Enfis Group plc

Consolidated financial statements for the year ended 31 December 2009

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Directors and advisers

Directors

Drew Nelson	Interim Non Executive Chairman
Ceri Jones	Chief Executive Officer (Appointed: 3 August 2009)
Giles Davies	Chief Financial Officer
Gareth Jones	Chief Technical Officer
Simon Gibson	Non Executive Director, Chair of remuneration committee
Ron Jones	Non Executive Director, Chair of audit committee
John Thynne	Non Executive Director

Shaun Oxenham resigned as a director of the Company on 29 November 2009

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

Execution Noble and Company Limited
Block D
The Old Truman Brewery
91 Brick Lane
London
E1 6QL

Solicitors

Dechert LLP
160 Queen Victoria Street
London
EC4V 4QQ

Auditors

PricewaterhouseCoopers LLP
1 Kingsway
Cardiff
CF10 3PW

Bankers

Barclays Bank plc
3rd Floor
Windsor Court
3 Windsor Place
Cardiff
CF10 3ZL

Chief Executive Officer's Statement

2009 Performance and Board Changes

The Group's performance for 2009 was short of both board and shareholder expectations.

Sales for the year were £0.7m, down from £1.6m in 2008, and gross margin declined from 37% to 30% year on year. The loss after tax was £1.8m compared to a loss in 2008 of £1.3m.

Shaun Oxenham stepped down as Executive Chairman at the end of November, having relinquished his position as CEO in August 2009. I joined the board as CEO in August 2009, and at the end of November, Dr Drew Nelson became Interim Non Executive Chairman.

Strategic Review

In light of disappointing trading, the Board instigated at the end of November an immediate strategic review of its business and corporate strategy. The results of this review were published on 17 February 2010 and the key conclusions were as follows:

- The market opportunity for LED based Solid State Lighting (SSL) continues to grow strongly as a result of powerful energy saving initiatives across the globe and driven by political and economic imperatives
- The Group's products and technology directly address the markets for intelligent, high power colour changing applications, such as architectural, entertainment, medical and high end retail lighting
- Lower cost product engineering would enable larger sectors of these markets to become immediately accessible to the Group
- Sales and marketing resource should be targeted at value added resellers and key direct customer engagement, rather than through non value added distribution channels
- The Group's cash balances are sufficient for the Group's working capital requirements as envisaged in the forward business plan
- The Group will seek strong customer and supply partnerships to further build its product portfolio, and thereby gain access to increasingly larger sectors of the SSL marketplace
- The Group will also seek to build sales rapidly by means of other strategic partnerships and corporate developments

Markets

The Group's resources are now focused on the high power lighting sector incorporating highly intelligent monitoring and sensing solutions, for which the Group's IP and know-how is particularly relevant.

The key markets now being targeted fall within the following sectors:

- Entertainment lighting (e.g. film and TV production, concert and theatre);
- Medical lighting;
- Exterior and interior architectural lighting;
- High end retail lighting; and
- Medical and industrial applications (e.g. using ultraviolet light for industrial and medical curing processes).

Chief Executive Officer's Statement (continued)

Products

The Group's Uno, Uno Plus and Quattro Mini LED array products are attractive to the above markets where they place a premium on one or more of:

- Very compact high power light source;
- Exceptional colour quality;
- Exceptional colour control; and
- Built in intelligence for sensing, control and communication.

The Group is concentrated on the light engine part of the value chain. This will allow Enfis to supply a large range of end user applications into the lighting fixture, medical and industrial markets and the development of strategic partnerships with leading original equipment manufacturers ("OEMs").

Product development effort is now focused on materially reducing the cost and enhancing both the functionality and flexibility of current and next-generation products. It is expected that part of these development costs will be funded through access to government and EU grants and other innovation funding.

Prospective Customers and Channels to Market

Targeting high quality OEMs selling branded products in the above identified markets requires working directly with value added re-sellers.

Such customers can require significant up-front product development and integration support. The Group is taking steps to expand its distribution network of value-added re-sellers in North America, Europe and Asia. It is also investing time and resource into improving the Enfis product knowledge of its existing value-added re-sellers. These re-sellers have technically qualified staff capable of providing high quality support to their customers in the use and integration of the Group's products.

At the same time the Group has expanded its internal technical sales support resource to provide enhanced support to value added re-sellers and certain high volume key direct accounts.

IP

The Group will continue to pursue its strategy of developing a portfolio of strong IP through patents and know how, thus enhancing its competitive position in the marketplace.

Partnerships

In addition to developing powerful partnerships directly with customers and value added re-sellers, the Group will pursue a policy of developing technology partnerships with other companies in the lighting food chain in order to further enhance and diversify the Group's product range and technology base. In addition, the Group will seek to increase sales rapidly by other strategic partnerships and product developments.

Financial

The group's cash balance at the year end was £1m and total borrowings were £58k..

The Group has reduced its cash burn through closure of its North American office and rationalisation of its UK and Shanghai premises. A Head of Engineering and Manufacturing and additional technical sales support staff has been recruited. The ongoing costs of new staff recruitment in key areas have been more than matched by payroll cost reductions elsewhere in the business.

The board has reviewed the group's funding position for the period through to 31 March 2011 and has concluded that it is appropriate to prepare the Group's accounts on the going concern basis. Further details are given in Note 2.2 to these financial statements.

Chief Executive Officer's Statement (continued)

2010 Outlook

The Group has recently reviewed product development plans with several of its key customers and prospective customers. Overall there are signs that development activity amongst these businesses is rising with potential benefit for Enfis in 2010.

The Group has substantially completed re-aligning its resources to fully focus on the significant opportunities in its selected markets. New recruits have settled in well and everyone is focused on achieving a material improvement in the Company's performance in 2010.

The highly successful Abu Dhabi Formula One Grand Prix in November, which showcased Enfis' light engine technology to the world by lighting up the roof of the Yas Island Marina Complex, has led to much greater awareness of Enfis' multicolour light engine technology.

Whilst it is early in the year and significant further improvement is expected, it is encouraging to note that the Group's order intake for the first 2 months of 2010 is ahead of the same period in 2009, reflecting additional business with OEM customers.

Ceri Jones
Chief Executive

Directors' Report
for the year ended 31 December 2009

The directors present the annual report and audited financial statements for the year ended 31 December 2009.

Business review 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 Consolidated Income Statement is set out on page 11.

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.

Dividends

No dividend is proposed in respect of the year (2008: £nil).

Key performance indicators (KPI's)

Given the straightforward nature and relative size of the business, the Group'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.

Risks and uncertainties

There are a number of potential risks and uncertainties that could impact on the group's performance. Details of these risks and uncertainties are set out in note 2.2.

Financial risk management

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

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'. Further details concerning research and development activity undertaken during the year is set out in note 4.

Directors

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

Directors	Function
Drew Nelson	Interim Non Executive Chairman
Ceri Jones	Chief Executive Officer (Appointed: 3 August 2009)
Giles Davies	Chief Financial Officer
Gareth Jones	Chief Technical Officer
Simon Gibson	Non Executive Director, Chair of remuneration committee
Ron Jones	Non Executive Director, Chair of audit committee
John Thynne	Non Executive Director

Shaun Oxenham resigned as a director of the Company on 29 November 2009

Details of directors' interests in share options over the Group's share capital are set out in note 24.

Directors' Report
for the year ended 31 December 2009 (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 21 to the accounts.

Capital structure

Details of the authorised and issued share capital are set out in note 12. The Company has one class of ordinary share which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding or on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. Substantial shareholders are listed in the separate section that follows.

Details of employee share schemes are set out in note 12.

No person has any special right of control over the Company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association, the Company Act 2006 and related legislation. The Articles themselves may be amended by special resolution of the shareholders.

Substantial interests

As at 31 December 2009, the Group had been notified, in accordance with the Companies Act 2006, of the following substantial interests of 3% or more in the ordinary share capital of the company:

	% of ordinary shares held
Wesley Clover	11.7
Blackrock	9.3
Robur	9.0
Invesco	8.4
Octopus	7.9
Artemis	7.3
Ken Board	6.4
Drew Nelson	6.3
University of Wales, Swansea	4.0
CFS Independent	4.0

Donations

No donations were made during the year (2008: £nil).

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 2009 was 65 days (2008: 64 days).

Directors' Report
for the year ended 31 December 2009 (continued)

Share issue

On 7 April 2009, the Company issued 5,600,000 £0.10 Ordinary shares, for a consideration of £0.36 per share, generating gross proceeds £2,016,000.

The net proceeds received after deducting attributable issue costs amounted to £1,786,909.

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 them to continue trading and meet their liabilities to third parties as they fall due for the foreseeable future.

Corporate governance

The company is listed on AIM and is therefore not required to comply with the provisions of the Combined Code.

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 2006. 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 and Chief Executive Officer's Statement contained in the Annual Report include 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 2009 (continued)

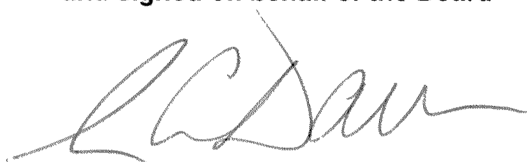
Disclosure of Information to Auditors

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



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 2009 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company cash flow statements, the consolidated and company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2009 and of the group's loss and group's and parent company's cash flows for the year then ended;

- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditors' report to the members of Enfis Group plc (continued)

Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 2.2 to the financial statements concerning the directors' confidence in the Group's ability to continue as a going concern. As disclosed in note 2.2 the Directors have prepared projections that show the Group is able to operate within its cash resources and continue product investment over the next 12 months. However, as set out in note 2.2, the achievement of these projections is subject to several market and operational uncertainties. The effect of these material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Jason Clarke (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

10 March 2010

Registered number: 06133765 (England and Wales)

Consolidated statement of comprehensive income for the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Revenue	5	**713**	1,628
Cost of sales		**(497)**	(1,023)
Gross profit		**216**	605
Administrative expenses		**(2,387)**	(2,608)
Other income		**80**	72
Operating loss		**(2,091)**	(1,931)
Finance income	22	**16**	54
Finance costs	23	**(15)**	(21)
		1	33
Loss before income tax		**(2,090)**	(1,898)
Income tax credit	25	**326**	556
Loss for the year		**(1,764)**	(1,342)
Total comprehensive loss for the year		**(1,764)**	(1,342)
Attributable to:			
Equity holders of the company		**(1,764)**	(1,342)
Loss per share for loss attributable to the equity holders of the company during the year			
- basic and diluted	27	**(12.6p)**	(14.4p)

The results relate to continuing operations.

The company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent company income statement.

The loss for the parent company for the year was £6,302,763 (2008: £82,332).

The notes on pages 17 to 44 are an integral part of these consolidated financial statements.

Enfis Group plc

Consolidated balance sheet
As at 31 December 2009

	Notes	2009 £'000	2008 £'000
Assets			
Non current assets			
Property, plant and equipment	7	**138**	218
Intangible assets	8	**380**	540
		518	758
Current assets			
Inventories	9	**237**	351
Trade and other receivables	10	**253**	219
Corporation tax receivable		**331**	271
Cash and cash equivalents	11	**1,029**	641
		1,850	1,482
Total assets		**2,368**	2,240
Equity			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	12	**1,498**	938
Share premium	12	**5,294**	4,067
Share option reserve		**226**	144
Reverse acquisition reserve		**2,284**	2,284
Retained losses		**(7,531)**	(5,767)
Total equity		**1,771**	1,666
Liabilities			
Non-current liabilities			
Deferred income	14	**5**	35
Borrowings	15	**28**	58
		33	93
Current liabilities			
Trade and other payables	13	**356**	433
Borrowings	15	**30**	48
Provisions for other liabilities and charges	18	**178**	-
		564	481
Total liabilities		**597**	574
Total equity and liabilities		**2,368**	2,240

The notes on pages 17 to 44 are an integral part of these consolidated financial statements.

The financial statements were approved and authorised for issue by the board on 10 March 2010 and were signed on its behalf by:

Giles Davies
Director

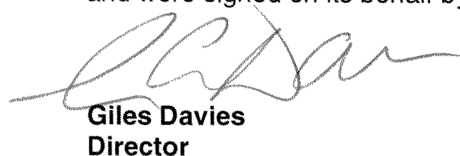
Enfis Group plc

Company balance sheet
As at 31 December 2009

	Notes	2009 £'000	2008 £'000
Assets			
Non current assets			
Investments	6	**572**	572
Trade and other receivables	10	-	4,433
		572	5,005
Current assets			
Cash and cash equivalents	11	-	-
		-	-
Total assets		**572**	5,005
Equity			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	12	**1,498**	938
Share premium		**5,294**	4,067
Share option reserve		**226**	144
Retained losses		**(6,446)**	(144)
Total equity		**572**	5,005
Liabilities			
Non-current liabilities			
Deferred income	14	-	-
Borrowings	15	-	-
		-	-
Current liabilities			
Trade and other payables	13	-	-
Borrowings	15	-	-
			-
Total liabilities		-	-
Total equity and liabilities		**572**	5,005

The notes on pages 17 to 44 are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the board on 10 March 2010 and were signed on its behalf by:



Giles Davies
Director

Consolidated and company cash flow statements for the year ended 31 December 2009

	Notes	**Group 2009 £'000**	Group 2008 £'000	**Company 2009 £'000**	Company 2008 £'000
Cash flows from operating activities					
Cash used in operations	28	**(1,571)**	(1,812)	-	-
Interest paid		**(15)**	(21)	-	-
Tax received		**266**	284	-	-
Net cash used in operating activities		**(1,320)**	(1,549)	-	-
Cash flows from investing activities					
Purchase of property, plant and equipment		**(3)**	(58)	-	-
Purchase of intangible assets		**(94)**	(316)	-	-
Receipt of government grants		**50**	42	-	-
Loans granted to subsidiary undertakings		**-**	-	**(1,787)**	(527)
Interest received		**16**	54	-	-
Net cash used in investing activities		**(31)**	(278)	**(1,787)**	(527)
Cash flows from financing activities					
Proceeds from the issuance of ordinary shares		**1,787**	527	**1,787**	527
Repayments of borrowings		**(30)**	(30)	-	-
Finance lease principal repayments		**(18)**	(28)	-	-
Net cash generated from financing activities		**1,739**	469	**1,787**	527
Net increase / (decrease) in cash and cash equivalents		**388**	(1,358)	-	-
Cash and cash equivalents at the beginning of the year		**641**	1,999	-	-
Cash and cash equivalents at the end of the year		**1,029**	641	-	-

The notes on pages 17 to 44 are an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2009

Group

£'000	Ordinary share capital	Share premium	Share option reserve	Share warrants	Reverse acquisition reserve	Retained losses	Total
Balance at 1 January 2008	**894**	**3,585**	**62**	**-**	**2,284**	**(4,425)**	**2,400**
Issue of new shares	44	482		-	-	-	526
Share option charge	-	-	82	-	-	-	82
Comprehensive loss for year	-	-	-	-	-	(1,342)	(1,342)
Balance at 31 December 2008	**938**	**4,067**	**144**	**-**	**2,284**	**(5,767)**	**1,666**
Issue of new shares	560	1,227	-	-	-	-	1,787
Share option charge	-	-	82	-	-	-	82
Comprehensive loss for year	-	-	-	-	-	(1,764)	(1,764)
Balance at 31 December 2009	**1,498**	**5,294**	**226**	**-**	**2,284**	**(7,531)**	**1,771**

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 17 to 44 are an integral part of these financial statements.

Company statement of changes in equity for the year ended 31 December 2009

Company

£'000	Ordinary share capital	Share premium	Share option reserve	Share warrants	Reverse acquisition reserve	Retained losses	Total
Balance at 1 January 2008	**894**	**3,585**	**62**	**-**	**-**	**(62)**	**4,479**
Issue of new shares	44	482	-	-	-	-	526
Comprehensive loss for the year	-	-	82	-	-	(82)	-
Balance at 31 December 2008	**938**	**4,067**	**144**	**-**	**-**	**(144)**	**5,005**
Issue of new shares	560	1,227	-	-	-	-	1,787
Comprehensive loss for the year	-	-	82	-	-	(6,302)	(6,220)
Balance at 31 December 2009	**1,498**	**5,294**	**226**	**-**	**-**	**(6,446)**	**572**

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 17 to 44 are an integral part of these financial statements.

Notes to the financial statements for the year ended 31 December 2009

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 2006 applicable to Companies Reporting under IFRS.

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) New and amended standards adopted by the group

The group has adopted the following new and amended IFRSs as of 1 January 2009:

IAS 1 (revised) – ' Presentation of financial statements' – The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it is also in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

IFRS 2 (amendment) – 'Share based payment', 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.

IFRS 7 'Financial Instruments – Disclosures (amendment)' – The amendment requires enhanced disclosures about fair value measurement and liquidity risk. The adoption of this amendment does not significantly impact on the group's financial statements.

Notes to the financial statements for the year ended 31 December 2009 (continued)

2 Summary of significant accounting policies (continued)

(b) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group*

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 2010 or later periods, but the group has not early adopted them.

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The group and company will apply IFRIC 17 from 1 January 2010. It is not expected to have a material impact on the group or company's financial statements.

- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). 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. It is not expected to have a material impact on the group or company's financial statements.

- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). 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 vale 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.

- IAS 38 (amendment), 'Intangible Assets'. The amendment is part of the IASB's annual improvements project published in April 2009 and the group and company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the group financial statements.

- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The group and company will apply IFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the group or company's financial statements.

Notes to the financial statements for the year ended 31 December 2009 (continued)

2 Summary of significant accounting policies (continued)

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The group and company will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the group or company's financial statements.

- IFRS 2 (amendments), 'Group cash-settled share-based payment transaction (effective form 1 January 2010'. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 - Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the group or company's financial statements.

2.2 Going Concern

The directors believe that it is appropriate to adopt the going-concern basis in preparing the financial statements for the year to 31 December 2009. In reaching this conclusion, the directors have considered for both the Company and the Group, current trading and the current and projected funding position for the period of just over 12 months from the date of approval of the financial statements through to 31 March 2011.

Current Trading

The company experienced a difficult trading year to 31 December 2009, with reported annual revenue significantly lower than originally expected at the start of the period.

Enfis markets are highly dependent on investment in product innovation and capital equipment expenditure by its customers and a number of projects were subject to deferral as a result of cost cutting driven by the prevailing economic climate.

A number of actions have been taken to reduce cash burn and are directly benefiting Enfis in 2010. Specifically, headcount in the business has been reduced, the North American office has been closed and UK and Shanghai office costs have been materially reduced..

Current Funding

Enfis cash balances at 31 December 2009 were slightly in excess of £1m.

Financial gearing is low and limited to a £58,075 loan as at 31 December 2009. This loan is repaid on a monthly basis and will be fully paid off in November 2011

Projected Funding

The cash flow projections show that the Group can continue to operate utilizing existing cash resources and anticipated grant and other innovation funding for the period of the projections.

The substantial achievement of these projections is subject to certain uncertainties which are described below.

Notes to the financial statements for the year ended 31 December 2009 (continued)

2 Summary of significant accounting policies (continued)

2.2 Going Concern (continued)

Funding Innovation

Enfis continues to pursue its strategy of developing a portfolio of strong IP through patents and know how, and investing in enhancements in its product portfolio. Historically the company has been successful in utilising grant and other innovation funding programs to partially fund this capital and revenue expenditure, and the financial projections assume that this will continue to be the case.

Working Capital

The Group's balance sheet at 31 December 2009 includes trade debtors of £166,750 due from sales made in June 2009 on extended credit terms. The Group continues to engage with both the customers concerned and receipt of the £166,750 is assumed in the Group's financial projections for the period through to 31 March 2011.

Future Trading

The projections include assumptions on the amount and timing of revenue and gross margin that Enfis expects to achieve during the period of the projections. The current economic climate has created an environment where accurate forecasting is especially difficult, but to the extent there is a shortfall in revenue and gross margin it is likely to be at least partially offset by a reduction in working capital requirements.

Enfis has to date been a loss making company and as with any business this is a situation that cannot persist indefinitely without additional equity funding. No additional equity funding has been assumed in the cash flow projections, but should it be required there can be no guarantee either as to its availability or the terms on which it would be made available.

Conclusion

The Board has carried out a strategic review of Enfis which was reported to shareholders on 17 February 2010.

The market opportunity for LED based Solid State lighting continues to grow and Enfis product and technology offering directly addresses the markets for intelligent high power colour changing applications.

The current product offerings are being strengthened as are the channels to the targeted customer base. The potential is clear.

The directors have prepared cash flow projections for the period 1 January 2010 to 31 March 2011. These projections show the Group is able to operate within the its current cash resources and continue product investment partially funded by grants and other innovation funding.

It is acknowledged that the achievement of these projections is subject to market and operational uncertainty as outlined above. Nevertheless, after taking account of the group's current funding position, its cash flow projections and the risks and uncertainties associated with these, the directors have a reasonable expectation that the Group and Company has access to adequate resources to continue in operational existence for the foreseeable future. For these reasons they continue to prepare the financial statements on a going-concern basis. These financial statements do not include any adjustments that would result from the going-concern basis of preparation being inappropriate.

Notes to the financial statements for the year ended 31 December 2009 (continued)

2 Summary of significant accounting policies (continued)

2.3 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.

2.4 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. The directors' consider that the group operates in one business segment which is consistent with internal information provided to the chief operating decision- maker.

2.5 Foreign currency translation

The functional currency of the group and 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.

2.6 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.

2.7 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%

Notes to the financial statements for the year ended 31 December 2009 (continued)

2 Summary of significant accounting policies (continued)

2.7 Property, plant and equipment (continued)

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.

2.8 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.

2.9 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.

2.10 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.

Notes to the financial statements for the year ended 31 December 2009 (continued)

2 Summary of significant accounting policies (continued)

2.11 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.

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

Notes to the financial statements for the year ended 31 December 2009 (continued)

2 Summary of significant accounting policies (continued)

2.17 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.

2.18 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.

2.19 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.

2.20 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).

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.

Notes to the financial statements for the year ended 31 December 2009 (continued)

2 Summary of significant accounting policies (continued)

2.21 Provisions

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

3 Financial risk

3.1 Financial risk factors

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

Given the size of the group, 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 group'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.

(ii) Price risk
The group 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 group has implemented policies that require appropriate credit checks on potential customers before sales are made. The group'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 group utilises medium-term debt finance, principally a floating rate bank loan guaranteed under the Small Firms Loan Guarantee Scheme.

(d) Interest rate cash flow risk
The group 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.

Notes to the financial statements
for the year ended 31 December 2009 (continued)

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 group has incurred £1,399,071 (2008: £1,235,281) of product development costs in the year. Of the total development costs incurred an amount of £74,277 (2008: £269,658) has been capitalised. 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. All capitalised development costs at 31 December 2009 relate to products that the group is committed to taking to market.

Impairment of non-current assets

Determining whether property, plant and equipment or intangible assets are impaired requires an estimation of the value in use of those assets. The value in use calculation requires the group to estimate the future cash flows expected to arise from the business and a suitable discount rate in order to calculate present value. The carrying value of property, plant and equipment was £138,000 and intangible assets £380,000 at the balance sheet date.

Based on the calculations prepared by the directors, no impairment has been booked.

Deferred tax

The group has tax losses of some £3,285,000 available for off-set against future taxable profits. In determining the value of the deferred tax asset that can be attributed to these losses, the directors have to estimate future taxable profits and the period over which the asset may be recovered. The directors consider the most up-to-date forecasts for the business and assess the risks inherent in achieving those forecasts. At the balance sheet date, no deferred tax asset has been recorded. The deferred tax asset may be recognised again in the future if there is an improvement in the forecast taxable profits.

Working capital

The Group's balance sheet as at 31 December 2009 includes trade debtors of £166,750 due from sales made in June 2009 on extended credit terms. The Group continues to engage with the customers concerned and receipt of the £166,750 is assumed in the Group's financial projections for the period through to 31 March 2011.

Notes to the financial statements for the year ended 31 December 2009 (continued)

5 Segmental information

The directors consider that the group 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 within the UK and from this activity.

The group's revenue by destination has been generated mainly from the UK and the USA.

Revenue	**2009 £'000**	2008 £'000
European Union	**434**	1,298
USA	**134**	290
Other countries	**145**	40
	713	1,628

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

6 Investments

Company	**2009 £'000**	2008 £'000
Investment in subsidiary undertaking	**572**	572

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 2009 (continued)

7 Property, Plant and Equipment

Group	Plant & Machinery £'000	Fixtures Fittings Tools & Equipment £'000	Total £'000
Cost			
At 1 January 2008	338	42	380
Additions	45	13	58
At 31 December 2008	383	55	438
Additions	3	-	3
Disposals	-	(5)	(5)
At 31 December 2009	**386**	**50**	**436**
Accumulated depreciation			
At 1 January 2008	120	25	145
Charge for the year	68	7	75
At 31 December 2008	188	32	220
Charge for the year	70	10	80
Disposals	-	(2)	(2)
At 31 December 2009	**258**	**40**	**298**
Net book value			
At 31 December 2009	**128**	**10**	**138**
At 31 December 2008	195	23	218

The net book value of plant and machinery includes an amount of £Nil (2008: £27,606) 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 2009 (continued)

8 Intangible fixed assets

Group	Patents & Licenses £'000	Development Costs £'000	Total £'000
Cost			
At 1 January 2008	117	359	476
Additions	46	270	316
At 31 December 2008	**163**	**629**	**792**
Additions	20	74	94
Write-off	(1)	(201)	(202)
At 31 December 2009	**182**	**502**	**684**
Amortisation			
At 1 January 2008	45	31	76
Charge for the year	27	107	133
Impairment	42	-	42
At 31 December 2008	**114**	**138**	**252**
Charge for year	15	134	149
Write-off	-	(97)	(97)
At 31 December 2009	**129**	**175**	**304**
Net book value			
At 31 December 2009	**53**	**327**	**380**
At 31 December 2008	49	491	540

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 write off relates to development 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 2009 (continued)

9 Inventories

Group	**2009** **£'000**	2008 £'000
Raw materials and consumables	**237**	351

The company has no inventories.

10 Trade and other receivables

	Group 2009 £'000	**Company 2009 £'000**	Group 2008 £'000	Company 2008 £'000
Trade receivables	**261**	**-**	170	-
Less: provision for impairment	**(16)**	**-**	(5)	-
Trade receivables (net)	**245**	**-**	165	-
Amounts due from subsidiary	**-**	**6,220**	-	-
Less: provision for impairment	**-**	**(6,220)**	-	-
Amounts due from subsidiary (net)	**-**	**-**	-	4,433
Prepayments	**5**	**-**	42	-
Unpaid share capital	**-**	**-**	-	-
Other receivables	**3**	**-**	12	-
	253	**-**	219	4,433
Less non current portion: amounts due from subsidiary	**-**	**-**	-	(4,433)
Current portion	**253**	**-**	219	-

Amounts due from subsidiary undertakings represent net amounts provided to the company's wholly owned subsidiary Enfis Limited. During the year the Company advanced further funding to its subsidiary of £1,786,909. A receivable of £6,220,431 is due from Enfis Limited at 31 December 2009. Given the recent trading performance of Enfis Limited, the directors have made a provision against the full value of the loan funding in finalising the financial statements for the year-ended 31 December 2009. Of the total amount advanced, £1,786,909 is unsecured and repayable on demand. The remaining balance of £4,433,522 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 2009 and 31 December 2008 approximate to the book value stated above.

As of 31 December 2009, trade receivables of £178,750 (2008: £10,514) were past due but not impaired. These relate to two independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:-

	2009 **£'000**	2008 £'000
3 to 6 months	**12**	3
Over 6 months	**167**	8
	179	11

Notes to the financial statements for the year ended 31 December 2009 (continued)

10 Trade and other receivables (continued)

As of 31 December 2009, trade receivables of £15,784 (2008: £4,601) 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:

	2009 £'000	2008 £'000
Over 6 months	**16**	5

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

	2009 £'000	2008 £'000
UK pound	**238**	202
Euros	**8**	7
US dollar	**7**	10
	253	219

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

	2009 £'000	2008 £'000
At 1 January	**5**	11
Specific write off	**-**	(11)
Provision for receivables impairment	**11**	5
At 31 December	**16**	5

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 2009 £'000	**Company 2009 £'000**	Group 2008 £'000	Company 2008 £'000
Cash on hand and balances with banks	**108**	**-**	316	-
Short-term investments (Treasury Deposits)	**921**	**-**	325	-
	1,029	**-**	641	-

Notes to the financial statements for the year ended 31 December 2009 (continued)

12 Share capital

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

	2009 £'000	2008 £
Authorised:		
25,000,000 (2008:15,000,000 ordinary shares of £0.10 each)	**2,500**	1,500
Issued, allotted and fully paid:		
14,982,864 (2008:9,382,864) Ordinary shares of £0.10 each)	**1,498**	938

On 7 April 2009, the Company issued 5,600,000 £0.1 Ordinary shares at a price of 36 pence per share raising £2,016,000 before expenses of £229,091.

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

	Number of shares	Ordinary share capital £'000	Share premium £'000	Total £'000
At 1 January 2009	9,382,864	938	4,067	5,005
Share issue	5,600,000	560	1,227	1,787
At 31 December 2009	**14,982,864**	**1,498**	**5,294**	**6,792**

Employee Share Schemes

(i) Deferred payment share purchase plan (DPSPP)

On 7 April 2009, the shareholders approved an amendment to the groups DPSPP to extend its applicability to all employees. The DPSPP enables, via an employee benefit trust, the funding of share purchases in the group by executive directors and other employees.

Notes to the financial statements for the year ended 31 December 2009 (continued)

12 Share capital (continued)

(ii) Share Options

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

During the year, no share options (2008: 71,500) 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

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 2009 (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 2008		**1,111,350**
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		**1,103,050**
Forfeited	105.5 pence	(30,000)
Forfeited	115 pence	(1,500)
Forfeited	72 pence	(11,250)
At 31 December 2009		**1,060,300**

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

Expiry date	Exercise price per share	Shares 2009	Shares 2008
2013 – expiry date 23 July	**0.1 pence**	**666,000**	666,000
2016 – expiry date 2 January	**115 pence**	**90,000**	91,500
2017 – expiry date 2 January	**72 pence**	**262,800**	274,050
2018 – expiry date 13 May	**105.5 pence**	**41,500**	71,500
		1,060,300	1,103,050

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 2009 (continued)

13 Trade and other payables

Group	2009 £'000	2008 £'000
Trade payables	**142**	221
Social security and other taxes	**34**	79
Other payables	**-**	-
Accruals	**150**	103
Deferred income – government grants	**30**	30
	356	433

The Company has no trade or other payables.

14 Non current liabilities – deferred income

Group	2009 £'000	2008 £'000
Deferred income – government grants	**5**	35

The Company has no deferred income.

15 Borrowings

Group	2009 £'000	2008 £'000
Current borrowings		
Bank loan	**30**	30
Obligations under finance leases and hire purchase contracts	**-**	18
	30	48
Non-current borrowings		
Bank loan	**28**	58
Obligations under finance leases and hire purchase contracts	**-**	-
	28	58

The Company has no borrowings.

Notes to the financial statements for the year ended 31 December 2009 (continued)

15 Borrowings (continued)

Bank borrowings

Bank loan	2009 £'000	2008 £'000
Amounts falling due:		
Between one and two years	**28**	30
Between three and five years	**-**	28
Total due after more than one year	**28**	58
Due within one year	**30**	30

Bank borrowings mature in November 2011 and bear interest of 2.5% over Base Rate (2008: 2.5% over Base Rate).

Total borrowings include secured bank loans and finance lease liabilities of £58,075 (2008: £106,105).

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 Firms Loan Guarantee Scheme.

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

Finance leases

	2009 £'000	2008 £'000
Finance lease liabilities – minimum lease payments:		
No later than one year	-	18
Later than one year no later than 5 years	-	-
	-	18
Future finance charges on finance leases	-	-
Present value of finance lease liabilities	-	18
The present value of finance lease liabilities is as follows:		
No later than one year	-	18
Later than one year and no later than five years	-	-
	-	18

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

The group 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 2009 (continued)

15 Borrowings (continued)

The exposure of the group'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:

	2009	2008
	£'000	£'000
12 months or less	**30**	30
1-5 years	**28**	58
	58	88

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

	Carrying amount		**Fair value**	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Bank loan	**28**	58	28	58

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

16 Deferred income tax

There is an un-provided deferred tax asset of £678,000 (2008: £563,000). The deferred tax asset has not been recognised in the 31 December 2009 or 31 December 2008 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

	2009	2008
	£'000	£'000
Un-provided deferred taxation comprises:		
Accelerated capital allowances	**78**	26
Tax losses	**(690)**	(626)
Other timing differences	**(66)**	37
Un-provided deferred taxation	**(678)**	(563)

Deferred tax is calculated on the temporary differences under the liability method using a tax rate of 21% (2008: 21%).

17 Financial instruments

Capital risk management
The capital structure of the group consists of debt, which comprises the borrowings disclosed in note 15, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

Significant accounting policies
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Notes to the financial statements for the year ended 31 December 2009 (continued)

18 Provisions for other liabilities and charges

Group	Returns provision £'000	Warranty provision £'000	Total £'000
At 1 January 2009	-	-	-
Charged to income statement	111	67	178
At 31 December 2009	**111**	**67**	**178**

(a) Returns provision

The amount represents a provision for stock held at distributors. The balance as at 31 December 2009 is expected to be utilised in the first half of 2010.

(b) Warranty provision

The group has provided product warranties to certain customers. Provision has been made for the expected cost of meeting claims in respect of these arrangements. The balance as at 31 December 2009 is expected to be utilised in 2010.

The Company has no provisions

19 Expenses by nature

Group	**2009 £'000**	2008 £'000
Raw materials and consumables used (sales)	**497**	1,023
Raw materials and consumables used (development)	**110**	216
Employee benefit expense (note 21)	**953**	1,225
Depreciation and amortisation	**229**	210
Patents written off (note 8)	**-**	42
Loss on disposal of assets	**1**	-
Development costs written off (note 8)	**105**	-
Equipment written off	**2**	-
Provisions for liabilities and charges	**335**	-
Operating lease payments	**65**	56
Other expenses	**587**	859
Total cost of sales and administrative expenses	**2,884**	3,631

Raw materials and consumables used includes £109,870 (2008: £216,000) and employee benefit expense includes £614,934 (2008: £590,300) 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'.

Notes to the financial statements for the year ended 31 December 2009 (continued)

20 Auditors Remuneration

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

	2009	2008
	£'000	£'000
Fees payable to company's auditor for the audit of parent company and consolidated financial statements	**7**	7
Fees payable to the company's auditor and its associates for other services:		
- The audit of the company's subsidiary pursuant to legislation	**6**	6
- Tax services	**3**	3
Total	**16**	16

21 Employee benefit expense

Group

	2009	2008
	£'000	£'000
Wages and salaries	**796**	1,040
Social security costs	**75**	103
Share based payments	**82**	82
	953	1,225

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

By activity

	2009 Number	2008 Number
Research and development	**9**	14
Sales	**5**	6
Administration and finance	**3**	5
	17	25

The Company incurred expenses of £82,332 (2008: £82,332) in respect of share based payments.

Notes to the financial statements for the year ended 31 December 2009 (continued)

22 Finance income

Group

	2009	2008
	£'000	£'000
Bank interest receivable	**16**	54

23 Finance costs

Group

	2009	2008
	£'000	£'000
Bank loans and overdrafts	**11**	19
Finance charges payable under finance leases and hire purchase contracts	**4**	2
Other	**-**	-
	15	21

24 Directors' emoluments

Group

	2009	2008
	£'000	£'000
Aggregate emoluments	**311**	292

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

	2009	2008
	£'000	£'000
Aggregate emoluments	**79**	95

No share options were exercised by the highest paid director in the year (2008: 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 2009 (continued)

24 Directors' emoluments (continued)

Share options

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

	31 December 2008 Number	Issued Number	Forfeited Number	31 December 2009 Number
S J Gibson	42,000	-	-	**42,000**
J C J Thynne	42,000	-	-	**42,000**
Dr G Jones	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**
	432,000	-	-	**432,000**

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

Period of grant	Number of options issued	Price £	Period of exercise
2007	240,000	0.001	2004 – 2013
2007	42,000	1.15	2007 – 2016
2007	150,000	0.72	2008 – 2017

Notes to the financial statements for the year ended 31 December 2009 (continued)

25 Income tax credit

Group	2009 £'000	2008 £'000
Current tax credit	**(326)**	(556)
Deferred tax	**-**	-
	(326)	(556)

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:

	2009 £'000	2008 £'000
Loss before tax	**(2,090)**	(1,898)
Tax calculated at domestic tax rates applicable 21% (2008: 21%)	**(439)**	(399)
Expenses not deductible for tax purposes	**122**	(8)
Additional deduction for R&D tax relief	**(126)**	(119)
Losses surrendered for R&D tax credit	**294**	356
R&D tax credit	**(195)**	(271)
Tax losses for which no deferred income tax asset was recognised	**149**	170
Adjustments in respect of prior periods	**(131)**	(285)
Total tax credit	**(326)**	(556)

26 Net foreign exchange losses

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

Group	2009 £'000	2008 £'000
Other (losses) – net	**(16)**	(3)
	(16)	(3)

Notes to the financial statements for the year ended 31 December 2009 (continued)

27 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.

	2009	2008
	£'000	£'000
Loss attributable to equity holders of the company	**(1,764)**	(1,342)
Weighted average number of ordinary shares	**13,970,261**	9,319,383
Basic and diluted loss per share	**(12.6p)**	(14.4p)

For the years ended 31 December 2009 and 31 December 2008, 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 2009, there were share options outstanding over 1,060,300 shares (2008: 1,103,050 shares), which could potentially have a dilutive impact in the future, but which were anti-dilutive in 2009 and 2008.

28 Cash generated from operations

	Group 2009 £'000	Group 2008 £'000	**Company 2009 £'000**	Company 2008 £'000
Loss before income tax	**(2,090)**	(1,898)	(6,303)	(82)
Adjustments for:				
- Loss on disposal of assets	**1**	-	-	-
- Depreciation	**80**	76	-	-
- Amortisation - intangibles	**149**	133	-	-
- Write-off of intangibles (note 8)	**105**	42	-	-
- Amortisation – grants	**(30)**	(31)	-	-
- Share based payments	**82**	82	82	82
- Government grant income	**(50)**	(42)	-	-
- Finance income	**16**	(54)	-	-
- Finance costs	**(15)**	21	-	-
Changes in working capital				
- Inventories	**114**	(73)	-	-
- Trade and other receivables	**(34)**	(7)	6,221	-
- Trade and other payables	**101**	(61)	-	-
Cash used in operations	**(1,571)**	(1,812)	-	-

Notes to the financial statements for the year ended 31 December 2009 (continued)

29 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 landlord's repairing lease from the Welsh Assembly Government.

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

	2009 £'000	2008 £'000
Expiring within 1 year	**5**	9
Expiring within 2 to 5 years	**-**	-
	5	9

30 Related party transactions

The net proceeds derived from the share issue undertaken in Enfis Group plc in April 2009, amounting to £1,786,909 (note 12) were advanced to Enfis Limited as a loan to help fund the company's day to day operating cash flow requirements. The loan is unsecured and repayable on demand.

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 as a loan to help fund the company's day to day operating cash flow requirements. The loan is unsecured and repayable on the basis that one year's notice is required.

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

31 Controlling party

The directors consider there to be no ultimate controlling party.