

Acta

ANNUAL REPORT
AND ACCOUNTS 2008



The catalyst company
for a greener world

At the end of 2008 Dr Hubert Gasteiger left Acta to take up the position of visiting Professor at the Massachusetts Institute of Technology (MIT) in the USA. Hubert made a significant contribution to the knowledge and authority of our technical teams during his eighteen months with the Company, and helped to establish an effective technical workgroup management structure. Hubert has remained in touch with the team to give his continuing support, and we wish him the best for his new appointment.

A handwritten signature in black ink that reads "Paolo Bert". The signature is written in a cursive style with a long horizontal stroke at the end.

Paolo Bert
Chief Executive Officer

The key risks affecting the business of the Group are as follows:

Market Acceptance

The future revenues of the Group are dependent upon the development of sufficient markets for products incorporating the Group's catalyst technology and related products. If such markets fail to develop or develop more slowly than anticipated, the Group may be unable to recover the costs it will have incurred in the development of its products and may never achieve profitability or positive cash flow.

Dependence upon External Equipment Manufacturers

The Group is a component supplier and its commercial strategy is to supply its products and technology to external equipment manufacturers and industrial users. The Group's future revenues will depend upon its ability to develop partnerships with such manufacturers and to achieve technical acceptance of its products by them.

Supply Chain

The Group largely operates within new product areas in which supply chains are not fully established, and in which there are a limited number of suppliers of certain key components, such as alkaline membranes. The failure to establish relationships with key suppliers, or the failure of key suppliers to meet end user requirements in terms of performance, quality or cost, would adversely affect the future revenues of the Group.

Intellectual Property

The Group owns a portfolio of patents and patent applications. In the case of patent applications, it is possible that the scope of the claims may be narrowed during the process of examination. Patent applications may be refused completely and even if granted, it is possible for their scope to be further narrowed or for a patent to be fully or partially invalidated, as a result of a challenge by a third party. Unauthorised parties may attempt to copy or obtain and use the Group's technology for incorporation in their own products. Litigation may be necessary to enforce the Group's intellectual property rights and could result in losses to, and diversion of effort by, the Group with no guarantee of success. The Group protects aspects of its technology by way of trade secrets. Technology protected in this way only retains its commercial value for as long as it remains confidential and the disclosure of its trade secrets could have an adverse effect on the Group.

Technology

The Group's technology is new and therefore there are risks associated with the development, performance and the long-term operational life of the Group's products. These risks also apply to new product developments by the Group. There is also a risk that the Group's technology could be superseded by alternative technological solutions or other new products. In addition, the group is investing, through a subsidiary and supported by an external grant, in the development of a prototype direct ethanol fuel cell stack. There is no guarantee that a commercially viable product can be developed from this prototype that would recoup the investment made in its development.

Manufacturing

The Group currently supplies in sample volumes to its customers. To achieve commercial success, its products will need to be manufactured in large quantities, in compliance with regulatory and quality control requirements and at acceptable cost. There are risks associated with the scaling up of production to commercial volumes.

The Directors who held office at the end of the financial year had the following interests in the ordinary shares of the Company:

	Number of ordinary shares As at 31/12/07	<i>Percentage of issued ordinary shares As at 31/12/07</i>	Number of ordinary shares As at 31/12/08	<i>Percentage of issued ordinary shares As at 31/12/08</i>
Paolo Bert	17,203,022	44.1%	17,313,022	42.2%
Paul Barritt	35,000	0.1%	35,000	0.1%
Robert Drummond	Nil	Nil	20,000	0.0%
Geoffrey Bicknell	Nil	Nil	Nil	Nil
Marco Chiarion Casoni	103,035	0.3%	103,035	0.3%
Fabio Mastrangelo	Nil	Nil	Nil	Nil

Mr Bert owns 583,022 in his own name and is the 51% shareholder in Bertam Srl, which owns 16,730,000 shares in the Company. The remaining 49% of the Bertam shares are held by Mr Tampucci, co-founder of Acta with Mr Bert.

None of the Directors who held office at the end of the financial year, nor any of their immediate families and persons connected with them, has any other disclosable interest in the shares of the Company or of its subsidiaries except as disclosed above.

No rights to subscribe for shares in the Company or its subsidiaries were granted to any of the Directors or their immediate families and persons connected with them, or exercised by them, during the financial year except as indicated below:

	At 31/12/07 Number	Number Granted 2008	Number Exercised 2008	Number Lapsed 2008	At 31/12/08 Number
Paolo Bert	1,119,908	250,284	Nil	Nil	1,370,192
Toby Woolrych	776,631	159,395	Nil	Nil	936,026
Paul Barritt	156,987	138,534	Nil	Nil	295,521
Robert Drummond	60,301	48,487	Nil	Nil	108,788
Geoffrey Bicknell	43,072	34,634	Nil	Nil	77,706
Marco Chiarion Casoni	43,072	34,634	Nil	Nil	77,706
Fabio Mastrangelo	27,206	41,561	Nil	Nil	68,767

The options derive from the various Share Option Plans granted by the Company since 2005.

The options granted during 2008 have an exercise price of 40.0 pence sterling, and will vest following the announcement to the stock market of a six month statutory reporting period in profit ending no later than 31 December 2011.

The options granted during 2007 have an exercise price of 115.0 pence sterling, and will vest following the announcement to the stock market of a six month statutory reporting period in profit ending no later than 31 December 2010.

Cash flows from financing activities

Proceeds from issue of share capital	21	2,908	4,951
Proceeds from minority interest		0	149
Payment for share issue costs		(6)	(131)
Proceeds from borrowings	22	0	291
Repayment of borrowings		(17)	(16)
Payment of finance lease liabilities	24	(37)	(95)

Net cash inflow from financing activities

2,848

5,149

Net decrease in cash and cash equivalents**(1,517)** **(2,607)**

Cash and cash equivalents at the beginning of the financial year

4,442 7,049

Cash and cash equivalents at the end of the financial year

2,925

4,442



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