4 June 2013
AIM: AEG

Active Energy Group plc
("Active Energy", "AEG", the "Group" or the "Company")

Final Results for the year ended 31 December 2012

Active Energy, the AIM quoted biomass fuel provider, announces its final results for the year ended 31 December 2012 (the "period").

Highlights:

- Today, the Company is also announcing*, the proposed acquisition of Nikofeso Holdings, which specialises in exporting high quality wood chip for biomass power generation and MDF manufacturing, for a total consideration of £3.75m.

- The Company is also announcing* that, in connection with the proposed acquisition, it will conditionally raise a total of £3.07 million (gross) pursuant to the Subscription for 165,780,000 Ordinary Shares and £1 million nominal of Convertible Loan Notes, in order to provide working capital for the Enlarged Group and to pay for the costs associated with the Acquisition.

- The financial results for the twelve months to 31 December 2012, largely reflect the costs associated with finalising the closure of discontinued operations and the preparatory work to establishing the new business going forward.

** In a separate announcement to the London Stock Exchange*

Richard Spinks, Chief Executive Officer of Active Energy, said:

"We are making two announcements today. Firstly, we are announcing the Company's full year results which largely reflect the final actions of closing down the Company's discontinued businesses. Secondly and most importantly, we are setting out the future of the business with the proposed acquisition of Nikofeso, Ukraine's largest supplier of wood chip for the production of Turkish MDF and a Subscription to raise £3.07 million.

Since the senior management team joined from mid-2012 onwards, we have been working towards this point. Demand for wood chip/biomass is strong and set to increase. The Ukraine has a number of natural advantages to serve these market opportunities and we have the local and international management capability to become a sizeable player. The acquisition of Nikofeso is our first material step in developing the future business."

Definitions used in this announcement have the same meaning as those used in the acquisition and subscription announcement due to be released later today.

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CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

This is my first report since joining the AEG Board in November 2012, and, especially given the somewhat difficult period which the Company has endured in recent years, I am delighted to be able to report a number of extremely positive developments.

However, before addressing myself to more positive matters, I summarise below the financial results for the year ended 31 December 2012.

Financial results

The Group reported a Total Consolidated Comprehensive Loss for the period under review of £1,428,015 (FY2011: £2,507,641) of which £685,567 (FY2011: £1,805,768) was attributable to discontinued operations.

Administrative expenses of £977,098 (FY2011: £647,863) include aggregate charges of *circa* £353k (FY2011: £NIL) which relates to operations in Ukraine, including £180k of amortisation costs. The remaining £624k of expenses compares directly to the FY2011 number of £648k and includes ~£150k (FY2011: £115k) by way of remuneration of former directors (including compensation for loss of office of ~£50k (FY2011: £NIL)).

Group revenues of £230,710 (FY2011: £NIL) were derived exclusively from the Group's activities in Ukraine arising from wood processing and export activities.

Net assets as at 31 December 2012 amounted to £1,603,216 (FY2011: £2,702,128) including cash balances of £158,004 (FY2011: £998,586).

While your former board announced the cessation of both Red Line Engineering Services Limited ("RLE") and Active Energy Limited ("AEL") in the 2011 financial statements, it was only in the latter part of 2012 that formal steps were taken by them for these companies to be placed into Member's Voluntary Liquidation, a process that is now substantially complete.

The final accounting elimination of both AEL and RLE will allow the Company to apply its cash resources to more profitable ends than was possible in the period under review, 2012 having been a year of considerable change both in management itself and in the realignment of management focus towards the new business opportunities within the biomass sector as represented by the proposals being the subject of a separate announcement and the Shareholder Circular being posted to shareholders later today.

Since the future of your Group is wholly dependent upon management's ability to harness the potential of its Ukrainian-based biomass fuel and forestry products business now being driven by our first rate management team in Ukraine, I believe that I should direct this report more to the future and the proposals contained within the Shareholder Circular which will be put before you at the forthcoming General Meeting rather than dwell further on the past.

Acquisition of Nikofeso Holdings and associated fundraising

Introduction

Further to the announcement by the Company on 9 January 2013, stating that it had entered into non-binding Heads of Terms to acquire the entire issued share capital of one of its current Joint Venture partners, an established wood processing and distribution company headquartered in Cyprus with operating subsidiaries in the Ukraine, the Company is pleased to be able to announce today the terms of the proposed acquisition of Nikofeso Holdings ("Nikofeso") and an associated fundraising.

Nikofeso is already the largest Ukrainian supplier of wood chip for the production of Turkish MDF. The Acquisition and Subscription will, in the Board's opinion, significantly enhance and supplement AEG's existing forestry and associated exploitation rights in Western Ukraine and will result in the establishment of the Group as a fully integrated provider of wood chip with the opportunity to become the pre-eminent operator in the Black Sea and Balkans, and positioned favourably to take the next steps to enter the power generation sector in Europe.

The proposals summarised below reflect how the arrangements as contemplated earlier this year have developed so positively that I can now confirm that the Group will:

a) enter into a conditional agreement to acquire from Windstar Investments s.a. ("Windstar") (an investment company registered in Panama) the entire issued share capital of Nikofeso, a Cypriot-registered trading and holding company, together with Nikofeso's principal biomass operating subsidiary company, Nikwood Company LLC, registered and located in Ukraine;

b) conditionally raise £2.07 million pursuant to the Subscription for 165.78 million ordinary shares at a Placing Price of £0.0125 (with associated warrant rights to subscribe for 55.26 million new shares at an exercise price of £0.0125) and £1 million nominal of 9% 2016 Convertible Loan Notes, convertible at £0.0175 (representing up to 57.14 million shares) with associated warrant rights to subscribe for 19.05 million shares at an Exercise Price of £0.0175 each; and

c) conditionally agree to convert the original extant Unsecured Subordinated Loan (£318,750 as at 31 December 2012 (FY2011:£NIL) together with estimated interest) from Eastwood S.A. into new equity and warrants on the same terms as for the Subscription; this will equate to the issue of ~28 million shares with associated warrants rights to subscribe for ~9 million shares at an Exercise Price of £0.0125 each.

The consideration for the Acquisition will be satisfied by the issue to Windstar of 62.5 million Initial Consideration Shares and 12.5 million Initial Consideration Warrants and the issue of 62.5 million Deferred Consideration Shares into escrow which will be released to Windstar in due course subject to the satisfaction of certain determined criteria. The associated 12.5 million Deferred Consideration Warrants will be issued to Windstar upon the issue of Deferred Consideration Shares out of escrow in accordance with the acquisition agreement.

Both the Strike Price of the Consideration Shares and the Exercise Price of the Consideration Warrants have been agreed to be £0.03 each, being a substantial premium to the prevailing share price of the Company.

The Subscription will be made as a Private Placing, and is being corner-stoned by a new overseas investor together with a small number of existing shareholders and management.

The £1 million Convertible Loan Note is being subscribed by a single current shareholder holding just over 9% of the existing equity.

Background to the proposals

While the Shareholder Circular will more fully describe the proposals, the Acquisition encompasses an established wood processing and distribution group which has operated in the Ukraine for over five years and currently has approximately 20 employees. It procures the supply of raw material wood in log form from the Ukrainian Agency for State Forestry Resources. These materials are delivered by rail to processing facilities strategically located in two ports in Mykolaiv, being a principal city located on the River Dnieper, some 40 miles upriver from the Black Sea.

These deep water ports provide access to ocean-going vessels and the facilities are well-positioned to allow for a substantial expansion from the current levels of trade performed by the Nikofeso Group as a provider of wood chip for both the manufacture of Medium Density Fibreboard ("MDF") and for biomass power plant feedstock.

The Nikofeso Group is already the largest Ukrainian supplier of wood chip for the production of Turkish MDF and currently services five major Turkish manufacturers of MDF, all with important expansion potential to the Group by virtue of the specific benefits to their manufacturing plants, which are conferred by the Nikofeso Group's ability to ship high-quality materials across the Black Sea in 24 to 30 hours in cargoes of around 4,000 to 8,000 metric tonnes ("MT"). This compares to the 15 to 20 days of trans-oceanic shipping in large bulk carriers (of around 40,000 MT) from Brazil, Venezuela or the west coast of North America. Not only does wood chip from Ukraine deliver higher quality product but it does so in volumes and in time-frames that are consistent with the demands of high volume manufacturing businesses where cost, quality and inventory control are under constant pressure.

The Nikofeso Group has previously supplied processed wood chip at peak volumes of over 300,000 MT per annum. Over the past two years, volumes have been limited primarily due to the availability of adequate working capital, which constrained total shipping volumes in 2012 to around 39,000 MT. The Nikofeso Group's main operating base is located in Mykolaiv, with the two port locations lying within 12 miles of the offices.

The Nikofeso Group has also recently signed a sales contract with a new biomass power plant in southern Italy to supply wood chip as feedstock. There is the potential to rapidly expand this revenue channel through better sourcing and pricing arrangements as the partnership with AEG will enable the Nikofeso Group to source and fund the increasing demand for feedstock as the power station builds to full operating capacity. This is an especially important part of the Acquisition rationale as there is a large number of biomass power plants coming on stream in the next two to three years in the EU, where a major issue for each of them is the sourcing of sustainable long-term supplies of raw material feedstock.

The Nikofeso Group traded approximately 39,000 MT of wood chip to Turkey in 2012 but had no power plant biomass feedstock revenues. In the course of a nearly six month operational, commercial, legal and financial due diligence exercise, AEG and the Nikofeso Group have worked closely together to validate the operational and financial viability of the proposed Enlarged Group.

In the period from late 2012, when Active Energy Ukraine Limited ("AEU"), AEG's wholly owned subsidiary, commenced working with Nikofeso Group, until the date of this document, Nikofeso Group has shipped a total of approximately 49,000 MT of wood chip to Turkish customers (40,000 MT of wood chip on which AEG has the benefit of a profit participation and a further 9,000 MT of wood chip for the sole account of Nikofeso Group). This total of 49,000 MT has been shipped in 11 cargoes, averaging around 4,500 MT per cargo and represents an annualised rate of wood chip of almost three times that achieved by the Nikofeso Group in 2012 operating on its own account. While historic payment terms have been strictly Free On Board ("FOB") (which ensures minimal credit risk both to the Nikofeso Group and also to AEG (whose financing has largely facilitated these much-increased shipping frequencies)) AEG intends to move terms of trade to a Cost, Insurance and Freight ("CIF") basis as soon as possible post completion of the Acquisition. This transition can be facilitated by the application of incoming new capital arising from the Proposals.

The Directors believe that there is an opportunity in the Black Sea trade to ship in excess of 350,000 MT per annum by the end of 2015 with a concomitant opportunity to ship similar quanta of cargoes of power plant feedstock to European clients. Based upon the operational capacity of the Nikofeso Group, combined with the enhanced management structure which will be formally put in place following the Acquisition, management is confident that such opportunities can be exploited utilising the aggregate potential of both the new cash from the Subscription, the issue of the Convertible Loan Notes and other potential financing options open to the Enlarged Group.

The Acquisition will also bring to the Group a highly-experienced management team with a proven track-record of operating successfully within Ukraine, the EU and other important former CIS territories.

The Acquisition will enhance and supplement AEG's existing forestry and associated exploitation rights in Western Ukraine and will result in the establishment of the Enlarged Group, not only as a fully integrated provider of wood chip, but, prospectively, as the pre-eminent operator in the Black Sea and Balkans, and positioned favourably to take the next steps to enter the power generation sector in Europe.

The relevance of Ukrainian forestry and biomass product to the EU and Middle East markets

With the constant struggle to find new ways to supply society with energy other than from diminishing hydrocarbon natural resources, wood-based biomass offers a viable solution. Unlike solar, wind and tidal power, biomass is reliable. Working with wood chip allows companies to plan and stock pile and, although the actual process of energy creation is by its incineration, the gases thus emitted are only those that were absorbed during the photosynthesis process, and so, unlike the usual fossil fuel sources of energy, biomass wood is a carbon-lean fuel.

Ukraine's political standing within Europe can be seen to be one of increasing stability, reliability and investment relevance. The Ukrainian government is advancing plans for further privatisation under a new programme set out for 2012 to 2014, where it hopes to reduce the State's share in the economy from 40 per cent. of GDP to 25 to 30 per cent., something that the proposed Acquisition seeks to capitalise upon for the benefit of shareholders.

Currently, the majority of wood chip used in Europe for biomass comes in bulk shipments originating over 6,000 miles away in Brazil, with equivalent size cargoes coming from both Venezuela and the west coast of North America. Ukraine has an advantageous geographical position with its important access to deep water Black Sea ports and proximity to resource-strategic Balkan and former CIS countries, which are able not only to provide new sources of feedstock, but are also territories that represent new revenue channels for the Group. Of particular significance to the Enlarged Group's future development, is the increasing number of new biomass power stations coming on-stream across Europe and the EU in the period 2013 to 2016. This underpins the increasing relevance of the Enlarged Group's Ukrainian resource base and ability to access neighbouring territories both as suppliers and customers. Black Sea access is key to the development of the Enlarged Group's business and is the major enabling factor in Ukraine's ability to quickly become a pre-eminent player in the biomass sector.

The benefits of Ukraine as the hub of the Enlarged Group's operations include:

- excellent cross-border rail access into Poland, Belarus and Russia;
- deep sea access to the south opening up the entire Middle East market and with direct access to the Mediterranean and beyond;
- an ability to supply Europe and the Middle East with feedstock that has a low carbon footprint and that has been sea-borne for no more than a week in comparison to that which is shipped from South or North America;
- a resultant higher quality product (fresher);
- lower logistic costs per metric tonne than equivalent long-haul shipments; and
- lower financial exposure on smaller shipments for shorter periods; improved cash-flow for both supplier and customer.

The continued efforts of the Ukrainian government to align itself to EU standards of quality assurance, renewability and sustainability should provide reassurance to investors that Ukraine is a jurisdiction that is committed to internationally recognised standards of business ethics, transparency and corporate governance, features that are recognised as being essential to establishing a stable investment environment. The political will is evident in the policies being actively pursued, AEG and Nikofeso Group is becoming well-respected both as an operator and as a touchstone to the setting of key policies that are designed to facilitate inward investment and demonstrate commitment to EU-level quality standards.

While a sustained effort will be required to achieve these goals, the evidence is clear that, within the biomass's sector, the commitment exists to establishing EU and International Forestry standards and this is strongly reflected in current government policy and action.

The Company, through its subsidiary Active Energy Ukraine Ltd ("AEU"), has, for the past year, been focused at the level of both the parent company board and that of AEU, on firmly establishing the new business in the biomass sector and putting in place all necessary operational, financial and commercial control systems appropriate for the scale of business that the Board expects to build in the next few years. Having been delivered a steadily increasing rate of monthly shipments in the first 6 months of FY2013, once the Acquisition and Subscription are closed, AEG will be extremely well-positioned to add further volumes/additional vessels, some of which are earmarked for the Italian biomass power sector.

Ukrainian-based management

The appointment in Ukraine of Mr Oles Kopets as the local Managing Director in May 2012 has proved highly beneficial. Oles is a Harvard graduate with broad international investment banking experience coupled with first class operations and general management experience, the exact skills combination that is needed to both meet the challenge of what will be a very rapidly growing business while being able maintain close management control of day-to-day operations.

Richard Spinks was appointed CEO of the Group with effect from 2 July 2012. Richard has extensive sector and geographic experience in Eastern Europe, having spent more than 24 years working in Poland, Russia and Ukraine.

Following the acquisition of the Western Ukraine rights in late 2011, during the first six months of FY2012, AEU encountered a number of operating challenges in setting up the business, and although initial difficulties were to be expected during the start-up phase of the new operation, they nevertheless resulted in a level of performance far below that which your current Board would have expected to have been achieved by the half-year.

Richard's first imperative was to complete a "root and branch" review of the Ukrainian operation and establish a basis upon which our Western Ukrainian asset will be able to operate profitably when market conditions for the principal market (being Polish power generation biomass) are more opportune than is currently the case.

He then turned his attention to developing other revenue channels for the Group, resulting in establishing a Joint Venture arrangement with Nikofeso whereby AEG would provide management and some financial resources to establish the viability of Nikofeso's then limited business of shipping wood chip from Ukraine to Turkey for the purpose of manufacturing medium density fibreboard ("MDF").

Going Concern

In consideration of the conditionality necessary to complete the proposals, being shareholder approval to be sought at a General Meeting of the Company to be held at a date that, while near-term in respect of the date of publication of these Financial Statements and the publication of the Shareholder Circular included herein by reference, lies in the future. Accordingly, and in consideration of the limited cash resources available to the Company at the date of writing, the Directors recognise that there can be no absolute guarantee that such approval will be obtained. Consequently, there is some latent level of uncertainty that may cast doubt on the Group's ability to continue as a going concern in the event that such approval is not given.

That said, shareholders can be entirely satisfied that, based upon the likelihood of the proposals being looked upon favourably and that the necessary resolutions to give full effect to them will be duly passed at the General Meeting, the Company and Group will then have, not only, adequate cash to fulfil the Working Capital Adequacy test (being having enough cash to meet it liabilities as they fall due for a period of 12 months from the date of signing these accounts), but pivotally, the cash and financing capabilities to fulfil the needs of a rapidly-building business in an exciting sector to thereby work towards returning your Company to profitability in early course.

Board Appointment

I am pleased to announce that, following legal completion of the acquisition, Matteo Girlanda will be joining the Board in the capacity of Chief Operating Officer. Matteo is a highly experienced international business person who has developed the Nikofeso Group from a standing start over the last seven years. His resumé is given briefly below and both Richard Spinks and I commend him to shareholders as the very best person possible to bring within the Group to realise the full potential of the combined businesses.

Born in Milan and aged 38 years, Matteo graduated in 1999 from the University of Verona with a degree in Economics and Management.

From 2000 to 2002 he worked as a management consultant, latterly setting up his own steel and wood trading company. In 2005, Girlanda expanded operations into the export of wood chip, building Nikofeso Group to become the dominant exporter of wood chip from Ukraine for the production of MDF, alongside the initiation of a new revenue channel selling wood chip as biomass for power generation.

His experience embraces wood trading, processing, transport and shipping logistics. He has also amassed considerable knowledge of forest management, renewability and sustainability quality standards as well as acquiring a broad technical understanding of both the MDF manufacturing sector and the European energy/biomass market.

His trading experience is pan-European and primarily, but not exclusively, based out of the Ukraine, handling volumes of up to 50,000 MT per month of log and wood chip for distribution variously into Turkey, Greece, Italy and Austria.

Nikofeso Group holds two ports facilities in Mykolaiv (on the River Dnieper, some 40 miles upstream from the Black Sea), facilities that are pivotal to the planned business expansion of the Group.

In the course of this financial year, shareholders should also expect to see further announcements of new Board appointments aimed at further strengthening your Board.

Conclusion

I appreciate that being a shareholder in AEG has not been easy, especially in the last 24 months or so. That said, Richard Spinks and his team in Ukraine have invested considerable effort in ensuring that the acquisition now being put to you has been thoroughly researched and put through a significant period of due diligence. Our Ukrainian team has been working alongside Matteo and his group over the last few months both to fully understand the dynamics of the business we seek to acquire and also to assess the scalability of the to-be-acquired operation.

I, too, have spent several months working to ensure that this Company is able to meet the expectations of all of our shareholders and be well-positioned to deliver a much-overdue recovery in AEG's fortunes.

I believe that the Acquisition and associated fundraising provide a viable and solid framework to achieve these goals, and, while it would be commercially naive to believe that the fulfilment of the business plan will be easy, or that there might not be some difficulties and setbacks, in essence the business we are looking to build is operationally not especially complex. We have already successfully sourced, processed, shipped and sold 11 cargoes over recent months while working in partnership with Nikofeso, and with the application of only very modest amounts of capital.

The Board plans to drive the Company through a period of rapid, but controlled, expansion and we will take such steps as may be necessary to ensure that our management team is both built and supported in such manner as is necessary to deliver that growth in a timely and effective manner.

Accordingly, and I speak for the entire Board, I commend the acquisition to you all.

I therefore ask for your support and look forward to meeting as many of you as possible who are able to attend the forthcoming General Meeting, notice of which is contained within the Shareholder Circular which will be available on the Company's website (www.active-energy-group.com) later today.

Colin Hill
Non-Executive Chairman

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 £	2011 £
REVENUE	2	230,710	-
Cost of sales		(150,567)	-
GROSS PROFIT		80,143	-
Release of deferred consideration		167,500	-
Administrative expenses		(977,098)	(647,863)
OPERATING LOSS		(729,455)	(647,863)
Finance income	3	3	16,698
Finance costs	3	(4,243)	(70,708)
LOSS BEFORE TAXATION	4	(733,695)	(701,873)
Income tax	5	37,828	-
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(695,867)	(701,873)
Loss from discontinued operations net of tax		(685,567)	(1,805,768)
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		(1,381,434)	(2,507,641)
Loss per share (pence) – basic and diluted	6	(0.58)	(1.47)
Loss per share (pence) - continuing operations basic and diluted	6	(0.29)	(0.41)

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 £	2011 £
LOSS FOR THE YEAR	**(1,381,434)**	**(2,507,641)**
OTHER COMPREHENSIVE INCOME:		
Exchange differences on translation of foreign operations	**(46,581)**	**-**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	**(1,428,015)**	**(2,507,641)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	2012	2011
		£	£
NON-CURRENT ASSETS			
Intangible assets	7	1,621,410	1,858,505
Property, plant and equipment		686	-
Other receivables		-	283,362
		1,622,096	2,141,867
CURRENT ASSETS			
Trade and other receivables		303,956	202,684
Cash and cash equivalents		158,004	998,586
		461,960	1,201,270
TOTAL ASSETS		2,084,056	3,343,137
CURRENT LIABILITIES			
Trade and other payables		212,137	157,371
Income tax liabilities		3,909	3,909
		216,046	161,280
NON-CURRENT LIABILITIES			
Deferred income tax liabilities		264,794	312,229
Contingent consideration		-	167,500
		264,794	479,729
TOTAL LIABILITIES		480,840	641,009
NET ASSETS		1,603,216	2,702,128
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital		2,373,522	2,366,090
Share premium		4,209,901	4,196,737
Merger reserve		940,000	940,000
Foreign exchange reserve		(46,581)	-
Employee benefit trust reserve		(94,420)	(94,420)
Convertible debt reserve		308,507	-
Retained earnings		(6,087,713)	(4,706,279)
TOTAL EQUITY		1,603,216	2,702,128

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012	2011
		£	£
Cash flows from operating activities	8	**(1,136,975)**	**(1,342,303)**
Finance costs paid		**4,243**	**70,708**
Finance income		**(3)**	**(16,698)**
Income tax		**(37,828)**	**(740)**
Cash outflow from operations		**(1,170,563)**	**(1,289,033)**
Income tax paid		**-**	**(12,847)**
Net cash outflow from operating activities		**(1,170,563)**	**(1,301,880)**
Cash flows from investing activities			
Purchase of intangible asset		**(224)**	**-**
Purchase of property, plant and equipment		**(1,317)**	**-**
Sale of property, plant and equipment		**1,417**	**-**
Interest received		**3**	**16,698**
Net cash flow on acquisition of subsidiaries		**-**	**820**
Net cash (outflow)/inflow from investing activities		**(121)**	**17,518**
Cash flows from financing activities			
Issue of equity share capital		**20,596**	**1,630,904**
Convertible loan from shareholder		**308,507**	**-**
Net cash inflow from financing activities		**329,103**	**1,630,904**
Net (decrease)/increase in cash and cash equivalents		**(841,581)**	**346,542**
Cash and cash equivalents at beginning of the year		**998,586**	**652,044**
Effect of exchange rate changes		**999**	**-**
Cash and cash equivalents at end of the year		**158,004**	**998,586**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital £	Share premium £	Merger reserve £	Foreign exchange reserve £	EBT reserve £	Convertible debt reserve £	Retained earnings £	Non-controlling interests £	Total equity £
At 1 January 2011	**1,122,090**	**3,203,333**	**-**	**-**	**(94,420)**	**-**	**(2,475,235)**	**(204,126)**	**1,551,642**
Loss and total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(2,507,641)**	**-**	**(2,507,641)**
Transfer of non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**(204,126)**	**204,126**	**-**
Issue of share capital	**1,244,000**	**1,163,750**	**1,253,250**	**-**	**-**	**-**	**-**	**-**	**3,661,000**
Share issue costs	**-**	**(170,346)**	**-**	**-**	**-**	**-**	**-**	**-**	**(170,346)**
Release of impairment of goodwill	**-**	**-**	**(313,250)**	**-**	**-**	**-**	**313,250**	**-**	**-**
Contingent consideration on acquisition	**-**	**-**	**-**	**-**	**-**	**-**	**37,408**	**-**	**37,408**
Share option expense	**-**	**-**	**-**	**-**	**-**	**-**	**130,065**	**-**	**130,065**
At 31 December 2011	**2,366,090**	**4,196,737**	**940,000**	**-**	**(94,420)**	**-**	**(4,706,279)**	**-**	**2,702,128**
At 1 January 2012	**2,366,090**	**4,196,737**	**940,000**	**-**	**(94,420)**	**-**	**(4,706,279)**	**-**	**2,702,128**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(1,381,434)**	**-**	**(1,381,434)**
Other comprehensive income	**-**	**-**	**-**	**(46,581)**	**-**	**-**	**-**	**-**	**(46,581)**
Total comprehensive loss for the year	**-**	**-**	**-**	**(46,581)**	**-**	**-**	**(1,381,434)**	**-**	**(1,428,015)**
Issue of share capital	**7,432**	**13,164**	**-**	**-**	**-**	**-**	**-**	**-**	**20,596**
Issue of convertible loan	**-**	**-**	**-**	**-**	**-**	**308,507**	**-**	**-**	**308,507**
At 31 December 2012	**2,373,522**	**4,209,901**	**940,000**	**(46,581)**	**(94,420)**	**308,507**	**(6,087,713)**	**-**	**1,603,216**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. ACCOUNTING POLICIES

Basis of preparation

The financial information set out above does not comprise the Company's statutory accounts for the periods ended 31 December 2012 or 31 December 2011. Statutory accounts for 31 December 2011 have been delivered to the Registrar of Companies and those for 31 December 2012 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their report was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis of matter without qualifying their report and did not contain statements under section 498(2) or (3) of the Companies Act 2006 in respect of the accounts for 2012 or for 2011.

Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. The Group has made an operating loss from continuing operations for the year ended 31 December 2012.

As detailed in the Chairman's statement, the Company is intending on raising new funds to finance working capital requirements in respect of the enlarged Group. Management has prepared detailed cash flow forecasts for the existing business and the new venture, which indicate the need to provide working capital in the next 12 months. The Directors are confident that sufficient financing will be secured following shareholder approval of the proposed funding referred to in the Chairman's statement, however there can be no guarantee that approval will be obtained.

Due to the fact that approval of the funding will not occur until after these financial statements are signed, the Directors recognise that there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements continue to be prepared on a going concern basis

2. SEGMENTAL INFORMATION

As reported in the financial statements for the year ended 31 December 2011, during February 2012 the Directors took the decision to close the Group's Voltage Optimisation and Engineering divisions, the former in light of the challenges experienced in the Voltage Optimisation market and the latter following unsuccessful attempts to win substantial public sector contracts. The Group's Biomass division was, therefore, the only continuing business segment during the reporting period.

	2012 Voltage Optimisation £	2012 Engineering £	2012 Biomass £	2012 Total £
Total segment revenue	-	-	230,710	230,710
Inter segment revenue	-	-	-	-
Revenue from external customers	-	-	230,710	230,710
Operating loss	(310,530)	(375,037)	(105,520)	(791,087)
Finance income	-	-	3	3
Finance costs	-	-	(4,243)	(4,243)
Loss before tax	(310,530)	(375,037)	(109,760)	(795,327)
Tax credit	-	-	37,828	37,828
Loss for the period	(310,530)	(375,037)	(71,932)	(757,499)
Loss from continuing operations	-	-	(71,932)	(71,932)
Loss from discontinued operations	(310,530)	(375,037)	-	(685,567)

Other segmented items included in the income statement:

Release of contingent consideration	-	-	167,500	167,500
Depreciation and impairment on property plant and equipment	-	-	(631)	(631)
Amortisation of intangibles	-	-	(180,132)	(180,132)

Segmented assets and liabilities as at 31 December 2012 and capital expenditure for the period were:

	2012 Voltage Optimisation £	2012 Engineering £	2012 Biomass £	2012 Total £
Segment assets	30,258	17,778	1,870,337	1,918,373
Unallocated corporate assets				165,683
Consolidated total assets				2,084,056
Segment liabilities	(43,044)	(3,909)	(281,344)	(328,297)
Unallocated corporate liabilities				(152,543)
Consolidated total liabilities				(480,840)
Additions to non-current assets	-	-	1,541	1,541

	2011 Voltage Optimisation £	2011 Engineering £	2011 Biomass £	2011 Total £
Total segment revenue	856,598	-	-	856,598
Inter segment revenue	-	-	-	-
Revenue from external customers	856,598	-	-	856,598
Operating loss	(750,177)	(318,511)	-	(1,068,688)
Gain on business acquisition	-	-	1,368	1,368
Impairment of goodwill	(180,625)	(557,195)	-	(737,820)
(Loss)/profit before tax	(930,802)	(875,706)	1,368	(1,805,140)
Tax expense	-	740	-	740
(Loss)/profit for the period	(930,802)	(874,966)	1,368	(1,804,400)
Profit from continuing operations	-	-	1,368	1,368
Loss from discontinued operations	(930,802)	(874,966)	-	(1,805,768)

Other segmented items included in the income statement:

Depreciation and impairment on property plant and equipment	(52,635)	(510)	-	(53,145)

Segmented assets and liabilities as at 31 December 2011 and capital expenditure for the period were:

	2011 Voltage Optimisation £	2011 Engineering £	2011 Biomass £	2011 Total £
Segment assets	187,439	22,242	1,858,505	2,068,186
Unallocated corporate assets				1,274,951
Consolidated total assets				3,343,137
Segment liabilities	(54,267)	(2,393)	(479,729)	(536,389)
Unallocated corporate liabilities				(104,620)
Consolidated total liabilities				(641,009)
Additions to non-current assets	-	-	1,858,505	1,858,505

Reconciliation of reportable segment profit or loss, assets and liabilities to the Group's corresponding amounts are as follows:

	2012 £	2011 £
Total profit or loss from reportable segments	(71,932)	1,368
Share based payments	-	(157,565)
Unallocated amount - corporate expenses	(623,935)	(491,666)
Unallocated amount - finance income	-	16,698
Unallocated amount - finance expense	-	(70,708)
Loss from discontinued activities	(685,567)	(1,805,768)
Loss for the period	(1,381,434)	(2,507,641)

An analysis of revenue (by location of customer) is given below:

	2012 £	2011 £
Ukraine	230,710	-
UK	-	856,598
	230,710	856,598

In 2012, revenue of £219,409 was derived from one external customer.

An analysis of non-current assets by location of assets:

	2012	2011
	£	£
Thailand	-	283,362
Ukraine	1,622,096	1,858,505
	1,622,096	2,141,867

3. FINANCE INCOME AND COSTS

Group	2012 £	2011 £
Finance income		
Bank interest	3	1,698
Interest on other loans	-	15,000
Total finance income	3	16,698
Finance costs		
Imputed interest on convertible loan	4,243	-
Imputed interest on loan receivable	-	70,708
	4,243	70,708

4. LOSS BEFORE INCOME TAX

Group The loss before income tax is stated after charging/(crediting):	2012 £	2011 £
Operating leases - premises	12,860	54,520
Operating leases – vehicles	12,833	38,988
Amortisation of intangible assets	180,132	-
Depreciation – owned assets	631	16,387
Impairment of property, plant and equipment	-	38,672
Gain on business acquisition	-	(1,368)
Profit on disposal of fixed assets	(1,417)	-
Auditors' remuneration – parent company and consolidation	19,500	20,000
Auditors' remuneration – subsidiary audit	10,000	7,500
Auditors' remuneration – taxation services	2,450	6,950
Share based payments	-	157,565
Research and development expenditure	-	45,539

5. INCOME TAX

Group	2012 £	2011 £
Current tax		
Current tax on profits for the year	-	-
Deferred tax		
Reversal of temporary differences	(37,828)	-
Adjustments in respect of prior year	-	(740)
Total income tax credit	(37,828)	(740)

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2012	2011
	£	£
Loss on ordinary activities before tax	(1,419,262)	(2,508,381)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	(347,719)	(664,721)
Effects of:		
Expenses not deductible for tax purposes	-	266,180
Current year tax losses	303,587	384,327
Overseas tax rate difference from UK rate	6,304	-
Other temporary timing differences	-	14,214
Adjustments in respect of prior year	-	(740)
Total income tax credit	(37,828)	(740)

6. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the company of £1,381,434 (2011: £2,507,641) by the weighted average number of ordinary shares in issue during the year of 237,283,001 (2011: 170,869,190). The earnings per share for continuing operations is calculated by dividing the loss on continuing operations of £695,867 (2011: £701,873) by the weighted average number of ordinary shares in issue during the year of 237,283,001 (2011: 170,869,190).There is no dilutive effect of share options outstanding on earnings per share.

7. INTANGIBLE ASSETS

Group	Goodwill	Contractual relationships	Other	Total
Cost	**£**	**£**	**£**	**£**
At 1 January 2011	**180,625**	**-**	**-**	**180,625**
Acquired in business combination	**557,195**	**1,858,505**	**-**	**2,415,700**
Impairment charge recognised	**(737,820)**	**-**	**-**	**(737,820)**
At 31 December 2011	**-**	**1,858,505**	**-**	**1,858,505**
Additions	**-**	**-**	**224**	**224**
Foreign exchange adjustment	**-**	**(57,187)**	**-**	**(57,187)**
At 31 December 2012	**-**	**1,801,318**	**224**	**1,801,542**
Accumulated amortisation				
At 1 January 2011 and at 31 December 2011	**-**	**-**	**-**	**-**
Charge for year	**-**	**180,132**	**-**	**180,132**
At 31 December 2012	**-**	**180,132**	**-**	**180,132**
Net book value				
At 31 December 2012	**-**	**1,621,186**	**224**	**1,621,410**
At 31 December 2011	**-**	**1,858,505**	**-**	**1,858,505**

The remaining useful life on contractual relationships is assessed to be 9 years.

8. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH OUTFLOWS FROM OPERATING ACTIVITIES

Group	2012 £	2011 £
Loss for the period	**(1,381,434)**	**(2,507,641)**
Adjustments for:		
Share based payment expense	**-**	**157,565**
Depreciation	**631**	**16,387**
Amortisation of intangibles	**180,132**	**-**
Profit on sale of property, plant and equipment	**(1,417)**	**-**
Impairment of property and plant	**-**	**38,672**
Impairment of goodwill	**-**	**737,820**
Impairment of other receivables	**334,075**	**-**
Gain arising on business combination	**-**	**(1,368)**
Release of contingent consideration	**(167,500)**	**-**
	(1,035,513)	**(1,558,565)**
Decrease in inventories	**-**	**130,905**
(Increase)/decrease in receivables	**(151,984)**	**528,317**
Increase/(decrease) in payables	**50,522**	**(442,960)**
Net cash outflow from operating activities	**(1,136,975)**	**(1,342,303)**

9. AVAILABILITY OF REPORT AND ACCOUNTS

Copies of the Report and Accounts will be posted to shareholders today and will be available from the Company's registered office at 5th Floor, 15 Whitehall, London SW1A 2DD or on its website www.active-energy-group.com