the scale and structure of their remuneration and reviews the basis of their service agreements with due regard to the interests of the shareholders. Other board members may be invited to attend meetings. The remuneration committee will also make recommendations to the directors concerning the allocation of share options to directors and employees. No director is permitted to participate in discussions concerning his own remuneration. The remuneration and terms of appointment of non-executive directors will be set by the Board.

Internal control

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The processes to identify and manage the key risks of the Group are an integral part of the internal control environment. Such processes, which are regularly reviewed and improved as necessary, include strategic planning, approval of annual budgets, regular monitoring of performance against budget (including full investigation of significant variances), control of capital expenditure, ensuring that proper accounting records are maintained, the appointment of senior management and the setting of high standards for health, safety and environmental performance.

The effectiveness of the internal control system and procedures is monitored regularly through a combination of management self-assessment and external audit. The results are reported and considered by the Audit Committee.

The system of internal control comprises those controls established to provide assurance that the assets of the Group are safeguarded against unauthorised use or disposal and to ensure the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. Any system of internal control can only provide reasonable, but not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failing to achieve the business objectives of the Group.

Directors' report

Relations with shareholders

The Company is committed to open communication with all its shareholders. Communication is primarily through the Annual General Meeting which shareholders are encouraged to attend and where participation is encouraged so that the Board may answer questions. All shareholders will receive a copy of the Annual Report and an interim report at the half year will be available on the Company's website. Care is taken to ensure any price sensitive information is released to all shareholders at the same time. The Company aims to provide a full, realistic and timely assessment of its business and operations in a balanced way, in all price sensitive reports and presentations.

Political and charitable contributions

The Group made no political contributions during the year (2006: €Nil), the group made €6,000 of charitable contributions during the year (2006: €Nil).

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

ME Fitzgerald
Director

One America Square | Crosswall | London | EC3N 2SG
28th March 2008

Statement of directors’ responsibilities

Statement of directors’ responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare group and parent company financial statements for each financial period. Under that law the Directors have elected to prepare both the Group financial statements in accordance with IFRSs as adopted by the EU and applicable laws and have elected to prepare the parent company financial statements of the same basis.

The Group and parent company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Group and the parent company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors’ are responsible for the maintenance and integrity of the corporate and financial information included on the company’s website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KPMG Audit Plc

Arlington Business Park | Theale | Reading | RG7 4SD | United Kingdom

Independent Auditors' report to the members of Zenergy Power plc

We have audited the Group and Parent Company financial statements (the 'financial statements') of Zenergy Power plc for the year ended 31 December 2007 which comprise the Group and Parent Company Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statement, the Group and Parent Company Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable laws and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 17.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's and the Parent Company's affairs as at 31 December 2007 and of the Group's and the Parent Company's loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the Directors' report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

28th March 2008

Consolidated income statement
for year ended 31 December 2007

	Note	Statutory reporting period Year ended 31 December 2007 €000	Statutory reporting period Period 15 July 2005 to 31 December 2006 €000	Non statutory reporting period Year ended 31 December 2006 €000
Revenue	1,2	268	475	119
Cost of sales		(221)	(370)	(107)
Gross profit		47	105	12
Other operating income	3	578	709	667
Distribution expenses		(519)	(667)	(471)
Administrative expenses		(2,703)	(2,373)	(2,053)
Research & development expenses		(2,644)	(2,716)	(2,219)
Loss before research & development, depreciation & amortisation & equity settled share based payments		(1,586)	(1,265)	(969)
Research & development expenses		(2,644)	(2,716)	(2,219)
Depreciation & amortisation	9,10	(603)	(419)	(334)
Equity settled share-based payment expenses	18	(408)	(542)	(542)
Operating loss	1,4,5	(5,241)	(4,942)	(4,064)
Financial income	7	295	48	47
Financial expenses	7	(554)	(40)	(39)
Net financing costs		(259)	8	8
Loss before tax		(5,500)	(4,934)	(4,056)
Taxation	8	263	12	12
Loss for the period attributable to equity holders of the Parent	19	(5,237)	(4,922)	(4,044)
Earnings/(loss) per share (Euros)				
Basic and fully diluted loss per share	20	(0.13)	(0.34)	(0.21)

Consolidated statement of recognised income and expense

for year ended 31 December 2007

	Note	Statutory reporting period Year ended 31 December 2007 €000	Statutory reporting period Period 15 July 2005 to 31 December 2006 €000	Non statutory reporting period Year ended 31 December 2006 €000
Foreign exchange translation differences	19	(338)	(47)	(47)
Net expense recognised directly in equity		(338)	(47)	(47)
Loss for the period		(5,237)	(4,922)	(4,044)
Total recognised income and expense	19	(5,575)	(4,969)	(4,091)
Total recognised income and expense for the period attributable to the equity holders of the parent		(5,575)	(4,969)	(4,091)

Consolidated balance sheet
at 31 December

	Note	2007 €000	2006 €000
Non-current assets			
Property, plant and equipment	9	1,671	1,155
Goodwill	10	1,303	1,415
Other intangible assets	10	3,176	2,122
		6,150	4,692
Current assets			
Inventories	14	543	123
Trade and other receivables	15	753	532
Research & development tax credit receivable	15	150	-
Cash and cash equivalents	16	17,746	2,722
		19,192	3,377
Total assets	1,2	25,342	8,069
Current liabilities			
Trade and other payables	17	(1,966)	(1,168)
Non current liabilities			
Deferred tax liabilities	13	(653)	(750)
Total liabilities		(2,619)	(1,918)
Net assets	1,2	22,723	6,151
Equity attributable to equity holders of the parent			
Share capital	19	645	532
Share premium	19	31,672	10,046
Translation reserve	19	(385)	(47)
Warrant reserve	19	200	200
Retained loss	19	(9,409)	(4,580)
Total equity attributable to shareholders		22,723	6,151

These financial statements were approved by the board of directors on 28th March 2008 and were signed on its behalf by:

ME Fitzgerald
Director

Consolidated cash flow statement

for year ended 31 December 2007

	Note	Statutory reporting period Year ended 31 December 2007 €000	Statutory reporting period Period 15 July 2005 to 31 December 2006 €000	Non statutory reporting period Year ended 31 December 2006 €000
Cash flows from operating activities				
Loss for the period		(5,237)	(4,922)	(4,044)
Adjustments for:				
Depreciation and amortisation	9,10	603	419	334
Foreign exchange gains/(losses)		12	(5)	(4)
Gain on sale of fixed assets		(39)	-	-
Financial income	7	(295)	(48)	(47)
Financial expenses	7	554	40	39
Equity settled share-based payment expenses	18	408	542	542
Taxation	8	(263)	(12)	(12)
Operating loss before changes in working capital and provisions		(4,257)	(3,986)	(3,192)
Increase in trade and other receivables		(167)	(418)	(98)
Increase in stock	14	(420)	(13)	(51)
Increase in trade and other payables		801	1,071	869
Cash absorbed by operations		(4,043)	(3,346)	(2,472)
Tax received/(paid)		86	(1)	(1)
Net cash from operating activities		(3,957)	(3,347)	(2,473)
Cash flows from investing activities				
Interest received		237	48	47
Acquisition of subsidiary, net of cash acquired	12	-	(501)	(501)
Acquisition of a business	12	-	(1,025)	-
Proceeds from the sale of fixed assets		307	-	-
Acquisition of property, plant and equipment	9	(1,275)	(643)	(585)
Development expenditure capitalised and other intangible assets acquired	10	(1,426)	(134)	(118)
Net cash from investing activities		(2,157)	(2,255)	(1,157)
Cash flows from financing activities				
Interest paid	7	-	(15)	(14)
Proceeds from the issue of share capital	19	21,739	1	-
Proceeds from the issue of loan notes	19	-	9,200	7,200
Listing expenses	19	-	(858)	(858)
Proceeds from new loan		-	447	-
Repayment of borrowings		-	(448)	(448)
Net cash from financing activities		21,739	8,327	5,880
Net increase in cash and cash equivalents		15,625	2,725	2,250
Cash and cash equivalents at start of period	16	2,722	-	475
Effect of exchange rate fluctuations on cash held		(601)	(3)	(3)
Cash and cash equivalents at 31 December	16	17,746	2,722	2,722

Notes

1 Accounting policies

Zenergy Power plc (the 'Company') is a company incorporated in Great Britain.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group'). The Parent Company financial statements present information about the Company as a separate entity and not about its Group. The Company accounts are presented on pages 69-92.

Both the Parent Company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs').

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 26.

Adopted IFRS applied for the first time in these financial statements

IFRS 7 Financial instruments: Disclosure. The application of IFRS 7 in 2007 has not affected the balance sheets or income statement as the standard is concerned only with disclosure.

Adopted IFRS not yet applied

The following Adopted IFRS was available for early application but has not been applied by the Group in these financial statements. The adoption is not expected to have a material affect on the financial statements unless otherwise indicated:

- IFRIC 11 'IFRS 2 – Group and Treasury Share Transactions' (mandatory for the year commencing on or after 1 March 2007).

Measurement convention

The financial statements are prepared on the historical cost basis.

Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. The consolidated financial statements are presented in Euros, which is the functional currency of the Company.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations, are taken directly to the translation reserve. They are released into the income statement upon disposal.

Forward contracts are held at fair value based on the rate of exchange at the balance sheet date compared to the rate of exchange in the forward contract.

Share premium

Costs which are directly attributable to the issue of equity securities are written off against the share premium account.

Government grants

Government grants receivable relating to expensed research and development costs are included in other operating income in the same period as the costs which they are intended to compensate are recognised. Government grants relating to capitalised intangibles are netted against the capitalised costs.

Grants received in advance of associated costs are included in trade and other payables, grants receivable in respect of costs incurred at the balance sheet date are included in trade receivables.

Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Plant and equipment	between 2 - 10 years
Fixtures and fittings	between 2 – 10 years

Intangible assets and goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries and businesses. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Expenditure on development activities is capitalised if and only if the product or process is technically and commercially feasible, the Group intends to complete the intangible to use or sell, it is probable the intangible asset will generate future economic benefit, the expenditure attributable to the intangible asset can be measured reliably and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use.

The estimated useful lives are as follows:

Patents and trademarks	15 years
Capitalised development costs	5 – 10 years
Software	3 years

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently at amortised cost.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Impairment

The carrying amounts of the Group's assets other than, inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Share-based payment transactions

The share option programme allows Group employees to acquire shares of the ultimate parent company; these awards are granted by the ultimate parent. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Revenue

Revenues represent the amounts (excluding value added tax) derived from the provision of goods and services to customers during the period. Revenue is recognised in the income statement when the goods are received by the customer or the services satisfactorily performed.

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Net financing costs

Net financing costs comprise interest payable, interest receivable on funds invested, foreign exchange gains and losses that are recognised in the income statement (see Foreign Currency accounting policy).

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

2 Segmental reporting

Geographic segments

For management purposes, the Group is currently organised into four geographical regions based on the location of the Group's assets – Germany, USA, Australia and the UK. These geographical regions are the basis on which the Group reports its primary segment information.

Year ended 31 December 2007	Germany €000	USA €000	Australia €000	UK €000	Eliminations €000	Consolidated €000
Revenue						
Total revenue	615	-	-	-	(347)	268
Result						
Segment result being loss from operations	(2,283)	(1,454)	(390)	(980)	(134)	(5,241)
Finance income	3	5	4	283	-	295
Finance expense	-	(8)	-	(544)	(2)	(554)
Loss before tax	(2,280)	(1,457)	(386)	(1,241)	(136)	(5,500)
Tax	-	-	236	-	27	263
Loss after tax	(2,280)	(1,457)	(150)	(1,241)	(109)	(5,237)
Other information						
Capital additions	1,237	1,183	334	17	(70)	2,701
Depreciation and amortisation	(362)	(208)	(32)	(1)	-	(603)
Balance sheet						
Segment assets	3,527	1,313	611	31,849	(11,958)	25,342
Segment liabilities	(2,636)	(3,146)	(915)	(302)	4,380	(2,619)
Net assets/(liabilities)	891	(1,833)	(304)	31,547	(7,578)	22,723

Business segment

The Group has one business segment, being the development and production of high temperature superconducting wires, components and applications.

Statutory reporting period 15 July 2005 to 31 December 2006	Germany €000	USA €000	Australia €000	UK €000	Eliminations €000	Consolidated €000
Revenue						
Total revenue	475	-	-	-	-	475
Result						
Segment result being loss from operations	(3,272)	(810)	(311)	(511)	(38)	(4,942)
Finance income	11	-	-	58	(21)	48
Finance expense	(16)	(13)	(6)	(26)	21	(40)
Loss before tax	(3,277)	(823)	(317)	(479)	(38)	(4,934)
Tax	(1)	-	-	-	13	12
Loss after tax	(3,278)	(823)	(317)	(479)	(25)	(4,922)
Other information						
Capital additions	689	36	52	-	-	777
Depreciation and amortisation	(302)	(61)	(16)	-	(40)	(419)
Balance sheet						
Segment assets	2,443	424	117	10,798	(5,713)	8,069
Segment liabilities	(1,422)	(924)	(271)	(156)	855	(1,918)
Net assets/(liabilities)	1,021	(500)	(154)	10,642	(4,858)	6,151

Notes

Non statutory reporting period Year ended 31 December 2006	Germany €000	USA €000	Australia €000	UK €000	Eliminations €000	Consolidated €000
Revenue						
Total revenue	119	-	-	-	-	119
Result						
Segment result being loss from operations	(2,427)	(810)	(311)	(478)	(38)	(4,064)
Finance income	10	-	-	58	(21)	47
Finance expense	(16)	(13)	(6)	(25)	21	(39)
Loss before tax	(2,433)	(823)	(317)	(445)	(38)	(4,056)
Tax	(1)	-	-	-	13	12
Loss after tax	(2,434)	(823)	(317)	(445)	(25)	(4,044)
Other information						
Capital additions	615	36	52	-	-	703
Depreciation and amortisation	(217)	(61)	(16)	-	(40)	(334)
Balance sheet						
Segment assets	2,443	424	117	10,798	(5,713)	8,069
Segment liabilities	(1,422)	(924)	(271)	(156)	855	(1,918)
Net assets/(liabilities)	1,021	(500)	(154)	10,642	(4,858)	6,151

3 Other operating income

	Statutory reporting period Year ended 31 December 2007 €000	Statutory reporting period Period 15 July 2005 to 31 December 2006 €000	Non statutory reporting period Year ended 31 December 2006 €000
Government grants	520	665	642
Other	58	44	25
	578	709	667

4 Expenses and auditors' remuneration

Auditors' remuneration:

	Statutory reporting period Year ended 31 December 2007 €000	Statutory reporting period Period 15 July 2005 to 31 December 2006 €000	Non statutory reporting period Year ended 31 December 2006 €000
Amounts receivable by auditors and their associates in respect of:			
Audit of these financial statements	66	74	74
Audit of financial statements of subsidiaries pursuant to legislation	27	42	27
Other services relating to taxation	4	7	7
All other services	18	291	284

Other services in 2006 relate to the fees for services as Reporting Accountants in connection with the Aim Listing.

5 Staff numbers and costs

The average number of persons employed by the group (including Directors) during the year, analysed by category, was as follows:

Number of employees	Statutory reporting period Year ended 31 December 2007	Statutory reporting period Period 15 July 2005 to 31 December 2006	Non statutory reporting period Year ended 31 December 2006
Production	8	4	3
Development	22	14	15
Sales and marketing	5	3	4
Admin and finance	10	6	6
	45	27	28

The aggregate payroll costs of these persons were as follows:

	Statutory reporting period Year ended 31 December 2007 €000	Statutory reporting period Period 15 July 2005 to 31 December 2006 €000	Non statutory reporting period Year ended 31 December 2006 €000
Wages and salaries	2,419	2,146	1,673
Share based payments (See Note 18)	408	342	342
Social security costs	354	297	234
Other pension costs	43	6	6
	3,224	2,791	2,255

6 Directors' emoluments

	Statutory reporting period Year ended 31 December 2007					Statutory reporting period Period 15 July 2005 to 31 December 2006	Non statutory reporting period Year ended 31 December 2006
	Salaries and other emoluments €000	Bonus €000	Pension €000	Other benefits €000	Total €000	Total €000	Total €000
Michael Fitzgerald	29	-	-	-	29	11	11
Carsten Bührer	112	18	4	14	148	78	78
Woody Gibson	112	11	5	11	139	90	90
Jens Müller	115	13	4	11	143	79	79
Tony O'Reilly	22	-	-	-	22	9	9
John Voltz	22	-	-	-	22	9	9
	412	42	13	36	503	276	276

Jens Müller entered into a service agreement with Trithor dated 22 August 2005. During the course of the year the existing agreement was amended from a fixed term contract to a rolling contract with six months notice for either party. If the Company terminates employment compensation for loss of office of a total of 12 months (including notice period) is payable. Base salary was increased to €125,000, bonus of up to 30% of base salary, 5% pension contributions and the use of a company car are also included. Dr Müller has entered into an appointment letter with the Company dealing with his position as CEO of the Company. Dr Müller's salary is included in the table above since his appointment as director of the Company on 29 June 2006.

Carsten Bührer entered into a service agreement with Trithor dated 28 July 2005. During the course of the year the existing agreement was amended from a fixed term contract to a rolling contract with six months notice for either party. If the Company terminates employment compensation for loss of office of a total of 12 months (including notice period) is payable. Base salary was increased to €120,000, bonus of up to 30% of base salary, 5% pension contributions and the use of a company car are also included. Dr Bührer has entered into an appointment letter with the Company dealing with his position as executive director of the Company. Dr Bührer was appointed CTO of the Group on 13th June 2007. Dr Bührer's salary is included in the table above since his appointment as director of the Company on 2 June 2006.

Woody Gibson entered into a service agreement with SC Power dated 1 January 2006 for an initial period of 24 months from 1 January 2006, to be automatically renewed on an annual basis. Mr Gibson is an "at will" employee meaning that his employment may be terminated by SC Power at any time. The agreement provides for an annual salary of $154,000 together with a bonus of up to 30% of base salary. Mr Gibson is also entitled to reimbursement of health and accidental death and disability insurance premiums and a car allowance of not less than $600 per month. Mr Gibson has entered into an appointment letter with the Company dealing with his position as executive director of the Company. Woody Gibson's salary has been included in the consolidated results from 1 June 2006 following the acquisition of SC Power.

The services of John Voltz and Tony O'Reilly as non-executive Directors are provided under the terms of appointment letters between the Company and each of them dated 16 August 2006, at an initial fee of £15,000 per annum. Each appointment is subject to termination upon three months notice.

The services of Michael Fitzgerald as non-executive chairman are provided pursuant to the terms of a consultancy agreement between the Company and Cloverleaf Holdings Limited ('Cloverleaf') dated 16 August 2006. In consideration for procuring the provision of the services of Mr Fitzgerald as chairman, Cloverleaf is entitled to receive a fee of £20,000 per annum. The agreement is terminable on three months notice. In addition Mr Fitzgerald has an appointment letter with the Company containing equivalent ancillary provisions to the appointment letters of the other non-executive Directors.

7 Finance income and expense

	Statutory reporting period Year ended 31 December 2007 €000	Statutory reporting period Period 15 July 2005 to 31 December 2006 €000	Non statutory reporting period Year ended 31 December 2006 €000
Interest income - bank	275	47	46
Interest reversal – ATQ Holdings Limited	-	1	1
Gain on forward contracts held at fair value	20	-	-
Financial income	295	48	47
Interest expense – ATQ Holdings Limited	-	(1)	-
Net foreign exchange loss	(554)	(25)	(25)
Other interest expense	-	(14)	(14)
Financial expenses	(554)	(40)	(39)

The foreign exchange loss comprises the loss on the retranslation of Sterling funds held by the Company to Euros at the closing rate.

During the period ended 31 December 2006 the loan from ATQ Holdings Limited was repaid in full, all interest accrued was waived.


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8 Taxation

Recognised in the income statement

	Statutory reporting period Year ended 31 December 2007 €000	Statutory reporting period Period 15 July 2005 to 31 December 2006 €000	Non statutory reporting period Year ended 31 December 2006 €000
Current tax income/(expense)			
Current period	-	(1)	(1)
Research and development tax credit	150	-	-
Adjustments in respect of prior periods	86	-	-
Deferred tax income			
Origination and reversal of temporary timing differences	27	13	13
Total tax income	263	12	12

Reconciliation of effective tax rate

	Statutory reporting period Year ended 31 December 2007 €000	Statutory reporting period Period 15 July 2005 to 31 December 2006 €000	Non statutory reporting period Year ended 31 December 2006 €000
Loss before tax	(5,500)	(4,934)	(4,056)
Tax credit using the Group's effective tax rate of 37% (2006: 39%)	2,035	1,943	1,574
Share based payments – deferred tax asset not recognised	(153)	(191)	(191)
Effect of tax losses not recognised	(1,619)	(1,740)	(1,371)
Total tax income in the income statement	263	12	12

9 Property, plant and equipment

	Technical plant and equipment €000	Office and business equipment €000	Assets under construction €000	Total €000
Cost				
Balance at 15 July 2005	-	-	-	-
Acquisitions through business combinations	837	122	-	959
Additions	193	139	311	643
Transfer	246	-	(246)	-
Disposals	(86)	-	-	(86)
Effect of movements in foreign exchange	(4)	(2)	-	(6)
Balance at 31 December 2006	1,186	259	65	1,510
Additions	633	111	531	1,275
Transfers	386	-	(386)	-
Disposals	(494)	-	-	(494)
Effect of movements in foreign exchange	(35)	(5)	-	(40)
Balance at 31 December 2007	1,676	365	210	2,251
Depreciation				
Balance at 15 July 2005	-	-	-	-
Depreciation charge for the period	(292)	(76)	-	(368)
Disposals	12	-	-	12
Effect of movements in foreign exchange	1	-	-	1
Balance at 31 December 2006	(279)	(76)	-	(355)
Depreciation charge for the period	(388)	(79)	-	(467)
Disposals	226	-	-	226
Effect of movements in foreign exchange	14	2	-	16
Balance at 31 December 2007	(427)	(153)	-	(580)
Net book value				
At 31 December 2006	907	183	65	1,155
At 31 December 2007	1,249	212	210	1,671

No assets are held under finance leases.

10 Intangible assets

	Goodwill €000	Patents, Trademarks and licenses €000	Development rights €000	Total €000
Cost				
Balance at 15 July 2005	-	-	-	-
Acquisitions through business combinations	170	30	-	200
Acquisitions of subsidiaries	1,276	818	1,247	3,341
Other acquisitions – internally developed	-	-	104	104
Other acquisitions – externally purchased	-	30	-	30
Effect of movements in foreign exchange	(31)	(23)	(34)	(88)
Balance at 31 December 2006	1,415	855	1,317	3,587
Other acquisitions – internally developed	-	-	1,338	1,338
Other acquisitions – externally purchased	-	88	-	88
Effect of movements in foreign exchange	(112)	(77)	(167)	(356)
Balance at 31 December 2007	1,303	866	2,488	4,657
Amortisation				
Balance at 15 July 2005	-	-	-	-
Amortisation for the period	-	(47)	(4)	(51)
Effects of movements in foreign exchange	-	1	-	1
Balance at 31 December 2006	-	(46)	(4)	(50)
Amortisation for the period	-	(95)	(41)	(136)
Effect of movements in foreign exchange	-	8	-	8
Balance at 31 December 2007	-	(133)	(45)	(178)
Net book value				
At 15 July 2005	-	-	-	-
At 31 December 2006	1,415	809	1,313	3,537
At 31 December 2007	1,303	733	2,443	4,479

Amortisation charge

The amortisation charge is recognised in Research & development expenses in the income statement.

Goodwill

Goodwill is allocated as follows: Trithor €170,000, SC Power €1,051,000 (US$1,535,000) and Australian Superconductors €82,000 (Australian Dollars 136,000), the smallest cash generating unit to which goodwill can be allocated has been determined to be the Medium Voltage Fault Current Limiter for SC Power and Australian Superconductors and HTS products including coils and induction heater for Trithor GmbH. Goodwill is tested annually for impairment. Goodwill is denominated in the currency of the acquired entity. The recoverable amount has been determined based on the value in use, which has been estimated based on discounted future cash flows extracted from the entities three year business plan and assuming increasing unit sales of up to 50% per annum thereafter, applying a discount factor of 15-25%. The significant variables in the key assumptions are sales price, margin, unit sales per annum and operating costs. The increase in unit sales is the key sensitivity, however, the directors are confident the goodwill is not impaired

Recoverability of Development Rights

The Group's intangible assets in relation to Development rights relates to amounts arising on business combinations and subsequent expenditure meeting the criteria required by IAS 38. Much of the expenditure is in relation to projects that are ongoing and as such the Group has not yet commenced amortisation of these assets. The intangible assets relate to the same cash generating units as the goodwill arising on acquisition and are supported by the impairment tests noted above.

11 Investments in subsidiaries

The Group has the following investments in subsidiaries

Company	Country of Incorporation	Class of shares held	Ownership Statutory reporting period 2007	Ownership Statutory reporting period 2006
Trithor GmbH	Germany	Ordinary	100%	100%
SC Power Systems, Inc.	USA	Ordinary	100%	100%
Australian Superconductors Pty Limited	Australia	Ordinary	100%	100%

SC Power Systems, Inc. holds 32,500 of its 75,000 issued Ordinary shares in treasury, effective ownership by Zenergy Power plc is 100%. SC Power holds 100% of the issued share capital in Australian Superconductors.

12 Acquisitions of subsidiaries and businesses

Acquisition of subsidiaries

On 1 June 2006 Zenergy Power acquired SC Power Systems, Inc. (‘SC Power’).

SC Power was formed in 2004 to acquire the underlying business known as Australian Superconductors from Metal Manufacturers Limited. SC Power was owned by Jane Capital Partners, LLC (32,500 shares) Metal Manufacturers Limited (32,500 shares) and Woody Gibson (10,000 shares). On 7 December 2005 Metal Manufacturers shares were repurchased by SC Power and held in treasury stock. The repurchase was funded by a loan from Cloverleaf Holdings Limited of $560,000.

Zenergy Power acquired 42,500 shares in SC Power in exchange for 28,111 Ordinary Shares credited as paid up to €63 per share. The remaining 32,500 shares in SC Power are held in treasury by SC Power. SC Power is effectively a wholly owned subsidiary of Zenergy Power. SC Power has a wholly owned subsidiary Australian Superconductors Pty Limited (‘Australian Superconductors’).

23,867 of the Ordinary Shares issued were allotted to the former shareholders of SC Power.

The remaining 4,244 were allotted to Cloverleaf Holdings Limited. These shares were allotted in recognition of the increase in value of SC Power since the date of the original loan provided by Cloverleaf Holdings Limited.

In a separate private transaction, Cloverleaf Holdings Limited allotted the 4,244 shares by way of a call option to certain key management in Trithor GmbH.

In the period to 31 December 2006 the subsidiaries contributed a net loss of €1,140,000 to the consolidated net loss for the period. If the acquisition had occurred at the start of the period the net loss would have been €1,912,000.

Effect of acquisitions

The acquisitions had the following effect on the Group's assets and liabilities.

	Acquiree's book values €000	Fair value adjustments €000	Acquisition amounts €000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	183	-	183
Patents and Trademarks	-	818	818
Development rights	-	1,247	1,247
Trade and other receivables	11	-	11
Cash and cash equivalents	286	-	286
Trade and other payables	(13)	-	(13)
Deferred tax liability	-	(785)	(785)
Net identifiable assets and liabilities	467	1,280	1,747
Goodwill on acquisition			1,276
Total consideration			3,023
Consideration paid in shares			2,236
Consideration satisfied in cash (Including legal fees of €61,000)			787
Cash (acquired)			(286)
Net cash outflow			501

Consideration paid in shares includes: 28,111 shares credited as paid up to €63 per share, €1,771,000 and €465,000 Series B loan notes issued in consideration for the loan provided by Cloverleaf Holdings Limited to enable SC Power to repurchase its own shares. See Note 26.

Goodwill has arisen on the acquisition because the employees transferred were considered to be valuable to the Group for development of future intellectual property and customer relationships.

A deferred tax liability at the US effective tax rate of 38% has been recognised in respect of the intangible assets, as the tax base of these assets is nil.

Acquisition of businesses

On 28 July 2005 the Company acquired an off the shelf company Johanna 55 Vermögensverwaltungsgellschaft mbH now renamed Trithor GmbH, with paid up share capital of €25,000. On 1 August 2005, Trithor GmbH acquired all the assets in 'Original' Trithor GmbH a company engaged in superconducting technology and research activities for €1,086,000. The consideration was satisfied in cash; subsequently €61,000 was refunded from the liquidator as a net payment for trade and other receivables, advance customer payments and provisions for EU project funding. In the period from 15 July to 31 December 2006 the business contributed a net loss of €3,277,000 to the consolidated net loss for the period. (€2,433,000 in the year ended 31 December 2006 and €844,000 in the five months to December 2005).

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities.

	Acquiree's book values €000	Fair value adjustments €000	Acquisition amounts €000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	2,947	(2,171)	776
Intangible assets	254	(224)	30
Inventories	149	(39)	110
Trade and other receivables	32	-	32
Advance customer payments	(54)	-	(54)
Provision for EU project funding	(39)	-	(39)
Net identifiable assets and liabilities	3,289	(2,434)	855
Goodwill on acquisition			170
Total consideration paid (Including legal fees of €Nil) satisfied in cash			1,025
Net cash outflow			1,025

Goodwill has arisen on the acquisition because the employees transferred were considered to be valuable to the Group for development of future intellectual property and customer relationships.

13 Deferred tax assets and liabilities

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	Statutory reporting period 2007 €000	Statutory reporting period 2006 €000	Non statutory reporting period 2005 €000
Intangible assets			
Patents and trademarks	237	289	-
Development rights	416	461	-
Deferred tax liabilities	653	750	-

Movement in deferred tax during the period

	31 December 2006 €000	Recognised in income €000	Recognised in equity €000	31 December 2007 €000
Intangible assets				
Patents and trademarks	289	(27)	(25)	237
Development rights	461	-	(45)	416
	750	(27)	(70)	653

Unrecognised deferred tax assets

No deferred tax assets have been recognised in respect of the cumulative losses of the Group or in relation to temporary differences on share based payments as, in accordance with IAS 12 there is currently insufficient convincing other evidence that sufficient taxable profits will be available to recover the assets. This is primarily due to the Group's continuing focus on further development areas including 2G and High Voltage Fault Current Limiters and the position will be reviewed each year. The Group's unrecognised deferred tax asset is €5,014,000 (2006: €2,406,000) of which €1,153,000 (2006: €150,000) relates to temporary differences on share based payments. The unrecognised deferred tax asset in respect of losses is €3,861,000 (2006: €2,256,000). €384,000 (2006: €422,000) of this asset relates to pre-acquisition losses of subsidiaries, the use of €362,000 (2006: €401,000) of these losses is restricted and unwinds by 2014. The balance of the losses can be carried forward indefinitely. In addition, the Group has an unrecognised deferred tax liability of €183,000 in relation to temporary differences arising on development expenditure that has been capitalised. This unrecognised liability will be offset by the unrecognised assets in future periods.

14 Inventories

	Statutory reporting period 2007 €000	Statutory reporting period 2006 €000
Raw materials and consumables	143	15
Work in progress	362	31
Finished goods	38	77
	543	123

€157,000 has been recognised as an expense in the year (cost of sales). No inventory has been written down.

15 Trade and other receivables

	Statutory reporting period 2007 €000	Statutory reporting period 2006 €000
Trade receivables due from non-related parties	58	82
Receivable in respect of Government funded projects	405	197
Research and development tax receivable	150	-
Amounts receivable from sale of property, plant and equipment	-	74
Gain on forward exchange contracts held at fair value	20	-
Other receivables and prepayments	270	179
	903	532

16 Cash and cash equivalents/ bank overdrafts

	Statutory reporting period 2007 €000	Statutory reporting period 2006 €000
Bank – current account	60	752
Bank – deposit account	1,571	-
Money market deposit	16,115	1,970
Cash and cash equivalents per cash flow statement	17,746	2,722

17 Trade and other payables

	Statutory reporting period 2007 €000	Statutory reporting period 2006 €000
Trade payables due to related parties	150	-
Trade payable due to non related parties	465	264
Advance customer payments	633	-
Advance payments in respect of Government funded projects	235	329
Non-trade payables and accrued expenses	483	575
	1,966	1,168

18 Equity settled share based payments

Share-based payments

The Company operates the Zenergy Power plc 2006 Share Option Plan, the principal provisions of which are summarised below:

Options to subscribe for Ordinary Shares of the Company may be granted (at the discretion of the Board or the Remuneration Committee of the Board) to selected employees or directors of or consultants to the Group.

Options may normally only be granted within 42 days of adoption of the Share Option Plan, within 42 days after announcement of the Group's preliminary results or interim results or to an individual within 14 days of that individual becoming an employee or director of or consultant to the Group. However, options may be granted outside this period if the Board consider the circumstances are exceptional.

Options must be granted at a subscription price per Ordinary Share which is at least the greater of:

- Where the option holder owns (or is deemed to own) more than ten per cent, of the issued Ordinary Share capital of the Company at the date of grant of the option, one hundred and ten per cent of the mid-market price of an Ordinary Share on the date of grant of the option;
- Where the above condition does not apply, the mid-market price of an Ordinary Share on the date of grant of the option; and
- 1p (being the nominal value of an Ordinary Share).

No consideration is payable for the grant of an option. Options are not transferable or assignable.

The number of Ordinary Shares which may be utilised under all employee share incentive plans established by the Company shall not exceed 10 per cent of the issued Ordinary Share capital of the Company within any 10 year period. This does not include options granted prior to Admission.

The number of Ordinary Shares which may be utilised within any 10 year period under the Share Option Plan and under any other discretionary/executive share option plans established by the Company shall not normally exceed 5 per cent of the issued Ordinary Share Capital of the Company from time to time. However, up to 10 per cent of the issued Ordinary Share capital of the Company can be utilised for discretionary/executive share option plans provided that at least 5 per cent of the Ordinary Share Capital utilised relates to "super options" (being options the exercise of which requires achievement of a top quartile performance in respect of a pre-defined peer group).

The number of Ordinary Shares over which options may be granted to an individual option holder (ignoring Ordinary Shares which relate to "super options") is normally limited so that the aggregate subscription price paid or payable on exercise of his options, when added to the costs of subscribing for shares under all share option plans (other than savings related plans) in the last 12 months, does not exceed the employee's annual remuneration over the previous 12 months. This limit may be exceeded if, in the Board's opinion, the circumstances are exceptional.

Options will vest (become exercisable) 25 per cent on the expiry of 12 months from the date of grant. Thereafter, an equal percentage of the option will vest each month until the expiry of four years from the date of grant when 100 per cent of the option will have vested.

An option may not be exercised after the expiry of the option period which must not exceed:

- Where the option holder owns (or is deemed to own) more than 10 per cent. of the issued Ordinary Share Capital of the Company at the date of grant of the option, the period commencing on the date on which the option is granted and expiring at the close of business on the date preceding the firth anniversary thereof; and
- Where the above does not apply, the period commencing on the date on which the option is granted and expiring at the close of business on the date preceding the tenth anniversary thereof.

In certain circumstances, the Board has discretion to allow an option to vest earlier (for example on cessation of employment or on a take-over, reconstruction or voluntary winding up of the Company).

The exercise of an option may be subject to the achievement of specific performance conditions to be determined by the Board or the Remuneration Committee.

In the event of a general offer to acquire the whole of the issued share capital of the Company as a result of which the offeror obtains control of the Company, an option holder may, with the consent of the acquiring company, release each subsisting and unexercised option for a new right which is equivalent to his option, but relates to shares in a different company (generally, the offeror). If another company obtains control of the Company then options which are not exercised within a restricted period thereafter will lapse.

The number and/or class of shares and the subscription price of shares subject to an option may be varied by the Board in the event of a reorganisation of capital (such as a capitalisation or rights issue) subject to an opinion of the auditors of the Company that the variations are fair and reasonable.

The Share Option Plan will be administered by the Board or a Remuneration Committee of the Board. The Board has the power to amend the Share Option Plan, but (a) no amendment may be made which would materially affect the existing rights of an option holder unless it has been approved by a majority of option holders and (b) no amendment may be made to the matters referred to in this summary which is to the advantage of existing or future option holders (other than minor amendments for general administrative, fiscal or regulatory benefit) except with the consent of the Company in a general meeting.

The Board may terminate the Share Option Plan at any time with the effect that no further options may thereafter be granted although in all other respects the Share Option Plan will remain in force. No options may be granted under the Share Option Plan after the tenth anniversary of its adoption. Options granted under the Share Option Plan will not form part of the participant's remuneration for pension purposes.

Notes

The terms and conditions of the grants during the year are as follows, whereby all options are equity settled by physical delivery of shares:

Effective date of award	No. of instruments	Contractual life of options
2 October 2007	101,830	10 years
1 November 2007	24,450	
	126,280	

The number and weighted average exercise prices of share options are as follows:

	Statutory reporting period Year ended 31 December 2007		Statutory reporting period Period 15 July 2005 to 31 December 2006		Non statutory reporting period Year ended 31 December 2006		Non statutory reporting period Period 15 July 2005 to 31 December 2005	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	41p	1,320,000	-	-	-	-	-	-
Granted during the period	258p	126,280	41p	1,320,000	41p	1,320,000	-	-
Expired unexercised during the period	30p	(100,000)	-	-	-	-	-	-
Outstanding at the end of the period	62p	1,346,280	41p	1,320,000	41p	1,320,000	-	-
Exercisable at the end of the period	39p	443,117	-	-	-	-	-	-

The options outstanding at the period end have an exercise price in the range of 21p to 285p and a weighted average contractual life of 8.6 years.

The fair value of options granted was measured using a Hull-White share option valuation model, using the following assumptions as inputs:

Fair value of option at measurement date	27p-134p
Weighted average option price	62p
Exercise price	134p-570p
Expected volatility	30-40%
Expected time to exercise	4.9-8 years
Expected dividends	0%
Risk-free interest rate (based on national government bonds)	4.5%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

There is no market conditions associated with the share option grants.

This resulted in a charge of €408,000 in the period.

Share warrants

In consideration of a €2 million working capital facility provided in August 2006 by Cloverleaf a 10% commitment fee (€200,000:£134,318) was agreed to be payable. Zenergy Power and Cloverleaf agreed that this fee would be paid in warrants, redeemable at par (£0.01) The warrants were issued based on the sterling admission price of 84p, which at an exchange rate of £1:€1.489 equated to 160,000 warrants to subscribe for Ordinary Shares at £0.01 per share. In accordance with IFRS 2 the fair value of the services provided was deemed to be the commitment fee of €200,000. The full charge has been taken to the income statement on the 22 August 2006, the date the working capital facility was provided. The warrants are exercisable for 10 years from 22 August 2006.

The facility was automatically cancelled in May 2007 when the Group raised new funds from a placing.

The total expenses recognised for the period arising from share based payments are as follows:

	Statutory reporting period Year ended 31 December 2007 €000	Statutory reporting period Period 15 July 2005 to 31 December 2006 €000	Non statutory reporting period Year ended 31 December 2006 €000
Equity settled share based payment expense	408	342	342
Equity settled warrant charge	-	200	200
Total	408	542	542

19 Capital and reserves

Reconciliation of movement in capital and reserves

Statutory reporting period	Share capital €000	Share premium €000	Translation reserve €000	Warrant reserve €000	Retained loss €000	Total equity €000
Balance at 15 July 2005	-	-	-	-	-	-
Total recognised income and expense	-	-	(47)	-	(4,922)	(4,969)
Equity-settled share based payment transactions	-	-	-	200	342	542
Paid in share capital						
- cash	1	-	-	-	-	1
- Series A loan notes*	147	1,853	-	-	-	2,000
- Series B loan notes*	22	443	-	-	-	465
- Series C loan notes*	117	3,483	-	-	-	3,600
- Series D loan notes*	42	3,558	-	-	-	3,600
- Acquisition of subsidiary	-	1,770	-	-	-	1,770
Listing expenses	-	(858)	-	-	-	(858)
Bonus issue	203	(203)	-	-	-	-
Balance at 31 December 2006	532	10,046	(47)	200	(4,580)	6,151
Total recognised income and expense	-	-	(338)	-	(5,237)	(5,575)
Equity-settled share based payment transactions	-	-	-	-	408	408
Paid in share capital - cash	113	21,626	-	-	-	21,739
Balance at 31 December 2007	645	31,672	(385)	200	(9,409)	22,723

The aggregated current and deferred tax relating to items that are charged or credited to equity is €Nil.
* The Series A, B, C and D loan notes have been converted to shares (see below).

Notes

Share capital

Ordinary shares in thousands of shares	Statutory reporting period Year ended 31 December 2007	Statutory reporting period Period 15 July 2005 to 31 December 2006	Non statutory reporting period Year ended 31 December 2006
On issue at start of period	36,091	-	41
Issued for cash	7,857	41	-
Issued for acquisition of subsidiary	-	28	28
Bonus issue	-	13,666	13,666
Series B loan notes*	-	1,476	1,476
Issued for cash (Series A, C and D loan notes)	-	20,880	20,880
On issue at 31 December – fully paid	43,948	36,091	36,091

* The Series A, B, C and D loan notes have been converted to shares (see below).

	Statutory reporting period		Statutory reporting period	
	2007	2007	2006	2006
	£000	€000	£000	€000
Authorised				
Ordinary shares of £0.01 each	1,000	1,359	1,000	1,484
Allotted, called up and fully paid				
Ordinary shares of £0.01 each	439	645	361	532
Shares classified in equity		645		532

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 Company.

On 1 June 2006, the Company allotted 23,867 Ordinary Shares in the Company, credited as paid up to €63 per share to the former shareholders of SC Power.

On 1 June 2006, the Company allotted 4,244 fully paid up Ordinary Shares in the Company credited as paid up to €63 per share to Cloverleaf Holdings Limited ('Cloverleaf'). These shares were issued in recognition of the appreciation of the value of SC Power and were issued to Cloverleaf as they had funded the repurchase of 32,500 shares from Metal Manufacturers on 7 December 2005. As the acquisition of SC Power had been contemplated and planned at the date of the original loan, the shares were allotted to Cloverleaf rather than the former shareholders of SC Power.

On the same date Cloverleaf allotted these shares to certain management of Trithor, the shares can be acquired by each individual member of management by payment of €1.00 for all shares held on their behalf. There are no performance criteria attached to acquiring the shares and the individuals have up to 10 years to choose to acquire their shares.

On 7 August 2006, the authorised share capital of the company was increased from £10,000 to £1,000,000 by the creation of 99 million new Ordinary Shares. On the same date, by way of a capitalisation of part of the Company's accrued share premium account, the Company issued 13,665,728 Ordinary Shares through a bonus issue of new Ordinary Shares at par, pro-rata to its existing Shareholders on the basis of 199 new Ordinary Shares for each existing Ordinary Share held on the record at the date of issue.

On 30 May 2006, pursuant to the Series A Loan Note Instrument, the Company issued €2,000,000 of Series A convertible loan notes to ATQ Holdings Limited which were subsequently transferred to Cloverleaf Holdings Limited and the other underlying shareholders of ATQ Holdings Limited. These loan notes automatically converted to Ordinary Shares on Admission at a conversion price of €0.20 per share (which price was automatically adjusted from the original conversion price of €40 per share following completion of the 199:1 bonus issue). These loan notes were treated as a capital contribution in the 2005 Accountant's report included in the Admission document as the loan note holder had irrevocably committed to convert this debt to loan notes prior to the period end, the cash for which had been advanced prior to the period end.

On 1 June 2006, pursuant to the Series B Loan Note Instrument, the Company issued €465,000 of Series B convertible loan notes to Cloverleaf Holdings Limited. These loan notes automatically converted into Ordinary Shares on Admission at a conversion price of €0.315 per Ordinary Share (which price was automatically adjusted from the original conversion price of €63 per Ordinary Share following completion of the 199:1 bonus issue).

On 1 June 2006, pursuant to the Series C Loan Note Instrument, the Company issued €3,600,000 of Series C convertible loan notes to various investors. These loan notes automatically converted into Ordinary Shares on Admission at a conversion price of €0.45 per Ordinary Share (which price was automatically adjusted from the original conversion price of €90 per Ordinary Share following completion of the 199:1 bonus issue).On 4 August 2006, pursuant to the Series D Loan Note Instrument, the Company issued €3,600,000 of Series D convertible loan notes pro-rata to the investors in the Series C Loan Notes. These loan notes automatically converted into Ordinary Shares on Admission at a conversion price of €1.25 per Ordinary Share (which price was automatically adjusted from the original conversion price of €250 per Ordinary Share following completion of the 199:1 bonus issue).

On 1 May 2007 4,285,746 new ordinary 1p shares were issued, at a price per share of £1.40, raising £5.7 million (net of fees of £0.3 million), which at the exchange rate prevailing on that date was equivalent to €8.4 million (net of fees of €0.4 million).

On 12 December 2007 3,571,484 new ordinary 1p shares were issued, at a price per share of £2.80, raising £9.7 million (net of fees of £0.3 million), which at the exchange rate prevailing on that date was equivalent to €13.3 million (net of fees of €0.5 million).

Notes

In number of shares	Number of shares	Net proceeds (€000)
On issue at start of period	-	-
Issued for cash	40,561	1
Acquisition of SCP	28,111	-
Bonus issue 199:1	13,665,728	-
Series A loan notes	10,000,000	2,000
Series B loan notes	1,476,190	-
Series C loan notes	7,999,992	3,600
Series D loan notes	2,880,000	3,600
On issue at 31 December 2006 – fully paid	36,090,582	9,201

In number of shares	Number of shares	Net proceeds €000
On issue at start of year	36,090,582	-
Issued for cash – Placing 1st May 2007	4,285,746	8,426
Issued for cash – Placing 12th December 2007	3,571,484	13,312
On issue at 31 December 2007 – fully paid	43,947,812	21,738

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 Company.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain a strong investor, creditor and market confidence and to sustain future development of the business.

The Board is keen that employees are interested in the company's growth and as such are encouraged to hold shares in the company through participation in Zenergy Power plc 2006 Share Option Plan.

Currently the Group has no external borrowings and working capital is funded from equity. There were no changes to the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

20 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2007 was based on the loss attributable to ordinary shareholders of €5,237,000 (Statutory period 15 July 2005 to 31 December 2006: €4,922,000, Year ended 31 December 2006: €4,044,000) and a weighted average number of Ordinary Shares outstanding during the period of 39,198,000 (Statutory period 15 July 2005 to 31 December 2006: 15,408,000, Year ended 31 December 2006: 19,493,000 and period 15 July 2005 to 31 December 2005: 6,541,000), calculated as follows:

Thousands of shares	Statutory reporting period Year ended 31 December 2007	Statutory reporting period Period 15 July 2005 to 31 December 2006	Non statutory reporting period Year ended 31 December 2006
Issued ordinary shares at start of period	36,091	38	41
Shares issued in respect of the acquisition of SCP	-	11	16
Effect of the 199:1 bonus issue on 7 August 2006	-	9,844	11,351
Effect of Series A loan notes	-	2,467	3,616
Effect of Series B loan notes	-	364	534
Effect of Series C loan notes	-	1,974	2,893
Effect of Series D loan notes	-	710	1,042
Placing – May 2007	2,853	-	-
Placing – December 2007	254	-	-
Weighted average number of ordinary shares at 31 December	39,198	15,408	19,493

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 antidilutive for the periods presented are:

Thousand of shares	Statutory reporting period 2007	Statutory reporting period 2006
Warrants in respect of the working capital facility from Cloverleaf Holdings Limited (issued 16 August 2006) see Note 18	160	160
Share options (issued on various dates from 1 March 2006 to 1 November 2007) see Note 18	1,346	1,320
Total potential dilutive instruments	1,506	1,480

21 Financial instruments

Exposure to currency, interest rate and credit risk arises in the normal course of business.

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. Appropriate credit checks are carried out for new customers and advance/stage payments are agreed in some circumstances. Controls are in place in respect of Government funded projects to ensure only appropriate costs are reclaimed and regular audits are undertaken by the funding authority. The maximum exposure to credit risk at the reporting date was:

	Statutory reporting period 2007 €000	Statutory reporting period 2006 €000
Trade receivables due from non-related parties	38	82
Receivable in respect of Government funded projects	405	197
Research and development tax repayable	150	-
Amounts receivable from sale of fixed assets	-	74
Other forward exchange contracts	20	-
Other trade receivables and prepayments	290	179
	903	532

Trade receivables are all current and due from a small number of customers.

Liquidity risk

Controls are in place in respect of Government funded projects to ensure only appropriate costs are reclaimed and regular audits are undertaken by the funding authority. Trade and non trade payables and accruals are paid in accordance with their standard terms and conditions on provision of the necessary goods or services. The following are the contractual maturities of financial liabilities at the reporting date:

2007	Carrying amount €000	Contractual cash flow €000	6 months of less €000	6 – 12 months €000
Trade and non trade payables and accruals	1,098	(1,098)	(1,098)	-
Advance payments from customers and government grants*	868	-	-	-
Other forward exchange contracts				
Outflow	-	(539)	(324)	(215)
Inflow	(20)	559	335	224
	1,946	(1,078)	(1,087)	9

* No cash outflow is expected in respect of advance payments from customers and government grants, the amounts are shown as payables as work to recognize the income was not complete at the balance sheet date.

2006	Carrying amount €000	Contractual cash flow €000	6 months of less €000	6 – 12 months €000
Trade and non trade payables and accruals	839	(839)	(839)	-
Advance payments from customers and government grants*	329	-	-	-
	1,168	(839)	(839)	-

* No cash outflow is expected in respect of advance payments from customers and government grants, the amounts are shown as payables as work to recognize the income was not complete at the balance sheet date.

Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2007 €000	2006 €000
Variable rate instruments		
Cash and cash equivalents	17,746	2,722

The Group has no external borrowings following repayment of the ATQ Holdings Limited loan in 2006.

The Group invests surplus cash in short term money market or deposit accounts.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes all other variables, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 2006.

2007	Profit or loss		Recognised directly in equity	
	100 basis point increase €000	100 basis point decrease €000	100 basis point increase €000	100 basis point decrease €000
Variable rate instruments	177	(177)	-	-
Cash flow sensitivity (net)	177	(177)	-	-

2006	Profit or loss		Recognised directly in equity	
	100 basis point increase €000	100 basis point decrease €000	100 basis point increase €000	100 basis point decrease €000
Variable rate instruments	27	(27)	-	-
Cash flow sensitivity (net)	27	(27)	-	-

Foreign currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

2007	Euros €000	USD €000	Sterling €000	AS Dollars €000
Trade receivables	528	113	90	172
Trade payables	(701)	(182)	(153)	(62)
Net exposures	(173)	(69)	(63)	110

2006	Euros €000	USD €000	Sterling €000	AS Dollars €000
Trade receivables	503	6	2	21
Trade payables	(661)	(8)	(156)	(14)
Net exposures	(158)	(2)	(154)	7

The following significant exchange rates applied during the year:

Euro		Average rate		Reporting date spot rate
	2007	2006	2007	2006
USD	0.730559	0.796116	0.68479	0.757748
Sterling	1.461285	1.467038	1.35883	1.48412
Australian Dollar	0.611723	0.600257	0.60097	0.597409

The results of subsidiary entities SC Power and Australian Superconductors are denominated in their functional currency, US Dollars and Australian Dollars respectively. Virtually all expenditure of subsidiary entities is denominated in their functional currency. Exchange gains or loss from translation of foreign operations are included as a separate translation reserve in equity in accordance with IAS 21.

The Company's functional currency is Euros, however some expenditures are Sterling denominated. Exchange differences arising on the settlement of invoices are taken to the income statement as incurred. Exchange gains or losses on the retranslation of monetary items at the balance sheet date are also taken to the income statement. The principle exchange loss in the year relates to the retranslation of the Sterling cash deposits.

The functional currency of Trithor is Euros, virtually all Trithor's income and expenditure is denominated in Euros.

Sensitivity analysis

In managing interest rate and currency risks the Company and Group aims to reduce the impact of short-term fluctuations on the Company and Group's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings.

Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are shown below. Due to the short term nature of the assets and liabilities it has been deemed that the carrying amount equals fair value:

	Statutory reporting period		Statutory reporting period	
	Carrying amount 2007 €000	Fair value 2007 €000	Carrying amount 2006 €000	Fair value 2006 €000
Trade and other receivables	883	883	532	532
Cash and cash equivalents	17,746	17,746	2,722	2,722
Other forward exchange contract	20	20	-	-
Trade and other payables	(1,966)	(1,966)	(1,168)	(1,168)
	16,683	16,683	2,086	2,086
Unrecognised gain		-		-

22 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Statutory reporting period 2007 €000	Statutory reporting period 2006 €000
Less than one year	348	321
Between one and five years	832	716
More than five years	516	923
	1,696	1,960

During the period €328,000 was recognised as an expense in the income statement in respect of operating leases (Period 15 July 2005 to 31 December 2006: €487,000, Year ended 31 December 2006:€346,000).

€1,516,000 of the total lease commitment relates to Trithor's facility in Rheinbach, Germany. (2006:€1,716,000).

23 Capital commitments

During the period ended 31 December 2006, the Group entered into a long term supply contract for materials from October 2006 to March 2009. The contractual commitment at 31 December 2007 is €575,000 (2006:€1.2 million, 2005:€Nil). €463,000 of this commitment is expected to be settled in the following financial year.

24 Contingencies

There were no contingencies at 31 December 2007 (2006:Nil).

25 Related parties

Details of the directors service contracts and remuneration is set out in Note 6.

Directors of the Company and their immediate relatives control 43.1 per cent of the voting shares of the Company. Details of the holdings by Director are set out in the Director's report.

John Voltz, non-executive director is an employee of Jane Capital Partners LLC a company in which Jane Linder the spouse of Woody Gibson has a controlling interest.

Cloverleaf Holdings Limited ('Cloverleaf'), a company incorporated in the British Virgin Islands and controlled by Michael Fitzgerald controls 26.8% of the voting shares. During the year Cloverleaf were paid €4,000 ($6,000) in respect of invoices settled on behalf of the Company. See also Directors report and Notes 6, 12, 18, 19 and 26.

Jane Capital Partners LLC, a company in which Mr Gibson's spouse, Jane Lindner is interested has been reimbursed €7,000 ($10,000) in respect of health insurance arranged on behalf of Woody Gibson. (2006: €95,000 (US$122,000) for invoices paid on behalf of SC Power since acquisition. This included €27,000 (US$35,000) for consultancy services provided by Jane Capital Partners LLC.

26 Accounting estimates and judgements

The shares issued in consideration for the acquisition of SC Power have been determined to be both the 23,867 issued to the former shareholders of SC Power and the 4,244 issued to Cloverleaf Holdings Limited ('Cloverleaf'). The shares issued to Cloverleaf were issued in recognition of the increase in value of SC Power since 7 December 2005 when Cloverleaf provided a loan of $560,000 to enable SC Power to repurchase the 32,500 shares held by Metal Manufacturers Limited. The fair value of the Ordinary Shares in the Company at the date of the acquisition of SC Power was determined by the directors to be €63 based on their valuation of the business.

Goodwill is allocated as follows: Trithor €170,000, SC Power €1,051,000 (US$1,535,000) and Australian Superconductors €82,000 (Australian Dollars 136,000), the smallest cash generating unit to which goodwill can be allocated has been determined to be the Medium Voltage Fault Current Limiter for SC Power and Australian Superconductors and HTS products including coils and induction heater for Trithor GmbH. Goodwill is tested annually for impairment. Goodwill is denominated in the currency of the acquired entity. The recoverable amount has been determined based on the value in use, which has been estimated based on discounted future cash flows extracted from the entities three year business plan and assuming increasing unit sales of up to 50% per annum thereafter,applying a discount factor of 15-25%. The significant variables in the key assumptions are sales price, margin, unit sales per annum and operating costs. The increase in unit sales is the key sensitivity, however, the directors are confident the goodwill is not impaired.

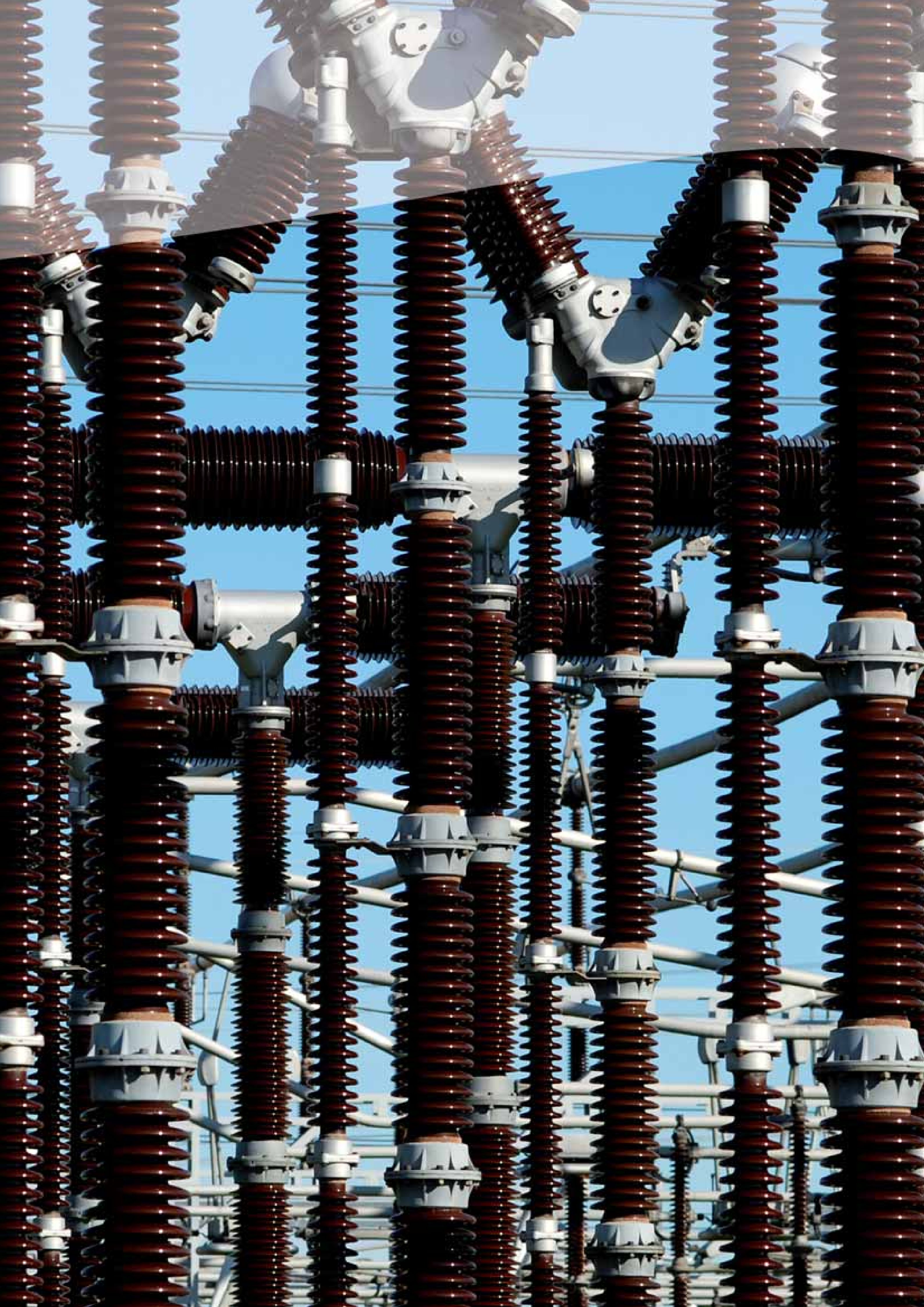
The Group's intangible assets in relation to Development rights relates to amounts arising on business combinations and subsequent expenditure meeting the criteria required by IAS 38. The fair value of patent rights and development rights capitalised on the acquisition of SC Power are based on an independent valuation report prepared for the Company. The book value of other assets acquired was not materially different to the fair value at the date of acquisition. Much of the assets relate to projects that are ongoing and as such the Group has not yet commenced amortisation of these assets. The intangible assets relate, to the same cash generating units as the goodwill arising on acquisition and are supported by the impairment tests noted above.

Significant expenditure has been incurred during the year in respect of research and development activities. In respect of costs relating to the induction heater, Medium Voltage Fault Current Limiter and HTS coils the Directors have concluded that the expenditure relates to development and these costs have been capitalised, in respect of 2G development the Directors have concluded the expenditure relates to the research phase and it is currently too early to conclude that future economic benefit will flow to the Company. €1,338,000 (€1,745,000 of internal costs net of €407,000 of grants) have been capitalised during the year in respect of internal development work. In accordance with IAS 38 these costs meet the definition of intangibles.

The fair value in respect of the share options granted to employees during the year has been estimated using a share option valuation model. The assumptions used as inputs to the model are by their nature areas of judgement.

No deferred tax asset have been recognised in respect of the cumulative losses of the Group or in relation to temporary differences on share based payments as, in accordance with IAS 12 there is currently insufficient convincing other evidence that sufficient taxable profits will be available to recover the assets. This is primarily due to the Group's continuing focus on further development areas including 2G and High Voltage Fault Current Limiters and the position will be reviewed each year. The Group's unrecognised deferred tax asset is €5,014,000 (2006: €2,406,000) of which €1,153,000 (2006: €150,000) relates to temporary differences on share based payments. The unrecognised deferred tax asset in respect of losses is €3,861,000 (2006: €2,256,000). €384,000 (2006: €422,000) of this asset relates to pre-acquisition losses of subsidiaries, the use of €362,000 (2006: €401,000) of these losses is restricted and unwinds by 2014. The balance of the losses can be carried forward indefinitely. In addition, the Group has an unrecognised deferred tax liability of €183,000 in relation to temporary differences arising on development expenditure that has been capitalised. This unrecognised liability will be offset by the unrecognised assets in future periods.

Government grants receivable are included in other operating income in the same period as the costs which they are intended to compensate are recognised. The Group's obligation in respect of funding received is to provide evidence that the requisite level of costs have been incurred and directed towards the stated milestone and objectives of the project. Cost statements are subject to regular audit and to date no repayments have ever been required following these audits.



Company income statement
for year ended 31 December 2007

	Note	Statutory reporting period Year ended 31 December 2007 €000	Statutory reporting period Period 15 July 2005 to 31 December 2006 €000	Non statutory reporting period Year ended 31 December 2006 €000
Other operating income	2	-	150	150
Administrative expenses		(980)	(661)	(628)
Loss before depreciation & amortisation & equity settled share based payments		(927)	(296)	(263)
Depreciation & Amortisation	7	(1)	-	-
Equity settled share based payments	12	(52)	(215)	(215)
Operating loss	1,3	(980)	(511)	(478)
Financial income	4	283	58	58
Financial expenses	4	(544)	(26)	(25)
Net financing costs	4	(261)	32	33
Loss before tax		(1,241)	(479)	(445)
Taxation	5	-	-	-
Loss for the period attributable to shareholders	13	(1,241)	(479)	(445)

All results relate to continuing operations. There is no recognised income or expense other than the loss for the financial year.

Company statement of recognised income and expense

for year ended 31 December 2007

	Note	Statutory reporting period Year ended 31 December 2007 €000	Statutory reporting period Period 15 July 2005 to 31 December 2006 €000	Non statutory reporting period Year ended 31 December 2006 €000
Foreign exchange translation differences		-	-	-
Net expense recognised directly in equity		-	-	-
Loss for the period		(1,241)	(479)	(445)
Total recognised income and expense	13	(1,241)	(479)	(445)
Total recognised income and expense for the period is attributable to the equity holders of the parent		(1,241)	(479)	(445)

Company balance sheet
at 31 December

	Note	Statutory reporting period 2007 €000	Statutory reporting period 2006 €000
Non-current assets			
Investment in subsidiaries	6	14,468	7,320
Intangible assets	7	16	-
Other receivable due from related parties	9	-	1,605
		14,484	8,925
Current assets			
Trade and other receivables	9	90	2
Cash and cash equivalents	10	17,275	1,871
		17,365	1,873
Total assets	1	31,849	10,798
Current liabilities			
Trade and other payables	11	(302)	(156)
Net assets	1	31,547	10,642
Equity attributable to equity holders of the parent			
Share capital	13	645	532
Share premium	13	31,672	10,047
Warrant reserve	13	200	200
Retained loss	13	(970)	(137)
Total equity attributable to shareholders		31,547	10,642

These financial statements were approved by the board of directors on 28th March 2008 and were signed on its behalf by:

ME Fitzgerald
Director

Company cash flow statement
for year ended 31 December 2007

	Note	Statutory reporting period Year ended 31 December 2007 €000	Statutory reporting period Period 15 July 2005 to 31 December 2006 €000	Non statutory reporting period Year ended 31 December 2006 €000
Cash flows from operating activities				
Loss for the period		(1,241)	(479)	(445)
Adjustments for:				
Amortisation	7	1	-	-
Financial income	4	(283)	(58)	(58)
Financial expenses	4	544	26	25
Equity settled share-based payment expenses	12	52	215	215
Cash flows from operations before changes in working capital and provisions		(927)	(296)	(263)
Increase in trade and other receivables		(30)	(1,304)	(1,304)
Increase in trade and other payables	11	146	157	123
Cash absorbed by operations		(811)	(1,443)	(1,444)
Cash flows from investing activities				
Interest received		225	58	58
Acquisition of subsidiary		-	(787)	(787)
Investment in subsidiaries		(5,160)	(4,297)	(1,850)
Other intangible assets acquired	7	(17)	-	-
Net cash outflow from investing activities		(4,952)	(5,026)	(2,579)
Cash inflows from financing activities				
Interest paid		-	(1)	-
Proceeds from the issue of share capital	13	21,738	1	-
Proceeds from the issue of loan notes	13	-	9,200	7,200
Listing expenses	13	-	(858)	(858)
Proceeds from new loan		-	447	-
Repayment of borrowings		-	(448)	(448)
Net cash inflow from financing activities		21,738	8,341	5,894
Net increase in cash and cash equivalents		15,975	1,872	1,871
Cash and cash equivalents at start of period		1,871	-	1
Effect of exchange rate fluctuations on cash held		(571)	(1)	(1)
Cash and cash equivalents at 31 December	10	17,275	1,871	1,871

Notes

1 Accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 1985. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

The financial statements have been prepared on the historical cost basis. The principal accounting polices adopted are the same as those set out in Note 1 to the consolidated financial statements except as noted below.

Investments in subsidiaries are stated at costs less, where appropriate provisions for impairment.

Amounts due from subsidiary undertakings are initially recognised at the value of the cash advanced and subsequently at recoverable amount.

Employee benefits

Share-based payment transactions

The fair value of share options granted to subsidiary's employees is credited to equity and included in investment in subsidiaries as this amount is recharged to the employing subsidiary.

2 Other operating income

	Statutory reporting period Year ended 31 December 2007 €000	Statutory reporting period Period 1 July 2005 to 31 December 2006 €000	Non statutory reporting period Year ended 31 December 2006 €000
Subsidiary management fee	-	150	150

Notes

3 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period was seven (2006: three). Details of directors' emoluments can be found in Note 6 of the consolidated accounts. The Executive director's remuneration is paid by subsidiaries.

	Statutory reporting period Year ended 31 December 2007 €000	Statutory reporting period Period 1 July 2005 to 31 December 2006 €000	Non statutory reporting period Year ended 31 December 2006 €000
Non-executive Directors' emoluments	73	28	28

4 Finance income and expense

	Statutory reporting period Year ended 31 December 2007 €000	Statutory reporting period Period 15 July 2005 to 31 December 2006 €000	Non statutory reporting period Year ended 31 December 2006 €000
Interest income - bank	263	36	36
Interest – ATQ Holdings	-	1	1
Interest due from subsidiary undertakings	-	21	21
Gain on forward contracts held at fair value	20	-	-
Financial income	283	58	58
Net foreign exchange loss	(544)	(25)	(25)
Interest – ATQ Holdings	-	(1)	-
Financial expenses	(544)	(26)	(25)

5 Taxation

Recognised in the income statement

	Statutory reportin g period Year ended 31 December 2007 €000	Statutory reporting period Period 15 July 2005 to 31 December 2006 €000	Non statutory reporting period Year ended 31 December 2006 €000
Current tax income/(expense)			
Current period	-	-	-
Adjustments in respect of prior periods	-	-	-
Deferred tax expense	-	-	-
Origination and reversal of temporary differences	-	-	-
Benefit of tax losses recognised	-	-	-
	-	-	-
Total tax in income statement	-	-	-

Reconciliation of effective tax rate

	Statutory reporting period Year ended 31 December 2007 €000	Statutory reporting period Period 15 July 2005 to 31 December 2006 €000	Non statutory reporting period Year ended 31 December 2006 €000
Loss before tax	(1,241)	(479)	(445)
Tax credit using the UK corporation tax rate of 30 % (2006:30 %)	372	144	134
Employee share based payments – deferred tax asset not recognised	(16)	(4)	(4)
Share based payments warrants – deferred tax asset not recognised	-	(61)	(61)
Effect of tax losses not recognised	(356)	(79)	(69)
Total tax in income statement	-	-	-

6 Investments in subsidiaries

The Company has the following investments in subsidiaries

Company	Country of Incorporation	Class of shares held	Ownership Statutory reporting period 2007	Ownership Statutory reporting period 2006
Trithor GmbH	Germany	Ordinary	100%	100%
SC Power Systems, Inc.	USA	Ordinary	100%	100%
Australian Superconductors Pty Limited	Australia	Ordinary	100%	100%

SC Power holds 32,500 of its 75,000 issued Ordinary shares in treasury, effective ownership by Zenergy Power plc is 100%. SC Power holds 100% of the issued share capital in Australian Superconductors.

	Statutory reporting period 2007 €000
Balance at 1 January 2007	7,320
Increase in investment in year	7,148
Balance at 31 December 2007	14,468

7 Intangible assets

	Patents and Trademarks €000
Cost	
Balance at 31 December 2006	-
Other acquisitions – externally purchased	17
Balance at 31 December 2007	17
Amortisation and impairment	
Balance at 31 December 2006	-
Amortisation for the period	(1)
Balance at 31 December 2007	(1)
Net book value	
At 31 December 2006	-
At 31 December 2007	16

Amortisation charge

The amortisation charge is recognised administrative expenses in the income statement

8 Deferred tax assets and liabilities

Unrecognised deferred tax assets

No deferred tax asset has been recognised in respect of the cumulative losses of the Company or in relation to temporary differences on share based payments as, in accordance with IAS 12 there is currently insufficient other evidence that sufficient taxable profits will be available to recover the assets, the position will be reviewed each year. The unrecognised deferred tax asset is €583,000 (2006:€83,000) of which €123,000 (2006: €4,000) relates to temporary differences on share based payments.

9 Trade and other receivables

	Statutory reporting period 2007 €000	Statutory reporting period 2006 €000
Non-current receivables		
Other receivables due from related parties	-	1,605
Current receivables		
Interest receivable	37	-
Gain on forward contracts held at fair value	20	-
Other receivables	33	2
	90	1,607

10 Cash and cash equivalents/ bank overdrafts

	Statutory reporting period 2007 €000	Statutory reporting period 2006 €000
Bank – current account	2	193
Bank – deposit account	1,696	-
Money market deposit	15,577	1,678
Cash and cash equivalents per cash flow statement	17,275	1,871

11 Trade and other payables

	Statutory reporting period 2007 €000	Statutory reporting period 2006 €000
Trade payables due to related parties	150	-
Trade payable due to non related parties	18	45
Non-trade payables and accrued expenses	134	111
	302	156

12 Equity settled share based payments

See Note 18 of the consolidated accounts for full details of the Share Option scheme.

Share-based payments – Company

The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares:

Type of award	Effective date of award	No. of instruments	Vesting conditions	Contractual life of options
Equity settled	27 September 2006	250,000	25 per cent. on the expiry of 12 months from the date of grant. Thereafter, an equal percentage of the option will vest each month until the expiry of four years from the date of grant when 100 per cent. of the option will have vested.	10 years

The number and weighted average exercise prices of share options are as follows:

	Statutory reporting period Year ended 31 December 2007		Statutory reporting period Period 15 July 2005 to 31 December 2006		Non statutory reporting period Year ended 31 December 2006	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	97p	250,000	-	-	-	-
Granted during the period	-	-	97p	250,000	97p	250,000
Outstanding at the end of the period	97p	250,000	97	250,000	97p	250,000
Exercisable at the end of the period	97p	78,124	-	-	-	-

The options outstanding at the year end have an exercise price of 97p and a weighted average contractual life of 8.8 years.

The fair value of options granted was measured using a Hull-White share option valuation model, using the following assumptions as inputs:

Fair value of option at measurement date	27p
Weighted average option price	97p
Exercise price	136p
Expected volatility	30%
Option life	4.9-6.9 years
Expected dividends	0%
Risk-free interest rate (based on national government bonds)	4.5%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

There is no market conditions associated with the share option grants. The share option charge for the year was €52,000.

Share warrants

In consideration of the €2 million working capital facility provided in August 2006 by Cloverleaf a 10% commitment fee (€200,000:£134,318) was agreed to be payable. Zenergy Power and Cloverleaf agreed that this fee would be paid in warrants, redeemable at par. The warrants were issued based on the sterling admission price of 84p, which at an exchange rate of £1:€1.489 equated to 160,000 warrants to subscribe for Ordinary Shares at £0.01 per share. In accordance with IFRS 2 the fair value of the services provided was deemed to be the commitment fee of €200,000. The full charge has been taken to the income statement on the 22 August 2006, the date the working capital facility was provided. The warrants are exercisable for 10 years from 22 August 2006.

The facility was automatically cancelled in May 2007 when the Group raised new funds from a placing.

The total expenses recognised for the year arising from share based payments are as follows:

	Statutory reporting period Year ended 31 December 2007 €000	Statutory reporting period Period 15 July 2005 to 31 December 2006 €000	Non statutory reporting period Year ended 31 December 2006 €000
Equity settled share based payment expense	52	15	15
Equity settled warrant charge	-	200	200
Total	52	215	215

13 Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital €000	Share premium €000	Warrant reserve €000	Retained loss €000	Total parent equity €000
Balance at 15 July 2005	-	-	-	-	-
Total recognised income and expense	-	-	-	(479)	(479)
Equity-settled share based payment transactions, net of tax	-	-	200	342	542
Paid in share capital					
- Cash	1	-	-	-	1
- Series A loan notes*	147	1,853	-	-	2,000
- Series B loan notes*	22	443	-	-	465
- Series C loan notes*	117	3,483	-	-	3,600
- Series D loan notes*	42	3,558	-	-	3,600
- Acquisition of subsidiary	-	1,771	-	-	1,771
Listing expenses	-	(858)	-	-	(858)
Bonus issue	203	(203)	-	-	-
Balance at 31 December 2006	532	10,047	200	(137)	10,642
Total recognised income and expense	-	-	-	(1,241)	(1,241)
Equity-settled share based payment transactions, net of tax	-	-	-	408	408
Paid in share capital - Placing	113	21,625	-	-	21,738
Balance at 31 December 2007	645	31,672	200	(970)	31,547

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

* The Series A, B, C and D loan notes have been converted to shares (see below).

Share capital

Ordinary shares in thousands of shares	Statutory reporting period Year ended 31 December 2007	Statutory reporting period Period 15 July 2005 to 31 December 2006
On issue at start of period	36,091	-
Issued for cash	7,857	41
Issued for acquisition of subsidiary	-	28
Bonus issue	-	13,666
Series B loan notes*	-	1,476
Issued for cash (Series A, C and D loan notes)*	-	20,880
On issue at 31 December – fully paid	43,948	36,091

* The Series A, B, C and D loan notes have been converted to shares (see below).

	Statutory reporting period		Statutory reporting period	
	2007 £000	2007 €000	2006 £000	2006 €000
Authorised				
Ordinary shares of £0.01 each	1,000	1,359	1,000	1,484
Allotted, called up and fully paid				
Ordinary shares of £0.01 each	439	645	361	532
Shares classified in shareholders funds		645		532

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 Company.

On 1 June 2006, the Company allotted 23,867 Ordinary Shares in the Company, credited as paid up to €63 per share to the former shareholders of SC Power. On 1 June 2006, the Company allotted 4,244 fully paid up Ordinary Shares in the Company credited as paid up to €63 per share to Cloverleaf Holdings Limited. These shares were issued to in recognition of the appreciation of the value of SC Power and were issued to Cloverleaf as they had funded the repurchase of 32,500 shares from Metal Manufacturers on 7 December 2005. As the acquisition of SC Power had been contemplated and planned at the date of the original loan, the shares were allotted to Cloverleaf rather than the former shareholders of SC Power.

Notes

On the same date Cloverleaf allotted these shares to certain management of Trithor, the shares can be acquired by each individual member of management by payment of €1.00 for all shares held on their behalf. There are no performance criteria attached to acquiring the shares and the individuals have up to 10 years to choose to acquire their shares.

On 7 August 2006, the authorised share capital of the company was increased from £10,000 to £1,000,000 by the creation of 99 million new Ordinary Shares. On the same date, by way of a capitalisation of part of the Company's accrued share premium account, the Company issued 13,665,728 Ordinary Shares through a bonus issue of new Ordinary Shares at par, pro-rata to its existing Shareholders on the basis of 199 new Ordinary Shares for each existing Ordinary Share held on the record at the date of issue.

On 30 May 2006, pursuant to the Series A Loan Note Instrument, the Company issued €2,000,000 of Series A convertible loan notes to ATQ Holdings Limited which were subsequently transferred to Cloverleaf Holdings Limited and the other underlying shareholders of ATQ Holdings Limited. These loan notes automatically converted to Ordinary Shares on Admission at a conversion price of €0.20 per share (which price was automatically adjusted from the original conversion price of €40 per share following completion of the 199:1 bonus issue). These loan notes were treated as a capital contribution in the 2005 Accountant's report included in the Admission document as the loan note holder had irrevocably committed to convert this debt to loan notes prior to the period end, the cash for which had been advanced prior to the period end.

On 1 June 2006, pursuant to the Series B Loan Note Instrument, the Company issued €465,000 of Series B convertible loan notes to Cloverleaf Holdings Limited. These loan notes automatically converted into Ordinary Shares on Admission at a conversion price of €0.315 per Ordinary Share (which price was automatically adjusted from the original conversion price of €63 per Ordinary Share following completion of the 199:1 bonus issue).

On 1 June 2006, pursuant to the Series C Loan Note Instrument, the Company issued €3,600,000 of Series C convertible loan notes to various investors. These loan notes automatically converted into Ordinary Shares on Admission at a conversion price of €0.45 per Ordinary Share (which price was automatically adjusted from the original conversion price of €90 per Ordinary Share following completion of the 199:1 bonus issue).

On 4 August 2006, pursuant to the Series D Loan Note Instrument, the Company issued €3,600,000 of Series D convertible loan notes pro-rata to the investors in the Series C Loan Notes. These loan notes automatically converted into Ordinary Shares on Admission at a conversion price of €1.25 per Ordinary Share (which price was automatically adjusted from the original conversion price of €250 per Ordinary Share following completion of the 199:1 bonus issue).

On 1 May 2007 4,285,746 new ordinary 1p shares were issued, at a price per share of £1.40, raising £5.7 million (net of fees of £0.3 million), which at the exchange rate prevailing on that date was equivalent to €8.4 million (net of fees of €0.4 million).

On 12 December 2007 3,571,484 new ordinary 1p shares were issued, at a price per share of £2.80, raising £9.7 million (net of fees of £0.3 million), which at the exchange rate prevailing on that date was equivalent to €13.3 million (net of fees of €0.5 million).

In number of shares	Number of shares	Net proceeds (€000)
On issue at start of period	-	-
Issued for cash	40,561	1
Acquisition of SCP	28,111	-
Bonus issue 199:1	13,665,728	-
Series A loan notes	10,000,000	2,000
Series B loan notes	1,476,190	-
Series C loan notes	7,999,992	3,600
Series D loan notes	2,880,000	3,600
On issue at 31 December 2006 – fully paid	36,090,582	9,201

In number of shares	Number of shares	Net proceeds €000
On issue at start of period	36,090,582	-
Issued for cash – Placing 1st May 2007	4,285,746	8,426
Issued for cash – Placing 12th December 2007	3,571,484	13,312
On issue at 31 December 2007 – fully paid	43,947,812	21,738

Warrant reserve

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

Capital management

The Board's policy is to maintain a strong capital base so as to maintain a strong investor, creditor and market confidence and to sustain future development of the business.

The Board is keen that employees are interested in the company's growth and as such are encouraged to hold shares in the company through participation in the Zenergy Power plc 2006 Share Option Plan.

Currently the Company has no external borrowings and working capital is funded from equity. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

14 Financial instruments

Exposure to currency, interest rate and credit risk arises in the normal course of business.

Credit risk

Credit risk is regarded as moderate as the Company has no customers but lends money to its subsidiaries who are currently loss making.

The maximum exposure to credit risk at the reporting date was:

	Statutory reporting period 2007 €000	Statutory reporting period 2006 €000
Other receivables due from related parties	-	1,605
Interest receivable	37	-
Gain on forward contracts held at fair value	20	-
Other receivables	33	2
	90	1,607

Liquidity risk

The following are the contractual maturities of financial liabilities at the reporting date:

2007	Carrying amount €000	Contractual cash flow €000	6 months of less €000	6 – 12 months €000
Trade payables due to related parties	150	(150)	(150)	-
Trade payable due to non related parties	18	(18)	(18)	-
Non-trade payables and accrued expenses	134	(134)	(134)	-
	302	(302)	(302)	-

2006	Carrying amount €000	Contractual cash flow €000	6 months of less €000	6 – 12 months €000
Trade payable due to non related parties	45	(45)	(45)	-
Non-trade payables and accrued expenses	111	(111)	(111)	-
	156	(156)	(156)	-

Interest rate risk

At the reporting date the interest rate profile of the Company’s interest-bearing financial instruments was:

	2007 €000	2006 €000
Variable rate instruments		
Cash and cash equivalents	17,275	1,871

The Company’s has no external borrowings following repayment of the ATQ Holdings Limited loan in 2006. The Company invests surplus cash in short term money market or deposit accounts.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes all other variables, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 2006.

2007	Profit or loss		Recognised directly in equity	
	100 basis point increase €000	100 basis point decrease €000	100 basis point increase €000	100 basis point decrease €000
Variable rate instruments	173	(173)	-	-
Cash flow sensitivity (net)	173	(173)	-	-

2006	Profit or loss		Recognised directly in equity	
	100 basis point increase €000	100 basis point decrease €000	100 basis point increase €000	100 basis point decrease €000
Variable rate instruments	19	(19)	-	-
Cash flow sensitivity (net)	19	(19)	-	-

Foreign currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts:

2007	Euros €000	USD €000	Sterling €000	AS Dollars €000
Trade receivables	-	-	90	-
Trade payables	(150)	-	(153)	-
Net exposures	(150)	-	(63)	-

2006	Euros €000	USD €000	Sterling €000	AS Dollars €000
Trade receivables	431	917	2	257
Trade payables	-	-	(156)	-
Net exposures	431	917	(154)	257

The following significant exchange rates applied during the year:

Euro	Average rate		Reporting date spot rate	
	2007	2006	2007	2006
USD	0.730559	0.796116	0.68479	0.757748
Sterling	1.461285	1.467038	1.35883	1.48412
Australian Dollar	0.611723	0.600257	0.60097	0.597409

The Company's functional currency is Euros, however some expenditures are Sterling denominated. Exchange differences arising on the settlement of invoices are taken to the income statement as incurred. Exchange gains or losses on the retranslation of monetary items at the balance sheet date are also taken to the income statement. The principle exchange loss in the year relates to the retranslation of the Sterling cash deposits.

Intercompany debt is denominated in the currency of the borrowing subsidiary, as such at the balance sheet date the exchange gain or loss on the retranslation of these debts is taken to the income statement.

The Company raised funds in Sterling in 2007. Short term forward contracts have been taken to hedge the foreign currency requirements of the subsidiary entities. The Company is exposed to Sterling Euro exchange movements as the majority of funds are held in Sterling.

Sensitivity analysis

In managing interest rate and currency risks the Company and Group aims to reduce the impact of short-term fluctuations on the Company and Group's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings.

Interest rate risk

The Company currently has no borrowings. The Company invests surplus cash in short term call or deposit accounts.

Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are shown below. Due to the short term nature of the assets and liabilities it has been deemed that the carrying amount equals fair value:

	Statutory reporting period		Statutory reporting period	
	Carrying amount 2007 €000	Fair value 2007 €000	Carrying amount 2006 €000	Fair value 2006 €000
Trade and other receivables	90	90	1,607	1,607
Cash and cash equivalents	17,275	17,275	1,871	1,871
Other forward exchange contract	20	20	-	-
Trade and other payables	(302)	(302)	(156)	(156)
	17,083	17,083	3,322	3,322
Unrecognised gains		-		-

15 Capital commitments

There were no capital commitments at 31 December 2007 (2006:Nil).

16 Contingencies

There were no contingencies at 31 December 2007 (2006:Nil).

17 Related parties

See Note 25 to the Group accounts.

During the year the Company has provided equity funding to Trithor GmbH of €2,150,000 and advanced funds treated as cost of investment of a further €3,010,000 to its subsidiaries.

18 Accounting estimates and judgements

See Note 26 to the Group accounts.

The Carrying amount of investments in subsidiaries is not considered to be impaired as the value of the intellectual property generated and the HTS products developed by subsidiary entities is considered to be of greater than the value of the investment.

No deferred tax asset has been recognised in respect of the cumulative losses of the Company or in relation to temporary differences on share based payments as, in accordance with IAS 12 there is currently insufficient other evidence that sufficient taxable profits will be available to recover the assets, the position will be reviewed each year. The unrecognised deferred tax asset is €583,000 (2006:€83,000) of which €123,000 (2006: €4,000) relates to temporary differences on share based payments.

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