

Enfis Group plc

**Consolidated financial statements
for the year ended 31 December 2008**

Registered number: 06133765 (England and Wales)

Enfis Group plc

Consolidated financial statements for the year ended 31 December 2008

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Directors and advisers

Directors

Simon Gibson	Chairman and Non-Executive Director
Shaun Oxenham	Chief Executive Officer
Giles Davies	Chief Financial Officer
Gareth Jones	Chief Technical Officer
Drew Nelson	Non Executive Director
Ron Jones	Non Executive Director, chair of remuneration committee
John Thynne	Non Executive Director, chair of audit committee

Company Secretary

Giles Davies

Registered office and Directors business address

Technium II
Kings Road
Swansea Waterfront
Swansea
SA1 8PJ

Nominated adviser, financial adviser and broker

Noble & Company Limited
120 Old Broad Street
London
EC4N 1AR

Solicitors

Dechert LLP
160 Queen Victoria Street
London
EC4V 4QQ

Auditors

PricewaterhouseCoopers LLP
1 Kingsway
Cardiff
CF10 3PW

Bankers

Barclays Bank plc
South East Area 1
PO Box 19
Newport
Gwent
NP20 1WH

Enfis Group pic

Chief Executive Officer's Statement

2008 has seen Enfis emerge as a significant participant in the solid state lighting markets. Having built a strong distribution network in 2007, with 20 distributors covering the major markets of the EU and North America, Enfis switched its focus onto direct sales into the lighting manufacturers and integrators that service lighting manufacturers. As a result, we have successfully engaged with 207 customers in 2008 and experienced a significant increase in revenue. It was particularly pleasing to note the performance of our manufacturing capabilities in the face of this increased demand, particularly for both the UNO and UNO Plus products. Our manufacturing yields achieved our target of 95% and our return rate was well ahead of target at only 0.03%. This is further evidence of the scalability of our business, with the ability to increase output whilst maintaining the excellent quality standards of our product in the market.

Enfis secured relationships with many major lighting companies in all territories in which we operate, and we expect to see many of the developed product lines with those customers become volume sales in 2009.

We have largely completed our portfolio of products with the addition of the Quattro Mini light engine and also a range of optics and drivers for the UNO and UNO Plus range of light engines. We also have developed a number of unique products at the tail end of 2008 that will allow Enfis to further exploit our IP in 2009 and 2010. The products will be announced in 2009 and will include lower cost versions of our platform, and versions with both higher output and higher light quality.

Enfis expects to continue the healthy increase in sales in 2009 based upon relationships and products developed during 2008 and with revenue contributions coming from our North American operation headed by Dan Polito.

Outlook

The Board is pleased with the progress made by the Company and recognises the significant advances that we have made in terms of revenue growth in 2008 and the increased sales pipeline for 2009 and beyond. We have also bolstered the management team with the addition of a Vice President of Sales and Marketing for North America and look forward to the potential growth from that market.

Legislation continues to push for the phasing out of incandescent lighting technology in favour of more efficient lighting. The legislative drives are now beginning to directly affect the markets in North America as well as the EU. The end consumers of lighting products are now becoming much more aware of the opportunities that solid state lighting can bring, and understand the well documented quality and environmental disadvantages that CFL lamps cause.

The Company has also announced its intention to raise approximately £2 million before expenses by means of a placing of 5,600,000 shares at 36p per share. A circular has been posted to shareholders, which includes a Notice of General Meeting to be held on 6 April 2009. These funds will be used to provide additional working capital to allow the Company to address any upside in current revenue forecasts that may occur, and to invest in additional funding in the North American operation, to provide technical assistance to the sales office, which is intended to help accelerate revenue growth.

Even given the current economic climate the long term prospects for Enfis are extremely positive and the Board remains confident of long term growth.



Shaun Oxenham Chief
Executive Officer

Chief Financial Officers Review

The year to 31 December 2008 has been another successful one for Enfis with key metrics achieved in line with market expectations. As expected, the Company is currently expending cash and will continue to do so until a revenue stream is secured which is sufficient to put the business on a stable financial footing. The Board closely manages the Company's cash expenditure and will continue to do so up to and beyond the point that Enfis reaches profitability.

The Company has low levels of both financial and operational gearing, and therefore margin increases achieved will be strongly reflected in the cash balance.

Revenue and margin

Both revenue and margin in 2008 have grown strongly with revenue increasing by 430% on the previous year. Gross margin has strengthened with two product lines now passing through volume production. Management believe that higher production volumes will result in further production efficiencies and a gross margin of circa 50%.

Administrative Expenses

In light of the wider economic downturn, management actively reduced the cost base during Q4 2008 to ensure the business is well placed going into 2009.

Cost reductions were made partly in response to the general economic climate and also in recognition that development of the initial product base is now largely complete, thereby requiring less of a cost base to support the Company going forward.

Balance sheet

Intangible assets relate to patents and development costs which have been capitalised where the specific conditions of IAS 38 have been met. No additional borrowings have been entered into during the period.

There is minimal debt on the balance sheet. This includes a historic bank loan of £88,375 and a finance lease which will be paid off before the end of 2009.

Cash flow

The cash balance at the year end was £640,944, slightly ahead of expectations.

The cash profile is expected to change in the coming year with less cash being spent on development and more being tied up in working capital required to service the expected increase in revenues.

Sources of cash during the year were an injection of equity in February 2008, interest from treasury investment, grant income and the securing of a significant research and development tax credit.



Giles Davies
Chief Financial Officer

Directors' Report for the year ended 31 December 2008

The directors present the annual report and audited financial statements for the year ended 31 December 2008.

Business review

The principal activity of the Group is the design, development and manufacture of intelligent high power Light Emitting Diode ("LED") arrays and light engines.

The Consolidated Income Statement is set out on page 10.

A review of the group's trading during the year, its position at year-end and its prospects for the future, is set out in the Chief Executive Officer's Statement.

Key performance indicators (KPI's)

Given the straightforward nature and relative size of the business, the Company's directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business. The key metrics monitored by the directors include revenue and cash.

Dividends

No dividend is proposed in respect of the year (2007: £nil).

Research and development

Enfis Group plc continues to invest heavily in research and development associated with the design, development and manufacture of intelligent high power light emitting diode arrays and smart light engines. Costs attributed to this process have been charged to the income statement to the extent that they do not meet all the criteria for capitalisation as set out in IAS 38 'Intangible Assets'.

Directors

The directors of the Group, who served during the year are listed below:

Directors	Function
Simon Gibson	Non executive Chairman
Shaun Oxenham	Chief Executive Officer
Giles Davies	Chief Financial Officer
Gareth Jones	Chief Technical Officer
Drew Nelson	Non Executive Director
Ron Jones	Non Executive Director, Chair of remuneration committee
John Thynne	Non Executive Director, Chair of audit committee

Details of directors interests in share options over the Group's share capital are set out in note 22.

**Directors' Report
for the year ended 31 December 2008 (continued)****Employees**

The Group's employment policies are designed to attract, retain and motivate the very best staff for each role in the Group, recognising that this can only be achieved through equal opportunities regardless of gender, race, religion or disability.

Regular meetings are held with employees to discuss the performance of the Group as a whole and the area in which they work. Financial and economic factors are dealt with in this context.

Information concerning employees and their remuneration is given in note 19 to the accounts.

Substantial interests

As at 31 December 2008, the Group had been notified, in accordance with Sections 198 to 209 of the Companies Act 1985, of the following substantial interests of 3% or more in the ordinary share capital of the company:

	% of ordinary shares held
Wesley Clover	18.66
Framlington	13.44
Ken Board	10.15
Drew Nelson	8.63
UWS Ventures	6.39
Rathbones	4.37
Robur	6.23
Invesco	3.72

Financial risk management

The directors' assessment of key financial risks and policies in place to mitigate those risks are set out in note 3 to the financial statements.

Donations

No donations were made during the year (2007: £nil).

Events after the balance sheet date

An Extraordinary General Meeting held on 6 April 2009, approved the issue of 5,600,000 £0.10 Ordinary shares, for a consideration of £0.36 per share, generating gross proceeds £2,016,000. The shares will formally be issued on 7 April 2009.

Policy and Practice on Payment of Creditors

The Group and Company aims to settle supplier accounts in accordance with individual suppliers' terms of business. The Group and Company's average number of days' purchases outstanding in respect of trade creditors at 31 December 2008 was 64 days (2007: 33 days).

Directors' Report for the year ended 31 December 2008 (continued)

Going concern

The directors have concluded, having regard to the most recent projections available that the group and company will have in place sufficient funding to enable it to continue trading and meet its liabilities to third parties as they fall due for the foreseeable future.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period.

In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions and qualifications as necessary.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the group web site, www.enfis.com. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, whose names and functions are listed in the Directors Report confirm that, to the best of their knowledge:

- The group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the group; and
- The Directors' Report, Chief Executive Officer's Statement and Chief Financial Officer's Statement contained in the Annual Report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties that it faces.

**Directors' Report
for the year ended 31 December 2008 (continued)**

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 aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all 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 auditor is aware of that information.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'Giles Davies', written in a cursive style.

Giles Davies
Company Secretary

Independent auditors' report to the members of Enfis Group plc

We have audited the group and parent company financial statements (the "financial statements") of Enfis Group plc for the year ended 31 December 2008 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and have been 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. The information given in the Directors' Report includes that specific information presented in the Chief Executive Officer's Statement that is cross referred from the Business Review section of the Directors' Report.

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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chief Executive's Statement and the Chief Financial Officer's Statement. 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 judgements 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.

Independent auditors' report to the members of Enfis Group plc

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2008 and of the group's loss and cash flows for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2008 and cash flows for the year then ended;
- 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.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cardiff

6 April 2009

**Consolidated income statement – by function of expense
for the year ended 31 December 2008**

	Notes	2008 £	2007 £
Revenue	5	1,628,002	307,013
Cost of sales		(1,023,458)	(268,906)
Gross profit		604,544	38,107
Administrative expenses		(2,608,107)	(2,308,737)
Other income		72,717	140,235
Operating loss		(1,930,846)	(2,130,395)
Finance income	20	54,434	124,215
Finance costs	21	(21,332)	(40,685)
		33,102	83,530
Loss before income tax		(1,897,744)	(2,046,865)
Income tax credit	23	555,789	181,812
Loss for the year		(1,341,955)	(1,865,053)
Attributable to:			
Equity holders of the company		(1,341,955)	(1,865,053)
Loss per share for loss attributable to the equity holders of the company during the year			
- basic and diluted		(14.4p)	(22.7p)

The results relate to continuing operations.

The company has elected to take the exemption under section 230 of the Companies Act 1985 to not present the parent company income statement.

The loss for the parent company for the year was £82,332 (2007: £61,749).

The notes on pages 16 to 44 are an integral part of these consolidated financial statements.

**Consolidated balance sheet
As at 31 December 2008**

	Notes	2008 £	2007 £
Assets			
Non current assets			
Property, plant and equipment	7	217,575	235,351
Intangible assets	8	540,447	399,934
		758,022	635,285
Current assets			
Inventories	9	351,108	277,876
Trade and other receivables	10	218,373	211,862
Corporation tax receivable		271,392	-
Cash and cash equivalents	11	640,944	1,999,424
		1,481,810	2,489,162
Total assets		2,239,839	3,124,447
Equity			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	12	938,286	893,606
Share premium	12	4,067,413	3,585,446
Share option reserve		144,081	61,749
Reverse acquisition reserve		2,283,667	2,283,667
Retained losses		(5,767,313)	(4,425,358)
Total equity		1,666,126	2,399,110
Liabilities			
Non-current liabilities			
Deferred income	14	35,000	65,748
Borrowings	15	58,075	106,105
		93,075	171,853
Current liabilities			
Trade and other payables	13	432,600	495,046
Borrowings	15	48,030	58,438
		480,630	553,484
Total liabilities		573,705	725,337
Total equity and liabilities		2,239,839	3,124,447

The notes on pages 16 to 44 are an integral part of these consolidated financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 6 April 2009.

Director



Parent company balance sheet
As at 31 December 2008

	Notes	2008 £	2007 £
Assets			
Non current assets			
Investments	6	572,175	572,175
Trade and other receivables	10	4,433,522	3,906,875
		5,005,697	4,479,050
Current assets			
Cash and cash equivalents	11	2	2
		2	2
Total assets		5,005,699	4,479,052
Equity			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	12	938,286	893,606
Share premium		4,067,413	3,585,446
Share option reserve		144,081	61,749
Retained losses		(144,081)	(61,749)
Total equity		5,005,699	4,479,052
Liabilities			
Non-current liabilities			
Deferred income	14	-	-
Borrowings	15	-	-
		-	-
Current liabilities			
Trade and other payables	13	-	-
Borrowings	15	-	-
		-	-
Total liabilities		-	-
Total equity and liabilities		5,005,699	4,479,052

The notes on pages 16 to 44 are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 6 April 2009.

Director



**Consolidated and parent company cash flow statements
for the year ended 31 December 2008**

	Notes	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Cash flows from operating activities					
Cash used in operations	26	(1,811,691)	(2,236,731)	-	-
Interest paid		(21,332)	(40,685)	-	-
Tax received		284,419	182,787	-	-
Net cash used in operating activities		(1,548,604)	(2,094,629)	-	-
Cash flows from investing activities					
Purchase of property, plant and equipment		(58,702)	(103,567)	-	-
Purchase of intangible assets		(315,787)	(380,657)	-	-
Receipt of government grants		41,969	154,604	-	-
Loans granted to subsidiary undertakings		-	-	(526,647)	(3,906,875)
Interest received		54,434	124,215	-	-
Net cash used in investing activities		(278,086)	(205,405)	(526,647)	(3,906,875)
Cash flows from financing activities					
Proceeds from the issuance of ordinary shares		526,648	4,143,890	526,647	3,906,877
Repayments of borrowings		(30,300)	(30,300)	-	-
Finance lease principal repayments		(28,138)	(32,914)	-	-
Net cash generated from financial activities		468,210	4,080,676	526,647	3,906,877
Net (decrease) / increase in cash and cash equivalents		(1,358,480)	1,780,642	-	2
Cash and cash equivalents at the beginning of the year		1,999,424	218,782	2	-
Cash and cash equivalents at the end of the year		640,944	1,999,424	2	2

The notes on pages 16 to 44 are an integral part of these financial statements.

**Consolidated statement of changes in equity
for the year ended 31 December 2008**

Group	Ordinary share capital	Deferred share capital	Capital redemption reserve	Preference shares (equity element)	Share premium	Share option reserve	Share warrants	Reverse acquisition reserve	Retained losses	Total
Balance at 1 January 2007	1,820	-	-	77,792	2,553,992	221,254	30	-	(2,913,068)	(58,180)
Conversion of preference shares	87	299,913	-	(77,792)	-	-	-	-	131,509	353,717
Share issue and redemption of deferred shares	-	(299,913)	299,913	-	-	-	-	-	-	-
Allotment of shares	2	-	-	-	-	-	-	-	-	2
Share for share exchange (Enfis Group plc with Enfis Limited)	572,175	-	-	-	-	-	-	(572,175)	-	-
Reverse Acquisition adjustments	(1,907)	-	(299,913)	-	(2,553,992)	-	(30)	2,855,842	-	-
AIM listing (Issue of new shares)	321,429	-	-	-	4,178,571	-	-	-	-	4,500,000
Expenses incurred on issue of new shares	-	-	-	-	(593,125)	-	-	-	-	(593,125)
Share option reversal	-	-	-	-	-	(221,254)	-	-	221,254	-
Loss for the period	-	-	-	-	-	61,749	-	-	(1,865,053)	(1,803,304)
Balance at 31 December 2007	893,606	-	-	-	3,585,446	61,749	-	2,283,667	(4,425,358)	2,399,110
Issue of new shares	44,680	-	-	-	481,967	-	-	-	-	526,647
Share option reversal loss for the year	-	-	-	-	-	82,332	-	-	-	82,332
Loss for period	-	-	-	-	-	-	-	-	(1,341,955)	(1,341,955)
Balance at 31 December 2008	938,286	-	-	-	4,067,413	144,081	-	2,283,667	(5,767,313)	1,666,134

The capital redemption reserve has arisen on conversion of the convertible preference shares under the capital maintenance provisions of IAS21.

The reverse acquisition reserve arose on the acquisition by Enfis Group plc of the entire issued share capital of Enfis Limited on 16 March 2007. The consideration payable in respect of the transaction was settled via a share for share exchange, whereby three ordinary shares in Enfis Group plc were exchanged for each allotted share in Enfis Limited. This group reconstruction has been accounted for as a reverse acquisition in accordance with IFRS 3, 'Business Combinations'.

The notes on pages 16 to 44 are an integral part of these financial statements.

Parent company statement of changes in equity for the year ended 31 December 2008

Company	Ordinary share capital	Deferred share capital	Capital redemption reserve	Preference shares (equity element)	Share premium	Share option reserve	Share warrants	Reverse acquisition reserve	Retained losses	Total
	£	£	£	£	£	£	£	£	£	£
Balance at 17 March 2007	-	-	-	-	-	-	-	-	-	-
Allotment of shares (On incorporation)	2	-	-	-	-	-	-	-	-	2
Share for share exchange (Enfis Group plc with Enfis Limited)	572,175	-	-	-	-	-	-	-	-	572,175
AIM listing (Issue of new shares)	321,429	-	-	-	4,178,571	-	-	-	-	4,500,000
Expenses incurred on issue of new shares	-	-	-	-	(593,125)	-	-	-	-	(593,125)
Loss for the period	-	-	-	-	-	61,749	-	-	(61,749)	-
Balance at 31 December 2007	893,606	-	-	-	3,585,446	61,749	-	-	(61,749)	4,479,052
Issue of new shares	44,680	-	-	-	481,967	-	-	-	-	526,647
Loss for the year	-	-	-	-	-	82,332	-	-	(82,332)	-
Balance at 31 December 2008	938,286	-	-	-	4,067,413	144,081	-	-	(144,081)	5,005,699

The capital redemption reserve has arisen on conversion of the convertible preference shares under the capital maintenance provisions of IAS21.

The reverse acquisition reserve arose on the acquisition by Enfis Group plc of the entire issued share capital of Enfis Limited on 16 March 2007. The consideration payable in respect of the transaction was settled via a share for share exchange, whereby three ordinary shares in Enfis Group plc were exchanged for each allotted share in Enfis Limited. This group reconstruction has been accounted for as a reverse acquisition in accordance with IFRS 3, 'Business Combinations'.

The notes on pages 16 to 44 are an integral part of these financial statements.

**Notes to the financial statements
for the year ended 31 December 2008****1 General information**

The principal activity of the group is the design, development, manufacture and sale of light emitting diode based arrays and light engines.

The company is a public limited liability company incorporated and domiciled in England and Wales and listed on the Alternative Investment Market ('AIM').

The directors consider there to be no ultimate controlling shareholder of the company.

The address of the registered office is Technium 2, Kings Road, Swansea Waterfront, Swansea, SA1 8PJ and the registered number of the company is 06133765.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of Enfis Group plc have been prepared in accordance with the requirements of the AIM rules and in accordance with International Financial Reporting Standards as adopted by the European Union, IFRIC interpretations, the historical cost convention and the Companies Act 1985.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(a) Going concern

The directors have concluded, having regard to the most recent projections available that the group and company will have in place sufficient funding to enable it to continue trading and meet its liabilities to third parties as they fall due for the foreseeable future.

(b) Interpretations effective in 2008

IFRIC 11, 'IFRS 2 - Group and treasury share transactions', provides guidance on whether share based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity settled or cash settled share based payment transactions in the stand alone accounts of the parent and group companies. This interpretation does not have an impact on the group's financial statements. The company's accounting policy for share based compensation arrangements is already in compliance with the interpretation.

(c) Standards, amendments and interpretations effective in 2008 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the group or company's operations.

- IFRIC 12 'service concession arrangements'
- IFRIC 13, 'customer loyalty programmes; and
- IFRIC 14, 'IAS 19 – the limit on a deferred benefit asset, minimum funding requirements and their interaction'.

Notes to the financial statements for the year ended 31 December 2008 (continued)

2 Summary of significant accounting policies (continued)

- (d) Interpretations to existing standards that are not yet effective and have not been early adopted by the company

The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2009 or later periods, but the group has not early adopted them.

- IAS 23 (amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the EU. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The group and company will apply IAS 23 (amendment) retrospectively from 1 January 2009, subject to endorsement by the EU, but the amendment is currently not applicable to the group or company as there are no qualifying assets.
- IAS 1 (revised). 'Presentation of financial statements' (effective from 1 January 2009). The standard is still subject to endorsement by the EU. The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring non owner changes in equity to be presented separately from owner changes in equity. All non owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The group and company will apply IAS 1 (revised) from 1 January 2009, subject to endorsement by the EU. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.
- IFRS 2 (amendment), 'Share based payment' (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the EU. It deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The group and company will apply IFRS 2 (amendment) from 1 January 2009, subject to endorsement by the EU. It is not expected to have a material impact on the group or company's financial statements.
- IAS 32 (amendment), 'Financial instruments: Presentation', and IAS 1 (amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the EU. It requires entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The group will apply the IAS 32 and IAS 1(amendment) from 1 January 2009, subject to endorsement by the EU. It is not expected to have any impact on the group or company's financial statements.

Notes to the financial statements for the year ended 31 December 2008 (continued)

2 Summary of significant accounting policies (continued)

- IFRS 1 (amendment), 'First time adoption of IFRS', and IAS 27, 'Consolidated and separate financial statements', (effective from 1 January 2009). The revised standard is still subject to endorsement by the EU. The amended standard allows first time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The group will apply IFRS 1 (amendment) from 1 January 2009, subject to endorsement by the EU. The amendment will not have any impact on the group or company's financial statements which are already prepared under IFRS.
- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The amendment to the standard is still subject to endorsement by the EU. The revised standard requires the effects of all transactions with non controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The group will apply IAS 27 (revised) prospectively to transactions with non controlling interests from 1 January 2010, subject to endorsement by the EU.
- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard is still subject to endorsement by the EU. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition by acquisition basis to measure the non controlling interest in the acquiree either at fair value or at the non controlling interest's proportionate share of the acquiree's net assets. All acquisition related costs should be expensed. The group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010, subject to endorsement by the EU.
- IFRS 5 (amendment), 'Non-current assets held-for-sale and discontinued operations', (and consequential amendment to IFRS 1, 'First time adoption') (effective from 1 July 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment to the standard is still subject to endorsement by the EU. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRS's. The group will apply the IFRS 5 (amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010, subject to endorsement by the EU.
- IAS 23 (amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment to the standard is still subject to endorsement by the EU. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23. The group and company will apply the IAS 23 (amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 January 2009, subject to endorsement by the EU, but is currently not applicable to the group or company as there are no qualifying assets.

Notes to the financial statements for the year ended 31 December 2008 (continued)

2 Summary of significant accounting policies (continued)

- IAS 28 (amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment to the standard is still subject to endorsement by the EU. An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The group will apply the IAS 28 (amendment) to impairment tests related to investments in associates and any related impairment losses from 1 January 2009, subject to endorsement by the EU, but are currently not applicable to the group or company as there are no investments in associates.
- IAS 36 (amendment), 'Impairment of assets', (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment to the standard is still subject to endorsement by the EU. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value in use calculation should be made. The group and company will apply the IAS 36 (amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009, subject to endorsement by the EU.
- IAS 38 (amendment), 'Intangible assets', (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment to the standard is still subject to endorsement by the EU. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The group will apply the IAS38 (amendment) from 1 January 2009, subject to endorsement by the EU.
- IAS 19 (amendment), 'Employee benefits', (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment to the standard is still subject to endorsement by the EU.
 - The amendment clarifies that a plan amendment that results in a charge in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
 - The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculations of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
 - The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee services being rendered.
 - IAS 37, 'Provisions, contingent liabilities and contingent assets', require contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

The group will apply the IAS 19 (amendment) from 1 January 2009, subject to endorsement by the EU. The amendment will not have an impact on the group or company's financial statements as it does not operate a defined benefit obligation.

Notes to the financial statements for the year ended 31 December 2008 (continued)

2 Summary of significant accounting policies (continued)

- IAS 39 (amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment to the standard is still subject to endorsement by the EU.
 - This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.
 - The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short term profit taking is included in such a portfolio on initial recognition.
 - The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes the example of a segment so that the guidance is consistent with IFRS 8, 'Operating segments', which requires disclosure for segments to be based on information reported to the chief operating decision maker.
 - When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

The group any company will apply the IAS 39 (amendment) from 1 January 2009, subject to endorsement by the EU. It is not expected to have an impact on the group or company's income statement.

- IAS 1 (amendment), 'Presentation of financial statements', (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment to the standard is still subject to endorsement by the EU. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The group and company will apply the IAS 39 (amendment) from 1 January 2009, subject to endorsement by the EU. It is not expected to have an impact on the group or company's financial statements.
- IAS 20 (amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009). The benefit of a below market rate government loan is measured at the difference between the carrying amount in accordance with IAS 29, 'Financial instruments: Recognition and measurement', and the proceeds received with the benefit accounted for in accordance with IAS 20. The amendment is not expected to have a material impact on the group and companies financial statements.
- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue', and IAS 34, 'Interim financial reporting', which are part of the IASB's annual improvements project published in May 2008 (not addressed above). The amendments to the standards are still subject to endorsement by the EU. These amendments, subject to endorsement by the EU, are unlikely to have an impact on the group or company's accounts and have, therefore, not been analysed in detail.

Notes to the financial statements for the year ended 31 December 2008 (continued)

2 Summary of significant accounting policies (continued)

- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008). The amendment to the interpretation is still subject to endorsement by the EU. IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the group. The requirements of IAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. The group will apply IFRIC 16 from 1 January 2009. It is not expected to have an impact on the group or company's financial statements.
- IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The new standard is not expected to have a material impact on the group and companies financial statements.

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities over which the company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

2.3 Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns which are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

The functional currency of the company is sterling. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.5 Intangible fixed assets – patents and development costs

Acquired patents associated with internally developed intellectual property are shown at historical cost. Patents have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives (5 years).

The costs associated with acquiring patents relating to technology which are no longer integral to the product range planned for market are expensed to the income statement.

Development costs capitalised under IAS38 are carried at historical cost. Development costs have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives (5 years).

Intangible amortisation is recognised within administrative expenses in the income statement.

**Notes to the financial statements
for the year ended 31 December 2008 (continued)**

2 Summary of significant accounting policies (continued)

2.6 Property, plant and equipment

All property, plant and equipment is stated at historical cost less accumulated depreciation. The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the assets.

Depreciation on all property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Plant and machinery	20%
Fixture and fittings	20%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other net (losses)/gains in the income statement.

Repairs and maintenance expenditure is written off to the income statement account as incurred.

2.7 Research and development

Expenditure on research is charged to the income statement as incurred.

Expenditure on product development is capitalised as an intangible asset in the balance sheet from the date that the expenditure incurred on the development meets all the capitalisation criteria as set out in IAS 38 'Intangible assets' and detailed below:

- Technical feasibility of completing the asset so that it will be available for use or sale can be demonstrated;
- The intention to complete the asset and use or sell it can be demonstrated;
- The ability to use or sell the asset can be demonstrated;
- The ability to demonstrate how the asset will generate probable future economic benefits;
- The ability to demonstrate the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and
- The ability to measure reliably the expenditure attributable to the asset during its development.

Expenditure on product development is expensed to the income statement as incurred where the capitalisation criteria in IAS 38 are not met. Development costs recognised as an expense are not recognised as an asset in a subsequent period.

**Notes to the financial statements
for the year ended 31 December 2008 (continued)****2 Summary of significant accounting policies (continued)****2.8 Financial assets**

The company has a single class of financial asset which is classified as trade and other receivables. The classification depends on the purpose for which the financial assets were acquired and management determines the classification of its financial assets at initial recognition.

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as 'trade and other receivables' in the balance sheet and are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

2.9 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payment are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised within administrative expenses in the income statement.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out method. The cost of finished goods comprises the purchase price including transport and handling costs.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments, with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade payables

Trade payables are non derivative financial liabilities with fixed or determinable payments. Trade payables are included in current liabilities, except for maturities greater than 12 months after the balance sheet date. These are classified as non current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

**Notes to the financial statements
for the year ended 31 December 2008 (continued)****2 Summary of significant accounting policies (continued)****2.14 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.16 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services or consideration receivable from cooperative partners for product development in the ordinary course of the company's activities. Revenue is shown net of value added taxes, returns and rebates.

Revenue is recognised when the amount can be reliably measured and it is probable that future economic benefit will flow to the company under the terms of any sale agreements. Revenue is not considered to be reliably measurable until all contingent clauses in sale agreements are met. Revenue is recognised when goods are invoiced, this normally corresponds to the date that goods are despatched to customers.

2.17 Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and that the company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in other income in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Capital grants that relate to specific capital expenditure are included in current and non-current liabilities as deferred income which is credited to the income statement over the related asset's useful life.

Notes to the financial statements for the year ended 31 December 2008 (continued)

2 Summary of significant accounting policies (continued)

2.18 Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of their useful lives and the lease term.

The interest elements of the rental obligations are charged in the income statement over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases are charged in the income statement on a straight line basis over the lease term.

2.19 Share based payments

The Company operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

3 Financial risk

3.1 Financial risk factors

The company's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

(a) Market Risk

(i) Foreign exchange risk

The group distributes and sells internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and UK pound. Foreign exchange risk arises from future commercial transactions and translation of foreign currency denominated monetary assets and liabilities. Foreign currency risk is managed via the purchase of raw materials and the sale of products in equivalent currencies.

Notes to the financial statements for the year ended 31 December 2008 (continued)

3 Financial risk (continued)

3.1 Financial risk factors (continued)

- (ii) Price risk
The company has periodic price reviews within distributor sales contracts that enable the company to reassess and adjust for price risk as part of contractual negotiations. Commodity price risk is assessed as low as a result of the various supply alternatives available for key components.

- (b) Credit risk
The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The company's credit risk is primarily attributable to its trade receivables balance. The amounts presented in the balance sheet are net of allowances for impairment.

- (c) Liquidity risk
The company utilises medium-term debt finance, principally a floating rate bank loan guaranteed under the Small Firm Loan Guarantee Scheme.

- (d) Interest rate cash flow risk
The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets comprise only cash balances, which earn interest at fixed and floating rates. Interest bearing liabilities comprise debt at fixed and floating rates.

4 Critical accounting estimates and judgements

In the preparation of the financial information the directors must make estimates and assumptions that effect the asset and liability items and revenue and expense amounts recorded in the financial information. These estimates are based on historical experience and various other assumptions that the Board believe are reasonable under the circumstances. The results of this form the basis for making judgements about the carrying value of assets and liabilities that are not readily available from other sources.

Development expenditure

The principal area where judgement has been exercised in relation to the financial statements is in respect of development costs. The company has incurred £1,235,281 of product development costs in the year ended 31 December 2007 and £1,076,016 of product development costs in the year ended 31 December 2008. Of the total development costs incurred in the year ended 31 December 2008, an amount of £269,658 has been capitalised (2007: £359,613). Development costs are expensed to the income statement where the Board believes that all the criteria for capitalisation as set out in IAS 38 'Intangible assets' have not been met.

**Notes to the financial statements
for the year ended 31 December 2008 (continued)**

5 Segmental information

The directors consider that the company operates in one business segment.

The group's principal activity consists of the design, development, manufacture and sale of light emitting diode based arrays and light engines with turnover and loss on ordinary activities arising entirely from this activity.

The group's revenue is generated mainly from the UK, Europe and the US.

Revenue	2008 £	2007 £
UK	1,178,014	101,333
Europe	120,463	28,869
US	289,987	163,723
Other countries	39,538	13,088
	1,628,002	307,013

Revenue is allocated based on the country in which the customer is located.

6 Investments

Company	2008 £	2007 £
Investment in subsidiary undertaking	572,175	572,175

Name	Country of incorporation	Proportion of ownership interest	Principal activities
Enfis Limited	England and Wales	100% interest in Ordinary Share Capital	Design, development, manufacture and sale of light emitting diode based arrays and light engines.

On 16 March 2007, the entire issued share capital of Enfis Limited was acquired by Enfis Group plc.

The consideration payable in respect of this transaction was settled via a share for share exchange, whereby three ordinary shares in Enfis Group plc were exchanged for each allotted share in Enfis Limited.

Pursuant to this agreement, 5,271,754 Ordinary shares of £0.10 were issued to the shareholders of Enfis Limited.

**Notes to the financial statements
for the year ended 31 December 2008 (continued)**

7 Property, Plant and Equipment

Group	Plant & Machinery £	Fixtures Fittings Tools & Equipment £	Total £
Cost			
At 1 January 2007	235,502	41,006	276,508
Additions	102,677	890	103,567
At 31 December 2007	338,179	41,896	380,075
Additions	45,337	13,364	58,701
At 31 December 2008	383,516	55,260	438,776
Accumulated depreciation			
At 1 January 2007	67,846	17,895	85,741
Charge for the year	52,343	6,640	58,983
At 31 December 2007	120,189	24,535	144,724
Charge for the year	67,889	8,588	76,477
At 31 December 2008	188,078	33,123	221,201
Net book value			
At 31 December 2008	195,438	22,137	217,575
At 31 December 2007	217,990	17,361	235,351

The net book value of plant and machinery includes an amount of £27,606 (2007: £65,812) in respect of assets held under finance leases and hire purchase contracts.

The company has no fixed assets.

**Notes to the financial statements
for the year ended 31 December 2008 (continued)**

8 Intangible fixed assets

Group	Patents & Licenses £	Development Costs £	Total £
Cost			
At 1 January 2007	189,270	-	189,270
Additions	21,044	359,613	380,657
Disposals	(93,617)	-	(93,617)
At 31 December 2007	116,697	359,613	476,310
Additions	46,129	269,658	315,787
At 31 December 2008	162,826	629,271	792,097
Amortisation			
At 1 January 2007	68,137	-	68,137
Charge for the year	21,389	31,105	52,494
Released on disposal	(44,255)	-	(44,255)
At 31 December 2007	45,271	31,105	76,376
Charge for year	26,225	107,132	133,357
Impairment	41,917	-	41,917
At 31 December 2008	113,413	138,237	251,650
Net book value			
At 31 December 2008	49,413	491,034	540,447
At 31 December 2007	71,426	328,508	399,934

Patents include the external third party cost associated with the acquisition of patents for internally developed intellectual property and know how. Intangible amortisation is recognised within administrative expenses in the income statement.

The costs associated with acquiring patents relating to technology which are not integral to the product range planned for market have been expensed to the income statement during the period. The impairment relates to the write off of patent costs associated with products that are no longer integral to the product range and are not being actively marketed for commercial sale.

The company has no intangible fixed assets.

**Notes to the financial statements
for the year ended 31 December 2008 (continued)**

9 Inventories

Group	2008 £	2007 £
Raw materials and consumables	351,108	277,876

Inventory totalling £45,423 relating to obsolete stock has been written-off and expensed to the income statement in the year.

The company has no inventories.

10 Trade and other receivables

	Group 2008 £	Company 2008 £	Group 2007 £	Company 2007 £
Trade receivables	169,700	-	123,092	-
Less: provision for impairment of trade receivables	(4,601)	-	(10,892)	-
Trade receivables (net)	165,099	-	112,200	-
Amounts due from subsidiary undertaking	-	4,433,522	-	3,906,875
Prepayments	41,810	-	40,596	-
Unpaid share capital	441	-	441	-
Other receivables	11,023	-	58,625	-
	218,373	4,433,522	211,862	3,906,875
Less non current portion: amounts due from subsidiary undertakings	-	(4,433,522)	-	(3,906,875)
Current portion	218,373	-	211,862	-

Amounts due from subsidiary undertakings represent net amounts provided to the company's wholly owned subsidiary Enfis Limited. The net amount is unsecured and is repayable on the basis that one year's notice is required.

The fair value of trade and other receivables at 31 December 2007 and 31 December 2008 approximate to the book value stated above.

As of 31 December 2008, trade receivables of £10,514 (2007: £10,832) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:-

	2008 £	2007 £
3 to 6 months	2,494	2,815
Over 6 months	8,020	8,017
	10,514	10,832

**Notes to the financial statements
for the year ended 31 December 2008 (continued)**

10 Trade and other receivables (continued)

As of 31 December 2008, trade receivables of £4,601 (2007: £10,892) were impaired. The individually impaired receivables mainly relate to old balances where it has been assessed that the receivable is not expected to be recovered. The ageing of these receivables is as follows:

	2008	2007
	£	£
Over 6 months	4,601	10,892

The carrying amounts of the group's trade and other receivables are denominated in the following currencies:

	2008	2007
	£	£
UK pound	201,061	162,083
Euros	6,908	15,363
US dollar	10,404	34,416
	218,373	211,862

Movements on the provision for impairment of trade receivables are as follows:

	2008	2007
	£	£
At 1 January	10,892	33,962
Specific write off	(10,376)	(33,962)
Provision for receivables impairment	4,085	10,892
At 31 December	4,601	10,892

11 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts.

	Group	Company	Group	Company
	2008	2008	2007	2007
	£	£	£	£
Cash on hand and balances with banks	315,464	2	18,414	2
Short-term investments (Treasury Deposits)	325,480	-	1,981,010	-
	640,944	2	1,999,424	2

Significant non-cash transactions

As disclosed in note 12, on 16 March 2007, the entire issued share capital of Enfis Limited was acquired by Enfis Group plc. The consideration payable in respect of this transaction was settled via a share for share exchange, whereby three ordinary shares in Enfis Group plc were exchanged for each allotted share in Enfis Limited. Pursuant to this agreement, 5,721,754 Ordinary shares were issued to the shareholders of Enfis Limited.

**Notes to the financial statements
for the year ended 31 December 2008 (continued)**

12 Share capital

The authorised and issued share capital of Enfis Group plc is summarised below:

	2008 £	2007 £
Authorised:		
15,000,000 ordinary shares of £0.10 each (On incorporation 50,000 ordinary shares of £1 each)	1,500,000	1,500,000
Issued, allotted and fully paid:		
9,382,863 Ordinary shares of £0.10 each	938,286	893,606

The Company was incorporated on 1 March 2007 with an authorised share capital of £50,000 comprising 50,000 ordinary shares of £1 each.

On 1 March 2007, the Company allotted 2 £1 Ordinary shares for cash fully paid.

On 16 March 2007 the Company by written resolution:

- subdivided the two existing ordinary shares of £1 and re-designated them into 20 ordinary shares of 10 pence each;
- subdivided the existing 49,998 authorised but unissued ordinary shares of £1 each and re-designated them into 499,980 ordinary shares of 10 pence each;
- Increased its authorised share capital to £1,500,000 divided into 15,000,000 ordinary shares of 10 pence each, by the creation of 14,500,000 new Ordinary Shares of 10 pence each;
- Authorised the Directors to allot relevant securities pursuant to Section 80 of the Act up to an aggregate nominal value of £1,500,000 for the period until the annual general meeting of the Company in 2008, unless previously revoked or varied by the Company in general meeting.

On 21 February 2008, the Company issued 446,804 £1 Ordinary shares at a price of 120.5 pence per share raising £538,398 before expenses of £11,751.

The table below reconciles movements in issued share capital during the year.

	Number of shares	Ordinary share capital £	Share premium £	Total £
At 1 January 2008	8,936,060	893,606	3,585,446	4,479,052
Share issue	446,804	44,680	481,967	526,647
At 31 December 2008	9,382,864	938,286	4,067,413	5,005,699

**Notes to the financial statements
for the year ended 31 December 2008 (continued)**

12 Share capital (continued)

Share Options

Enfis Group plc has an Enterprise Management Incentive Share Option Scheme (EMI Scheme) and an Executive Share Option Scheme.

During the year, 71,500 share options (2007: 1,096,350) to subscribe for Ordinary Shares have been granted to directors and to selected employees under the EMI Scheme.

The exercise price of granted options is set out below:

	Granted 2008 Options at Exercise price of £1.055	Granted 2007 Options at exercise price of 0.1 pence	Granted 2007 Options at exercise price of £1.15	Granted 2007 Options at exercise price of 72 pence
Number of options	71,500	666,000	120,000	310,350

Enfis Limited previously operated an un-approved share option scheme for its directors and employees. On 16 March 2007, holders of options in the Enfis Limited scheme exchanged their options for options in the EMI Scheme operated by Enfis Group plc.

Options are conditional on the employee remaining within the employment of the group on the exercise date (the vesting period). Options issued under the EMI scheme are exercisable as follows:

In respect of the Options over Ordinary shares granted at 0.1 pence, the Options shall be exercisable from 23 March 2007 at the subscription price of 0.1 pence.

In respect of Options over Ordinary shares granted at £1.15, the option shall be exercisable at the subscription price of £1.15 as follows:-

- As to 25% of the relevant Ordinary shares with effect from 23 March 2007
- As to a further 25% with effect from 2 January 2008: and
- As to a further 25% with effect from 2 January 2009: and
- As to the final 25%, with effect from 2 January 2010.

In respect of Options over Ordinary shares granted at 72 pence, the option shall be exercisable at the subscription price of 72 pence as follows:-

- As to 25% of the relevant Ordinary shares with effect from 11 January 2008
- As to a further 25% with effect from 11 January 2009: and
- As to a further 25% with effect from 11 January 2010: and
- As to the final 25%, with effect from 11 January 2011.

In respect of options over ordinary shares granted at £1.055, the option shall be exercisable at the subscription price of £1.055 as follows:-

- As to 25% of the relevant Ordinary shares with effect from 13 May 2009
- As to a further 25% with effect from 13 May 2010: and
- As to a further 25% with effect from 13 May 2011: and
- As to the final 25%, with effect from 13 May 2012

Notes to the financial statements for the year ended 31 December 2008 (continued)

12 Share capital (continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise per share	Options Number
At 1 January 2007 in Enfis Limited		265,000
Converted in consideration for new options		(265,000)
At 16 March 2007		-
Enfis Plc		
At 15 March 2007		-
Granted – 16 March 2007	0.1 pence	666,000
Granted – 16 March 2007	115 pence	120,000
Granted – 16 March 2007	72 pence	310,350
At 31 December 2007		1,096,350
Granted – 13 May 2008	105.5 pence	71,500
Forfeited	0.1 pence	(15,000)
Forfeited	115 pence	(28,500)
Forfeited	72 pence	(36,300)
At 31 December 2008		1,088,050

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date	Exercise price per share	Shares 2008	Shares 2007
2013 – expiry date 23 July	0.1 pence	651,000	666,000
2016 – expiry date 2 January	115 pence	91,500	120,000
2017 – expiry date 2 January	72 pence	274,050	310,350
2018 – expiry date 13 May	105.5 pence	71,500	-
		1,088,050	1,096,350

The weighted average fair value of the options with an exercise price of 0.1 pence granted on 16 March 2007, determined using the Black-Scholes valuation model, was 140p per option. The significant inputs into the model were weighted average share price of 140p at the grant date, exercise price of 0.1 pence, volatility of 50%, risk free rate of 5.14% and a dividend stream of nil.

The weighted average fair value of the options with an exercise price of 115 pence granted on 16 March 2007, determined using the Black-Scholes valuation model, was 47p per option. The significant inputs into the model were weighted average share price of 140p at the grant date, exercise price of 115 pence, volatility of 50%, risk free rate of 5.14% and a dividend stream of nil.

The weighted average fair value of the options with an exercise price of 72 pence granted on 16 March 2007, determined using the Black-Scholes valuation model, was 82p per option. The significant inputs into the model were weighted average share price of 140p at the grant date, exercise price of 72 pence, volatility of 50%, risk free rate of 5.14% and a dividend stream of nil.

The weighted average fair value of the options with an exercise price of 105.5 pence granted on 13 May 2008, determined using the Black-Scholes valuation model, was 70.6p per option. The significant inputs into the model were weighted average share price of 105.5p at the grant date, exercise price of 105.5p, volatility of 50%, risk free rate of 4.80% and a dividend stream of nil.

Notes to the financial statements for the year ended 31 December 2008 (continued)

13 Trade and other payables

Group	2008 £	2007 £
Trade payables	220,868	328,618
Social security and other taxes	78,766	67,646
Other payables	489	497
Accruals	102,477	68,285
Deferred income – government grants	30,000	30,000
	432,600	495,046

The Company has no trade or other payables.

14 Non current liabilities – deferred income

Group	2008 £	2007 £
Deferred income – government grants	35,000	65,748

The Company has no deferred income.

15 Borrowings

Group	2008 £	2007 £
Current borrowings		
Bank loan	30,300	30,300
Obligations under finance leases and hire purchase contracts	17,730	28,138
	48,030	58,438
Non-current borrowings		
Bank loan	58,075	88,375
Obligations under finance leases and hire purchase contracts	-	17,730
	58,075	106,105

The Company has no borrowings.

Notes to the financial statements for the year ended 31 December 2008 (continued)

15 Borrowings (continued)

Bank borrowings

Bank loan	2008 £	2007 £
Amounts falling due:		
Between one and two years	30,300	30,300
Between three and five years	27,775	58,075
Total due after more than one year	58,075	88,375
Due within one year	30,300	30,300

Bank borrowings mature on December 2011 and bear interest of 2.5% over Base Rate (2007: 2.5% over Base Rate). Undrawn facilities at 31 December 2008 include a floating rate bank overdraft of £358,000 (2007: £358,000).

Total borrowings include secured bank loans and finance lease liabilities of £106,105 (2007: £164,543).

The bank loan is repayable in 60 monthly instalments commencing December 2006. Interest on the loan is payable quarterly at 2.5% above base rate. A guarantee premium of 2% per annum is also payable quarterly in advance. The loan is guaranteed by the Department of Trade and Industry under the Small Firm Loan Guarantee Scheme (SFLG).

The loan is secured by way of a fixed and floating charge over the assets of Enfis Limited.

Finance leases

	2008 £	2007 £
Finance lease liabilities – minimum lease payments:		
No later than one year	18,478	30,763
Later than one year no later than 5 years	-	18,478
	18,478	49,241
Future finance charges on finance leases	(748)	(3,373)
Present value of finance lease liabilities	17,730	45,868
The present value of finance lease liabilities is as follows:		
No later than one year	17,730	28,138
Later than one year and no later than five years	-	17,730
	17,730	45,868

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The company has the option to purchase the assets held under finance leases at the end of the lease agreements for a nominal value.

**Notes to the financial statements
for the year ended 31 December 2008 (continued)**

15 Borrowings (continued)

The exposure of the company's bank borrowings and finance lease debt to interest rate changes and the contractual re-pricing dates at the balance sheet dates are as follows:

	2008	2007
	£	£
12 months or less	30,300	30,300
1-5 years	58,075	88,375
	88,375	118,675

The carrying amounts and fair value of non-current borrowings are as follows:

	Carrying amount		Fair value	
	2008	2007	2008	2007
	£	£	£	£
Bank loan	58,075	88,375	58,075	88,375
Obligations under finance leases	-	17,730	-	17,730
	58,075	106,105	58,075	106,105

The fair value of bank and finance lease borrowings approximates to their carrying amounts.

Notes to the financial statements for the year ended 31 December 2008 (continued)

16 Deferred income tax

There is an un-provided deferred tax asset of £562,918 (2007: £825,304). The deferred tax asset has not been recognised in the 31 December 2008 or 31 December 2007 financial statements on the grounds of uncertainty surrounding its current recoverability. The composition of the deferred tax asset which has not been recognised in the financial statements is:

Group	2008 £	2007 £
Un-provided deferred taxation comprises:		
Accelerated capital allowances	25,937	26,108
Tax losses	(626,300)	(628,761)
Other timing differences	37,445	(222,651)
Un-provided deferred taxation	(562,918)	(825,304)

Deferred tax is calculated on the temporary differences under the liability method using a tax rate of 21% (2007: 22%).

17 Expenses by nature

Group	2008 £	2007 £
Raw materials and consumables used (sales)	1,126,063	268,906
Raw materials and consumables used (development)	216,084	331,103
Employee benefit expense (note 19)	1,225,477	1,140,516
Depreciation and amortisation	210,017	111,477
Patents written off (note 8)	41,917	49,362
Operating lease payments	55,818	47,281
Other expenses	756,189	628,998
Total cost of sales and administrative expenses	3,631,565	2,577,643

Raw materials and consumables used includes £216,084 (2007: £331,103) and employee benefit expense includes £590,274 (2007: £544,565) of development costs associated with the development of products. The development costs have been written off in the period on the basis that the directors do not believe that the company has satisfied the adequacy of financial resource test set out in IAS 38 'Intangible assets'.

Other expenses include £2,732 (2007: £3,528) of foreign exchange losses.

Notes to the financial statements for the year ended 31 December 2008 (continued)

18 Auditors Remuneration

During the year the company obtained the following services from the company's auditors at costs as detailed below:

	2008 £	2007 £
Fees payable to company's auditor for the audit of parent company and consolidated financial statements	7,000	7,000
Fees payable to the company's auditor and its associates for other services:		
- The audit of the company's subsidiary pursuant to legislation	6,000	6,000
- Tax services	2,500	2,500
- Other services pursuant to legislation	-	19,000
- Other services in connection with AIM listing	-	80,000
Total	15,500	114,500

19 Employee benefit expense

Group	2008 £	2007 £
Wages and salaries	1,039,668	972,168
Social security costs	103,477	106,599
Share based payments	82,332	61,749
	1,225,477	1,140,516

The average monthly number of persons (including executive directors) employed by the group during the year was:

By activity	2008 Number	2007 Number
Research and development	14	14
Sales	6	7
Administration and finance	5	5
	25	26

The Company incurred expenses of £82,332 (2007: £61,749) in respect of share based payments.

Notes to the financial statements for the year ended 31 December 2008 (continued)

20 Finance income

Group	2008 £	2007 £
Bank interest receivable	54,434	124,215

21 Finance costs

Group	2008 £	2007 £
Bank loans and overdrafts	18,707	20,372
Finance charges payable under finance leases and hire purchase contracts	2,625	5,827
Other	-	14,486
	21,332	40,685

22 Directors' emoluments

Group	2008 £	2007 £
Aggregate emoluments	292,000	279,696

The services of Mr S Gibson are of a non executive nature. The emoluments of Mr S Gibson (£10,000) are invoiced to the Company by Fishstone Limited, the company paying his emoluments.

Key management is defined as directors. The analysis of key management compensation is therefore set out above.

The emoluments of the highest paid director were as follows:

Group	2008 £	2007 £
Aggregate emoluments	94,500	93,900

No share options were exercised by the highest paid director in the year (2007: nil). The highest paid director received no share options or other share based awards during the year.

**Notes to the financial statements
for the year ended 31 December 2008 (continued)**

22 Directors' emoluments (continued)

Share options

Share options granted to the Directors under the Company's approved share option scheme are shown below:

	31 December 2007 Number	Issued Number	Forfeited Number	31 December 2008 Number
S J Gibson	42,000	-	-	42,000
J C J Thynne	42,000	-	-	42,000
Dr G Jones	249,000	-	-	249,000
S P Oxenham	249,000	-	-	249,000
G A Davies	75,000	-	-	75,000
O G R Jones	12,000	-	-	12,000
Dr. A W Nelson	12,000	-	-	12,000
	681,000	-	-	681,000

The period over which the above options are exercisable is summarised below:

Period of grant	Number of options issued	Price £	Period of exercise
2007	420,000	0.001	2004 - 2013
2007	57,000	1.15	2007 - 2016
2007	204,000	0.72	2008 - 2017

Notes to the financial statements for the year ended 31 December 2008 (continued)

23 Income tax credit

Group	2008 £	2007 £
Current tax credit	(555,789)	(181,812)
Deferred tax	-	-
	(555,789)	(181,812)

The tax on the group's loss before tax differs from the theoretical amount that would arise using the tax rate applicable to the losses of the group as follows:

	2008 £	2007 £
Loss before tax	(1,897,744)	(2,046,865)
Tax calculated at domestic tax rates applicable 21% (2007: 19%)	(398,526)	(388,904)
Expenses not deductible for tax purposes	(8,486)	33,423
Additional deduction for R&D tax relief	(118,734)	-
Losses surrendered for R&D tax credit	356,201	-
R&D tax credit	(271,392)	-
Tax losses for which no deferred income tax asset was recognised	169,545	355,481
Adjustments in respect of prior periods	(284,397)	(181,812)
Total tax credit	(555,789)	(181,812)

24 Net foreign exchange losses

The exchange differences (charged) to the income statement are included as follows:

Group	2008 £	2007 £
Other (losses) – net	(2,732)	(3,528)
	(2,732)	(3,528)

Notes to the financial statements for the year ended 31 December 2008 (continued)

25 Earnings per share

(a) Basic and diluted

Basic loss per share is calculated by dividing the profits attributable to equity holders of the company by the weighted average number of ordinary shares.

	2008 £	2007 £
Loss attributable to equity holders of the company	(1,341,955)	(1,865,053)
Weighted average number of ordinary shares	9,319,383	8,211,919
Basic and diluted loss per share	(14.4p)	(22.7p)

For the years ended 31 December 2008 and 2007, there was no difference in the weighted-average number of Ordinary Shares used for basic and diluted net loss per Ordinary Share as the effect of all potentially dilutive Ordinary Shares outstanding was anti-dilutive. As at 31 December 2008, there were share options outstanding of 1,088,050 shares (2007: 1,096,350 shares), which could potentially have a dilutive impact in the future, but which were anti-dilutive in 2008 and 2007.

26 Cash generated from operations

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Loss before income tax	(1,897,744)	(2,046,865)	(82,332)	(61,749)
Adjustments for:				
- Depreciation	76,477	58,983	-	-
- Amortisation - intangibles	133,357	52,494	-	-
- Write-off of patents (note 8)	41,917	49,362	-	-
- Amortisation – grants	(30,748)	(31,629)	-	-
- Share based payments	82,332	61,749	82,332	61,749
- Government grant income	(41,969)	(104,604)	-	-
- Finance income	(54,434)	(124,215)	-	-
- Finance costs	21,332	40,685	-	-
Changes in working capital				
- Inventories	(73,232)	(216,447)	-	-
- Trade and other receivables	(6,511)	(131,419)	-	-
- Trade and other payables	(62,468)	155,175	-	-
Cash used in operations	(1,811,691)	(2,236,731)	-	-

27 Contingencies

The group received grant funding of £42,802 (2007: £140,235) during the year which could become repayable if certain conditions relating to the grant offer letter are not complied with during the post grant monitoring period. It is the director's opinion that they have complied fully with all of the grant conditions and that no amounts are repayable.

Notes to the financial statements for the year ended 31 December 2008 (continued)

28 Commitments

(a) Capital commitments

There are no capital commitments at either year end.

(b) Operating lease commitments

The group leases a building under a non-cancellable landlords repairing lease from the Welsh Assembly Government.

The future aggregate minimum lease payments under this non-cancellable operating lease are as follows:

	2008 £	2007 £
Expiring within 1 year	9,303	-
Expiring within 2 to 5 years	-	6,867
	9,303	6,867

29 Related party transactions

The net proceeds derived from the share issue undertaken in Enfis Group plc in February 2008, amounting to £526,647 (note 12) were advanced to Enfis Limited to help fund the company's day to day operating cash flow requirements.

The cash advance has been treated as a loan. The loan is unsecured and is repayable on the basis that one years notice is required.

The net proceeds derived from the share issue undertaken in Enfis Group plc on admission to AIM on 16 March 2007, amounting to £3,906,875 (note 10) were advanced to Enfis Limited to help fund the company's day to day operating cash flow requirements.

The cash advance has been treated as a loan. The loan is unsecured and is repayable on the basis that one years notice is required.

During 2007 Enfis Limited sold lighting equipment totalling £35,250 to the Celtic Manor Resort Limited, a company which John C Thynne, a director of Enfis Group plc, is also a director. At 31 December 2007 an amount of £35,250 was due from the Celtic Manor Resort Limited in respect of the transaction.

30 Events after the balance sheet date

An Extraordinary General Meeting held on 6 April 2009, approved the issue of 5,600,000 £0.10 Ordinary shares, for a consideration of £0.36 per share, generating gross proceeds £2,016,000. The shares will formally be issued on 7 April 2009.

31 Controlling party

The directors consider there to be no ultimate controlling party.