

Enfis Group plc

**Consolidated financial statements
for the year ended 31 December 2007**

Registered number: 06133765 (England and Wales)

Enfis Group plc

Consolidated financial statements for the year ended 31 December 2007

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Directors and advisers

Directors

Simon Gibson	Chairman and Non-Executive Director	(appointed 5 March 2007)
Shaun Oxenham	Chief Executive Officer	(appointed 1 March 2007)
Giles Davies	Chief Financial Officer	(appointed 1 March 2007)
Gareth Jones	Chief Technical Officer	(appointed 5 March 2007)
Drew Nelson	Non Executive Director	(appointed 5 March 2007)
Ron Jones	Non Executive Director, chair of remuneration committee	(appointed 5 March 2007)
John Thynne	Non Executive Director, chair of audit committee	(appointed 5 March 2007)

Company Secretary

Giles Davies

Registered office and Director's 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

Chief Executive Officer's Statement

The year ended 31 December 2007 has been a hugely important year in the development of Enfis.

Having made a commercial decision in 2006 to target broader market segments, particularly the architectural, retail and entertainment lighting sectors, Enfis listed on AIM via a placing of new ordinary shares on 23 March 2007. The placing comprised 3,214,286 Ordinary Shares at a placing price of 140p and raised £4,500,000 gross of associated costs.

The listing provided fresh capital to commercialise the technology advantage that Enfis has within the solid state lighting sector. Emerging from a period of research and development, funded by private capital, Enfis has produced a high end plug and play multi watt light engine which facilitates accelerated take up of its solid state lighting products within its target markets.

Specific targets for Enfis in 2007 were to:

- Establish an international distributor network for the light engine portfolio;
- Produce a sales pipeline capable of delivering revenue growth in 2008 and 2009;
- Qualify the volume manufacturing solution with Far East outsource partners;
- Complete the current product range.

In all of these areas the company has successfully achieved its targets and now stands well placed for future growth.

Operational Highlights

Strengthening of the senior management team

During the year, two new personnel were taken on to boost the senior management team: Dave Mudd was appointed as Vice President of Sales and Marketing and Greg Pitt-Nash was appointed to the role Vice President of Manufacturing.

Establishment of a presence in Asia

A representative office was established in Shanghai to facilitate the signing of both distributors and direct income deals with companies based in the Asia Pacific Region.

Collaborative development

A research project was entered into with eight other partners to produce an energy efficient solid state light source.

Product Introduction

The next generation of Enfis products is being introduced to the market with prototype light engines having been sent to around 60 potential customers for integration and evaluation.

Qualification of outsource volume manufacturing model

The Company has successfully implemented and qualified the outsource volume manufacturing model. When major contracts are signed the Board believes that Enfis is well placed for volume production.

A worldwide distributor base

One key element of Enfis' strategy has been the targeting of worldwide distributors, in order to quickly get the Enfis products into the hands of users of solid state lighting products in target markets. By the year-end, Enfis had signed agreements with 16 distributors across Europe, Asia and North America.

Directors' Report for the year ended 31 December 2007

The directors present their first full annual report and audited financial statements for the year ended 31 December 2007.

The comparative figures disclosed in these financial statements are those of Enfis Limited for the year-ended 31 December 2006 prepared under IFRS.

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

Enfis Group plc listed on AIM on 23 March 2007; the placing comprised 3,214,286 Ordinary Shares at a placing price of 140 pence and raised £4,500,000 gross of associated costs.

Review of business and future developments

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 Group profit and loss account 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's Statement.

Dividends

No dividend is proposed in respect of the year (2006: £nil)

Research and development

Enfis Group plc continues to invest heavily in research and development. Costs attributed to this process have been charged to the profit and loss account 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 since the company was listed, are listed on page 1.

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

**Directors' Report
for the year ended 31 December 2007 (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 and in the report of the remuneration committee

Substantial interests

As at 31 December 2007, 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	19.59
Framlington	12.16
Ken Board	10.66
Drew Nelson	9.06
UWS Ventures	6.71
Rathbones	5.71
Robur	4.59
Invesco	3.91

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 (2006: £nil).

Events after the balance sheet date

On 14 February 2008 Enfis Group plc issued 446,803 new ordinary shares of 10 pence each. The placing represented approximately 4.8% of the companies issued share capital immediately following the placing. The placing generated proceeds of £538,388.

Policy and Practice on Payment of Creditors

The Group aims to settle supplier accounts in accordance with individual suppliers' terms of business. The group's average number of days' purchases outstanding in respect of trade creditors at 31 December 2007 was 33 days (2006: 30 days).

Going concern

The directors, after making enquires, have considered the future prospects of the group and have a reasonable expectation that it will have adequate resources to continue operating for the foreseeable future and therefore the going concern basis has been adopted in preparing these financial statements.

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 2007 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

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

**Consolidated income statement
for the year ended 31 December 2007**

	Notes	2007 £	2006 £
Revenue	5	307,013	221,582
Cost of sales		(268,906)	(305,457)
Gross profit / (loss)		38,107	(83,875)
Administrative expenses		(2,308,737)	(1,333,609)
Other income		140,235	46,031
Operating loss		(2,130,395)	(1,371,453)
Finance income	20	124,215	10,380
Finance costs	21	(40,685)	(92,037)
		83,530	(81,657)
Loss before tax		(2,046,865)	(1,453,110)
Income tax credit	23	181,812	-
Loss for the year		(1,865,053)	(1,453,110)
Attributable to:			
Equity holders of the company		(1,865,053)	(1,453,110)
Earnings per share for loss attributable to the equity holders of the Company			
- basic		(22.7p)	(28.7p)
- diluted		(20.4p)	(23.6p)

The results relate to continuing operations.

The comparative information presented is in respect of Enfis Limited for the year-ended 31 December 2006. The comparative information has been restated from that disclosed in the statutory accounts of Enfis Limited to reflect the first time adoption of IFRS (note 2.1).

Of the loss for the financial year, a loss of £61,749 (2006: £nil) is dealt with in the financial statements of Enfis Group plc. The directors have taken advantage of the exemption available under Section 230(4) of the Companies Act 1985 and not presented a profit and loss account for the parent company alone.

The notes on pages 14 to 42 are an integral part of these financial statements.

**Consolidated Cash flow statement
for the year ended 31 December 2007**

	Notes	Group 2007 £	Group 2006 £	Company 2007 £
Cash flows from operating activities				
Cash used in operations	26	(2,236,731)	(1,224,571)	-
Interest paid		(40,685)	(20,554)	-
Tax received		182,787	148,764	-
Net cash used in operating activities		(2,094,629)	(1,096,361)	-
Cash flows from investing activities				
Purchase of property, plant and equipment		(103,567)	(102,483)	-
Purchase of intangible assets		(380,657)	(58,410)	-
Receipt of government grants		154,604	118,600	-
Loans granted to subsidiary undertakings		-	-	(3,906,875)
Interest received		124,215	9,259	-
Net cash used in investing activities		(205,405)	(33,034)	(3,906,875)
Cash flows from financing activities				
Proceeds from the issuance of ordinary shares		4,143,890	482,267	3,906,877
Proceeds from borrowings		-	52,763	-
Repayments of borrowings		(30,300)	(2,525)	-
Finance lease principal repayments		(32,914)	(16,788)	-
Net cash generated from financial activities		4,080,676	515,717	3,906,877
Net increase / (decrease) in cash and cash equivalents		1,780,642	(613,678)	2
Cash and cash equivalents at the beginning of the year		218,782	832,460	-
Cash and cash equivalents at the end of the year		1,999,424	218,782	2

The notes on pages 14 to 42 are an integral part of these financial statements.

**Notes to the financial statements
for the year ended 31 December 2007****1. General information**

The principal activity of the company 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.

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 First time adoption of IFRS

These financial statements have been prepared for the first time in accordance with IFRS as adopted by the European Union, and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The disclosures required by IFRS concerning the transition from UK GAAP to IFRS are given in note 32.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in note 4.

2.2 Basis of preparation**Reverse Acquisition**

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.

Under IFRS3, Business Combinations, the group reconstruction that took place on 16 March 2007 has been accounted for as a reverse acquisition. Although the consolidated information presented in this report has been issued in the name of the legal parent, Enfis Group plc, it represents in substance a continuation of the financial information of the legal subsidiary, Enfis Limited. The following accounting treatment has been applied in respect of the reverse acquisition:

1. The assets and liabilities of the legal subsidiary Enfis Limited are recognised and measured in the consolidated financial information at their pre-combination carrying amounts, without restatement to fair value;
2. The retained (loss) and other equity balances recognised in the consolidated financial information reflect the retained earnings and other equity balances of Enfis Limited immediately before the business combination. However, the equity structure appearing in the consolidated financial information reflects the equity structure of the legal parent, Enfis Group plc, including the equity instruments issued to the shareholders of Enfis Limited to effect the business combination; and
3. Comparative numbers presented in the consolidated financial information are those reported for the legal subsidiary Enfis Limited. The comparative financial information comprises the audited financial statements for the year ended 31 December 2006 prepared under IFRS.

Notes to the financial statements for the year ended 31 December 2007 (continued)

2.2 Basis of preparation (continued)

The financial statements have been prepared in accordance with the requirements of the AIM rules and in accordance with International Financial Reporting Standards (including International Financial Reporting Interpretations Committee (IFRIC) interpretations) as adopted by the European Union (IFRSs as adopted by the EU), the historical cost convention and the Companies Act 1985, except as described below.

IFRSs as adopted by the EU do not provide for the specific accounting treatments set out below and, accordingly, in preparing the financial information certain accounting conventions commonly used for the preparation of historical financial information, for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board, have been applied. The application of these conventions results in the following departures from IFRSs, as adopted by the EU. Other than these departures IFRSs, as adopted by the EU, have been applied.

- (a) Standards, amendments and interpretations effective, but not considered relevant to the Company:
- IFRS 4 'Insurance contracts'
 - IFRS 6 'Exploration for and evaluation of mineral resources'
 - IAS 28 'Investments in associates'
 - IAS 31 'Interests in joint ventures'
 - IFRIC 2 'Members shares in co-operative entities and similar instruments'
 - IFRIC 4 'Determining whether an arrangement contains a lease'
 - IFRIC 5 'Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds'
 - IFRIC 6 'Liabilities arising from participating in a specific market – Waste electrical and electronic equipment'
 - IFRIC 7 'Applying the restatement approach under IAS 29 'Financial reporting in hyperinflationary economies'
 - IAS 39 'Amendment - Cashflow hedge accounting of forecast intra group transactions'
 - IAS 39 'Amendment - The fair value option'
 - IAS 39 'Amendment - Financial guarantee contracts'
- (b) Interpretations to existing standards that are not yet effective and have not been early adopted by the company
- IFRIC 11 'group and treasury share transactions', effective for periods commencing on or after 1 March 2007.

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.

Notes to the financial statements for the year ended 31 December 2007 (continued)

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

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 cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives (5 years).

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 profit and loss account as incurred.

2.7 Research and development

Expenditure on research is charged to the profit and loss account 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 profit and loss account 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 2007 (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. Mandatory redeemable preference shares are classified as liabilities. 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. Share warrants are recognised in equity at fair value on the date of issue.

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 2007 (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.

The debt element of preference shares with an embedded equity conversion option is classified as liabilities and the fair value of the equity conversion option classified as equity. The dividends on these preference shares are recognised in the income statement as a finance cost. The fair value of the liability portion of the preference shares is determined using an appropriate discount factor applied to the forecast cashflows assumed to arise under the terms of the investment. This amount is recorded as a liability on an amortised basis until extinguished on conversion or redemption of the preference shares. The remainder of the proceeds is allocated to, the conversion option which is recorded in equity. This is recognised and included in shareholders equity.

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 Deferred Taxation

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

Turnover 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. Turnover is shown net of value added taxes, returns and rebates.

Turnover 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. Turnover 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 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 profit and loss account over the related asset's useful life.

Notes to the financial statements for the year ended 31 December 2007 (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 profit and loss account 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 profit and loss account 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) 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 doubtful debts.
- (c) Liquidity risk
The company utilises medium-term debt finance, principally a floating rate bank loan guaranteed under the Small Firm Loan Guarantee Scheme and fixed rate debt in the form of preference shares to ensure the company has sufficient funds for operations.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

3.1 Financial risk factors (continued)

- (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 £751,590 of product development costs in the year ended 31 December 2006 and £1,235,281 of product development costs in the year ended 31 December 2007. Of the total development costs incurred in the year ended 31 December 2007, an amount of £359,613 has been capitalised. Development costs are expensed to the profit and loss account where the Board does believe that all the criteria for capitalisation as set out in IAS 38 'Intangible assets' have not been met.

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 within the UK, Europe and the US.

Revenue	2007	2006
	£	£
UK	101,333	77,502
Europe	28,869	67,925
US	163,723	76,155
Other countries	13,088	-
	307,013	221,582

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

Notes to the financial statements
for the year ended 31 December 2007 (continued)

6. Investments

Company	2007 £
Investment in subsidiary undertaking	572,177

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.

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
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
Net book value			
At 31 December 2007	217,990	17,361	235,351
At 31 December 2006	167,656	23,111	190,767

The net book value of plant and machinery includes an amount of £65,812 (2006: £87,229) 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 2007 (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
Amortisation			
At 1 January 2007	68,137	-	68,137
Charge for year	21,389	31,105	52,494
Released on Disposals	(44,255)	-	(44,255)
At 31 December 2007	45,271	31,105	76,376
Net book value			
At 31 December 2007	71,426	328,508	399,934
At 31 December 2006	121,133	-	121,133

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 company has no intangible fixed assets.

9. Inventories

	2007 £	2006 £
Raw materials and consumables	277,876	61,429

The directors consider that the difference between the purchase price of inventories and their replacement cost is not material.

The company has no inventories.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

10. Trade and other receivables

	Group 2007 £	Company 2007 £	Group 2006 £
Trade receivables	123,092	-	57,712
Less: provision for impairment of trade receivables	(10,892)	-	(33,962)
Trade receivables (net)	112,200	-	23,750
Amounts due from subsidiary undertaking	-	3,906,875	-
Prepayments	40,596	-	3,707
Unpaid share capital	441	-	237,013
Other debtors	58,625	-	52,986
	211,862	3,906,875	317,456
Less non current portion: amounts due from subsidiary undertakings	-	(3,906,875)	-
Current portion	211,862	-	317,456

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 years notice is required.

The fair value of trade and other receivables at 31 December 2006 and 31 December 2007 approximate to the book value stated above.

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

	2007 £	2006 £
At 1 January	33,962	-
Specific write off	(33,962)	-
Provision for receivables impairment	10,892	33,962
At 31 December	10,892	33,962

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 2007 £	Company 2007 £	Group 2006 £
Cash on hand and balances with banks	18,414	2	218,782
Short-term investments (Treasury Deposits)	1,981,010	-	-
	1,999,424	2	218,782

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 2007 (continued)**

12. Share capital

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

	2007 £	On incorporation £
Authorised:		
15,000,000 ordinary shares of £0.10 each (On incorporation 50,000 ordinary shares of £1 each)	1,500,000	50,000
Issued, allotted and fully paid:		
8,936,060 Ordinary shares of £0.10 each	893,606	2

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.

The authorised and issued share capital of the company's subsidiary Enfis Limited is summarised below:

	2007 £	2006 £
Authorised:		
2,000,000 (2006: 2,000,000) Ordinary shares of 0.1p each	2,000	2,000
2,999,128 Deferred Ordinary shares of 10p each	299,913	299,913
Issued, allotted and fully paid:		
1,907,258 Ordinary shares (2006: 1,820,048) of 0.1p each	1,907	1,820

The table below reconciles movements in issued share capital during the year impacted by the reverse acquisition accounting and group reconstruction (see also note 2.2).

	Note	Ordinary share capital £	Deferred share capital £
At the beginning of the period in Enfis Limited		1,820	-
Conversion of preference shares	(a)	87	299,913
Share issue	(b)	-	-
Redemption of deferred shares	(b)	-	(299,913)
Allotment of shares (Enfis Group plc)		2	
Share for share exchange (Enfis Group plc with Enfis Limited)	(c)	572,175	-
Reverse acquisition adjustments	(d)	(1,907)	-
AIM Listing (Issue of new shares)	(e)	321,429	-
At the end of the period in Enfis Group plc		893,606	-

**Notes to the financial statements
for the year ended 31 December 2007 (continued)****12. Share capital (continued)****Notes****(a) Conversion of preference shares**

On 16 March 2007, the holders of the 300,000 10 per cent cumulative fixed dividend preference shares exercised their option to convert these shares into a combination of ordinary equity shares and deferred equity shares in Enfis Limited.

The conversion rights applicable to the preference shares entitled the holder to convert the preference shares in the ratio of 344 preference shares, for 100 ordinary shares and 3,439 deferred ordinary shares in Enfis Limited.

As a result of the conversion, 87,209 0.1 pence ordinary shares and 2,999,128 10 pence deferred ordinary shares were issued.

(b) Share issue and redemption of deferred ordinary shares

On 16 March 2007, Enfis Limited issued one ordinary share of 0.1 pence for cash at a premium of 99.9 pence, and acquired the 2,999,128 10 pence deferred ordinary shares in issue for a consideration of £1, paid out of the proceeds of the issue of the one new ordinary share.

The nominal value of the deferred ordinary shares redeemed has been transferred to a capital redemption reserve.

(c) Share for share exchange

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.

(d) Reverse acquisition adjustments

Full details of reverse acquisition adjustments are set-out in note 2.2.

(e) AIM Listing

Enfis Group plc listed on AIM on 23 March 2007, the placing comprised 3,214,286 Ordinary Shares at a placing price of 140p and raised £4,500,000 gross of associated costs. The net cash proceeds generated from the listing was £3,906,875 (note 13).

**Notes to the financial statements
for the year ended 31 December 2007 (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, 1,096,350 options 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:

	Options at exercise price of 0.1 pence	Options at exercise price of £1.15	Options at exercise price of 72 pence
Number of options	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.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

12. Share capital (continued)

Share Options (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 the beginning of the year 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 the end of the year in Enfis Group plc		1,096,350

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

Expiry date	Exercise price per share	Shares 2007	Shares 2006
2013 – expiry date 23 July	0.1 pence	666,000	222,000
2016 – expiry date 2 January	115 pence	120,000	43,000
2017 – expiry date 2 January	72 pence	310,350	-
		1,096,350	265,000

The weighted average fair value of the 666,000 options 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 shown above, volatility of 50%, risk free rate of 5.14% and a dividend stream of nil.

The weighted average fair value of the 120,000 options 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 shown above, volatility of 50%, risk free rate of 5.14% and a dividend stream of nil.

The weighted average fair value of the 310,350 options 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 shown above, volatility of 50%, risk free rate of 5.14% and a dividend stream of nil.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

13. Combined statement of movements in equity, shareholders' funds and statement of movements on reserves (Group)

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 2006	1,495	-	-	77,792	1,834,957	145,535	30	-	(1,459,958)	599,851
Allotment of shares	325	-	-	-	719,035	-	-	-	-	719,360
Loss for the year	-	-	-	-	-	75,719	-	-	(1,453,110)	(1,377,391)
Balance at 31 December 2006 (in Enfis Limited)	1,820	-	-	77,792	2,553,992	221,254	30	-	(2,913,068)	(58,180)
Conversion of preference shares (note 12 (a))	87	299,913	-	(77,792)	-	-	-	-	131,509	353,717
Share issue and redemption of deferred shares (note 12 (b))	-	(299,913)	299,913	-	-	-	-	-	-	-
Allotment of shares (Enfis Group plc)	2	-	-	-	-	-	-	-	-	2
Share for share exchange (Enfis Group plc with Enfis Limited) (note 12 (c))	572,175	-	-	-	-	-	-	(572,175)	-	-
Reverse Acquisition adjustments (note 12 (d))	(1,907)	-	(299,913)	(2,553,992)	-	(30)	2,855,842	-	-	-
AIM listing (Issue of new shares) (note 12 (e))	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)
At the end of the period in Enfis Group plc (consolidated)	893,606	-	-	-	3,585,446	61,749	-	2,283,667	(4,425,358)	2,399,110

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

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

13. Combined statement of movements in equity, shareholders' funds and statement of movements on reserves (Company)

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 £
Allotment of shares (On incorporation)	2	-	-	-	-	-	-	-	-	2
Share for share exchange (Enfis Group plc with Enfis Limited) (note 12 (c))	572,175	-	-	-	-	-	-	-	-	572,175
AIM listing (Issue of new shares) (note 12 (e))	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)	-
At 31 December 2007	893,606	-	-	-	3,585,446	61,749	-	-	(61,749)	4,479,052

14. Trade and other payables

Group	2007 £	2006 £
Trade payables	328,618	227,017
Social security and other taxes	67,646	49,449
Other creditors	497	5,091
Accrued expenses	68,285	28,314
Deferred income	30,000	30,000
	495,046	339,871

The Company has no trade or other payables.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

15. Non current liabilities – deferred income

Group	2007 £	2006 £
Deferred income	65,748	47,377

The Company has no deferred income.

16. Borrowings

Group	2007 £	2006 £
Current borrowings		
Bank loan	30,300	30,300
Obligations under finance leases and hire purchase contracts	28,138	32,914
	58,438	63,214
Non-current borrowings		
Bank loan	88,375	118,675
Obligations under finance leases and hire purchase contracts	17,730	45,868
Preference shares	-	353,717
	106,105	518,260

The Company has no borrowings.

Bank borrowings

Bank loan	2007 £	2006 £
Amounts falling due:		
Between one and two years	30,300	30,300
Between three and five years	58,075	88,375
Over five years	-	-
Total due after more than one year	88,375	118,675
Due within one year	30,300	30,300

Bank borrowings mature until December 2011 and bear interest of 2.5% over Base Rate (2006: 2.5% over Base Rate). Undrawn facilities at 31 December 2007 include a floating rate bank overdraft of £358,000.

Total borrowings include secured bank loans and finance lease liabilities of £164,543 (2006: £197,457).

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.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

16. Borrowings (continued)

Finance leases

	2007 £	2006 £
Finance lease liabilities – minimum lease payments:		
No later than one year	30,763	38,338
Later than one year no later than 5 years	18,478	49,241
	49,241	87,579
Future finance charges on finance leases	(3,373)	(8,797)
Present value of finance lease liabilities	45,868	78,782
The present value of finance lease liabilities is as follows:		
No later than one year	28,138	32,914
Later than one year and no later than five years	17,730	45,868
	45,868	78,782

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.

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

	2007 £	2006 £
12 months or less	30,300	30,300
1-5 years	88,375	118,675
	118,675	148,975

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

	Carrying amount		Fair value	
	2007	2006	2007	2006
Bank loan	88,375	118,675	88,375	118,675
Obligations under finance leases	17,730	45,868	17,730	45,868
Preference shares	-	353,717	-	353,717
	106,105	518,260	106,105	518,260

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

The fair value of the preference share debt at 31 December 2006 has been calculated using a discount factor of 25 per cent. that has been applied to the contractual cash flows set out under the redemption terms of the preference shares. The cash flows assumed in the fair value calculation exclude any cash flows that might arise in respect of the cumulative preference dividends and the redemption premium of £100,000 on the basis that the company has insufficient distributable reserve to make these payments.

The preference shares were converted into 0.1 pence ordinary equity shares and 10 pence deferred ordinary shares in March 2007. Further details are set out in note 12.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

17. Deferred income tax

There is an un-provided deferred tax asset of £825,304 (2006: £403,562). The deferred tax asset has not been recognised in the 31 December 2007 or 31 December 2006 financial statements on the grounds of uncertainty surrounding its recoverability. The composition of the deferred tax asset which has not been recognised in the financial statements is:

Group	2007	2006
	£	£
Un-provided deferred taxation comprises:		
Accelerated capital allowances	26,108	19,583
Tax losses	(628,761)	(341,616)
Other timing differences	(222,651)	(81,529)
Un-provided deferred taxation	(825,304)	(403,562)

Deferred tax is calculated on the temporary differences under the liability method using a tax rate of 22% (2006: 22%).

18. Expenses by nature

Group	2007	2006
	£	£
Raw materials and consumables used (sales)	268,906	50,909
Raw materials and consumables used (development)	331,103	254,548
Employee benefit expense (note 19)	1,140,516	901,377
Depreciation and amortisation	111,477	76,331
Patents written off (note 8)	49,362	-
Operating lease payments	47,281	46,085
Other expenses	628,998	309,816
Total cost of sales and administrative expenses	2,577,643	1,639,066

Raw materials and consumables used includes £331,103 (2006: £254,548) and employee benefit expense includes £544,565 (2006: £497,042) 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 (£3,528) (2006: (£738)) of foreign exchange (losses).

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

18. Expenses by nature (continued)

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

	2007 £	2006 £
Fees payable to company's auditor for the audit of parent company and consolidated financial statements	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	5,000
- Tax services	2,500	2,500
- Other services pursuant to legislation	19,000	500
- Other services in connection with AIM listing	80,000	-
Total	114,500	8,000

19. Employee benefit expense

Group	2007 £	2006 £
Wages and salaries	972,168	744,285
Social security costs	106,599	81,373
Share based payments	61,749	75,719
	1,140,516	901,377

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

By activity	2007 Number	2006 Number
Research and development	14	15
Sales	7	4
Administration and finance	5	5
	26	24

The average number of administrative staff (including executive directors) employed by the Company during the year was nil. The Company incurred expenses of £61,749 in respect of share based payments.

20. Finance income

Group	2007 £	2006 £
Bank interest receivable	124,215	10,380

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

21. Finance costs

Group	2007 £	2006 £
Bank loans and overdrafts	20,372	18,222
Preference share interest	-	70,743
Finance charges payable under finance leases and hire purchase contracts	5,827	3,072
Other	14,486	-
	40,685	92,037

22. Directors' emoluments

Group	2007 £	2006 £
Aggregate emoluments	279,696	154,200

The emoluments of the highest paid director were as follows:

Group	2007 £	2006 £
Aggregate emoluments	93,900	78,600

Share options

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

	At 23 March 2007 Number	Issued Number	Forfeited Number	31 December 2007 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	-	-	-	-
Dr. A W Nelson	-	-	-	-
	657,000	-	-	657,000

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 2007 (continued)**

23. Income tax credit

Group	2007 £	2006 £
Current tax credit	(181,812)	-
Deferred tax	-	-
	(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:

	2007 £	2006 £
Loss before tax	(2,046,865)	(1,453,110)
Tax calculated at domestic tax rates applicable 19% (2006: 19%)	(388,904)	(276,090)
Expenses not deductible for tax purposes	33,423	16,377
Tax losses for which no deferred income tax asset was recognised	355,481	259,713
Adjustments in respect of prior periods	(181,812)	-
Total tax credit	(181,812)	-

24. Net foreign exchange (losses)

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

Group	2007 £	2006 £
Other (losses) – net	(3,528)	(738)
	(3,528)	(738)

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

25. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profits attributable to equity holders of the company by the weighted average number of ordinary shares expected to be in issue immediately prior to the Placing and Admission.

	2007	2006
	£	£
Loss attributable to equity holders of the company	(1,865,053)	1,453,110
Weighted average number of ordinary shares	8,211,919	5,071,267
Basic earnings per share	(22.7p)	(28.7p)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares expected to be in issue immediately prior to the Placing and Admission to assume conversion of all dilutive potential ordinary shares. The company has two categories of dilutive potential ordinary shares: convertible preference shares and share options. The convertible preference shares are assumed to have converted into ordinary shares and the net loss is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2007	2006
	£	£
Loss attributable to equity holders of the company	(1,865,053)	(1,453,110)
Interest expense on convertible preference shares	7,500	70,743
Loss used to determine diluted earnings per share	(1,857,553)	(1,382,367)
Weighted average number of ordinary shares in issue	8,211,919	5,071,267
Adjustments for:		
- assumed conversion of preference shares	54,507	87,209
- share options	822,364	698,581
Weighted average number of ordinary shares for diluted earnings per share	9,088,790	5,857,057
Diluted earnings per share	(20.4p)	(23.6p)

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

26. Cash generated from operations

	Group 2007 £	Group 2006 £	Company 2007 £
Loss before income tax	(2,046,865)	(1,453,110)	(61,749)
Adjustments for:			
- Depreciation	58,983	43,242	-
- Amortisation - intangibles	52,494	33,089	-
- Write-off of patents (note 8)	49,362	-	-
- Amortisation – grants	(31,629)	(47,310)	-
- Share based payments	61,749	75,719	61,749
- Government grant income	(104,604)	-	-
- Finance income	(124,215)	(10,380)	-
- Finance costs	40,685	92,037	-
Changes in working capital			
- Inventories	(216,447)	(26,446)	-
- Trade and other receivables	(131,419)	(29,219)	-
- Trade and other payables	155,175	97,807	-
Cash used in operations	(2,236,731)	(1,224,571)	-

27. Contingencies

The group received grant funding of £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.

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:

	2007 £	2006 £
No later than 1 year	6,867	7,047
Later than 1 year and no later than 5 years	-	-
	6,867	7,047

**Notes to the financial statements
for the year ended 31 December 2007 (continued)****29. Related party transactions**

The net proceeds derived from the share issue undertaken in Enfis Group plc, on admission to AIM, amounting to £3,906,875 (note 13) were advanced to Enfis Limited to help fund the company's day to day operating cash flow requirements.

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

During the year Enfis Limited sold lighting equipment totalling £35,250 (2006: £Nil) to the Celtic Manor Resort Limited, a company in which John C Thynne, (a director of Enfis Group plc), is also a director. At the year-end an amount of £35,250 (2006: £Nil) was due from the Celtic Manor Resort Limited in respect of this transaction.

30. Events after the balance sheet date

On 14 February 2008 Enfis plc issued 446,803 new ordinary shares of 10p each. The placing represented c4.8% of the companies issued share capital immediately following the placing, proceeds of £538,388 were raised.

31. Controlling party

The directors consider there to be no ultimate controlling party.

32 Transition to IFRS

This is the first year that the group has presented its consolidated financial statements under IFRS.

The accounting policies set out on pages 14 to 20 have been applied in preparing the financial statements for the year ended 31 December 2007, the comparative information presented for the year ended 31 December 2006, and in the preparation of the opening IFRS balance sheet at 1 January 2006 (transition date).

In preparing its opening IFRS balance sheet, the group has adjusted amounts previously reported in financial statements prepared in accordance with UK GAAP. An explanation of how the transition from UK GAAP to IFRS has affected the group's financial position, financial performance and cash flows is set out in the following tables and notes.

Certain income statement and balance sheet items, previously reported under UK GAAP, have been reclassified to comply with the group's format for reporting under EU adopted IFRS. In addition to this, certain other balances have been re-measured by applying the group's new accounting policies in accordance with EU adopted IFRS's from 1 January 2006. The information presented below sets out the principle differences between UK GAAP and IFRS as they apply to the group. A reconciliation of the differences arising is set out in the following tables.

Primary financial statements format

The IFRS primary financial statements are presented in accordance with IAS 1 - 'Presentation of Financial Statements'.

First time adoption exemptions applied

IFRS 1, 'First-time adoption of International Financial Reporting Standards' sets out the transitional rules which must be applied when IFRS is applied for the first time. Enfis Limited ("the Company") is required to select accounting policies, in accordance with IFRS, valid at the first reporting date and apply those policies retrospectively. The standard sets out certain mandatory exceptions to retrospective application and certain optional exemptions. None of the available exemptions have been applied on first time adoption of IFRS.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)****32 Transition to IFRS (continued)****Notes to income statement and balance sheet reclassifications**

Certain income statement items and balance sheet balances previously reported under UK GAAP have been reclassified to comply with the format of the Company financial statements as presented under IFRS.

Current corporation tax balances previously included within trade and other receivables falling due within one year, have been shown separately on the face of the balance sheet. The reclassification does not have any effect on the Company's previously reported net income, net assets or shareholders' funds.

Notes to IFRS re-measurements

The IFRS re-measurements do not include any adjustment for IAS 32 and IAS 39 which have been applied by the Company from 1 January 2006.

The Company operates a share option scheme. Under UK GAAP the charge to the profit and loss account is recognised based on the difference between the market value of the shares at the balance sheet date and the exercise price (i.e. an intrinsic value basis) spread over the performance period. IFRS 2 requires that all share options, awarded to employees as remuneration, should be measured at each balance sheet date, using an option pricing model, and charged against profits over the period between grant date and vesting date, being the vesting period.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

32. Transition to IFRS (continued)

Opening reserve reconciliation on transition to IFRS – 1 January 2006

	UK GAAP Closing Balance Sheet £	Effects of Adoption of IFRS (note 1) £	Effects of Adoption of IFRS (note 2) £	Effects of Adoption of IFRS (note 3) £	IFRS GAAP Opening Balance Sheet £
Assets					
Non current assets					
Property, plant and equipment	131,526	-	-	-	131,526
Intangible assets	95,812	-	-	-	95,812
	227,338	-	-	-	227,338
Current assets					
Inventories	34,983	-	-	-	34,983
Trade and other receivables	51,224	-	-	-	51,224
Corporation tax receivable	149,740	-	-	-	149,740
Cash and cash equivalents	832,460	-	-	-	832,460
	1,068,407	-	-	-	1,068,407
Total assets	1,295,745	-	-	-	1,295,745
Capital and reserves attributable to equity holders of the Company					
Ordinary shares	1,495	-	-	-	1,495
Share premium	1,834,987	-	(30)	-	1,834,957
Preference shares	77,792	-	-	-	77,792
Share option reserve	-	145,535	-	-	145,535
Share warrants	-	-	30	-	30
Retained earnings	(1,287,407)	(145,535)	-	(27,016)	(1,459,958)
Total equity	626,867	-	-	-	599,851
Liabilities					
Non-current liabilities					
Borrowings	398,315	-	-	60,766	459,081
Current liabilities					
Trade and other payables	252,522	-	-	(33,750)	218,772
Borrowings	18,041	-	-	-	18,041
	270,563	-	-	(33,750)	236,813
Total liabilities	668,878	-	-	27,016	695,894
Total equity and liabilities	1,295,745	-	-	-	1,295,745

Note

1. Inclusion of the cumulative employee share option reserve
2. Reclassification of the fair value of the share warrant issued from share premium to a share warrant reserve.
3. Reversal of accrued preference dividend and inclusion of effective interest charge on debt element of the convertible redeemable preference shares.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

32. Transition to IFRS (continued)

Reconciliation of results previously reported under UK GAAP to IFRS

Balance Sheet as at 31 December 2006

	UK GAAP 2006 £	Effects of adoption of IFRS (note 1) £	Effects of adoption of IFRS (note 2) £	Effects of adoption of IFRS (note 3) £	Effects of adoption of IFRS (note 4) £	IFRS 2006 £
Assets						
Non current assets						
Property, plant and equipment	190,767	-	-	-	-	190,767
Intangible assets	121,133	-	-	-	-	121,133
	311,900	-	-	-	-	311,900
Current assets						
Inventories	61,429	-	-	-	-	61,429
Trade and other receivables	317,456	-	-	-	-	317,456
Corporation tax receivable	975	-	-	-	-	975
Cash and cash equivalents	218,782	-	-	-	-	218,782
	598,642	-	-	-	-	598,642
Total assets	910,542	-	-	-	-	910,542
Capital and reserves attributable to equity holders of the Company						
Ordinary shares	1,820	-	-	-	-	1,820
Share premium	2,554,022	-	(30)	-	-	2,553,992
Preference shares	77,792	-	-	-	-	77,792
Share option reserve	-	221,254	-	-	-	221,254
Share warrants	-	-	30	-	-	30
Retained earnings	(2,624,055)	(221,254)	-	(27,016)	(40,743)	(2,913,068)
Total equity	9,579	-	-	(27,016)	(40,743)	(58,180)
Liabilities						
Non-current liabilities						
Deferred income	47,377	-	-	-	-	47,377
Borrowings	386,751	-	-	60,766	70,743	518,260
	434,128	-	-	60,766	70,743	565,637
Current liabilities						
Trade and other payables	403,621	-	-	(33,750)	(30,000)	339,871
Borrowings	63,214	-	-	-	-	63,214
	466,835	-	-	(33,750)	(30,000)	403,085
Total liabilities	900,963	-	-	27,016	40,743	968,722
Total equity and liabilities	910,542	-	-	-	-	910,542

Note

1. Inclusion of the cumulative employee share option reserve.
2. Reclassification of fair value of share warrant issued from share premium to a share warrant reserve.
3. Opening reserve adjustment for the for the effective interest charge on the debt component of the preference shares.
4. Reversal of accrued preference dividend and inclusion of effective interest charge on debt element of the convertible redeemable preference shares.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

32. Transition to IFRS (continued)

Reconciliation of results previously reported under UK GAAP to IFRS (continued)

Profit and loss account for the year ended 31 December 2006

	UK GAAP 2006 £	Effects of adoption of IFRS (note 1) £	IFRS 2006 £
Revenue	221,582	-	221,582
Cost of sales	(305,457)	-	(305,457)
Gross (loss)/profit	(83,875)	-	(83,875)
Administrative expenses	(1,333,609)	-	(1,333,609)
Other income	46,031	-	46,031
Operating loss	(1,371,453)	-	(1,371,453)
Finance income	10,380	-	10,380
Finance costs	(51,294)	(40,743)	(92,037)
Loss before income tax	(1,412,367)	(40,743)	(1,453,110)
Income tax expense	-	-	-
Loss for the year	(1,412,367)	(40,743)	(1,453,110)

Note

1. Reversal of accrued preference dividend and inclusion of effective interest charge on debt element of the convertible redeemable preference shares.