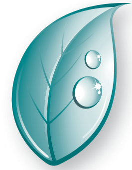
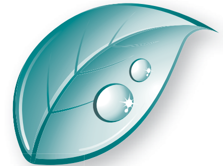
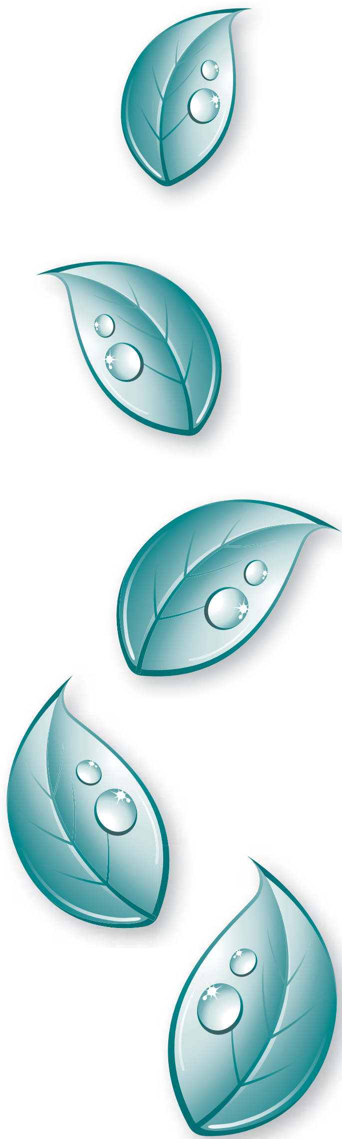
annual report 2009







annual report
2009

2009 Commercial Highlights

- Successful implementation of product strategy announced in 2008
- Launch of unique hydrogen generator with multiple commercial applications
- Launch of fuel cell power generator product range (100W to 1 KW)
- Trade show attendance and communications programme launched
- Operational restructuring from research to full commercialisation making goods progress
- Launch of Acta Energy products division
- Appointed key commercial and sales staff
- Supply chain and production capacity increasing to meet demand forecast
- Continued success in development contracts, R&D and grant activities
- Improvements in ammonia cracking catalyst for automotive applications
- Second stage development contract with Sumitomo and global manufacturer completed
- Joint development contract signed with Du Pont

2009 Financial Results

- Successful implementation of 2008 cost reduction programme
- Operating loss reduced by 23% to €4.2m (2008: €5.4m)
- FIT project grant income of €504k recognized in period (2008: Nil)
- Other grant income received for €273k (2008: €119k)
- Grant project applications submitted and approved for €174k (2008: €750k)
- Operating cash outflow,including grant receipts,reduced by 36% to €2.7m (2008: €4.2m)
- Year end cash of €3.6m (2008: €2.9m)

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Chairman's Statement

I am pleased to present the full year results for the year ended 31 December 2009 and to provide this statement on our commercial progress.

Overview

At the end of 2008 we outlined our programme to reduce costs and to focus on the development of products with near-term revenue opportunities. I am delighted to report our success in delivering this strategy, through which we have brought to market a unique hydrogen generator, a range of fuel cell power generators, a number of joint product development partnerships, and a rapidly growing commercial network of distributors. Our trade show programme, which began in November 2009, has generated high levels of commercial interest among distributors, OEM's and the general public, and our products have started to attract a great deal of publicity and media interest.

Also during 2009 we developed new commercial and technical partnerships to address the attractive opportunities available in the Italian solar panel installation sector, where we see long term market synergies with our core hydrogen generator product range. These developments have recently borne fruit with the creation of a new joint venture and the signing of a Preliminary Contract with a specialist Italian clean energy investment fund for the installation of large photovoltaic parks during 2010, with a potential contract value of up to €50 million. Further details of these developments are given in the Chief Executive's review.

One of the challenges of the last year has been to reengineer the business to manage new commercial and operational activities, and this process continues as we make ready for the full commercialisation of our products this year. Achieving this significant transition has required the utmost of our staff, and I thank them for their support and enthusiasm as we continue on this journey.

Financial Results

Our financial performance during 2009 showed a significant benefit from the actions taken in late 2008 to reduce our non-core cost base. Operating losses were reduced by €1.2 million to €4.2 million, a reduction of 22% from the losses of 2008.

While our revenues in the year were lower by €250,000, we were able to recognise grant income of €816,000 during the period (2008: €132,000), primarily in relation to the €2.1million FIT grant project that was completed in 2008. We continue to pursue new grant funded development projects where they fit within our technical development programme, and in 2009 we received approvals for new grants totalling €174,000.

Operating cash outflow, including grant receipts, fell by 36% to €2.8 million, resulting in cash balances of €3.6 million at the end of the year. While these funds are sufficient to fund the business at current cash utilisation rates until the middle of 2011, we are confident that the profits and cash flow generated from the rapid growth of our hydrogen products business, together with the photovoltaic joint venture, will be sufficient to carry the Company through to monthly profitability and positive cash flow for the first time during the second half of this year.

Outlook

We entered 2010 in confident mood, and this confidence has been validated by the rapid progress that we have made in the year to date.

As announced on 23 March 2010, we have entered the photovoltaic installation sector through a joint venture with one of Italy's leading PV installation companies, and a contract for a large scale PV installation programme with the renewable energy fund of a listed Italian investment bank. This new

initiative, developed over the last year, allows us to complete the renewable energy value chain from power generation, through energy conversion and storage, to utilisation in fuel cell products and applications, as well as bringing a substantial new revenue and cash generating activity to our business.

We will maintain careful financial management of the photovoltaic installation programme, while dedicating our main operational resources to the production and commercialisation of our unique hydrogen generator product range.

During the second quarter of 2010 we will continue to build out the commercial and operational structures of the business, and this will lead to the full commercialisation of our "hydrogen product line" by the middle of the year, and significant growth in our product revenue streams from the second half onwards.

Development partnerships to integrate our hydrogen generation technology into third party products, including UPS devices and fuel enrichment systems, will also be a key priority, and these partnerships are progressing well: they too will start to produce significant revenue streams by the end of the year, with rapid growth in 2011.

We look ahead to the current year with anticipation, and we will be keeping you informed of our commercial progress and project developments as we go through the year.

Robert Drummond
Chairman

Chief Executive's Review

Introduction

Our corporate focus has always been on the development of practical, economically viable technologies for the development of renewable energy resources, clean technology products, and environmentally friendly industrial applications. In 2009 we have made significant progress towards realising these goals, developing a range of products and projects that will see full realisation in 2010.

We believe that these products and projects make a meaningful contribution to addressing the problems of environmental sustainability, and that, as their full commercial potential is realised, we will be able to generate for the first time monthly profits during the second half of 2010, with significant growth thereafter and very significant value creation for our shareholders during this year and beyond.

Commercial Progress

2009 was a year of exciting commercial progress. We moved from the demonstration of our prototype hydrogen generator in February 2009, through completion of its technical development in the Summer, to commercial launch in November and first orders received by the year end. Commercial demand for this unique product, which generates clean, dry, compressed hydrogen from a compact, light weight, low cost unit, has been outstanding. We then developed a range of fuel cell products and applications (power generators, a fuel cell powered electric bicycle) to demonstrate the commercial feasibility of these applications when combined with our hydrogen generator, and also these products have met with significant commercial demand.

Our trade show and corporate communications programme has resulted in product enquiries, agency and distribution requests, and joint product development proposals from across the globe, covering many key and early adopter sectors: UPS systems (China, USA, Italy, Australia, Spain); light transport applications (Italy, Belgium); renewable energy storage, including energy independent homes (Japan, Italy); nautical accessories and power systems (Italy, France, Finland, Greece, Turkey, Belgium, New Zealand); camper van and other recreational vehicle systems (Italy); and onsite hydrogen gas generation and industrial electrolysers (Japan, Italy).

In addition, during the year we used our breakthrough technology to develop a small, low cost on-board automotive accessory capable of generating hydrogen for diesel engine fuel enrichment. This system enhances the combustion of diesel fuel in the engine, lowering carbon emissions and improving fuel economy. The unit was demonstrated at the Bologna International Motor Show in December 2009, and is currently undergoing live testing both by Acta and by a major truck manufacturer at their Italian testing facilities. With a payback period of less than one year from the fuel savings alone, this product has the potential to become a mass market automotive accessory that can be built into or retrofitted to any diesel truck or car.

Our catalyst development activities have continued to make good progress, in automotive and other industrial applications, although as was noted last year, commercial results will be seen from these developments only in the medium term. This is nonetheless an important area of activity for us, addressing very significant market opportunities which are described in more detail below. We will continue to defray the cost of these activities through grant funded projects and joint development contracts, and during 2009 we received grant funding approval for one project with a total project value of €2.1million and a grant income value for the Company of €174,000. In addition, we were awarded a joint development contract by DuPont Inc, the inventor and manufacturer of the Nafion™ membrane, for the US Dept of Defense, which focuses on the development of a new alkaline membrane for fuel cell applications, an area of strategic interest for our activities.

Product Pricing, Features and Benefits

The price and performance advantages of our low cost hydrogen generators against existing water electrolyser technologies have been a key aspect of their market demand. The EL100, which produces 100l/hr of hydrogen at 20 bar (pressure range up to 100 bar) with a purity of 99.98%, is priced at €2,800 excl VAT; while the EL500, currently under test and capable of producing 500l/hr, or 1kg per day, of hydrogen at up to 100 bar pressure with an enhanced purity of 99.998%, will be launched in mid-year at an expected price of €9,000.

What is so unique about these systems? First it is necessary to understand the three features that allow a water electrolyser to be viable as a recharger for fuel cell products. Firstly, it must produce hydrogen compressed at 15-25 bar: this is necessary for refilling metal hydride hydrogen storage cylinders (minimum of 15 bar required), and is essential for the energy density of the fuel cell system. Secondly, it must produce pure hydrogen: while some trace of water is permissible, there must be no residue of alkaline KOH, which is highly damaging to the acidic chemistry of the fuel cell. Thirdly it must be low cost, at a price that the market will sustain for the combined fuel cell product and recharger.

Acta's system is the only electrolyser on the market that offers this combination of features. Alternative systems are either alkaline, liquid electrolyte systems, or PEM membrane systems, but each of these lacks one or more of the essential features needed to be viable as fuel cell recharger.

Alkaline electrolyser systems use a liquid potassium hydroxide (KOH) electrolyte, and are complex, usually large and heavy systems. A 500 l/hr system, producing hydrogen at 15 bar maximum, will cost a minimum of €15,000. However, even after purification, trace levels of KOH will remain in the hydrogen, rendering it potentially damaging for fuel cell use (and inapplicable to high specification uses such as laboratory use). The size and weight, gas quality and entry cost of the system, render it un-competitive for domestic or small scale applications (they are typically used for large scale industrial or chemical applications).

PEM electrolysers, on the other hand, use no KOH, and are therefore usually chosen for high quality applications, such as laboratory, space or military (eg submarines). The technology is however very expensive, requiring high levels of noble metals, particularly platinum-iridium, and systems range from €5,000 for a low pressure, low capacity system (6 bar, 25 l/hr), to €75,000 for a high pressure, high capacity system (75 bar, 500 l/hr). The lack of compression and/or prohibitive price clearly makes such systems inapplicable as a consumer technology.

We believe that the price and performance specifications of our hydrogen generator will allow us to be the first mover into a new addressable market for small scale, distributed hydrogen generation systems, finally opening the market for consumer fuel cell products and applications.

Market Strategy

i) Hydrogen Generators

Our product strategy addresses a number of significant market opportunities. The first of these is the battery replacement market, particularly in the sectors of UPS, light transport applications, and portable power.

Each of these sectors is addressed by the fuel cell market, and by hydrogen-air fuel cells in particular. Hydrogen-air fuel cells are a fully developed and commercially available technology which offers a premium performance over battery technologies in terms of energy density and system longevity, and the Carbon Trust forecasts that the fuel cell sector will be worth $26 billion by 2020. The main reason why such systems are not already widely available is that their usage requires safe access to low cost, pure compressed hydrogen for refilling the system. While the lack of an accessible, cost effective hydrogen infrastructure has been recognised as a major hurdle for the adoption of fuel cell vehicles, it is equally true that consumer fuel cell products will struggle to reach mass market adoption until an accessible hydrogen infrastructure is in place.

We believe that our unique hydrogen generator directly addresses this problem of accessibility by delivering a low cost, "do-it-yourself" distributed hydrogen infrastructure. Our system is safe, low cost, easy to use, compact (the size of a desktop PC), and delivers clean, dry, compressed hydrogen that is ideal for refilling the hydrogen cylinders of fuel cell products. Nothing with a comparable technical performance or price is currently available on the market. The technical aspects of our unique system are described below.

During 2009 we developed and assembled a number of fuel cell applications to demonstrate the technical and commercial feasibility of these products, when combined with our hydrogen generator as a "recharger". The commercial response that we have received has been overwhelming, and has convinced us of the very substantial opportunity for our hydrogen generator products, to be distributed in tandem with fuel cell products and applications developed by ourselves or others.

ii) Onsite Hydrogen Generation

A second addressable market for our hydrogen generator is the market for onsite hydrogen gas generation. This market is more industrial in nature, including laboratory usage, light commercial applications such as jewellery production, and larger industrial applications. It is an existing market of approximately $200 million per annum, although we believe that this market is constrained by the economics and performance of current electrolyser systems: the entry level price for a high purity, compressed hydrogen electrolyser is currently such that, below a certain volume requirement, it is more cost-effective for users to buy hydrogen in cylinders, rather than to generate it on site.

By introducing our system, at a price well below the cheapest comparable systems currently available on the market, we believe that we can address a much larger market opportunity for small, on-site hydrogen generation systems. We are working with electrolyser manufacturers to address this opportunity first in Europe and then internationally, through the development of standalone generators and system units. We are also exploring large industrial electrolyser applications in Japan through our partners.

iii) Automotive Applications

The internal combustion engine (ICE) is a highly mature technology that delivers cheap, light, energy dense automotive power from burning hydrocarbon fuels. Despite the significant efforts being made by automotive companies, governments, and independent specialists, alternative technologies such as batteries, fuel cells, and hybrid vehicles remain far from competing with the ICE on an economic basis. The limitations of battery solutions (weight, energy density, durability, materials availabilities) mean that even major manufacturers engaged in the development of electric vehicles, such as Honda, continue to express doubts as to whether they will ever represent more than a niche product. Fuel cell solutions, on the other hand, continue to struggle with the cost and impracticality of establishing a nationwide hydrogen distribution infrastructure.

Our approach, developed over the last three years, has been that it is not the engine that is the problem, but rather it is the choice of fuel. What is required to solve the "Big Transport" problem is an ICE that runs on a non-hydrocarbon fuel.

Such a solution has in fact been available since the early 1930's in the form of an internal combustion engine running on ammonia, and was used during the second world war, for example in Belgium, to fuel the provincial bus fleet in the absence of petroleum supplies. Ammonia is carbon free (NH3), and at full combustion produces only nitrogen and water as exhaust gases.

It can be produced from renewable resources, is liquid under modest pressure (9 bar), has a very high hydrogen content (higher than liquid hydrogen itself), has a good safety record (safer in use than gasoline), and is produced and distributed on a mass global scale. And the world's leading producers are China and India, two nations with underdeveloped petroleum infrastructure and booming automotive demand.

In order to accelerate the combustion rate of ammonia in an ICE, the ammonia needs to be enriched with hydrogen. Our strategy in this area has been to develop a noble metal free catalyst that can crack ammonia on board in an energy efficient way, in order to release the hydrogen needed for effective combustion of the ammonia fuel in the engine.

During 2009 we have advanced the performance of our ammonia cracking catalysts so that they are able to decompose ammonia entirely at a temperature that is comparable with commercial ruthenium catalysts, but with no ruthenium or other precious metal content (a mass market application of this type cannot become commercially viable if based on ruthenium or similar noble metal catalysts); and we have obtained approval for a grant-funded project to develop this technology as a range extender for a Piaggio Porter electric urban vehicle.

We are hopeful that this demonstration project will lead to further engagement with major automotive manufacturers, and that the ammonia internal combustion engine may become part of the solution to the world's need for a viable, carbon-free automotive power system.

Photovoltaic Installation Projects

During 2009 we have pursued partnerships and opportunities within the Italian photovoltaic (PV) installation sector, and these efforts have recently culminated in announcement, on 23 March 2010, of the SolGen joint venture and PV installation programme, with a potential value of up to €50 million.

This area of our business is strategic to us for two key reasons. Firstly, it is highly complementary with our hydrogen generator technology, which, for a low cost electrolyser with no noble metals, is unique in being able to produce compressed hydrogen running from intermittent renewable power sources such as photovoltaics. By incorporating the ability to offer solar panel installations, we can therefore complete the renewable energy value chain from power generation, through energy conversion and storage (in the form of hydrogen), to stationary, mobile or portable fuel cell products and applications.

Utility scale, commercial and domestic PV panel installations can all benefit from the facility to convert surplus energy production into hydrogen for storage, to be recovered later either through reconversion in a fuel cell for feeding back into the power grid, or through use of the hydrogen for mobile or portable power products (eg light electric vehicles), or for heating or other applications (eg hydrogen fuelled vehicles). It is significant that our development of this technology began two years ago from the request of Enel, Italy's electricity utility company, to develop a technology for storing renewable energy as hydrogen; and we have received several requests for the development of solutions combining PV panels with hydrogen generation and fuel cell applications (gas station power systems, city bike-sharing schemes incorporating fuel cell e-bikes, hydrogen generation, and PV panels located on the roof of the bike parking bay, etc). We believe that the technical capabilities of our hydrogen generator make us uniquely positioned to be able to offer such a range of compatible clean energy technologies.

The second strategic benefit of the joint venture is that by entering the fast-growing Italian PV installation market we will start generating significant revenues within the short term. We have sought to minimise operational risks on these projects through our choice of partners with specialist technical, legal and project support experience. The cash exposure on the programme will remain well within our financing capabilities. The investment period of each single project is short (approximately four months), and from our planning we believe that the

funds generated from our growing hydrogen product sales, together with the PV installation programme, will be sufficient to carry the Company through to profitability on a monthly basis during the second half of 2010.

2010 will be a year of great activity in the Italian PV market, where high feed-in tariff rates have combined with low component costs and continued availability of prime sites (southern Italy benefits from one of the highest incidence rates of sunshine in Europe) to create an ideal investment environment. We are addressing this opportunity through SolGen, a 50%-50% joint venture with Fedi Impianti S.r.l., one of Italy's largest and most highly reputed specialist PV installation companies. Acta will contribute commercial management, technical consultancy and short term working capital, together with financial and administrative control of the new operations, while Fedi Impianti will be responsible for managing the installation projects and the operational aspects of the joint venture's activities.

Acta has recently signed a Preliminary Contract with SPF Energy S.p.A., a renewable energy investment fund created and managed by Sopaf S.p.A., an independent Italian investment bank listed on the Milan stock exchange. The Preliminary Contract agrees to the development, installation and sale to SPF of large scale photovoltaic parks within Italy during 2010; and subject to satisfactory market conditions the programme is expected to continue into 2011 and thereafter. The total contract value is estimated to be in the region of €50 million, subject to the joint venture being able to secure and deliver the installed capacity requested by SPF. The first phase of this contract, incorporating three installation projects, has been approved subject to final contracts with an aggregate value of €8.8 million, and installation is expected to commence within the next two months.

The full value of these initial projects is expected to be recognised in the revenues of the joint venture company within 2010. 50% of the revenues, costs and profits generated by the joint venture will be recognised simultaneously by Acta. Additional projects will be added under the terms of the Preliminary Contract as they complete their authorisation procedures and due diligence requirements over the coming months, and further project negotiations are in progress with other potential institutional and large corporate clients.

Technical Review

During 2009 we filed seven new patent applications, incorporating four new areas of invention and three PCT extensions. This brings our patent portfolio to a total of 43 patent applications covering 28 areas of invention.

The key focus of our technical development during the year was to take our hydrogen generator from demonstrator to finished product. A key milestone in this process was the development of a unique membrane technology that allows us to run our electrolyser with water on the oxygen side of the electrolyser membrane only. This extraordinary breakthrough allows hydrogen to be generated from the dry side of the membrane, and therefore to be produced already dry, clean, pure (99.98% in its raw form, or 99.998% with a simple additional dryer component) and under pressure (up to 100 bar of differential pressure).

This approach allows enormous improvements to be achieved in the cost, complexity and energy efficiency of the system: none of the usual balance of plant for drying, cleaning and compression of the gas is required. Aside from the significant cost and energy savings, this also allows the entire system to be compact, with a footprint no larger than a typical desktop PC for a domestic 100 lt/hr model. Furthermore, as it has been designed to be a membrane-based system capable of maintaining differential pressure between the hydrogen side and the oxygen side, the oxygen that is produced can be safely vented to the atmosphere.

This feature not only increases the safety of the system (since the hydrogen and oxygen are never held within the system at the potentially dangerous ratio of two to one), but also allows the unit to be switched on and off safely and repeatedly without needing to control the relative gas pressures. It is this safety feature which allows the unit, uniquely at its price, to be both compatible with an intermittent renewable energy input and safe for consumer applications.

The 100l/hr version of this product has completed the CE certification and will be on general sale through our distributors, with a two-year performance warranty, from the second quarter of 2010 onwards. A 500l/hr model is currently undergoing testing, and is expected to be certified and available for sale under warranty by the middle of the year, while larger units are now under development.

Also during 2009 we have developed a range of fuel cell power generators, from 100W up to 1KW. These products will primarily be sold through system integrators (eg for UPS systems, electric bikes and other light transport applications, electric outboard motors, onboard power systems for the nautical and RV sectors etc), rather than as standalone end user devices, although even in this area the level of end user demand has been higher than we had anticipated.

Our catalyst developments and other technical applications continued to make progress, particularly in relation to ammonia cracking, where the performance of our non-noble metal catalyst has proven superior to commercially available ammonia cracking catalysts based on ruthenium (an expensive and very rare platinum group metal typically used for ammonia catalyst applications).

Operational Review

Acta is currently managing the transition from a research company to an operating, commercial business. This transition has required us to review our resources and facilities, to ensure that they are appropriate to the business that we are becoming, and to make changes where necessary. In particular, this has meant a reduction in the number of chemical research staff in our team, and an increase in commercial staff, engineering staff and production staff and facilities.

Among these new recruitments has been Mr Davide Casetti, whom we appointed as Commercial Director and General Manager of the Acta Energy business division in October 2009, after acting as consultant to the Company since June 2009. Davide brings an impressive track record in the international development of medium-sized Italian product businesses, together with valuable experience and relationships in the photovoltaic sector, and we are very pleased to have him heading up our new commercial activities.

The capital investment requirements of our production facilities remain low, due to our production strategy based on external component manufacture and internal product assembly and quality control. We believe that this strategy will allow us to maintain operational flexibility, low overheads and strong product quality management, as we grow our operations. As critical mass is achieved, we intend to manufacture in volume through subcontract manufacturers, to allow speed of growth and lower capital intensity for our business, while retaining the inhouse production of the critical system elements of membrane, electrode and stack construction.

In the current year, as well as further strengthening our commercial team, we have increased our resources in the areas of engineering and production management through the recruitment of Dr. Claudio Mannucci (Ing.) and a small team of specialist electronic and mechanical engineers.

We are rolling out our products to our distributors and development partners as each product reaches certification. By the end of the year we expect to have in place an internal production capacity for 100 units per month, an operating platform which will be increased thereafter to meet customer demand.

Paolo Bert
Chief Executive Officer

Chief Financial Officer's Review

Acta's financial performance during 2009 has benefitted substantially from the cost reduction programme put in place at the end of 2008. The principal elements of this programme included the reduction of non-core costs, including external support activities and professional fees, together with the realignment of staffing resources to equip the business for its new activities.

A reduction in revenues to €371,000 (2008: €625,000), arising from a lower level of development contract activity, was more than offset by a like-for-like cost reduction of €1.2 million, representing 22% of our 2008 cost base. The benefits of these lower baseline costs will continue into 2010, as we expand again into our new operational activities.

Total grant income of €816,000 was recognised during the year (2008: €132,000), of which €504,000 related to the recognition of grant contribution for the second and third phases of the €2.1 million FIT Lombardia grant project, which was completed in late 2008 (2008: Nil). These funds are expected to be received during 2010. Also recognised as grant contribution was a benefit of €42,000 (2008: €13,000) in relation to low interest financing for the FIT project. In addition, an Italian government grant of €213,000 (2008: Nil) was awarded during the year against prior research costs, and this amount was cashed during the year. Finally, a European grant for the WelTemp project, which we continued to work on during the year, was received and recognised for €57,000 (2008: €119,000).

This aggregate increase in grant income was offset by an exceptional increase of €513,000 in non-cash amortisation costs, relating to the write-off of capitalised costs on a part of the Group's patent portfolio, following an impairment review.

As a result of these movements, net overheads fell by €1.5 million to €4.6 million (2008: €6.1 million), with key savings being achieved in personnel costs (including share option costs), external professional fees, and external research costs. The loss from operations was substantially reduced, falling by €1.2 million (22%) to €4.2 million (2008: €5.4 million).

At the end of 2008 we also took care to reduce our capital expenditure programme, in order to conserve cash while we repositioned the business. As a result, capital investments during 2009 fell to €140,000, including investment in patents (2008: €397,000). We expect capital expenditure to rise again in the current year, as we equip our production facilities for volume production, although total investments will remain modest.

Net cash outflow, excluding receipts from the disposal of available-for-sale investments, was €2.8 million, a reduction of €1.6 million (36%) from comparable net cash outflow in 2008 (2008: €4.4 million net cash outflow excluding capital increase). This result benefitted from the receipt of €757,000 in long term, low interest bearing loans in relation to the FIT Lombardia grant project (2008: Nil). Cash reserves at the end of the year amounted to €3.6 million.

The savings achieved in 2009 in costs and cash flow have been key to preserving the Company's cash during the transitional phase of last year, and to reducing our underlying cost base ahead of our expansion into our new commercial activities this year. We are conscious that this prudence needs to be balanced with the needs of the business for investment in these new activities, including investments in staff, promotional activities, product development, production facilities, and operational working capital. We will continue to monitor these requirements carefully, and to manage the growth of the business during 2010 and 2011 from existing cash resources.

Paul Barritt
Chief Financial Officer

Outlook

We expect 2010 to be an exciting and challenging year for the Company, as we balance the priorities of our product commercialisation and photovoltaic installation programmes against the careful management of our cash.

Our operational focus will remain on building out our product portfolio, including standalone hydrogen generator and power generator products, as well as distributorships and system integration partnerships in UPS systems, light mobility, power independent homes, fuel enrichment systems, and nautical and RV systems. We see a very significant commercial opportunity arising from these products this year and into 2011. We will continue to expand our commercial team and promotional activities, and will steadily increase our production capacity during the year in response to our commercial progress and market demand.

Through our joint venture company SolGen we will undertake a programme of solar panel installation projects, while remaining prudently within the limits of our financial and management resources. The operational aspects of these projects will be managed by our experienced partner, Fedi Impianti, while our role will be in commercial management, technical consultancy and working capital financing, together with financial and administrative control of the venture. We expect this programme to bring a significant benefit to our financial performance and cash resources during this year and next, while completing our strategic positioning within the renewable energy value chain.

We will continue to invest in scientific research and development, in particular in relation to ammonia cracking catalysts, through grant funded projects and joint development contracts. We believe that these developments have the potential to address very substantial markets in the medium to long term.

We believe that the Company will become profitable and cash generative on a monthly basis for the first time during the second half of this year, and will continue to see rapid growth into 2011 and thereafter. We look forward to keeping our shareholders informed of our progress during this exciting period, and to sharing with them the benefits of our success.

Board of Directors

ROBERT DRUMMOND

Non-Executive Chairman

Aged 64. Robert has had a successful career in venture capital and is very experienced in guiding young companies through their early growth phases. He has been Managing Director of NatWest Ventures and Grosvenor Capital and was Chairman of the British Venture Capital Association. He is now Chairman of Chrysalis VCT. He is a chartered accountant.

PAOLO BERT

Chief Executive Officer

Aged 63. Paolo Bert is co-founder and Chief Executive Officer of Acta SpA. Following entrepreneurial success in the field of the plastic materials extrusion, since 2000 he has focused his interest on renewable energy and waste water treatment. In 2002 he financed a research project into membranes and catalysts for fuel cells, resulting in a family of novel catalysts branded HYPERMEC. In 2004 this technology was transferred into Acta SpA, which Mr Bert took public on the London Stock Exchange's AIM market in 2005. Mr Bert has filed more than twenty patents and he has attended numerous international conferences as a speaker.

PAUL BARRITT

Chief Financial Officer

Aged 48. Paul joined Acta as Non-executive director in 2005 and as CFO in May 2006. He has acted as a key adviser to the company since 2003, providing business, financial and strategic consultancy advice. Previously, Paul was a senior consultant to Market Capital Italia, an independent advisory firm which initiated the first Italian IPO on AIM. He has an in depth knowledge of corporate finance in both the UK and Italian markets. Paul graduated from Oxford University in 1985.

FABIO MASTRANGELO

Non–Executive Director

Aged 49. Fabio is an Italian chartered accountant and auditor. After training with KPMG he joined Studio Mastrangelo. He has held professorships at the University of Roma Tre and at the Italian Tax Police School. He has been a member of the Council of Rome Chartered Accountants and Chairman of the Income Tax Commission. He is Chairman of the audit committees of several major Italian companies, including the Italian subsidiaries of multinational public companies.

MARCO CHIARION CASONI

Non–Executive Director

Aged 48. Marco qualified as an Italian chartered accountant in 1986. He worked as a management consultant with Studio Ambrosetti and an Italian partner of McKinsey and Co. In 1998 he founded Studio Casoni & Associati. In 2005 Marco provided extensive consultancy support to Acta as it established its infrastructure and systems and in January 2006 he was appointed as Non-executive Director.

Directors' Report

The Directors present their Directors' Report and the Consolidated Financial Statements for the year ended 31 December 2009.

Principal activity

The Acta Group (the "Group") is comprised of Acta S.p.A. ("Acta" or the "Company"), which was incorporated on 28 June 2004, and its subsidiary companies Idea Lab S.r.l. ("Idea Lab") and Acta Catalysts Ltd ("Acta Catalysts"). The principal activity of the Group during the year was the research, development and commercialisation of innovative products for renewable energy, carbon-free motoring and battery applications. The Group's activity is carried out based on its intellectual property portfolio, which amounted to 43 patent applications as at the end of 2009.

Revenues from the sales of samples of catalysts and catalysed electrodes amounted to €41,000 during the year, compared to €39,000 during 2008, while revenues from research and development fees amounted to €330,000 (€586,000 in 2008). Revenues from research and development activities relate for €245,000 to the second phase of the Group's commercial contract which was signed on 30 October 2008 with Sumitomo Corporation (the Group's distribution partner in Asia) and with a major Asian manufacturer. The remaining revenues arose from the research contract signed with Dupont Inc. and with several important US universities concerning the development of catalysts for the United States Department of Defence. The contract has a value of $280,000 and a duration of twelve months, with the possibility to be extended for another year which could provide further revenues and advantages for the Group.

During 2009 interest grew significantly in Acta's water electrolyser technology. Furthermore a new division, Acta Energy, was created, focusing on the promotion and commercialisation of products based on this new technology. During the second part of the year the Company attended as exhibitor many international trade fairs, where the Group's products attracted substantial commercial interest, and in demonstration of this, in February 2010, the EL100 electrolyser won the Qualitech Award for innovation at the Seatec fair in Carrara (nautical equipment).

Research and development activities continued to progress as well, with the filing of 7 new patent applications, including three international patent extensions. This brings the total number of applications in progress to 43, covering 28 separate areas of invention.

Considering that the Group has not yet started to generate cash and that the loss in 2009 was still significant, the Directors undertook an impairment test on the patent portfolio (as well as on land and buildings, as described hereafter), which showed an impairment of €513,000. Concerning the remaining values recorded in the financial statement for patents (€227,000) the Directors believe that the Group will be able to recover the value of those assets from the cash flow generated by the sales of products based on patented technologies which will be marketed in the medium term.

Review of the business and future developments

A detailed account of the Group's progress during the year and its future prospects is set out in the Chairman's Statement, the Chief Executive's Review and the Chief Financial Officer's Review, presented in the 2009 annual report.

Results for the financial year

The results for the financial year are set out on page 31.

Principal risks and uncertainties

The management of the business and the implementation of the Group's strategy are subject to a number of risks. These risks are reviewed by the Board on a regular basis, and appropriate measures

are taken to the extent practicable to monitor, control and mitigate against them. The key risks affecting the business of the Group are as follows:

Market Acceptance

The future product revenues of the Group are dependent upon the development of sufficient markets for products incorporating the Group's 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's strategy is in part to supply its products and technology to external equipment manufacturers and industrial users. The Group's future revenues will therefore depend partly upon its ability to develop strong partnerships with such manufacturers and to achieve technical acceptance of its products by them.

Photovoltaic Installation Projects

The Group is involved in the development of photovoltaic installation authorisations, the sale of turn-key installed projects to institutional and other investors, and the installation of such projects under contract. Legal uncertainty or administrative delays may affect the outcome or timing of authorisation approvals in progress or investor due diligence prior to the commencement of such projects; and the completion of project installation work may be subject to additional costs or unforeseen delays. Failure to complete project authorisations and approvals when expected, and delays or cost over-runs on installation work, would adversely affect the financial condition of the Group.

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 and maintain strong 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.

Manufacturing
The Group currently supplies in small 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.

Competition
The Group's competitors and potential competitors include major energy, utility, chemical, electronic and other companies who have substantially greater resources than those of the Group. Competitors and potential competitors may develop products that are less costly and/or more effective than the products of the Group or which may make those of the Group obsolete or uncompetitive.

Dependence upon Key Executives and Staff
The future success of the Group will depend upon the expertise and continued service of certain key personnel, and on the Group's ability to attract and retain suitable personnel in the future. If the Group fails to attract and retain key personnel, it may be difficult for the Group to manage its business and meet its objectives.

Financing
While the Directors believe that the Group has adequate resources to continue in operation until at least the beginning of 2011, and will become profitable and cash generating in the short to medium term, the Group may need to raise additional financing before profitability is achieved. Adverse market conditions prevailing at that time may affect the availability or cost of such financing.

Attention is drawn to Note 30 regarding the management of risks relating to financial assets, credit and liquidity.

Growth Management
In order to grow the business significantly there may need to be substantial investment in managerial, operational, and manufacturing resources, together with the development of enhanced information systems and controls. There is a risk that future growth will be constrained by insufficient resources.

Future Litigation
The Group's business and operations may be adversely affected by litigation arising from product liability, environmental harm, intellectual property infringement, contractual disputes and other events. Any liability arising from such claims could result in substantial damages, and could adversely affect the perception of the Group or its products, which may materially impact upon its financial condition and operating results.

Directors and Directors' interests

The Directors who held office during the year were as follows:
Paolo Bert – Executive Director
Paul Barritt – Executive Director
Robert Drummond – Non-Executive Director
Marco Chiarion Casoni – Non-Executive Director
Fabio Mastrangelo – Non-Executive Director
Geoffrey Bicknell (resigned 28 January 2009) – Non-Executive Director

Directors' remuneration

The Directors' remuneration during the year was as follows:

	31/12/ 2009 €'000					31/12/ 2008 €'000				
	Salary	Share options	Benefits	Bonus	**Total**	Salary	Share options	Benefits	Bonus	**Total**
Paolo Bert	296	23	4	0	**323**	287	159	4	140	**582**
Toby Woolrych						107	195	3	88	**392**
Paul Barritt	177	13	3	71	**264**	159	18	3	77	**257**
Robert Drummond	61	4	0	0	**65**	52	7	0	0	**59**
Geoffrey Bicknell	26	15	0	0	**41**	40	5	0	0	**45**
Marco Chiarion Casoni	43	3	0	0	**46**	40	5	0	0	**45**
Fabio Mastrangelo	56	4	0	0	**60**	49	3	0	0	**52**
Total	**659**	**62**	**7**	**71**	**799**	**734**	**392**	**10**	**305**	**1,441**

The total Directors' remuneration for 2009 shown above is less than that disclosed in Note 6 by €24,000 because the table above indicates the bonus and benefits received by the Directors during 2009 while Note 6 includes instead a provision for the 2009 bonus and benefits payable in 2010. The table also does not include costs for pensions of Directors, incurred in 2009 but paid in 2010, in accordance with the resolution of the Board of March 2008, nor the difference in stock option costs arising from the reversal of options which can no longer be exercised.

In addition to the above-mentioned remuneration, in 2008 Mr. Marco Chiaron Casoni received €46,000 for administrative and financial advisory services (2009: Nil).

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 31/12/09**	*Percentage of issued ordinary shares* **As at 31/12/09**	**Number of ordinary shares** **As at 31/12/08**	*Percentage of issued ordinary shares* **As at 31/12/08**
Paolo Bert	17,313,022	42.2%	17,313,022	42.2%
Paul Barritt	35,000	0.1%	35,000	0.1%
Robert Drummond	20,000	Nil	20,000	0.0%
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 31/12/08 Number	**Number Granted 2009**	**Number Exercised 2009**	**Number Lapsed 2009**	**At 31/12/09 Number**
Paolo Bert	1,370,192	600,838	Nil	311,266	1,659,764
Paul Barritt	295,521	335,129	Nil	156,987	473,663
Robert Drummond	108,788	116,285	Nil	60,301	164,788
Marco Chiarion Casoni	77,706	83,088	Nil	43,072	117,722
Fabio Mastrangelo	68,767	81,880	Nil	27,206	123,767

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

The options granted during 2009 have an exercise price of 10.0 pence sterling, and can be exercised starting from 25 June 2011.

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 Board, on the recommendation of the Remuneration Committee, is able to extend the vesting period of the options or to allow them to vest, if it reasonably considers that the Group has achieved significant progress in increasing shareholder value over the period, measured in terms of commercial progress, entry into new markets, and the prevailing share price.

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

In view of the trading losses expected for 2010, the Board has determined that it no longer considers it likely that the vesting conditions for the 2007 Option Scheme will be met, and the costs of the scheme recorded in the financial statements to date have therefore been reversed. See Note 20 for further details.

The options granted during 2006 have an exercise price of 150.5 pence sterling and can be exercised following the announcement to the stock market of a six month statutory reporting period in profit ending no later than 31 December 2009. The cost of the scheme recorded in the financial statement have been reversed in 2008, as the vesting conditions were not likely to be met.

Paolo Bert was granted an option on 30 September 2005 to purchase 808,642 ordinary shares of the Group at an exercise price of €0.81 per share, from 30 September 2008 until 30 September 2010. The exercise price of the options granted was converted from €0.81 to 56.0 pence sterling at the Annual General Meeting held on 28 June 2006.

Directors' indemnity provisions

The Group has entered into a standard commercial insurance arrangement whereby the Directors and employees of the Company may be indemnified in respect of matters relating to the admission of the Company to the London AIM market and the normal management and operation of the Group.

Substantial shareholdings

At 24 March 2010 the Directors have been notified of the following shareholdings of 3% or more of the 40,995,126 ordinary shares of the Company.

	Number of ordinary shares	***Percentage of issued ordinary shares***
Bertam S.r.l.	16,730,000	40.8%
Sumitomo Corporation (including Sumitomo Deutschland)	4,000,000	9.8%
HSBC Global Custody Nominee (UK) Limited	2,249,301	5.5%
CREDIT SUISSE CLIENT Nominees (UK) Limited	1,962,000	4.8%
JM Finn Nominees Limited	1,833,544	4.5%
Lynchwood Nominees Limited	1,648,961	4.0%

As noted above, Mr Bert and Mr Tampucci are indirect owners of 16,730,000 (40.8%) shares in the Company through Bertam Srl, and in addition Mr Bert owns 583,022 (1.4%) shares in the Company in his own name.

The Company does not hold its own shares.

Policy and practice on payment of creditors

It is the Group's policy to fix the terms of payment with suppliers when agreeing the terms of each transaction, according to its nature, and to abide by these terms of payment.

Political and charitable contributions

The Group made no political or charitable contributions during the year.

Employees

The Group's employment policies are designed to provide equal opportunities irrespective of colour, ethnic or national origin, sex, sexual preference or mental or physical ability. Full consideration is given to the employment, training and career development of disabled persons and persons who become disabled.

Environment

The management of the activities, in addition to the application of the current regulations on the environmental profile of the Group, is subject to a series of risks that are regularly monitored by the Board. The Board undertakes suitable measures, to the degree possible, intended to verify, manage and mitigate such risks.

Corporate Governance

The Directors have reviewed the requirements of the Combined Code and comply with its principles where possible given the size and stage of development of the Group. This is discussed in detail in the Corporate Governance report on page 26.

Going Concern

The consolidated financial statements have been prepared on a going concern basis. In 2009, as in previous years, the Group has not generated sufficient revenue to cover its operating costs, and has incurred significant losses and cash outflow from operating activities, and has reduced cash resources (namely cash and cash equivalents, together with financial investments available for sale). A significant loss and consequent cash outflow is expected in 2010 as well based on current estimates.

The continuation of losses represent an "impairment indicator" and consequently as indicated in Notes 11 and 12 the Group has undertaken an impairment test for the tangible assets, for the fixed life intangible assets, and for the investments in subsidiaries.

The Directors believe that the Group will begin to generate profit and cash by the end of 2010 and will continue to do so thereafter from the sale of its products and the implementation of a programme to supply large scale photovoltaic installations to institutional customers. To undertake this programme the Group has formed in 2010 a joint venture, SolGen, together with a leading Italian photovoltaic installation supplier, and on 19 March 2010 has signed a Preliminary Contract to supply photovoltaic installations during 2010 to a renewable energy investment fund. These installations, if fully implemented, would generate significant revenues for the joint venture company, of which 50% would be recognized in the financial statements of the Group. The development of this contract is proceeding in a satisfactory manner in the year to date.

This new Group activity is estimated to be subject to risk in a number of areas, including but not limited to the ability of the Group to source and obtain authorisation for suitable projects; the Group's ability to complete the installation of projects to an adequate standard; the risk of incurring financial penalties for late completion; dependency upon the expertise and performance of the Group's joint venture partner; dependency upon the adequate supply and performance of project materials and equipment; dependency upon key management staff and external advisors involved in the project; risk of delay in project implementation arising in relation to authorisations, approvals or other administrative procedures; and the risk that such delays or other problems could adversely impact the profitability of or delay the receipt of stage payments in relation to such projects.

On 24 March 2010 the Board of Directors approved the three-year plan 2010-2012 which foresees the generation of cash flow from the above photovoltaic project. Nevertheless there is uncertainty about whether the profitability and/or the generation of cash flow from these projects could be lower than expected by the Board or could be delayed.

Despite the cash outflow during 2009 described above, which has continued also in the early months on 2010, the Directors believe, after having carefully reviewed the project risks and available risk mitigation, that, should the generation of cash flow arising from the photovoltaic installation project be delayed, the Group has adequate financial and management resources, as well as overdraft facilities available and not used, to cover the financial and liquidity needs for at least 12 months starting from 1 January 2010. As of 31 December 2009 cash and cash equivalents, together with financial investments available for sale amounted to €3,579,000 (2008: €6,445,000).

In relation to such facilities it is noted that the Group has recently obtained an overdraft facility of €500,000 from a prime bank, and that further grant contributions currently under negotiation may be obtained, with consequent benefits to the cash flow, as well as a possible strengthening of the Group's financial position through new debt financing. Although at present these opportunities have not yet been finalised, such initiatives support the Directors' reasonable expectation regarding the adequacy of the Group's financial resources to carry the Group through to the end of the start-up phase.

Furthermore, the Directors believe that the Group will become profitable and cash generating in the medium term, following the current start-up phase of the Group, thanks to the commercialisation of its patented technology and the full development of the photovoltaic project.

Subsequent Events

On 23 March 2010, the Group announced the signature of its first contract in the photovoltaic installation sector through a joint venture with one of Italy's leading PV installation companies, and a preliminary contract for a large scale PV installation programme with a listed Italian investment bank. The Preliminary Contract agrees to the development, installation and sale to SPF Energy S.p.A. of large scale photovoltaic parks within Italy during 2010. The total contract value is estimated to be significant compared to the current turnover of the Group, subject to the joint venture being able to secure and deliver the installed capacity requested by SPF. The first phase of this contract, incorporating three installation projects, has been approved subject to final contracts with an aggregate value of €8.8 million. In order to deliver these projects, the Group is forming a 50%-50% joint venture company with Fedi Impianti Srl, which will operate under the name of "SolGen". The Group will contribute commercial management, technical consultancy and short term working capital, together with financial and administrative control of the Joint Venture, while Fedi Impianti will be responsible for managing the installation projects and the operational aspects of the joint venture's activities. 50% of the revenues, costs and profits generated by the joint venture will be recognised simultaneously by the Group.

Related Parties

The details of transactions with related parties are disclosed in Note 26.

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 each aware, there is no relevant audit information of which the Group's auditors are unaware; and each Director has taken all reasonable steps to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Auditors

Under Italian legal requirements, auditors are appointed under a three year contract. Acta's contract with KPMG SpA to act as auditors for the Group for the three year period 2007 to 2009 was approved at the Annual General Meeting held on 31 May 2007.

By order of the Board,

Paolo Bert
Chief Executive Officer

Corporate Governance Report

Acta is committed to the principles of Corporate Governance contained in the Combined Code on Corporate Governance (the "Code") for which the Board is accountable to shareholders, and applies the Italian "monistic" system of Governance. Since admission to AIM on 4 October 2005 the Company has been in compliance with the Code provisions set out in section 1 of the Code.

The Company has applied the principles set out in section 1 of the Code by complying with the Code as reported above. Further explanation of how the principles and supporting principles have been applied is set out below and in the Directors' remuneration report.

Board Structure

The Company is headed by an effective and objective Board which is collectively responsible for setting the strategic aims. The Board has put in place a framework of prudent and effective controls which enables strategy, budget and risks to be assessed and managed. All major decisions concerning the management of risk, the recruitment of key staff, investor communications, strategic investments and the entering into material contracts are approved by the Board in advance. At 31 December 2009 the Board contained two Executive and three Non-Executive Directors.

The Board considers all the Non-Executive Directors to be independent in accordance with the requirements of the Code. All Committees, as well as Directors individually, have the authority to access independent professional advice at the Company's expense. The appointment of each member of the Board, for a period of three years expiring at the shareholders' approval of the 2009 financial statements, was approved at the Annual General Meeting held on 31 May 2007. The terms of appointment of each of the Executive Directors have been approved by the Board.

The Board meets on a regular basis, usually monthly, or otherwise as may be required to ensure the satisfactory execution of its duties.

Nomination Committee

The Nomination Committee consists of the Chairman Robert Drummond and the Chief Executive Paolo Bert. The committee has clear terms of reference and has been made responsible for all Board appointments. All Directors are subject to re-election every three years, at the expiry of the Board itself. Italian law also requires that the shareholders approve executive appointments in advance and approve all non-executive appointments at the next general meeting.

Remuneration Committee

The Remuneration Committee's role is to determine the senior executive remuneration including bonus and share option policies and levels of remuneration for the Company's senior management. Directors' remuneration is set at the level required to attract and retain the Directors needed to run the Group successfully, this level being set after consultation with independent executive search firms and by reference to comparable companies. The Remuneration Committee is chaired by Mr Mastrangelo and consists of Mr Mastrangelo, the Chairman Robert Drummond and the Chief Executive Paolo Bert.

Audit Committee

The Audit Committee is chaired by Mr Mastrangelo, a professional accountant and fiscal advisor (Dottore Commercialista), and includes the Chairman Robert Drummond and Mr Casoni, both qualified accountants. The Audit Committee members have all been reviewed to ensure their independence. Italian law requires that the Chairman of the Audit Committee is a qualified Italian accountant.

The Committee's terms of reference include review of the Company's interim and annual financial statements, accounting policies and internal management and financial controls, where these activities are not covered by the meetings of the Board. The Audit Committee also considers the appointment and fees of the external auditors, with whom it meets at least once a year, and discusses the audit scope as well as the findings arising from audits.

Internal Audit

The Group currently does not have an internal audit function. The Directors believe that this would not be appropriate given its size and stage of development.

Board Performance

In 2009 the Board maintained an informal process for the evaluation of its own performance during the year. The Board believes that this evaluation process is commensurate with the current size and activities of the Group.

Communication with Shareholders

The Board takes the opportunity afforded by the Annual General Meeting and meetings with institutional investors to ensure that the Group's objectives are widely communicated and understood. All preliminary, final and interim results presentations to investors and industry analysts, together with major press releases, are published on the Group's website. Financial reporting is presented in such a way as to provide a balanced and understandable assessment of the Group's position and prospects.

Internal Control

The Board is responsible for the Group's system of internal control and for regularly reviewing its effectiveness. The Board has reviewed the effectiveness of the systems of internal control for the accounting year and the period to the date of approval of the financial statements. This review covered all material controls, including financial, operational and compliance controls and the risk management systems and is in compliance with Turnbull guidance to the extent reasonably possible in a small company. It should be understood that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and provides reasonable rather than absolute assurance against material misstatement or loss.

Board Attendance of Meetings

The following table shows the frequency of, and attendance at, full Board and Committee meetings during the year to 31 December 2009.

	Board	Audit	Remuneration	Nomination
Total Held	**10**	**5**	**5**	**1**
Robert Drummond (Chairman)	10	5	5	1
Paolo Bert (CEO)	10	n/a	5	1
Paul Barritt (CFO)	10	n/a	n/a	n/a
Marco Chiarion Casoni (Non- Executive Director)	10	5	n/a	n/a
Fabio Mastrangelo (Non- Executive Director)	10	5	4	n/a
Geoff Bicknell (Non-Executive Director)	1	-	-	n/a

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing the Directors' Report and the Group and parent company financial statements, in accordance with applicable law and regulations (Italian regulation and AIM rules).

The Group financial statements are required by Italian law and International Financial Reporting Standards as adopted by the European Union (EU) to present fairly the financial position and the performance of the Group.

In preparing each of the Group and parent company financial statements, the Directors arequired to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its financial statements comply with International Accounting Standards and with applicable Italian law as appropriate. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

Independent Auditors' Report

To the shareholders of Acta S.p.A.

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Acta S.p.A. and its subsidiaries ("the Group"), which comprise the consolidated statements of comprehensive income for the year ended 31 December 2009, the consolidated statement of financial position as at 31 December 2009, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2009 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Emphasis of Matter

As described in the paragraph "Going Concern" of the notes, as in previous years, the Group has not generated sufficient revenues to cover its operating costs, and has incurred significant losses and cash outflow. A loss and consequent cash outflow is occurring even during the first months of 2010. Under these circumstances Directors provide in the notes to the consolidated financial statements the reasons and related risk profile based on which they believe that the Group has adequate financial resources for at least the whole year 2010.

Florence, 10 May 2010

KPMG S.p.A.

Lino Barbieri
Director of Audit

Consolidated financial statement and Notes of Acta Group as of 31 December 2009

Consolidated statement of comprehensive income

	Notes	Year ended 31 December 2009 €'000	Year ended 31 December 2008 €'000
Revenue	**5**	**371**	**625**
Raw materials and consumables used	14	(219)	(352)
Personnel expense	6	(2,606)	(3,560)
Depreciation and amortisation expense	11/12	(943)	(400)
Other operating expenses	7	(783)	(1,758)
Operating profit (loss)		**(4,180)**	**(5,445)**
Financial income	8	104	317
Financial expenses	8	(80)	(57)
Profit (loss) for the period		**(4,156)**	**(5,185)**
Current tax credits	9	12	3
Profit (loss) for the period		**(4,168)**	**(5,182)**
Other items included in the comprehensive consolidated income statement			
Difference on the translation of assets in foreign currencies		**(5)**	**(32)**
Attributable to: Equity holders of the parent		(4)	(30)
Minority interest		(1)	(2)
Differences on change in fair value avail-able for sale		**(20)**	**26**
Attributable to: Equity holders of the parent		(20)	26
Non controlling interest		0	0
Taxes on other items of income		0	0
Total comprehensive profit (loss)		**(4,193)**	**(5,188)**
Attributable to: Equity holders of the parent		(4,166)	(5,076)
Minority interest		(27)	(112)

Loss for the period			
Attributable to: Equity holders of the parent		(4,142)	(5,072)
Non controlling interests		(26)	(110)
		(4,168)	**(5,182)**

Basic earnings per share (euro cent)		**(10)**	**(13)**

Consolidated statement of financial position

	Notes	Year ended 31 December 2009 €'000	Year ended 31 December 2008 €'000
ASSETS - Non-current assets			
Property, plant and equipment	11	1,707	1,919
Goodwill	12	11	11
Intangible assets	12	227	813
Total non-current assets		**1,945**	**2,743**
Current assets			
Inventories	14	140	63
Other investments	22	0	3,520
Trade and other receivables	15	1,287	619
Cash and cash equivalents	16	3,579	2,925
Total current assets		**5,006**	**7,127**
Total assets		**6,951**	**9,870**
EQUITY AND LIABILITIES **Equity attributable to equity holders of the parent**			
Share capital	21	246	246
Capital reserves		25,854	25,802
Retained losses		(22,967)	(18,829)
		3,133	7,219
Non controlling interests		(19)	8
Total equity		**3,114**	**7,227**
Non-current liabilities			
Employee benefits	19	134	112
Long-term provisions	27	904	526
Long-term borrowings	17	1,284	854
Total non-current liabilities		**2,322**	**1,492**
Current liabilities			
Other financial liabilities	27	57	57
Short-term borrowings	17	209	75
Trade and other payables	18	1,249	1,019
Total current liabilities		**1,515**	**1,151**
Total liabilities		**3,837**	**2,643**
Total equity and liabilities		**6,951**	**9,870**

These financial statements were approved by the Board of Directors on 24 March 2010.

Consolidated statement of changes in equity (Note 21)

	Share Capital €'000	Reserve Capital €'000	Retained Earnings €'000	Group Total €'000	Non Controlling Interest €'000	Total €'000
At 1 January 2008	**234**	**22,380**	**(13,762)**	**8,852**	**120**	**8,972**
Issue of share capital	12	2,896	0	2,908	0	**2,908**
Share issue expenses	0	(6)	0	(6)	0	**(6)**
Net change in foreign currency translation reserve (1)	0	(35)	5	(30)	(2)	**(32)**
Net change in fair value available for sale (1)	0	26	0	26	0	**26**
Share-based payments	0	541	0	541	0	**541**
Loss for the period	0	0	(5,072)	(5,072)	(110)	(5,182)
At 31 December 2008	**246**	**25,802**	**(18,829)**	**7,219**	**8**	**7,227**
At 1 January 2009	**246**	**25,802**	**(18,829)**	**7,219**	**8**	**7,227**
Net change in foreign currency translation reserve (1)	0	(8)	4	(4)	(1)	(5)
Net change in fair value available for sale (1)	0	(20)	0	(20)	0	(20)
Share-based payments	0	80	0	80	0	80
Loss for the period	0	0	(4,142)	(4,142)	(26)	(4,168)
At 31 December 2009	**246**	**25,854**	**(22,967)**	**3,133**	**(19)**	**3,114**

(1) other items included in the comprehensive income statement

Consolidated statement of cash flows

	Notes	Year ended 31 December 2009	Year ended 31 December 2008
Cash flows from operating activities		**€'000**	**€'000**
Loss for the year		(4,168)	(5,182)
Adjustments for: Amortisation of tangible assets	11	284	264
Amortisation and depreciation of intangibile assets	12	655	136
Allowance for future risk	27	378	437
Gain/loss on investment		10	0
Gain/loss on sale of property,plant and equipment	11	0	18
Expense recognised in profit or loss in respect of share based payments	20	80	541
Foreign Currency Translation reserve		(5)	(35)
Net finance income	8	(24)	(260)
Current tax	9	0	0
(Increase)/decrease in trade and other receivables	15	(669)	348
(Increase)/decrease in inventories	14	(77)	11
Increase/(decrease) in trade and other payables	18	(30)	(554)
Increase/(decrease) in provision for employees' benefits (TFR)	19	22	50
Net cash flow from operating activities		**(3,484)**	**(4,226)**
Interest paid	8	(80)	(57)
Cash flow from operating activities		**(3,564)**	**(4,823)**
Cash flows from investing activites			
Interest received	8	104	317
Payments for property, plant and equipment	11	(71)	(326)
Proceeds/(costs) from sale of property, plant and equip-ment	11	0	(11)
Acquisition of available for sale investments	22	3,490	0
Payments for intangible assets	12	(69)	(71)
Proceeds from new finance leases	24	60	9
Net cash used in financing activities		**3,514**	**(82)**

Cash flows from financing activities			
Proceeds from issue of share capital	21	0	2,908
Payment for share issue costs		0	(6)
Proceeds from borrowings		757	0
Repayment of borrowings		(18)	(17)
Payment of finance lease liabilities	24	(35)	(37)
Cash flows from financing activities		**704**	**2,848**

Net cash flow		654	(1,517)
Cash and cash equivalents at the beginning of the financial year		2,925	4,442
Cash and cash equivalents at the end of the financial		**3,579**	**2,925**

Notes (forming part of the financial statements)

1 Description of the Group

Acta S.p.A. (the "Company") is situated in Crespina, Italy. The consolidated financial statements of the Group include those of the parent company and those of its subsidiaries (Acta Catalysts Ltd and Idea Lab S.r.l.), together the "Group".

The principal activity of the Group is the research, development and commercialisation of innovative products for renewable energy, carbon-free motoring and battery applications.

2 Basis of preparation

The consolidated financial statements consist of the consolidated comprehensive profit and loss account, consolidated balance sheet, statement of changes in consolidated net equity, the consolidated cash flow statement and notes to the consolidated accounts which provide further detailed information.

The Company has presented its financial statement as follows:

- For the balance sheet statement, current and non-current assets, together with current and non-current liabilities are presented separately. Current assets which include cash and cash equivalents are those which are reasonably expected to be realized in cash, sold or consumed in the operating cycle of the Company and, in any case, within the next twelve months; current liabilities are those expected to be paid during the current operating cycle and, in any case, within the next twelve months.

- In the income statement, costs were analyzed by type. The Group has applied the new version of IAS1 "Presentation of Financial Statements" starting from 1 January 2009 retrospectively: all transactions with non shareholders are reported in a single statement measuring the performance of the period, called the "Comprehensive income statement".

- The cash flow statement includes cash flow from operating (or characteristic), investing and financing activities. The indirect method was used for accounting cash flow from operating activities: the results for the financial year or period are adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expense associated with investing or financing cash flows.

- The condensed consolidated statement of changes in equity presents the results for the financial year as well as any item of income or expense, revenue or cost which, according to the International Accounting Principles, is directly attributable to equity and to the total of these items; the effect on each equity item of changes in accounting principles and correction of errors according to the accounting treatment provided by the International Accounting Principle nr. 8; the balance of profit or loss accrued at the beginning of fiscal year and at the balance-sheet date; and the movements during the fiscal year or period and at the balance-sheet date.

The main accounting principles used in the preparation of the consolidated financial statements as of 31 December 2009, which are unchanged from those of the prior year, are reported below.

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the current version of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as endorsed by the European Union. There are no differences between IFRS and IFRS as endorsed by the European Union that could have a significant impact on the 2009 accounts, both for the Company and the Group.

Under Italian law (d.l. 24/2/1998 n. 58 art 119) the Company is not required to prepare the statutory financial statements under IFRS, as a consequence of the fact that the Company is admitted to the Alternative Investment Market (AIM) which, for the CONSOB, is an unregulated stock ex-change.

However, the 2009 consolidated financial statements have been prepared under IFRS in accordance with the requirements of the rules of the Alternative Investment Market (AIM), part 1.19.

Based on the fact that, for the reporting requirements of AIM, the Company has prepared the consolidated financial statements in accordance with IFRS, and in virtue of the Italian law d.l. 28/02/05 n.38 art. 2 and art. 3, the Directors have decided to prepare both the statutory consolidated financial statements (ex. d.l. 9/4/91 n. 127 art. 27) and the separate financial statements of Acta S.p.A. in accordance with IFRS. The Company's subsidiaries, Idea Lab S.r.l. and Acta Catalysts Ltd, prepare separate financial statements, respectively, in accordance with Italian and UK Generally Accepted Accounting Principles, which have been adjusted in order to prepare consolidated financial statements under IFRS.

The Group has not applied those accounting principles which, while arising from IASB, have a starting date successive to the reference date of the financial statements. It is estimated however that the future adoption of these principles will not have a significant impact on the profit and loss, balance sheet and cash flow of the Group.

Acta S.p.A. is not subject to direction and coordination of another company in accordance with art. 2497 of the Italian Civil Code.

Acta does not have treasury shares.

b. Basis of valuation

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group consolidated financial statements.

The basic criteria of valuation adopted is historic cost, with the exception of available-for-sale financial assets which are valued at fair value.

The preparation of consolidated financial statements in conformity with international accounting principles requires management to make judgements, estimates and assumptions based on the application of the above policies. Associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Going Concern

The consolidated financial statements have been prepared on a going concern basis. In 2009, as in previous years, the Group has not generated sufficient revenue to cover its operating costs, and has incurred significant losses and cash outflow from operating activities. A significant loss and consequent cash outflow is expected in 2010 as well based on current estimates.

The continuation of losses represent "impairment indicator" and consequently as indicated in Notes 11 and 12, the Group has undertaken an impairment test for the tangible assets, for the fixed life intangible assets, and for the investments in subsidiaries.

The Directors believe that the Group will begin to generate profit and cash during 2010 and will continue to do so thereafter from the sale of its products and the implementation of a programme to supply large scale photovoltaic installations to institutional customers. To undertake this programme the Group has formed in 2010 a joint venture, SolGen, together with a leading Italian photovoltaic installation supplier, and on 19 March 2010 has signed a Preliminary Contract to supply photovoltaic installations during 2010 to a renewable energy investment fund. These installations, if fully implemented, would generate significant revenues for the joint venture company, of which 50% would be recognized in the financial statements of the Group. The development of this contract is proceeding in a satisfactory manner in the year to date.

This new Group activity is estimated to be subject to risk in a number of areas, including but not limited to the ability of the Group to source and obtain authorisation for suitable projects; the Group's ability to complete the installation of projects to an adequate standard; the risk of incurring financial penalties for late completion; dependency upon the expertise and performance of the Group's joint venture partner; dependency upon the adequate supply and performance of project materials and equipment; dependency upon key management staff and external advisors involved in the project; risk of delay in project implementation arising in relation to authorisations, approvals or other administrative procedures; and the risk that such delays or other problems could adversely impact the profitability of or delay the receipt of stage payments in relation to such projects.

On 24 March 2010 the Board of Directors approved the three-year plan 2010-2012 which foresees the generation of cash flow mainly from the above photovoltaic project. Nevertheless there is uncertainty about whether the profitability and/or the generation of cash flow from these projects could be lower than expected by the Board or could be delayed.

Despite the cash outflow during 2009 described above, which has continued also in the early months on 2010, the Directors believe, after having carefully reviewed the project risks and available risk mitigation, that, should the generation of cash flow arising from the photovoltaic installation project be delayed, the Group has adequate financial and management resources, as well as overdraft facilities available and not used, to cover the financial and liquidity needs for at least 12 months starting from 1 January 2010. As of 31 December 2009 cash and cash equivalents, together with financial investments available for sale amounted to €3,579,000 (2008: €6,445,000).

In relation to such facilities it is noted that the Group has recently obtained an overdraft facility of €500,000 from a prime bank, and that further grant contributions currently under negotiation may be obtained, with consequent benefits to the cash flow, as well as a possible strengthening of the Group's financial position through new debt financing. Although at present these opportunities have not yet been finalised, such initiatives support the Directors' reasonable expectation regarding the adequacy of the Group's financial resources to carry the Group through to the end of the start-up phase.

Furthermore, the Directors believe that the Group will become profitable and cash generating in the medium term, following the current start-up phase of the Group, thanks to the commercialisation of its patented technology and the full development of the photovoltaic project.

c. Measurement convention

The financial statements are presented in thousands of euro.

d. Basis of consolidation Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The subsidiaries consolidated in the Group financial statements are Idea Lab S.r.l. and Acta Catalysts Ltd.

Acta S.p.A. is also the owner of 100% of Acta Inc. that has not been included in the area of consolidation because it was dormant during 2009.

Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealised gains and losses or income and expenses arising there from, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, not only to the extent that there is no evidence of impairment.

e. Foreign currency (IAS 21)

The functional and presentational currency of the Group is the euro.

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising and not realized in cash on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

f. Classification of financial instruments issued by the Group (IAS 32 and 39)

Financial instruments issued by the Group are treated as equity, only to the extent that they

1. they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group;

2. where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Group's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial payments related to financial liabilities are treated as financial expenses, while financial payments related to financial instruments classified in shareholders' funds are dividends and are registered directly in the equity.

3 Accounting principles adopted

a. Property, plant and equipment (IAS 16 – IAS 17)

Owned assets

Property, plant and equipment are stated at cost (including costs which are directly attributable) less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Buildings 33 years
- Laboratory equipment 7 years
- Plant and equipment 3 – 6 years
- Furniture and office equipment 3 – 6 years

Leased assets

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the current value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as described in Note 25.

The accounting principle adopted (IAS 17) for the accounting of leasing contracts imply the following:

- The cost of leased assets is charged to the tangible assets and amortized on a straight-line basis over the estimated useful lives; in return, a financial liability due to the lessor is accounted for an amount corresponding to the leased asset;
- The fees of leasing contracts have to be accounted so as to separate financial items from capital, to be considered as a repayment of the liability due to the lessor.

Leasing contracts where the lessor retains substantially all the risks and rewards incident to ownership are classified as operating leases and the relevant fees are charged to the income statement on a straight-line basis according to the contract duration.

b. Intangible assets and goodwill (IAS 38)

Goodwill

Business combinations are accounted for by applying the purchase method.

Goodwill represents the difference between the consideration paid for the acquisition of a subsidiary and the fair value of the identifiable assets and liabilities and contingent liabilities acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

Research and Development

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. All the internal research and development costs incurred by the Group from its inception have been expensed, as none of these costs met the capitalisation criteria.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful life of patents is 10 years.

c. Financial assets and liabilities (IAS 39 and 32)

Financial assets and liabilities includes receivables, loans and payables and are valued at amortised cost, except for available-for-sale financial assets.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale. Available-for-sale financial assets are recognised at fair value, which is determined with reference to quoted market prices. Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of interest, which is calculated using the effective interest method and recognised directly in profit and loss. Where the investment is disposed of, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

d. Inventories (IAS 2)

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out (FIFO) principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

e. Cash and cash equivalents (IAS 1)

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

f. Impairment (IAS 36)

The carrying amounts of the Group's assets other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount, defined as the biggest amount between the fair value and the real value. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of units expected to generate cash, are allocated first to reduce the carrying amount of any goodwill allocated to these units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

g. Employee benefits (IAS 19)

Defined benefit plans

The Italian leaving indemnity provision for employees, which is known as "Trattamento di Fine Rapporto" (TFR), is defined by law. The financial cost payable on the departure of an employee is fixed and known. Nonetheless, under IAS 19, TFR is a defined benefit plan. The Directors have therefore valued the potential TFR liability according to an actuarial model and recorded any derived losses in the accounts as an expense.

h. Share-based payment transactions (IFRS 2)

The share option programme allows certain Group Directors and staff to acquire shares of the Group itself. The fair value of options granted is recognised as a personnel expense with a corresponding increase in equity.

The fair value is measured at grant date and is recorded as an expense over the period during which the beneficiary becomes unconditionally entitled to the options (the Vesting Period). The fair value of the options granted is measured using an option valuation model, taking into consideration the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

i. Provisions for liabilities and charges (IAS 37)

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. The provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

j. Government grants (IAS 20)

A government grant is not recognised until there is reasonable certainty that the Group will comply with the conditions attaching to it, and that the grant will be received. Receipt of a grant does not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled.

The interest costs of Government grants received in the form of a repayable, low-interest loan are recalculated at market rates and recognised as a financial cost at market rates in the period. Any difference between the market rate cost and the actual interest cost incurred in the period is recognised as grant income. The grants recognised in the period are registered within other operating costs.

k. Revenue (IAS 18)

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date or at the completion of the engagement, depending upon the structure and terms of the relevant contract. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs, or a possibility of the return of the goods.

Revenue from royalties, licence fees receivable and other income derived from the Group's intangible assets are recognised proportionately to the relevant contract with the customer.

Income from grants is recognised when the conditions attached to the grant have been fulfilled, and the grant has been received in cash or reasonable certainty has been established that payment will be received. Such income is offset against grant project costs in other operating expenses.

l. Operating lease payments (IAS 17)

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

m. Finance lease payments (IAS 17)

Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

n. Net financial income/charges

Net financing costs comprise interest payable and finance leases, interest receivable on funds invested, and foreign exchange gains and losses. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest rate method.

o. Taxation (IAS 12)

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The Group has incurred tax losses in 2009 and prior years, but it has not recognised the related deferred tax asset, given the uncertainty with regard to the probability of recovery of such amounts.

4 Consolidated companies

The consolidated financial statements of Acta at 31 December 2009 include investments in the following subsidiaries:

	Country of Residence	Class of shares held	% Ownership	
			31/12/09	31/12/08
Idea Lab S.r.l.	Italy	Ordinary	90%	90%

In 2004 Acta S.p.A. purchased 90% of the share capital of Idea Lab S.r.l. for the purpose of obtaining control of the patent assets owned by Idea Lab S.r.l. The cost of the investment, together with amounts invested subsequently to effect the recapitalisation of Idea Lab, amounts to €2,234,000. In April 2009 Idea Lab Srl decreased its share capital offsetting the losses incurred in the previous years.

The loss for the period and total equity of Idea Lab are as shown below:

	31/12/09	31/12/08
Loss for the period (€'000)	(26)	(1,104)
Total equity (€'000)	61	83

	Country of Incorporation	Class of shares held	31/12/09	31/12/08
Acta Catalysts Ltd	UK	Ordinary	100%	100%

Acta Catalysts Ltd was incorporated on 30 October 2006 as an operating vehicle for the Group's UK activities. On 30 June 2009 Acta S.p.A. exercised the option provided for in the financing agreement between the companies, converting the financing existing on 30 June 2009 into a capital increase, for a total value of €1,223,000.

The loss for the period and total equity of Acta Catalysts Ltd are as shown below:

	31/12/09	31/12/08
Loss for the period (€'000)	(139)	(848)
Total equity (€'000)	(65)	(1,025)

Acta S.p.A. also has an investment of $1 in its 100%-owned subsidiary, Acta Inc, which was formed on 3 May 2007. Acta Inc. has remained dormant until 31 December 2009 and has therefore been excluded from the area of consolidation.

5 Revenue

	31/12/09 €'000	31/12/08 €'000
Electrodes and catalysts	41	39
Research and development services	330	586
Total Revenue	**371**	**625**

The primary focus of the Group is to develop and market clean technology products and environmental catalysts for renewable energy and for automotive and battery markets and other industrial applications. The Group also develops and sells turnkey photovoltaic installation projects.

During the year Acta continued to sell sample catalysts and electrodes, primarily to the Group's marketing and distribution partner, Sumitomo, in Japan and to major clients in the United States and Europe.

In addition, Acta recorded revenues of €330,000 (2008: €586,000) for technical services delivered in relation to the development and testing of new products, following the contracts signed with Sumitomo Corporation together with a global manufacturer in November 2008, and for technical services rendered in relation to the development and testing of catalysts and components, signed with DuPont Inc. and several major US universities.

Personnel expenses

The average number of persons engaged by the Group during the year, analysed by cate-

	Personnel **31/12/09**	Personnel **31/12/08**
Directors	5	7
Administration and general services	8	9
Commercial	1	2
Manufacturing	3	0
Research and development	16	22
	33	**40**

During the year, the Company rationalised its human resources, through an internal reallocation of the personnel in order to provide more effective support for the development and commercialisation of the new products and to reduce surplus resources.

The aggregate payroll costs of these persons including Directors' emoluments were as follows:

	31/12/09 €'000	**31/12/08 €'000**
Wages and salaries	2,190	2,543
Stock option expenses	80	541
Employee benefits	52	67
Social security costs	284	409
	2,606	**3,560**

The cost of personnel by category, including Directors' emoluments, is as follows:

	31/12/09 €'000	**31/12/08 €'000**
Directors	823	1,406
Administration and general services	245	329
Commercial	280	316
Manufacturing	114	0
Research and development	1,144	1,509
	2,606	**3,560**

Directors' emoluments included in the cost of personnel were as follows:

	31/12/09 €'000	**31/12/08 €'000**
Directors' remuneration	798	964
Social security costs	20	40
Stock option expenses	(2)	392
Directors' benefits	7	10
	823	**1,406**

Detailed information on the Directors' remuneration is set out in the Directors' report on page 20. The Directors' remuneration disclosed above includes bonus accruals made in respect of 2009 for payment in 2010 and accruals for pension benefits, as approved at the meeting of the Board of Directors held on 31 March 2008.

7 Other operating expenses

	31/12/09 €'000	31/12/08 €'000
Research expenses	270	456
Credit for government grants	(815)	(133)
Commercial and operations expenses	190	327
Finance, management and administration expenses	771	1,028
Foreign exchange losses (profit)	18	(2)
Other operating costs	349	80
	783	**1,758**

Research expenses relate to external costs incurred by the research and development department, and do not include external patent costs of €69,000 (2008: €71,000), which were capitalised as intangible assets (see Note 12 for further detail).

Credit for government grants refers for €504,000 (2008: €Nil) to the registration of the second and third stage of the FIT project completed by the subsidiary Idea Lab in July 2008. For the same project €39,000 was recorded as lower costs incurred as financial charges in relation to the provision of a subsidised financing; €213,000 relates to a research and development grant for 2007 and 2008, according to the Financial Law nr. 296 dated 27 December 2006 (tax credit for research and development expenses) (2008: €Nil); and €57,000 refers to the government grant for the period received by Acta SpA in connection with the European project Weltemp, financed directly by the European Community and submitted in collaboration with other Universities and European research centres (2008: €119,000).

During the year Idea Lab also completed the FISR project (development of inorganic and hybrid catalysts for fuel cells), for which no grant was recognised during the year.

Grant income is recognised over the duration of each project, in accordance with the stage payments received or approved following each interim project report. Project costs are expensed as incurred.

Commercial and operating expenses refer to costs of attendance at trade fairs and commercial travel.

Finance, management and administration expenses include €617,000 (2008: €853,000) relating to Acta, €118,000 (2008: €160,000) relating to Idea Lab and €36,000 (2008: €16,000) relating to Acta Catalysts Ltd. These expenses primarily include professional services for €525,000 (2008: €690,000) and general expenses for €276,000 (2008: €338,000). Professional services include €97,000 for financial PR, broking fees, equity research and related services, €104,000 for market research, auditing, professional and technical services; €96,000 for professional fees in relation to financial, accounting, fiscal and general services; and €230,000 for general corporate legal advice and services.

Auditors' remuneration included in finance, management and administration is detailed as follows:

	31/12/09 €'000	31/12/08 €'000
Auditors' remuneration	50	44
	50	**44**

8 Financial income and expense

	31/12/09 €'000	31/12/08 €'000
Interest income	104	317
Financial income	**104**	**317**

	31/12/09 €'000	31/12/08 €'000
Interest expense	(80)	(57)
Financial expense	**(80)**	**(57)**

The decrease in interest income recognised in 2009 is due to the decrease in cash reserves (including financial investments available for sale) in comparison to 2008, as the cash inflows generated in 2009 were not sufficient to offset the cash outflows. Interest expense is in line with previous year following the mortgage raised in July 2006 on the Company's premises. Financial income and expense include an interest expense related to a subsidised loan received by the subsidiary Idea Lab Srl for the completion of the FIT Project, calculated according to the market rate (5.45%, consistent with the other loans of the Group), against an effective interest rate of 0.8%. Income for grants were recognised, for the same amount, in "other operating expenses" (see Note 7).

9 Taxation

The Italian companies of the Acta Group are subject to IRES (corporate income tax at 27.5%) and IRAP (regional tax on productive activities at 3.9%).

IRES is calculated on profit before taxes, with certain adjustments according to current fiscal regulations to derive taxable income from profit before taxes; IRAP is instead determined applying the relevant tax rate to the taxable base represented by the difference between "production value" and "operating costs", both with certain adjustments to take account of certain costs which are not considered deductible (for example payroll costs and financial charges).

For 2009 the Italian companies of the Group have determined for the purposes of IRES:

- for Acta S.p.A. a taxable loss of €3,625,948, which, in accordance with article 84 of DPR 917/1986, will be able to be offset against taxable profits in successive tax periods, up to five years.
- for Idea Lab Srl a taxable profit of €411,827 which will be partially offset against taxable losses of previous years.

Concerning Acta Catalysts Ltd, the loss for 2009 is equal to €139,423. For further details please see Note 13

Since the taxable base for calculating IRAP is negative for Acta, no calculation of such tax is required. Concerning Idea Lab Srl, IRAP for 2009 amounts to €15,045.

10 Loss per share

The calculation of loss per share is based upon the net loss attributable to the ordinary shareholders of €4,142,000 (2008: €5,072,000) and a weighted average number of shares in issue of 40,995,125 (2008: 40,518,413).

	31/12/09	31/12/08
Basic loss per share (Euro)	(0.10)	(0.13)
Loss attributable to ordinary shareholders (€'000)	(4,142)	(5,072)
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	40,995,125	38,995,126
Effect of shares issued on 28 March 2008	0	1,523,288
Weighted average number of ordinary shares at 31 December	**40,995,125**	**40,518,413**

In accordance with IAS 33.41, the potential ordinary shares have to be considered as having a dilutive effect when, and only when, their conversion to ordinary shares would decrease the profit per share or increase the loss per share deriving from the ordinary activities. Consequently, in consideration of the loss of the period, no dilutive effect has been disclosed.

11 Property, plant and equipment

	Land €'000	Buildings €'000	Machinery & equipment €'000	Motor vehicles €'000	Total €'000
Cost					
Balance at 1 January 2009	134	760	1,544	124	2,562
Additions	0	0	10	61	71
Disposals	0	0	0	0	0
Balance at 31 December 2009	**134**	**760**	**1,544**	**185**	**2,633**

Depreciation					
Balance at 1 January 2009	0	68	538	37	643
Depreciation for year	0	23	226	34	283
Disposals	0	0	0	0	0
Balance at 31 December 2009	**0**	**91**	**764**	**71**	**926**

Net book value					
Balance at 31 December 2008	134	692	1,006	87	1,919
Balance at 31 December 2009	**134**	**669**	**790**	**114**	**1,707**

Machinery and equipment refers to laboratory test equipment used in research activities, together with IT and network equipment. Additions in the year mainly refer to equipment acquired to support product development and the start-up of electrolyser unit production.

An impairment test has been undertaken on the buildings, following the impairment indicators mentioned above, comparing the balance sheet carrying value with the fair value of the assets, net of selling costs. The estimated market value of the land and building is €1,000 / sqm, and the property covers approximately 900 sqm. Therefore the calculated value based on market prices is greater than the balance sheet carrying value.

Financial leasing

The Group owns certain tangible assets as a result of leasing contracts for which the Group substantially assumes all the risks and advantages of ownership. Assets acquired through financial leasing are registered at the lower of their fair value and the current value of the minimum leasing payments, after having deducted cumulative depreciation and any loss of value. Assets owned through leasing as at 31 December 2009 amounted to €114,000 (2008: €87,000), relating to motor vehicles.

12 Intangible assets and goodwill

Cost

	Goodwill €'000	Patents €'000	Total €'000
Balance at 1 January 2009	11	1,426	1,437
Other acquisitions – externally purchased	0	69	69
Balance at 31 December 2009	**11**	**1,495**	**1,506**
Amortisation and impairment			
Balance at 1 January 2009	0	613	613
Amortisation for the year	0	142	142
Impairment	0	513	513
Balance at 31 December 2009	**0**	**1,268**	**1,268**
Net book value			
Balance at 31 December 2008	11	813	824
Balance at 31 December 2009	**11**	**227**	**238**

Patents at 31 December 2009 refer to the intellectual property rights of the Group. Acquisitions in the year refer to patent registration fees capitalised at cost.

In view of impairment indicators that have arisen, and in particular the operating losses incurred by the Group during 2009 and the expectation of further losses to be incurred in 2010, the Directors have undertaken an impairment test upon the fixed life intangible assets of the Group; and in relation to the patent portfolio, have considered it opportune to devalue the patent value to the degree to which it is not possible to foresee the recovery of such costs from expected future incomes arising from the related patent.

13 Deferred tax assets and liabilities

The Group did not recognise any deferred tax assets for the year ended 31 December 2009. The table below shows the summary of the unrecognised deferred tax assets.

	Amounts	IRES (27.5%)	IRAP (3.9%)	**2009 €000** Tax effect	Amounts	IRES (27.5%)	IRAP (3.9%)	**2008 €000** Tax effect
Tax loss 2004	356	98	0	98	356	98	0	98
Tax loss 2005	2,931	806	0	806	2,931	806	0	806
Tax loss 2006	3,533	972	0	972	3,533	972	0	972
Tax loss 2007	4,222	1,161	0	1,161	4,222	1,161	0	1,161
Tax loss 2008	3,712	1,021	0	1,021	3,712	1,021	0	1,021
Tax loss 2009	3,626	997	0	997	0	0	0	0
Multi-year costs	56	15	2	17	487	134	19	153
Other temporary variations	1,780	516	1	517	1,315	362	51	413
Total	**20,874**	**5,767**	**3**	**5,770**	**16,556**	**4,554**	**70**	**4,624**

Unrecognised deferred tax assets	0	0	0	5,770	0	0	0	4,624
Recognised	0	0	0	0	0	0	0	0
Variance not recognised in profit and loss	0	0	0	1,146	0	0	0	499

In accordance with art. 84 of DPR 917/1986 the tax losses will be able to be used to reduce taxable income in successive tax periods according to the following table:

Limit of carried forward tax losses	**€'000**
Losses that can be carried forward without limit (fiscal years 2004-2006)	6,820
Losses that can be carried forward until 2012 (fiscal year 2007)	4,222
Losses that can be carried forward until 2013 (fiscal year 2008)	3,712
Losses that can be carried forward until 2014 (fiscal year 2009)	3,626
Total	**18,380**

The tax losses indicated above, relative to the years 2004-2005, refer exclusively to Acta S.p.A. The tax losses for the years 2006-2008 include the tax loss of Acta S.p.A. and Idea Lab Srl. The tax losses for 2009 refer exclusively to Acta S.p.A. as Idea Lab Srl registered in 2009 a positive taxable income for €411,827 which was absorbed by the tax losses incurred in 2006 and 2007, which were accordingly decreased. Deferred tax assets primarily refers to the fiscal effect (for the purpose of IRES) of previous losses that can be unlimitedly carried forward and to the effect of temporary variances related to salaries and bonus paid to Directors and employees and, for both taxes, to the tax effect connected to the multi-year expenses for the IPO in 2005 and to other multi-year costs or to provisions for contingent liabilities. The fiscal effect of the deferred tax assets has been calculated based on the rates equal, respectively, to 27.5% for IRES and 3.9% for IRAP.

The Directors, while continuing to believe that the Company will generate sufficient future tax profits able to make reasonably certain the recovery of the deferred tax assets described, have decided for reasons of prudence not to recognise any deferred tax assets in the accounts.

No deferred tax liabilities exist at 31 December 2009.

14 Inventories

	31/12/09 €'000	31/12/08 €'000
Inventories	140	63

Raw materials and consumables to the value of €219,000 were recognised as expenses in the year (2008: €352,000). These raw materials and consumables were utilised within the Group's research and development activities. The value recognised in inventories represents materials bought and not used during the year. Furthermore, all the costs incurred in 2009 for the projects related to large photovoltaic plans, for which revenues are to be recognised in 2010, were registered in the inventories.

15 Trade and other receivables

	31/12/09 €'000	31/12/08 €'000
Trade receivables	94	8
Other debtors	1,160	469
Prepaid expenses	33	141
	1,287	**619**

All of the receivables are expected to be recovered within 12 months.

Other debtors mainly relates to VAT receivables equal to €214,000 (2008: €304,000), to receivables from the "Ministero delle Attività Produttive" for approximately €504,000 for the 2nd and 3rd stage of the FIT project by the subsidiary Idea Lab, and to other taxes which are recoverable against payroll taxes in the next financial period. Other taxes include a €353,000 tax credit for research costs incurred during 2007 and 2008. An equal value has been included in provisions to provide for the risk of non-collection of this credit. Prepaid expenses includes pre-payments for project costs, insurance and other operating expenses relating to 2010.

16 Cash and cash equivalents

	31/12/09 €'000	31/12/08 €'000
Cash and cash equivalents	3,579	2,925

Cash and cash equivalents consist of cash at bank, cash on hand and investments in money market instruments as follows:

	31/12/09 €'000	31/12/08 €'000
Bank account in euro	3,003	2,769
Blocked deposit accounts	421	0
Bank account in GBP	0	149
Cash	155	7
	3,579	**2,925**

The reduction in cash and cash equivalents (including available for sale financial investments) is a result of the utilisation of cash in the year as represented in the consolidated cash flow statement, to which attention is drawn.

Part of the bank account in Euro (blocked deposit accounts) is currently blocked as a consequence of the legal action described in "Provision for liabilities and charges".

17 Interest-bearing loans and borrowings (secured)

	31/12/09 €'000	31/12/08 €'000
Non-current liabilities		
Bank loans	1,243	775
Finance lease liabilities	41	79
	1,284	**854**

Current liabilities		
Bank loans	119	47
Finance lease liabilities	90	28
	209	**75**

Bank loans consist of a bank loan secured by a mortgage €514,000 (2008: €532,000) over the Group's land and buildings, repayable over 20 years at 5.5% fixed interest rate per annum from the 26th August 2006; together with a low-interest financing of €1,047,000 (2008: €291,000) of which a first tranche was received in 2007 and the last two tranches in June 2009 in relation to the FIT project, repayable over 10 years at 0.8% fixed interest per annum with two years of capital repayment holiday. This liability was accounted on the basis of the market interest rate of 5.5% and the difference was charged in "other liabilities" as accrued expense for €200,000, to be released during the loan.

Interest bearing loans and borrowings include €41,000 (2008: €79,000) for the non-current portion of finance lease liabilities and €90,000 (2008: €28,000) for the current portion.

The finance leases are secured by the assets leased (cars and computer equipment), and are repayable over three to five years at 6.0% fixed interest rate per annum.

18 Trade and other payables

	31/12/09 €'000	31/12/08 €'000
Trade payables	493	198
Employee taxation payable	131	126
Other creditors and accruals	625	695
	1,249	**1,019**

Trade payables are due within 12 months and include payables relating to normal operating activities of the Group, plus invoices to be received at the year end in relation to 2009 costs. Other creditors and accruals include performance bonus accruals for €309,000 (2008: €343,000). The executives and staff of the Group may qualify for performance-related bonuses according to their achievement, as assessed by the Remuneration Committee, of financial, technical and commercial performance criteria.

The bonuses for 2009 are due for payment in 2010, although part of these bonuses will be paid only if the legal action described in Note 27 is successfully resolved.

Furthermore, an amount of €200,000 has been recorded in "other creditors and accruals" (in accordance with IAS 21) for the accrued expense relating to the subsidised loan arising from the FIT project undertaken by the subsidiary Idea Lab Srl.

19 Employee benefits

The Group operates a statutory employee benefit scheme ('TFR') in accordance with Italian law. The Group is liable to award a termination sum to any leaving employee subject to the scheme which varies with both remuneration and length of service of the employees. The total expense relating to these plans in the current year was €52,000 (2008: €67,000). The TFR liability at the year end is €134,000 (2008: €112,000).

- Annual discount rate 4.25%
- Annual inflation rate 1.5%
- Death rate Istat 2004 0.97 %

Reconciliation of TFR liability	**31/12/09 €'000**	**31/12/08 €'000**
TFR at 1 January	112	68
Service cost in period	47	67
Interest cost in period	5	3
IAS 19 application	0	(11)
Total cost 2009	52	59
Benefits paid in period	(31)	(15)
TFR liability at 31 December	**133**	**112**

20 Share-based payments

The fair value of services received in return for share options granted, during the year, was €176,000 (2007: €755,000). In addition, during the year the costs incurred to date relative to the 2007 Share Option Plan were reversed, for a total value of €96,000. Following the review of the Board it is no longer considered likely that the vesting conditions of this plan will be met, since they require the achievement of a six-month period in profit before the end of 2010. The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2009 €	**Aggregated number of options 2009**	**Weighted average exercise price 2008 €**	**Aggregated number of options 2008**
Outstanding at the beginning of the period	0.81	4,133,804	1.25	3,269,278
Granted during the period	0.11	1,600,000	0.42	1,000,000
Lapsed during the period	1.06	(1,699,135)		(135,474)
Outstanding at the end of the period	0.39	4,034,669	0.81	4,133,804
Exercisable at the end of the period	0.71	1,832,513	0.66	2,086,026

The options outstanding at the year end have an exercise price of €0.59 (2005), €1.69 (2006), €1.29 (2007), €0.45 (2008) and €0.11 (2009) and a weighted average contractual life of two years. The exchange rate used to determine the weighted average price is that of 31 December 2008 for the options outstanding at the beginning of the period, and that of 31 December 2009 for the options granted during 2009.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The calculations were prepared with the assistance of an independent actuarial consultancy according to a risk neutral methodology. The estimate of the fair value of the services received is deduced from the Euroswap rates that existed on the assignment dates using the Bootstrap technique. The assumed dividend rate implicit within the technique used is Nil.

An amount of €80,000 (2008: €541,000) is charged to the income statement within the cost of personnel, and includes an amount of €176,000 for the share option costs incurred in 2009 and the reversal of €96,000 relative to the costs registered in previous years for the 2007 share option plan, as described above.

Further information in respect of the options granted to employees to purchase the Company's ordinary shares which were granted in the year ended 31 December 2009 compared to those of the prior year, is as follows:

	2009 Options	2008 Options
Fair value at measurement date (Euro)	**71,245**	**260,177**
Weighted average share price (Sterling pence)	0.4	39.0
Exercise price (Euro, calculated at the £/€ex-change rate of the date of grant)	0.12	0.5
Expected volatility (expressed as a percentage used in the modelling under Bootstap technique).	1.67	0.41
Option life in years (expressed as weighted average life used in the modelling under the Bootstap technique).	2	4
Expected dividends	Nil	Nil
Risk-free interest rate (based on Euroswap rates)	2.50%	4.75%

21 Capital and reserves
Share capital

Number of ordinary shares	31/12/09	31/12/08
In issue at 1 January	40.995.126	38.995.126
Issued for cash	0	2.000.000
In issue at 31 December – fully paid	**40.995.126**	**40.995.126**

	31/12/09	31/12/08
Authorised	**€**	**€**
Ordinary shares of €0.006 each (share capital plus stock options authorised but not exercised)	270,179	271,854
Allotted, called up and fully paid(share capital) Ordinary shares of €0.006 each	**245,971**	**245,971**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Capital reserves are registered for €25,584,000 as at 31 December 2009.

22 Financial instruments: effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature or, if earlier, are repriced.

2009

	Effective interest rate%	Total €000's	0-<1yrs €000's	1 to <2yrs €000's	2 to <5yrs €000's	>5yrs €000's
Cash and cash equivalents	1.5%	3,579	3,579	0	0	0
Available for sale	0	0	0	0	0	0
Bank loans	5.45%	(1,363)	(120)	(120)	(360)	(763)
Finance lease liabilities	6.00%	(130)	(89)	(15)	(26)	0
		2,086	**3,370**	**(135)**	**(386)**	**(763)**

2008

	Effective interest rate%	Total €000's	0-<1yrs €000's	1 to <2yrs €000's	2 to <5yrs €000's	>5yrs €000's
Cash and cash equivalents	1.5%	2,925	2,925	0	0	0
Available for sale	4.77%	3,520	3,520	0	0	0
Bank loans	5.47%	(823)	(47)	(48)	(152)	(576)
Finance lease liabilities	6.00%	(106)	(28)	(78)	(1)	0
		5,516	**6,370**	**(126)**	**(152)**	**(576)**

Bank loans include the low-interest loan of €1,047,000 received from the Lombardia Region in relation to the FIT research project. This loan is repayable over 10 years at 0.8% interest per annum. In accordance with IFRS, the financial cost of the loan has been recognised at market rates, based upon the interest paid by the Company on its long term mortgage (5.45%). Accordingly, higher interest payable on loans has been recognised for €39,000 and lower financial debts for €200,000, to be reversed on a straight line basis over the duration of the subsidised loan (10 years).

23 Foreign currency risk

On 31 December 2009 the Group had bank deposits in Sterling equal to €NIL (2008: €149,000) and trade debts in foreign currency equal to €2,000 (2008: €56,000).

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. The fluctuation of the exchange rate between Sterling and the Euro is not expected to have a significant effect upon the Group as all investments in Sterling are determinable at short notice.

Over the longer term, however, once trading commences a comprehensive foreign exchange policy will be adopted designed to minimise the Group's exposure to foreign currency exchange rate fluctuations.

	31/12/09 €'000	31/12/08 €'000
Sterling bank deposits	0	149
Sterling trade and other receivables	0	0
Sterling trade and other payables	(1)	(38)
US Dollar trade and other receivables	53	0
US Dollar trade and other payables	0	(18)

24 Financial leases

Financial leases are payable as follows:

	31/12/09 €'000	31/12/08 €'000
Not longer than 1 year	89	28
Longer than 1 year and not longer than 5 years	41	78
	130	**106**

During 2009 the Group commenced new financial leases relative to motor vehicles for €60,000.

25 Operating leases

Operating lease rentals are payable as follows:

	31/12/09 €'000	31/12/08 €'000
Not longer than 1 year	0	32
Longer than 1 year and not longer than 5 years	0	0
Longer than 5 years	0	0
	0	**32**

The Group leases motor vehicles and computer equipment used within its business.

During the year €32,000 was recognised as an expense in the income statement in respect of operating leases (2008: €53,000).

26 Related parties

The transactions incurred with the Directors during 2009 are as disclosed in Note 6.

The transactions undertaken during the year with related parties were as shown below (€000s):

	Debtors	Creditors	Income	Costs
Sumitomo Corporation	1	1	123	33
M. Bert	0	57	0	18
A. Tampucci	4	0	0	249

There were no related party transactions in 2009, other than those disclosed above, which represent, in the case of Sumitomo, the Group's normal commercial activity and, in the case of Mr M Bert and Mr A Tampucci, the personnel cost incurred during the year.

27 Provisions for liabilities and charges

At 31 December 2009 the provision for liabilities and charges amounts to €904,000 (2008: €526,000), of which €329,000 relates to the tax credit described in Note 15.

The remaining amount of €575,000 relates to a prudential provision for the risk of legal costs and damages in relation to various legal actions being taken against the companies and Directors of the Group. The legal actions relate (i) to disputes in progress with the minority shareholder of the subsidiary Idea Lab relating to the intended merger of the subsidiary with Acta during 2007 and to the contractual relations between Idea Lab and Acta for the use of a patent owned by Idea Lab and previously licensed to Acta which is no longer utilized by the Group; and (ii) to a dispute in progress between a board member of Acta and a third party in which Acta is named as a third party debtor.

In relation to this latter legal action, for which certain of the Company's funds have been blocked (see Note 16), the board member has agreed to defer receipt of their 2008 and 2009 bonus pending the outcome of the case and to waive their entitlement to such bonuses, up to the value of the claim, in the event that the claim has to be met by the Company; and has indemnified the Company against any losses arising in connection with the action.

The Group, supported by and following the advice of its lawyers, continues to defend itself and its Directors against these speculative actions and remains confident that it will be vindicated by the successful conclusion of the cases in due course.

28 Accounting estimates and judgements

The financial statements have been prepared on the basis that the current development activity being undertaken in respect of the technology for which the Group owns certain existing patents will lead to the eventual development of marketable products which can be exploited by the Group.

29 Subsequent Events

On 23 March 2010, the Group has entered the photovoltaic installation sector through a joint venture with one of Italy's leading photovoltaic installation companies, and a preliminary contract for a large scale PV installation programme with the renewable energy fund of a listed Italian investment bank.

The Preliminary Contract agrees to the development, installation and sale to SPF Energy S.p.A. of large scale photovoltaic parks within Italy during 2010. The total contract value is estimated to be in the region of €50 million, subject to the joint venture being able to secure and deliver the installed capacity requested by SPF. The first phase of this contract, incorporating three installation projects, has been approved subject to final contracts with an aggregate value of €8.8 million, and installation is expected to commence within the next two months.

In order to deliver these projects, the Group has formed a 50%-50% joint venture company with Fedi Impianti, which will operate under the name of "SolGen". The Group will contribute commercial management, technical consultancy and short term working capital, together with financial and administrative control of the new operations, while Fedi Impianti will be responsible for managing the installation projects and the operational aspects of the joint venture's activities. 50% of the revenues, costs and profits generated by the joint venture will be recognised simultaneously by the Group.

30 Other Information

Financial assets:

	31/12/09 €'000	31/12/08 €'000
Available-for-sale financial assets	0	3,520
Cash and cash equivalents	3,579	2,925
Trade receivables	94	8
Other receivables	1,193	611
Financial liabilities at amortised cost	(2,742)	(2,006)
Total	**2,124**	**5,058**

1) Financial instruments registered in the balance sheet:

	Total €'000	At amortised cost €'000	At Fair value €'000	Not regulated ex IFRS 7 €'000
Financial Assets				
Available-for-sale financial assets	0	0	0	0
Cash and cash equivalents	3,579	3,579	0	0
Trade receivables	94	94	0	0
Other receivables	1,193	1,193	0	0
Financial Liabilities				
Bank loans	(1,362)	(1,362)	0	0
Leasing	(131)	(131)	0	0
Trade payables	(493)	(493)	0	0
Other payables	(756)	(756)	0	0
Total	**2,124**	**2,124**	**0**	**0**

2) Derivative instruments

The Group does not hold derivative financial instruments as at 31 December 2009.

3) Exposure to credit risk and lasting loss of value.

	Book Value at 31/12/2009 €'000	Devaluation at 31/12/2009 €'000	Net Book Value at 31/12/2009 €'000
Trade and other receivables			
Expired	0	0	0
0-60 days	94	0	94
61-120 days	0	0	0
121days - 1 year	0	0	0
> 1 year	0	0	0
Total	**94**	**0**	**94**

4) Exposure to foreign exchange risk
The following table shows the Group's exposure to foreign exchange risk at notional value:

Financial Assets	€'000
Repurchase agreements	0
Current accounts in €	3,424
Current accounts in £	0
Cash	155
Total	**3,579**

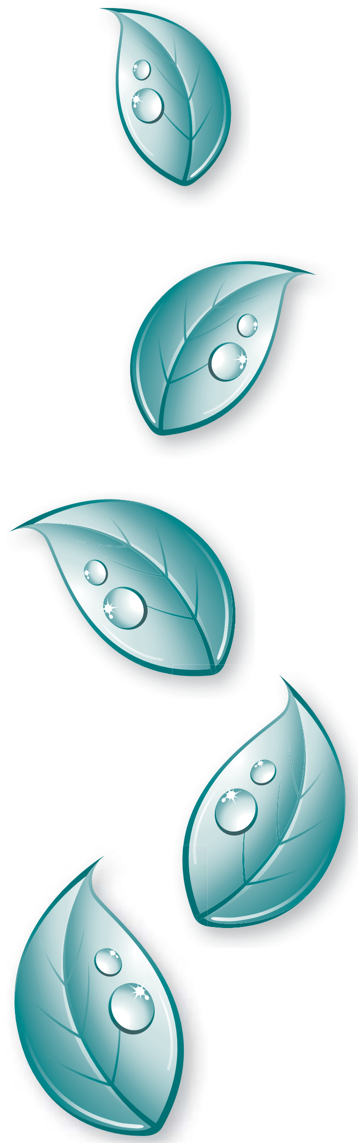
5) Exposure to interest rate risk
The interest rate profile applied to the Group's interest-bearing financial instruments at the balance sheet date was as follows:

	31/12/09 €'000	31/12/08 €'000
Fixed Rate Instruments		
Financial assets	0	3,520
Financial liabilities	(2,611)	(822)

Variable Rate Instruments		
Financial assets	3,579	2,925
Financial liabilities	(131)	(106)

6) Exposure to liquidity risk
Liquidity risk may arise from difficulty to obtain finance to support the operating activities within the required timeframe. The Group currently has the liquidity needed to support itself as a going concern.

7) Fair value and book value
In accordance with IFRS 7.25 it is confirmed that the Group's financial assets and liabilities are recognised in the accounts at their fair value.



annual report
2009

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