ANNUAL REPORT 2010

2010 Commercial Highlights

- Development of photovoltaic ("PV") sector business activities
  - Framework Agreement for EPC installation services
  - Rapid development of high-margin PV project consent pipeline
  - Sale and installation of turnkey EPC contracts

- Corporate development of PV division
  - Joint venture with leading local EPC installation company
  - Acquisition of project development agreements
  - Staff recruitment to manage PV sector activities

- Rapid progress in product commercialisation
  - Certification and launch of award-winning hydrogen generator
  - Successful demonstrations of integrated PV to hydrogen to fuel cell product ranges
  - Testing and development of hydrogen diesel enrichment product range
  - Exciting prototype development for diesel enrichment from ethanol reforming

2010 Financial Results

- Revenues increased to €7.9 million (2009: €0.4 million); €7.8 million in second half
- Operating loss reduced to €3.9 million (2009: €4.2 million)
- Successful placing raised £3.0 million before expenses in September 2010
- Operating cash outflow of €3.1 million (2009: €2.7 million)
- Year end cash and equivalents of €4.4 million (2009: €3.6 million)

Significant events since period end:

- Strong progress in product development partnerships
  - Joint development agreement with the three times Formula 1 world champion and successful Brazilian entrepreneur Nelson Piquet for production of the ethanol reformer for the substantial Brazilian diesel truck market
  - Development and production agreement with the Italian company Claind S.r.l. for the production of industrial-scale hydrogen generator
  - Development and production agreement with the Swiss company MES S.A. for the production of portable power generators

- Regulatory uncertainty in Italian PV sector
  - New decree on feed-in tariffs causes temporary suspension of bank project financing to the sector
  - Company unable to recognise €3.4 million in project consent sales in 2010 due to impact of regulatory uncertainty on sales contract completions
  - Clarification of tariff scheme expected to re-establish sector stability during 2Q 2011
  - Project consent sales not recognised in 2010 expected to be recognised in 2011, following release of new tariff regulations expected shortly

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Chairman's Statement

I am pleased to present the full year results for the year ended 31 December 2010 and to provide this statement on Acta's commercial progress.

Overview

Our strategy during 2010 has been to move into commercial revenues for the first time through the development of photovoltaic ("PV") project consents and Engineering, Procurement and Construction ("EPC") contract services in the Italian PV sector. This objective was achieved in a remarkably short time, with the signing of turnkey EPC installation agreements with two major customers and the delivery of €7.8 million in revenue during the second half of the year. Based on the latest Government statements the Board and market commentators expect the recent uncertainty in the PV sector to be resolved soon, and we therefore expect PV activity to resume strongly during the second half of 2011, with the sales of our consented project authorisations being a strong profit driver for the year.

In tandem with this commercial strategy we have made excellent progress in bringing our technologies through to finished products. Our award-winning hydrogen generation technology completed the CE certification process for consumer applications and our programme of marketing activities has generated significant industrial and public interest.

We have also tested and developed very exciting applications of our technologies in the field of diesel enrichment, an application which is both economically compelling and environmentally beneficial. Our product partnership announcements released since the year end, and in particular for the diesel enrichment ethanol reformer for the Brazilian truck market, show the commercial engagement that our products have achieved and their economic potential. The current year will see these products coming increasingly to the fore, both in our news-flow and in our commercial results.

Financial Results

During 2010 we entered our first major commercial contracts, generating revenues of €7.9 million primarily from our first EPC contracts in the Italian photovoltaic sector. These revenues, together with the sale of PV project consents, allowed us to reduce losses to €3.9 million (2009: €4.2 million), despite an increase in operating costs arising from our expansion into this new business activity. The trend over the year was particularly encouraging, with losses falling by 37% from €2.4 million in the first half to €1.5 million in the second.

Operating cash outflow was €3.1 million for the year (2009: €2.7 million), excluding the proceeds from the capital increase completed in October 2010, and cash balances at the year end amounted to €4.4 million (2009: €3.6 million). Based upon the expected PV installation contracts and consent sales, and the commercialization of our products in 2011, we believe that the cash resources of the business are sufficient for its foreseeable requirements.

Outlook

2011 has started well, with strong commercial developments on the product side of the business and satisfactory progress in our PV installation contracts. Market commentators and the Board expect the hiatus caused to the PV sector by the changes to the tariff regime to be temporary, and that stability and normal commercial activities will be restored in the second quarter of the year.

There is considerable political pressure in Italy in favour of the economic, energy security, and environmental benefits generated by the growth of the domestic PV sector, and the recent Japanese disaster in the nuclear industry in conjunction with political unrest in Middle East oil producing countries has served only to underline the necessity for the development of renewable energy resources, and PV energy in particular.

We have entered a number of important partnerships for the development and production of our products, and we look forward to announcing progress on these during the year. The Company is preparing for production and commercial activities through the implementation of the ISO 9001 quality assurance programme which encompasses product quality control as well as organisational structure and procedures. We believe that this will strengthen the Company's management and structure as we continue our progress into full commercialisation.

I would like to thank all our staff for their continued dedication to our success, and look forward to updating our shareholders on our progress in due course.

Robert Drummond
Chairman

Chief Executive's Review

Introduction

During 2010 we focused the business on the development of commercial activities in the PV sector, while continuing the technical development and the creation of a production structure for our key technologies in hydrogen generation from water and ethanol, and fuel cell applications.

Photovoltaic Market

During 2010 the Italian PV market grew from an installed base of 1.1 GW to an estimated installed base, including applications for grid connection, of 7.2 GW, in the process becoming the second largest PV market in the world and approaching the government's target of 8GW PV capacity connected by 2020.

The rate of growth of the market greatly exceeded government expectations, and resulted in concerns about the ability of the Italian utility companies to manage the connection of these installations to the grid in a reasonable time, as well as the need to reallocate resources from other renewable incentives to finance PV tariffs beyond the initial 8GW target. In March 2011, the Italian Cabinet approved a legislative decree which terminated the current feed-in tariff regime at the end of May 2011, and indicated that a new tariff scheme would be introduced from 1 June 2011 onwards which would seek to reduce tariffs in line with market conditions and introduce other caps to prevent the over-supply of the sector.

The lack of clarity in relation to the new tariff levels, the mechanism of the caps, and other restrictions on large land-based installations have caused the temporary suspension of project financing by Italian and international banks to new installation projects, causing an outcry from sector participants, as well as from banks, agricultural, economic and environmental lobby groups. In response, the government announced that it would issue new guidelines to restore regulatory certainty to the sector.

We believe that the public and political support for the PV sector, which has been a significant source of inward investment and job creation over the past three years, has contributed to the reestablishment of a tariff scheme and mechanisms that are more than sufficient to support continuing investor interest in the sector.

During 2010 the Company developed a substantial pipeline of authorisations for PV installation projects of which 17 projects, totalling 15.8 MW, have now received project consent. We strongly believe that the return of regulatory stability to the PV sector during the second quarter of 2011, will allow us to recognise the sale of these project consents to our customers during the current year, with a significant benefit to our 2011 financial performance.

Product Review

Our award winning and highly innovative hydrogen generator achieved CE certification during the first half of last year, and has been used at trade fairs and other key industry events to demonstrate practical consumer applications of hydrogen fuel cell technology, such as electric outboard motors, fuel cell electric bikes, and power generators. Our "hydrogen village" demonstration at Viareggio in July 2010 showed a practical demonstration of a PV canopy powering our hydrogen generator, with the hydrogen produced being used to fuel electric bikes and dinghies.

The commercialisation of this system has given rise to a series of important product development partnerships announced after the year end with Claind S.r.l., a high profile Italian electrolyser producer with whom we are developing a 1 m^3 electrolyser for industrial and automotive applications. With the Swiss company MES S.A., we entered an agreement for the production of 250W and 500W portable fuel cell power generators, which we will apply also in the development of an integrated hydrogen generator-fuel cell UPS system. The integrated PV canopy developed with Girelli Bruni S.p.A. has also attracted considerable attention from local authority agencies such as Port Authorities and Municipalities and the private sector, and we are developing a commercial version of the system for supply to these customers.

In April 2010 we disclosed the results of tests that we had been conducting on the use of our compact hydrogen generator stack to produce hydrogen onboard a diesel vehicle and to feed this into the engine air intake to accelerate the flame rate of the engine ("diesel enrichment"). These tests indicated an improvement in combustion efficiency that resulted in a consumption saving of up to 17% and a substantial reduction in particulate emissions.

We have pursued this application of our technology during the year, firstly in its water electrolyser form. This technology delivers excellent performance for cars and light commercial vehicles, while we have found that the electrical supply capacity of the engine is inadequate on certain larger truck engines unless a secondary alternator is installed. We have therefore proposed ethanol reforming as a source of hydrogen for larger engine applications, which is the most attractive market opportunity.

Hydrogen may be stripped from ethanol through a reforming reaction incorporating our patented catalysts using no more electrical energy input, even for large trucks, than for a cigarette lighter. We recognised that this alternative design for the application is ideally suited for a market such as Brazil, where diesel is scarce and bio-ethanol is cheap and produced in abundance (Brazil is an exporter of bio-ethanol, which is produced from sugar cane that does not compete with food crops). Furthermore, the saving in diesel is achieved from ethanol without drawing power from the diesel engine (as is the case with water-electrolyser based diesel enrichment), so that a gross rather than net saving in fossil fuel is achieved. The adoption of E85 in the US will create another readily addressable market for this innovative application.

Following the development of the application during last year we undertook prototype system tests in Brazil at Decar Motor Sport S.A., a large motor racing company co-owned by Nelson Piquet, the three times F1 world champion driver; and these tests led to the signing of a joint development agreement, announced in February 2011, with a group of Brazilian entrepreneurs led by Nelson Piquet and LAAR, a Brazilian engineering consultancy company. Upon successful completion of the tests in Brazil of the final prototype, currently undergoing testing in Italy, the partners intend to form a joint venture production company for the local production and distribution of the system to the large Brazilian and North American markets.

Acta has continued its activities also in the area of hydrogen production from ammonia cracking. This application uses the Company's low-cost catalysts to reform ammonia at temperatures which are lower than those achieved using commercial, platinum group metals-based catalysts. This application is being pursued through the €1.2 million grant-funded Savia project, together with major partners including EDI S.p.A., an Italian engineering company working for FIAT and Piaggio which built FIAT's Multipla hydrogen fuelled car, and Bigas S.r.l., a Florentine company which produces LPG tanks for cars.

Under this project, the Company's ammonia reactor is being used to strip hydrogen from ammonia, which is then used to accelerate the flame rate in an ammonia-burning internal combustion engine. Although a long-term development project, the Company believes that this application has high commercial potential in India and China, which combine a booming automotive market with limited gasoline infrastructure and availability, and are the world's largest producers of ammonia.

Major Addressable Markets

Our products are designed to address mass market applications in a way that is economically viable and environmentally friendly. The technologies we employ are predominantly based on our precious metal-free catalysts, which offer enormous commercial advantages in terms of low cost, supply abundance and positive economies of scale. The ethanol reformer diesel enrichment addresses the very substantial and fast growing Brazilian diesel truck market.

Brazil has the largest diesel truck market in South America, with a fleet of approximately two million vehicles and internal sales of 170,000 vehicles in 2010 (Source: ANTT, ANFAVEA). Our partner Nelson Piquet is a majority shareholder, together with Qualcomm Inc., of AutoTrac S.A., a Brazilian truck fleet services company that provides satellite tracking and communication systems for a customer base of over 130,000 vehicles.

We believe that this will give our Brazilian joint venture significant market access for distribution and support, assisted by the prominence and popularity of our partners to the Brazilian public.

Our diesel enrichment product based on water electrolysis addresses a similar market demand, but in markets where ethanol is not in widespread automotive use. We have seen good commercial demand in Italy and in the UK, primarily for retrofit into vehicles which are out of manufacturer's warranty. We have begun talks also with manufacturers and engine conversion companies to address manufacturer's warranty certification.

Our hydrogen generator addresses the large market demand for fuel cell systems, particularly in light mobility applications. The fuel cell market is forecast to grow to $20 billion by 2020 (Carbon Trust), and we believe that one of the key barriers to the development of this market is the lack of a consumer hydrogen infrastructure.

Our compact and low cost hydrogen generator will allow consumers and industrial users to generate their own hydrogen onsite from renewable intermittent energy sources, removing this barrier and facilitating the adoption of mid-sized fuel cell systems. The Company continues to demonstrate its technology at fuel cell and related exhibitions and has received partnership interest in relation to a number of fuel cell applications, including the large commercial market for UPS systems.

Paolo Bert
Chief Executive Officer

Chief Financial Officer's Review

Introduction

Our financial performance during 2010 showed the benefit of our successful entry into the Italian PV sector, with revenues increasing from €370,000 to €7.9 million, and net losses falling from €4.2 million to €3.9 million. The 2010 results exclude €3.4 million of revenue which had been contracted in 2010 and expected to be recognised in the year, but which was subject to post-sale conditions which, due to circumstances arising in 2011 from the uncertainty over the new tariff regulations, have not subsequently been fulfilled. The Board is confident that the clarification of the new tariff scheme and related regulations, in line with the proposals currently being indicated by the Italian Government, will allow the sale of the project consents to be completed with the revenue recognised in 2011.

Substantial progress was nonetheless seen during the year, with net losses falling from €2.4 million in the first half to €1.5 million in the second half. This improvement was achieved despite increases in our cost base arising from the new activities and for the start-up of our production structure, exceptional costs relating to the Group's successful fundraising and corporate activity during the year, and limited recognition of grant income during the year (€81,000; 2009 grant recognition: €816,000). The Company has however been pursuing a number of grant-funded activities during 2010, and grant income of €450,000 is expected to be recognised in relation to these activities during 2011.

Operating cash outflow was €3.1 million (2009: €2.7 million including grant receipts), excluding proceeds from the placing completed in September 2010, and well within operating losses. Cash balances at the year end improved to €4.4 million (2009: €3.6 million), benefiting from the proceeds of the placing (€3.2 million net of expenses) and careful working capital management of the new activities. These cash balances include €3.4 million received in 2010 in relation to the revenues which have been subsequently excluded from the 2010 accounts, for which a corresponding liability has been recorded in 2010. In the light of the regulatory uncertainty and its impact upon the PV sector, we have adopted a prudent approach in our decision not to recognise the revenues for the sale of consents during 2010 against cash received at the time. We will however be meeting with our customers and the local authorities over the next few weeks and we expect to be able to resolve the disputed issues in the short term following these meetings, failing which we will take any necessary legal action to protect the Company's cash position. We will keep the market informed of developments on these matters in due course.

Based upon the expected resumption of EPC projects and consent sales by mid-year, the completion of the 2010 deferred sales (or the sale of these consents to other customers) and the commercialization of our products, we believe that the cash resources of the business are sufficient for its foreseeable requirements.

Paul Barritt
Chief Financial Officer

Board of Directors

Robert Drummond

Non-Executive Chairman

Aged 65. 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 64. Paolo Bert is co-founder and Chief Executive Officer of Acta S.p.A.. 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 S.p.A., 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 49. 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 50. 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 multi-national public companies.

Marco Chiarion Casoni

Non–Executive Director

Aged 50. 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 Group Financial Statements for the year ended 31 December 2010.

Principal activity

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 Actasol S.r.l., Idea Lab S.r.l. ("Idea Lab") , Acta Catalysts Ltd, Solgen S.c.r.l. (a joint venture company), and a number of special purpose companies. In 2010 Actasol S.r.l., a wholly owned subsidiary of Acta S.p.A., was incorporated, in order to develop the photovoltaic sector for the Group, and Solgen S.c.r.l, a joint-venture with Fedi Impianti S.r.l., was formed to carry out large scale photovoltaic projects with institutional investors.

The principal activity of the Group during the year was the research and sale of authorizations for projects concerning the installation of turnkey ground-based photovoltaic installations in Central Italy, together with the research, development and marketing of innovative clean technology products for renewable energy and motoring applications.

Revenues from the sales of authorizations for the installation of photovoltaic systems, a new activity started in 2010 amounted to € 6,484,000 relating to two Engineering, Procurement and Construction ("EPC"), contracts signed during the year. The most important of these contracts was signed through Solgen S.c.r.l., the joint-venture with Fedi Impianti S.r.l., a market leader in the management of EPC contracts, as well as our operating partner for photovoltaic projects.

Revenues from the sales of products, which include electrolysers, catalysts and catalysed electrodes amounted to € 63,000, compared to € 41,000 in 2009. Revenues from research and development amounted to € 118,000 (€ 330,000 in 2009). Revenues from research and development activities relate to a research contract signed with Dupont Inc. and with several important US universities based on the development of catalysts for the US Department of Defense, signed in 2009 with a 12 month extension agreement signed in 2010.

The rapid development of the activities in the photovoltaic sector required significant investments to obtain authorizations for the projects and recruit operating personnel to manage the new activities, with a consequent increase of operating expenses. The Directors believe that these investments will be the foundation of the Group profitability in the next year, thanks to the sale of authorizations for high margin projects developed in 2010, and the signature of medium/high price EPC contracts, resulting from the sale of the authorizations necessary to build the photovoltaic fields.

Development and marketing of products evolved positively through the year, as proved by the achievement of CE certificatlion for the hydrogen generator which earlier in the year had been awarded the Qualitec Award at the Seatec in Carrara, and the presentation of a range of products which combine photovoltaic and fuel cells-based technology. The Group has also invested in the testing and development of an application for diesel enrichment based on its current technologies; this new technology attracted a considerable commercial interest and gave rise to an important partnership, signed after the end of the year, for the development of products.

Considering that the Group has not yet started to generate cash and that the losses in 2010 loss were still significant, the Directors undertook an impairment test on the patent portfolio, as well as on land and buildings, as described hereafter, which did not show any impairment. Concerning the 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 Statement and the Chief Financial Officer's Statement, presented in the annual report.

Results for the financial year

The results for the financial year are set out on page 29.

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

Dependence upon External Equipment Manufacturers

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

Planning of photovoltaic installations

The Group is involved in the development of authorisations for photovoltaic installations, the sale of turnkey 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; furthermore, 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 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 sample volumes to its customers. To achieve commercial success, its products will need to be manufactured in large quantities, in compliance with regulatory and quality control requirements and at acceptable cost. The scaling up of production to commercial volumes implies a further growth of the organization which will require more investments.

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 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.

Growth Management

In order to grow the business significantly there will 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

Directors' remuneration

The Directors' remuneration during the year was as follows:

	31/12/2010 €'000					31/12/2009 €'000				
	Salary	Share options	Benefits	Bonus	**Total**	Salary	Share options	Benefits	Bonus	**Total**
Paolo Bert	305	136	44	0	**485**	296	23	4	0	**323**
Paul Barritt	182	80	30	81	**373**	177	13	3	71	**264**
Robert Drummond	62	26	0	0	**88**	61	4	0	0	**65**
Geoffrey Bicknell	0	0	0	0	**0**	26	15	0	0	**41**
Marco Chia-rion Casoni	44	18	0	0	**62**	43	3	0	0	**46**
Fabio Mastrangelo	57	21	0	0	**78**	56	4	0	0	**60**
Total	**650**	**281**	**74**	**81**	**1,086**	**659**	**62**	**7**	**71**	**799**

The total directors' remuneration shown above exceeds that disclosed in note 5 by €113,000 because the table above indicates the bonus received by the directors during 2010 and includes payments for pension benefits of the Directors, recorded in 2009 but paid in 2010 as well as payments for 2010 made in 2010, as per the Board resolution dated March 2009 (€ 68,000; 2009: € 0,000).

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 De-cember 2009	*Percentage of issued ordinary shares as at 31 december 2009*	*Number of ordinary shares as at 31 december 2010*	*Percentage of issued ordinary shares as at 31 december 2010*
Paolo Bert	17,313,022	42.2%	17,313,022	36.5%
Paul Barritt	35,000	0.1%	35,000	0.1%
Robert Drummond	20,000	0	184,200	0.4%
Marco Chiarion Casoni	103,035	0.3%	103,035	0.2%

Mr Bert owns 583,022 shares of the Group in his own name and is the 51% shareholder in Bertam S.r.l., which owns 16,730,000 ordinary shares in the Group. 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 parent company Acta or other companies of the Group 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:

	Number at 31 December 2009	Number of options granted in 2010	Number of options exercised in 2010	Number of options lapsed in 2010	Number at 31 December 2010
Paolo Bert	1,659,764	509,024	0	0	2,168,788
Paul Barritt	473,663	303,990	0	0	777,653
Robert Drummond	164,772	96,885	0	0	261,657
Marco Chiarion Casoni	117,722	69,203	0	0	186,925
Fabio Mastrangelo	123,441	83,088	0	0	206,486

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

In October 2010 2,500,000 options were granted to Mr. Michele Di Maso and Mrs Chiara Lorenzini at an exercise price of 10.0 pence sterling in connection to the acquisition of contracts and authorization procedures managed by Sun Global Service S.r.l. The beneficiaries have renounced their right to exercise those options following the agreed termination of the contract in 2011; and the options will be cancelled at the next shareholders' meeting after the announcement becomes unconditional.

The options granted during 2010 have an exercise price of 15.0 pence sterling, and can be exercised starting from 27 June 2012. 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.

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 2009 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 Group may be indemnified in respect of matters relating to the admission of the Group to the London AIM market and the normal management and operation of the Group.

Substantial shareholdings

At 23 March 2011 the Directors have been notified of the following shareholders of 3% or more of the 47,378,938 ordinary shares of the Company:

	Number of ordinary shares	Percentage of issued ordinary shares
Bertam S.r.l.	16,730,000	35.3%
Gartmore Investment Limited	2,391,304	5.1%

As noted above, Mr Bert and Mr Tampucci are indirect owners of 16,730,000 (35,3%) shares in Acta through Bertam S.r.l., and in addition Mr Bert owns 583,022 (12%) shares in Acta in his own name.
Acta 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, religion, 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 25.

Going concern

The consolidated financial statements have been prepared on a going concern basis. In 2010, 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. Cash and cash equivalents increased during the year from € 3,600,000 to € 4,400,000, following the receipt of funds from a capital increase carried out during the year and, according to current estimates, losses will continue in 2011.

The continuation of losses in 2010 represents an "impairment indicator" and, consequently as indicated in the Notes 11 and 12, the Group has undertaken an impairment test for the tangible assets, for the fixed life intangible assets and for investments in subsidiaries.

The Directors believe that the Group will generate revenues and cash during 2011 and will continue to do so thereafter from the sale of its products and of project authorizations and from the implementation of a programme to supply large scale photovoltaic installations to institutional customers. The Group has developed a portfolio of authorization requests for 41.7 MW at the end of 2010 and during the year it has signed a preliminary contract with SPF Energy, a renewable energy investment fund, to supply up to 10MW installed photovoltaic capacity. This agreement had a positive evolution during the year and, in case of successful conclusion, it would generate significant revenues in 2011. The project was implemented through Solgen, the joint-venture formed in 2010: 50% of revenues will be recognized in the Group financial statements.

This new activity is estimated to be subject to risk in a number of areas, including but not limited to the ability of the Company to source and obtain authorisation for suitable projects; the Company'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 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, as agreed in the relevant contracts.

On 21 March 2011 the Board of Directors approved the three-year plan 2011-2013 which foresees the generation of cash flow mainly from the above photovoltaic projects. Nevertheless there is a high degree of uncertainty about the profitability and/or the generation of cash flow, which could be significantly lower than expected or could be delayed.

Despite the above-mentioned cash outflow for the year, which continued in the first months of 2011 and after having carefully reviewed the project risks and available risk mitigation, and based on the current status, the Directors believe that, should the generation of cash flow arising from the photovoltaic installation project be delayed, the Company has adequate financial and management resources, as well as credit limits available and not used, to cover the financial and liquidity needs for at least 12 months starting from 1 January 2011. As of 31 December 2010 cash and cash equivalents amounted to € 4,442,000 (2009: € 3,579,000).

Concerning the above mentioned borrowings, in 2010 the Group has obtained credit facilities for €800,000 and in 2011 it is expected to receive other grant income relating to grant-funded projects. Furthermore the Group is negotiating new credit facilities in order to finance the PV projects. Even if at the moment these opportunities are not yet finalized, they support the reasonable expectations of the Directors in terms of adequacy of the financial resources which will allow the Group to reach 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 projects.

Subsequent events

On 3rd March 2011, the Italian government approved a decree determining new rates for renewable energy production projects (Conto Energia III) as of 31 May 2011, and on 5 May 2011 it approved a decree making 31 May 2011 the deadline for the current feed-in tariff (Conto Energia III) and outlining the terms of the new rates in force (Conto Energia IV). The new tariff regime calls for gradually reducing, in comparison with the previous plan, the feed-in tariffs, while also establishing a cap on the total photovoltaic capacity installed for 2011 and 2012, and limiting the use of agricultural land for installations of this kind.

Changes in the tariff system have generated considerable discontent among industry operators, investors, banks and environmental groups, and caused the temporary suspension of funding for new installation projects. This has negatively impacted the Group's operations in 2011, an impact that manifested itself in the termination of a sales contract the Group had signed in late 2010, and the non-recognition of € 2,450,000 of proceeds from the sale of authorizations in December 2010. Since the payment for these sales had been received during 2010, the funds received were reclassified as Group liabilities (see note 26). Furthermore on 19 March 2011 the Group announced the termination of the contract to sell four projects authorizations and related EPC contracts to SPF Energy S.p.A., which resulted in the non-recognition of 50% of relative revenue in the consolidated income statement (€ 465.000).

The approval of the new feed-in tariff has revitalized the industry, reinstating bank financing for new projects, and restarting the local authorities' authorization processes. On 20 May 2011, the Company announced that, through Solgen, it had signed two new EPC contracts with SPF energy as a continuation of the framework agreement signed in 2010, and that two additional EPC contracts were expected to be signed, thus resuming the conditional agreement signed in December and then terminated in the month of March. This contract envisages a direct investment by Solgen S.c.r.l. in the project SPVs equal to 25% of the project equity required to develop the photovoltaic projects held.

The Directors believe that this restoration of a contract that had been suspended earlier supports their conviction that the industry will return to normal activity, including the financing of new projects, within the first half of the year.

Related parties

The details of transactions with related parties are disclosed in Note 28.

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. The Group's contract with PKF S.p.A to act as auditors for the Group for the three year period 2010 to 2012 was approved at the Annual General Meeting held on 28 June 2010.

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 Group 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 2010 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 Director's 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 2012 financial statements, was approved at the Annual General Meeting held on 28 June 2010. 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 give opinions on 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. Since February 2009 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 the Director Mr Casoni, both qualified accountants.
The Audit Committee members have all been reviewed to ensure their independence. Italian law re-

quires 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 2010 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 2010.

	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/d

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 are required 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 Auditor's 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, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Acta S.p.A. and its subsidiaries as at December 31, 2010, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other Matter

The consolidated financial statements of Acta S.p.A and its subsidiaries for the year ended as at December 31, 2009, were audited by another auditor who expressed an unqualified opinion on those statements on May 10, 2010.

Emphasis of Matter

We draw attention to the following facts:

a during the year 2010, the Parent Company sold 100% of the SPVs Actasol 1, Actasol 2 and Actasol 3 for an amount of approximately EUR 2.5 million. The part of the price exceeding net booking value of the investments, amounting to approximately EUR 2.4 million has been recognized in Other current financial liabilities instead of Other income as Management considers this accounting method more consistent with the substance of the transaction, in light of ongoing negotiations for the repurchase of such companies.

b since the year 2004 the Parent Company, with joint liability with certain shareholders, has been involved in a dispute with the minority shareholder of the subsidiary Idealab S.r.l.. This member claims to have received a financial loss in consequence of some increases in share capital of the subsidiary subscribed by the Parent Company. An arbitration award ended in late 2010 approved the minority shareholder' requests for a total of EUR 1.5 million. The parent company intends to continue the litigation and has recorded a provision of approximately EUR 0.5 million, the determination of which is illustrated by Management in the notes.

c The year 2010 reports a relevant operating loss and a significant deterioration in the net financial position. Management has approved a three-year plan 2011 - 2014 which provides for the progressive restoration of the economic and financial conditions. In view of the contents of this plan Management has prepared the consolidated financial statements applying accounting standards on a going concern basis.

Our opinion is not qualified in respect of these matters.

Florence, June 10, 2011

Consolidated Financial Statement and Notes of Acta Group as of 31 December 2010

Comprehensive Consolidated Income Statement

	Notes	Year ended 31 December 2010	Year ended 31 December 2009
		€'000	€'000
Revenues	5	7,906	371
Costs			
Raw materials and consumables	14	(4,481)	(219)
Personnel expense	6	(2,536)	(2,606)
Depreciation and amortisation expense	11/12	(330)	(943)
Other operating revenues (expenses)	7	(4,394)	(783)
Operating profit (loss)		**(3,835)**	(4,180)
Financial income	8	11	104
Financial expenses	8	(88)	(80)
Profit (loss) before tax		**(3,912)**	**(4,156)**
Deferred tax assets	9	(15)	(12)
Profit (loss) for the period		**(3,927)**	**(4,168)**
Attributable to:			
Equity holders of the parent		(3,925)	(4,166)
Minority interest		(2)	(27)
Loss per share (Euro)	10	**(0.10)**	**(0.13)**

Consolidated statement of financial position

	Notes	Year ended 31 December 2010 €'000	Year ended 31 December 2009 €'000
ASSETS			
Non-current assets			
Property, plant and equipment	**11**	1,496	1,707
Goodwill	12	0	11
Intangible assets	**12**	1,169	227
Non-current assets	**12**	10	0
Total non-current assets		**2,675**	**1,945**
Current assets			
Inventories	**14**	201	140
Trade and other receivables	**15**	1,230	1,287
Work in progress on contracts	**16**	4,146	0
Cash and cash equivalents	**17**	4,442	3,579
Total current assets		**10,019**	**5,006**
Investments held for sale	**18**	136	0
Total investments held for sale		**136**	0
Total assets		**12,830**	**6,951**
EQUITY AND LIABILITIES			
Equity			
Share capital	**23**	284	246
Capital reserve		29,289	25,854
Retained losses		(26,893)	(22,967)
		2,681	3,133
Minority interest		(21)	(19)
Total equity		**2,659**	**3,114**
Non-current liabilities			
Employee benefits	**21**	156	134
Long-term provisions	**29**	800	904
Long-term borrowings	**19**	1,196	1,284
Total non-current liabilities		**2,151**	**2,322**
Current liabilities			
Other financial liabilities	**27**	2,420	57
Short-term borrowings	**19**	197	209
Advance payments on contracts	**16**	3,834	0
Trade and other payables	**20**	1,569	1,249
Total current liabilities		**8,020**	**1,515**
Total liabilities		**10,171**	**3,837**
Total equity and liabilities		**12,830**	**6,951**

These consolidated financial statements were approved by the Board of Directors on 21 March 2011

Condensed consolidated statement of changes in equity (note 23)

	Share capital	Reserve capital	Retained earnings	Group total equity	Minority interest	Total
	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2009	**246**	**25,802**	**(18,829)**	**7,219**	**8**	**7,227**
Change in 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**
At 1 January 2010	**246**	**25,854**	**(22,967)**	**3,133**	**(19)**	**3,114**
Issue of share capital	38	3,364	0	3,402	0	3,402
Change in translation reserve (1)	0	0	0	0	0	0
Share issue expenses	0	(233)	0	0	0	(233)
Share-based payments	0	303	0	303	0	303
Loss for the period	0	0	(3,925)	(3,925)	(2)	(3,927)
At 31 December 2010	**284**	**29,289**	**(26,893)**	**2,681**	**(21)**	**2,659**

(1) other items included in the comprehensive income statement

Consolidated cash flow statement

	Notes	Year ended 31 December 2010 €'000	Year ended 31 December 2009 €'000
Cash flows from operating activities			
Loss for the year		**(3,927)**	(4,168)
Adjustments for			
Amortisation of property, plant and equipments	**11**	**293**	**284**
Amortisation of intangible assets	**12**	36	655
Long term provisions	**29**	253	378
Gain/loss on investments		0	10
Gain/loss on sale of property, plant and equipment	**11**	0	0
Net expenses on stock options	**22**	303	80
Net finance income	**8**	77	(24)
Foreign currency translation reserve		0	(5)
Current tax	9	0	0
(Increase)/decrease in trade and other receivables	**15/16**	(4,099)	(669)
(Increase)/decrease in inventories	**14**	(61)	(77)
Increase/(decrease) in trade and other payables	**16/20**	4,165	30
Increase/(decrease) in provision for employees' benefits (TFR)	**21**	(35)	22
Net cash flow from operating activities		**(3,130)**	**(3,484)**
Interest expense	**8**	(88)	(80)
Cash flow from operating activities		**(3,218)**	**(3,564)**
Cash flows from investing activities			
Interest income	**8**	11	104
Payments for property, plant and equipment	**11**	(83)	(71)
Proceeds from sale of property, plant and equipment	**11**	0	0
Acquisition of available for sale investments	**24**	0	3,490
Payments for intangible assets	**12**	(978)	(69)
Proceeds from new finance leases	**26**	32	60
Net cash flows from investing activities		**1,018**	**3,514**

Cash flows from financing activities			
Proceeds from issue of share capital	**23**	3,045	0
Payment for share issue costs		(233)	0
Proceeds from borrowings	**19/27**	2,420	757
Repayment of borrowings	**19**	0	(18)
Payment of finance lease liabilities	**26**	(132)	(35)
Cash flows from financing activities		**5,101**	704

Net cash flow		864	654
Cash and cash equivalents at the beginning of the financial year		3,579	2,925
Cash and cash equivalents at the end of the financial year		**4,442**	**3,579**

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 Actasol S.r.l., Idea Lab S.r.l. ("Idea Lab"), Acta Catalysts Ltd, Solgen S.c.r.l. (a joint venture company) and a number of special purpose vehicle companies, together the "Group".

The principal activity of the Group is the research, development and commercialisation of innovative catalysts for renewable energy, carbon-free motoring and battery applications. Furthermore, in June 2010 the Group started to sell authorizations to build large-scale photovoltaic installations.

2. Basis of preparation

The consolidated financial statements consist of the consolidated income statement, consolidated statement of financial position, condensed consolidated statement of changes in equity, consolidated cash flow statement and notes to the consolidated financial statements which provide further detailed information.
The Group presented its financial statement as follows:

- For the consolidated statement of financial position, 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 comprehensive income statement, costs were analyzed by type; the Group applied the new version of IAS1 "Presentation of Financial Statements" starting from 1 January 2009 retrospectively; all transactions with non shareholders must be reported in a single statement measuring the performance of the period, the so called "Comprehensive income statement".

- The cash flow statement includes cash flow from operating, 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 of payments and items of income or expense associated with investing or financing cash flows.

- The consolidated statement of changes in equity presents the results for the financial year as well as any item of income or expense, revenue or charge which, according to the International Accounting Principles and their interpretation, 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 2010, 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 2010 accounts. Under Italian law (d.l. 24/2/1998 n. 58 art 119) the Group is not required to prepare the statutory financial statements under IFRS, as a consequence of the fact that Acta, the parent company, is admitted to the Alternative Investment Market (AIM) which, for the CONSOB, is an unregulated stock exchange.

However, the 2010 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, Acta 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 2010, as in previous years, the Group has not generated sufficient revenue to cover its operating costs, and has incurred significant losses from operating activities. Available funds increased during the year from € 3,600,000 to € 4,400,000, following the receipt of funds from a capital increase carried out during the year and, according to the current estimates, losses will continue in 2011.

The continuation of losses in 2010 represents an "impairment indicator" and, consequently as indicated in the Notes 11 and 12, the Group has undertaken an impairment test for the tangible assets for the fixed life intangible assets and for investments in subsidiaries.

The Directors believe that the Group will generate revenues and cash during 2011 and will continue to do so thereafter from the sale of its products and the sale of authorisations for large scale photovoltaic installations to institutional customers. The Group has developed a portfolio of authorization requests for 41.7 MW at the end of 2010 and during the year it has signed a preliminary contract with SPF Energy, a renewable energy investment fund, to supply up to 10MW installed photovoltaic capacity. This agreement had a positive evolution during the year and, in case of successful conclusion, it would generate significant revenues in 2011. The project was implemented through Solgen, the joint-venture formed in 2010: 50% of revenues will be recognized in the Group financial statements.

This new activity undertaken by the Group 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 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, according to the relevant contracts.

On 21 March 2011 the Board of Directors approved the three-year plan 2011-2013 which foresees the generation of cash flow mainly from the above photovoltaic project. Nevertheless there is uncertainty about the profitability and/or the generation of cash flow related to these projects, which could be significantly lower than expected or could be delayed.

Despite the 2010 cash outflow, as above indicated, which continued in the first months of 2011, and after having carefully reviewed the project risks and available risk mitigation, and based on the current status, the Directors believe 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 credit limits available and not used, to cover the financial and liquidity needs for at least 12 months starting from 1 January 2011.

As of 31 December 2010, cash and cash equivalents, together with financial investment available for sale, amounted to € 4,442,000 (2009: € 3,579,000).

Concerning the above mentioned borrowings, in 2010 the Group has obtained credit facilities for €800,000 and in 2011 it is expected to receive other grant income relating to grant-funded projects. Furthermore the Group is negotiating new credit facilities in order to finance the PV projects. Even if at the moment these opportunities are not yet finalized, they support the reasonable expectations of the Directors in terms of adequacy of the financial resources which will allow the Group to reach 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.

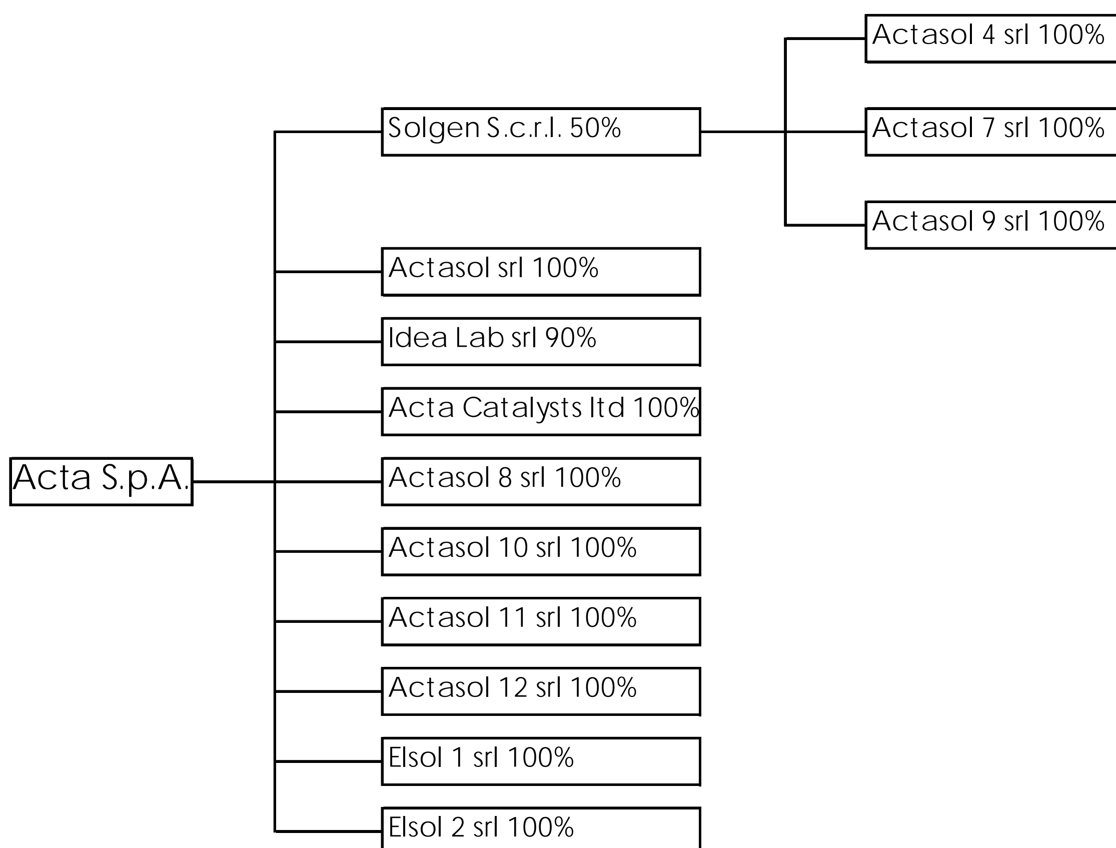
c. Measurement convention

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 entirely consolidated in the Group financial statements are as follows:



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 2010.

Transaction 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. 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 comprehensive 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 meet the following two conditions:

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; and

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 Group'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 comprehensive 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 – 8 years
Furniture and office equipment	3 – 8 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 26.

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 its assets and liabilities. 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.

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 financial statement 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.

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. Long term contracts (IAS11)

This accounting principle defines the accounting treatment of revenues and costs related to long term contracts. Given the nature of operations undertaken in long term contracts, the date in which the activity foreseen under the contract and the date of completion of the contract take place in different accounting periods. The current principle uses the criteria of disclosure established in the general guidelines for the preparation and presentation of the annual accounts to determine when the revenues and costs arising from the contract should be recognised as revenues and costs in the profit and loss account.
On the basis that the results of the Group's long term contracts are able to be estimated with reliability, the revenues and costs of long term contracts are recognised respectively as revenue and cost at the reference date of the financial statements on the basis of the state of advancement of the work.

f. Cash and cash equivalents (IAS1)

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.

g. 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.

h. 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.

i. 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.

j. 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.

k. 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.

l. 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 financial statement 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.

m. 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.

n. 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.

o. 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.

p. 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 financial statement 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 2010 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 2010 include the following consolidated companies:

Idea Lab S.r.l.:

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 patented assets owned by Idea Lab. The company has completed the delivery of two Italian grant-funded research projects.

Acta Catalysts Ltd

Acta Catalysts Ltd was incorporated on 30 October 2006 as an operating vehicle for the Group's UK activities.

Actasol S.r.l.

On 30 June 2010 Acta S.p.A. founded Actasol S.r.l., of which it holds 100% with a share capital of €10,000, fully paid. Actasol undertakes the development and realization of large-scale photovoltaic installations, and is currently developing a single EPC contract of €3,500,000 due to complete on 30 April 2011.

Solgen S.c.r.l.

On 14 May 2010 Acta S.p.A formed, together with Fedi Impianti S.r.l., a "consortile" company, Solgen S.c.r.l., with a share capital of € 10,000 held equally at 50% each by the two shareholders. The company undertakes the development and realization of large-scale photovoltaic installations, and is currently developing EPC contracts for €10 million which began in 2010 and are due to complete in 2011.

In addition to the above companies the Acta Group includes in its area of consolidation the following special purpose vehicle companies formed for the purpose of transferring to customers the PV project authorizations developed by the Group. The following table summarizes the companies formed during 2010 for this purpose:

Company	Ownership	% Owned	Formation date	Share Cap. €uro
Actasol 1 S.r.l.	Sold, 29/10/2010	0%	16/07/2010	€10,000
Actasol 2 S.r.l.	Sold, 29/10/2010	0%	16/07/2010	€10,000
Actasol 3 S.r.l.	Sold, 29/10/2010	0%	16/07/2010	€10,000
Actasol 4 S.r.l.	Solgen S.c.r.l.	100%	16/07/2010	€10,000
Actasol 5 S.r.l.	Solgen S.c.r.l.	100%	10/11/2010	€10,000
Actasol 6 S.r.l.	Solgen S.c.r.l.	100%	10/11/2010	€10,000
Actasol 7 S.r.l.	Solgen S.c.r.l.	100%	10/11/2010	€10,000
Actasol 8 S.r.l.	Acta S.p.A.	100%	30/11/2010	€10,000
Actasol 9 S.r.l.	Solgen S.c.r.l.	100%	30/11/2010	€10,000
Actasol 10 S.r.l.	Acta S.p.A.	100%	30/11/2010	€10,000
Actasol 11 S.r.l.	Acta S.p.A.	100%	30/11/2010	€10,000
Actasol 12 S.r.l.	Acta S.p.A.	100%	30/11/2010	€10,000
Elsol 1 S.r.l.	Acta S.p.A.	100%	30/11/2010	€10,000
Elsol 2 S.r.l.	Acta S.p.A.	100%	30/11/2010	€10,000

The following table summarises the result for the period and net equity of the consolidated companies at 31 December 2010:

Company	Country of incorporation	Class of shares held	31/12/10	Net income 2010 €uro	Net equity €uro
Actasol S.r.l.	Italy	Ordinary	100%	€ 167,697	€ 177,697
Actasol 10 S.r.l.	Italy	Ordinary	100%	(€ 158)	€ 10,000
Actasol 11S.r.l.	Italy	Ordinary	100%	(€ 158)	€ 10,000
Actasol 12 S.r.l.	Italy	Ordinary	100%	(€ 158)	€ 10,000
Actasol 8 S.r.l.	Italy	Ordinary	100%	(€ 277)	€ 10,000
Elsol 1 S.r.l.	Italy	Ordinary	100%	(€ 158)	€ 10,000
Elsol 2 S.r.l.	Italy	Ordinary	100%	(€ 158)	€ 10,000
Idea Lab S.r.l.	Italy	Ordinary	90%	(€ 137,903)	(€ 76,902)
Acta Catalysts ltd.	UK	Ordinary	100%	(€ 2,591)	(€ 70,127)

5. Revenue

	31/12/10 €'000	31/12/09 €'000
Sale of products	68	41
Research and development services	128	330
EPC contracts (Engineering Procurement & Construction)	6,484	0
Sale of authorisations for photovoltaic installations	1,226	0
Total Revenue	**7,906**	**371**

The principal activity of the Group during the year was the research and sale of authorizations for projects concerning the installation of turnkey ground-based photovoltaic installations in Central Italy, together with the research, development and marketing of innovative clean technology products for renewable energy and motoring applications.

In 2010 the Group started to sell and build large-scale photovoltaic installations, mainly through two subsidiaries formed purposely to carry out activities in this sector. More specifically, Actasol S.r.l., a wholly-owned subsidiary, recorded revenues for € 2,584,000 and Solgen S.c.r.l., the joint-venture formed with Fedi Impianti S.r.l., a strategic partner for the PV sector, recorded revenues for € 3,900,000. In addition, given that the results of the long term contracts of the Group are able to be estimated with reliability, the revenues and costs of these long term contracts have been recognised respectively as revenue and cost in proportion to the state of advancement of the work as at the reference date of the financial statements.

Furthermore Acta continued to sell sample catalysts and electrodes to its commercial partners. Revenues of €128,000 (2009: €330,000) relate to development and testing services for catalysts and components, following contracts signed with DuPont Inc., as well as several major US universities.

6. Personnel expenses

The average number of persons engaged by the Group during the year, analysed by category, was as follows:

	Personnel 31/12/10	Personnel 31/12/09
Directors	5	5
Administration and general services	5	8
Commercial	4	1
Manufacturing and Logistics	3	3
Technical, Research & Development	17	16
	34	**33**

During the year the Group continued to invest in the development of commercial, manufacturing and technical research activities, and rationalised its human resources, through an internal reallocation of the personnel.
In November 2010 three fixed term employees were recruited following completion of the Actasol-Acta-Sun Global Service S.r.l. agreement, to develop the PV activities through the subsidiary Actasol S.r.l.

	31/12/10 €'000	31/12/09 €'000
Wages and salaries	2,144	2,190
Stock option expenses	303	80
Employee benefits	57	52
Social security costs	260	284
Capitalized costs (IAS 38)	(228)	0
	2,536	**2,606**

The aggregate payroll costs of these persons including Directors' emoluments were as follows:
From September 2010, the Group capitalized technical personnel costs for € 228,000 (2009: € 0,000), following the implementation of IAS 38 concerning the expenses incurred to obtain prototypes necessary to create products to be sold.

	31/12/10 €'000	31/12/09 €'000
Directors	973	823
Administration and general services	243	245
Commercial	284	280
Manufacturing and Logistics	129	114
Technical, Research & Development	907	1,144
	2,536	**2,606**

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

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

	31/12/10 €'000	31/12/09 €'000
Directors' remuneration	674	798
Social security costs	11	20
Stock option expenses	281	(2)
Benefits	7	7
	973	**823**

Detailed information on the Directors' remuneration is set out in the Directors' report on page 17. The Directors' remuneration disclosed above does not include bonus accruals for 2010 as there were no amounts to allocate, as well as accruals for pension benefits recognised in the year and paid in 2010 as approved at the meeting of the Board of Directors held on 31 March 2009.

7. Other operating expenses

	31/12/09 €'000	31/12/09 €'000
Research expenses	142	270
Credit for government grants	(81)	(815)
Commercial and operating expenses	333	190
Expenses for the development of photovoltaic installations	2,693	0
Finance, management and administration expenses	763	771
Foreign exchange losses (profit)	(3)	18
Other operating costs	547	349
	4,394	**783**

Research expenses relate to external costs incurred by the research and development department, and do not include external patent costs of a €71,000 (2009: €69,000), which were capitalised as intangible assets (see note 12 for further detail).

Credit for government grants for €81,000 (2009: €815.000) relates for € 49,000 to the accounting of the second stage of the European project Weltemp, (2009: €57,000), financed directly by the European Community and submitted in collaboration with other European universities and research institutions; and € 32.000 were recorded as lower cost incurred as financial charges relevant to the FIT project completed by the subsidiary Idea Lab in 2009 for the provision of a low cost financing (2009: € 40.000).

Commercial and operating expenses refer to costs of attendance at trade fairs and commercial travel; the increase compared to the previous year is due to the launch of products which are now ready to be marketed on a larger scale.

Finance, management and administration expenses include €711,000 (2009: €61,000) relating to Acta, €17,000 (2009: €118,000) relating to Idea Lab and €3,000 (2009: €36,000) relating to Acta Catalysts Ltd; furthermore they include € 19,000 relating to Actasol S.r.l. and € 13,000 relating to Solgen S.c.r.l., both companies incorporated in 2010. These expenses primarily include professional services for €504,000 (2009: €525,000) and general expenses for €207,000 (2009: €276,000). Professional services include €191,000 for investors relations, broking fees, equity research and related services, €118,000 for professional fees in relation to financial, accounting, fiscal and general services; and €118,000 for general corporate legal advice and services.

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

	31/12/10 €'000	31/12/09 €'000
Auditors' remuneration	24	50
	24	**50**

8. Financial income and expenses

	31/12/10 €'000	31/12/09 €'000
Interest income	11	104
Financial income	**11**	**104**

	31/12/10 €'000	31/12/09 €'000
Interest expense	(88)	**(80)**
Financial expense	**(88)**	**(80)**

The decrease in interest income recognised in 2010 is due to the decrease in cash reserves (including financial investments available for sale) in comparison to 2009, as the cash inflows generated in 2010 were not sufficient to offset the cash outflows, despite the capital increase recognised in October 2010. This is due mainly to the investments of the Company in the photovoltaic sector, which will generate results in 2011. Interest expense is in line with previous year following the mortgage raised in July 2006.

Interest expense increased from last year following the recognition of interest expense for the subsidized loan received by the subsidiary Idea Lab S.r.l. 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 2010 the most important Italian companies of the Group have determined for the purposes of IRES:

- for Acta S.p.A. a taxable loss of €3,153,134, 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 S.r.l. a taxable loss of €121,980 which, in accordance which article 84 of DPR 917/1986, will be able to be offset against taxable profits in successive tax periods, up to five years;
- For Solgen scarl a taxable income of €16,146;
- For Actasol S.r.l. a taxable loss of €45,119, which in accordance which article 84 of DPR 917/1986, will be able to be offset against taxable profits in successive tax periods.
-

For further details see note 13.

Since the taxable base for calculating IRAP is negative for all the companies of Acta Group, no calculation of such tax is required.

10. Loss per share

The calculation of loss per share is based upon the net loss attributable to the ordinary shareholders of €3,936,000 (2009: €4,142,000) and upon a weighted average number of shares in issue of 42.285.960 (2009: 40.995.125).

	31/12/10	**31/12/09**
Basic loss per share (€uro)	(0.09)	(0.10)
Loss attributable to ordinary shareholders (€'000)	(3,936)	(4,142)
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	40,995,125	40,995,125
Effect of shares issued on 09 June 2010	75,043	
Effect of shares issued on 21 October 2010	1,215,792	0
Weighted average number of ordinary shares at 31 December	**42,285,960**	**40,995,125**

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

	Lands €'000	Buildings €'000	Machinery & Equipment €'000	Motor Vehicles €'000	Total €'000
Cost					
Balance at 1 January 2010	134	760	1.554	185	2,633
Other additions	0	0	51	29	80
Disposals	0	0	0	0	0
Balance at 31 December 2010	**134**	**760**	**1.605**	**214**	**2,713**
Depreciation					
Balance at 1 January 2010	0	91	764	69	924
Depreciation	0	23	222	48	293
Disposals	0	0	0	0	0
Balance at 31 December 2010	**0**	**114**	**986**	**117**	**1,217**
Net book value					
Balance at 31 December 2009	134	669	790	114	1,707
Balance at 31 December 2010	**134**	**646**	**618**	**98**	**1,496**

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 lands and 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 2010 amounted to €98,000 (2008: €114,000), relating to motor vehicles.

12. Intangible assets and goodwill

	Goodwill €'000	Patents €'000	Capitalised costs €'000	Total €'000
Cost				
Balance at 1 January 2010	11	1,185	0	1,196
Other acquisitions – externally purchased	0	79	900	979
Balance at 31 December 2010	**11**	**1,264**	**900**	**2,175**

Amortisation and impairment				
Balance at 1 January 2010	0	959	0	959
Amortisation	0	36	0	36
Depreciation	11	0	0	11
Balance at 31 December 2010	**11**	**995**	**0**	**1,006**

Net book value				
Balance at al 31 December 2009	11	227	0	238
Balance at 31 December 2010	**0**	**269**	**900**	**1,169**

Patents at 31 December 2010 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 2010 and the expectation of further losses to be incurred in 2011, the Directors have undertaken an impairment test upon the fixed life intangible assets of the Group; and in relation to the patent portfolio, they did not consider it opportune to devalue the patent value, as it is possible to foresee the recovery of such costs from expected future incomes arising from the related patent. Other non-current assets include € 10,000 for the incorporation of a new company, a process not yet completed.

13. Deferred tax assets and liabilities

The Acta Group did not recognise any deferred tax assets for the year ended 31 December 2010. In accordance with article 84 of DPR 917/1986, taxable loss will be able to be offset against taxable profits in successive tax periods as indicated in the table below:

Limit of carried forward tax losses	€'000
Losses that can be carried forward without limit (fiscal years 2004-2006 and 2010 for Actasol)	6,865
Losses that can be carried forward until 2012 (fiscal year 2007)	4,880
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
Losses that can be carried forward until 2015 (fiscal year 2010)	3,275

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 S.r.l. The tax losses for 2009 refer exclusively to Acta S.p.A. as Idea Lab S.r.l. registered in 2009 a positive taxable income for €411,827 which was absorbed by the tax losses incurred in 2006 and by part of the tax losses incurred in 2007, which were accordingly decreased. The tax losses for the year 2010 include the tax loss of Acta S.p.A, Idea Lab S.r.l. and Actasol S.r.l.

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 2010.

14. Inventories

	31/12/10 €'000	31/12/09 €'000
Inventories	201	140

Raw materials and consumables to the value of €402,000 were recognised as expenses in the year (2009: €219,000). 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 2010 for the projects related to large photovoltaic installations, for which revenues will be recognised in 2011, were registered in the inventories.

15. Trade and other receivables

	31/12/10 €'000	31/12/09 €'000
Trade receivables	384	94
Other debtors	812	1,160
Prepaid expenses	34	33
	1,230	**1,287**

All of the receivables are expected to be recovered within 12 months.
Other debtors mainly relates 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 2009. An equal value has been included in provisions to provide for the risk of non-collection of this credit.
Invoices to be issued relate to contracts for the implementation of PV installations by the subsidiaries Solgen S.c.r.l. and Actasol S.r.l., started in 2010, for a total of € 13,5 million, to be completed in 2011.

Prepaid expenses includes project costs, insurance and other operating expenses relating to 2010.

16. Work in progress on contracts

Work in progress on contracts refers to the contract work for the realisation of photovoltaic projects in process of installation on the part of the subsidiaries Actasol S.r.l. and SolGen S.c.r.l., which during 2010 have begun contracts for a total of €13.5 million that are due to be completed during 2011.

These contracts represent firstly the realisation of the Framework Agreement signed with Sopaf S.pA. through its subsidiary SPF Energy S.r.l. in June 2010. This Agreement is for the development of approx. 10 MW of photovoltaic installations, of which the first began construction in September 2010, and are located in Teramo province in Marche. The remaining projects are to be developed in 2011, for which certain EPC contracts have been signed in May 2011 for installations located in Pisa province in Tuscany.
In addition to this construction contract, the construction of a further installation in Abruzzo for Tesla S.r.l. has been registered during the year, for which work is to be completed during the first half of 2011.

The following table summarises the impact of IAS 11 on the consolidated financial statements:

	31/12/2010	IAS 11	31/12/2010 adjusted
Work in progress on contracts			
Solgen	1,142	959	2,101
Actasol	965	1,080	2,045
Total	**2,107**	**2,039**	**4,146**
Advanced payments on contracts			
Solgen	(7,668)	5,045	(2,623)
Actasol	(2,418)	1,207	(1,211)
Total	(10,086)	6,252	(3,834)
TOTAL	**(7,979)**	**8,291**	**312**

The gross amount due from customers for contract work, in accordance with IAS 11, is € 4,146,000.
In the registration Advance Payments on Contracts are included the advanced payments received from customers for the implementation of the photovoltaic project contracts, for a total of € 3,834,000.

17. Cash and cash equivalents

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

	31/12/2010 € 000	31/12/2009 € 000
Cash and cash equivalents	**4,442**	**3,579**
Bank account in Euro	4,434	3,003
Blocked deposit account	0	421
Bank account in GBP	1	0
Cash	7	155
	4,442	**3,579**

The increase in cash and cash equivalents is a result of the capital increase recognised in October 2010, net of cash absorbed in the year.
For the blocked deposit account for 2010, see Note 29.

18. Investments held for sale

During 2010 several special purpose vehicles were incorporated for the marketing of authorisations to implement PV installations, to be sold in the next year.

19. Interest bearing loans and borrowings (secured)

	31/12/10 €'000	31/12/09 €'000
Non-current liabilities		
Bank loans	1,152	1,243
Finance lease liabilities	44	41
	1,196	**1,284**

Current liabilities		
Bank loans	122	119
Finance lease liabilities	75	90
	197	**209**

Bank loans consist of a bank loan secured by a mortgage of €495,000 (2009: €514,000) over the Group's land and buildings, repayable over 20 years at 5.5% fixed interest rate per annum; together with a low-interest financing of € 946,000 (2009:1,047,000) 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 € 168.000 (2009: € 200,000), to be released over the duration of the loan.

Interest bearing loans and borrowings include €75,000 (2009: €41,000) for the non-current portion of finance lease liabilities and €44,000 (2009: €90,000) 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.

20. Trade and other payables

	31/12/10 €'000	31/12/09 €'000
Trade payables	1,151	493
Tax payables	185	131
Other creditors	233	625
	1,569	**1,249**

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 2010 costs, including invoices to be received in relation to photovoltaic installations.

Other creditors include performance bonus accruals for €65,000 (2009: €309,000). The executives and staff of the Group may qualify for performance-related bonuses according to their achievement, as assessed by the Remuneration Committee, based on financial, technical and commercial performance criteria. The bonus for 2010 is expected to be paid in 2011.

Furthermore, the amount of €168,000 (2009: € 200,000) was recorded in this item (according to IAS 21) for the accrued expense relating to the low cost loan arising from the FIT project undertaken by the subsidiary Idea Lab S.r.l.

21. 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 €57,000 (2009: €52,000). The TFR liability at the year end is €156,000, (2009: €133,000).

- Annual discount rate 4.25%
- Annual inflation rate 1.5%
- Death rate Istat 2004 9.7 ‰

Reconciliation of TFR liability	**2010** **€'000**	**2009** **€'000**
TFR at 1 January	122	112
Provision for the year	51	47
Interest expense for the year	5	5
IAS 19 application	1	0
Total provision for the year	57	52
Benefits paid in period	(23)	(31)
TFR liability at 31 December	**156**	**133**

22. Share-based payments

The fair value of services received in return for share options granted, during the year, was €303,000 (2009: €176,000). The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2010 €	Aggregated number of options 2010	Weighted average exercise price 2009 €	Aggregated number of options 2009
Outstanding at the beginning of the period	0.45	4,034,669	0.81	4,133,804
Granted during the period	0.17	1,062,147	0,11	1,600,000
Lapsed during the period	0	0	1.06	(1,699,135)
Exercised during the period	0.21	(133,613)	0	0
Outstanding at the end of the period	0.42	4,963,203	0.39	4,034,669
Exercisable at the end of the period	0.65	1,294,000	0.71	1,832,513

The options outstanding at the year end have an exercise price of €0.65 (2005), €1.75 (2006), €1.34 (2007), €0.46 (2008), €0.12 (2009) and €0.17 (2010) and a weighted average contractual life of two years. The exchange rate used to determine the weighted average price is that of 31 December 2009 for the options outstanding at the beginning of the period, and that of 31 December 2010 for the valuations during 2010.

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 €303,000 (2009: €80,000) is charged to the income statement within the cost of personnel.

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 2010 compared to those of the prior year, is as follows:

	2010 Options	2009 Options
Fair value at measurement date (€uro)	**872,735**	**71,245**
Weighted average share price (Sterling pence)	74	4
Exercise price (€uro, calculated at the exchange rate £/€ of the date of grant,)	0.18	0.12
Expected volatility (expressed as a percentage used in the modelling under Bootstap technique).	1.95	1.67
Option life in years (expressed as weighted average life used in the modelling under the Bootstap technique).	2	2
Expected dividends	0	0
Risk-free interest rate (based on Euroswap rates)	2.50%	2.50%

The expected volatility is based on the historic volatility of the London AIM market since October 4th 2005 (calculated based on the weighted average remaining life of the share options and the market sector within which the Company is classified), adjusted for any expected changes to future volatility due to publicly available information.

23. Capital and reserve

	31/12/10	31/12/09
Share capital		
Number of ordinary shares		
In issue at 1 January	40,995,126	40,995,126
Issued during the year	6,383,813	0
In issue at 31 December– fully paid	47,378,938	40,995,126

	31/12/10 €	31/12/09 €
Authorised		
Ordinary shares of €0.006 each (share capital plus stock options authorised but not exercised, as stated in Note 22)	328,449	270,179
Allotted, called up and fully paid (share capital)		
Ordinary shares of €0.006 each	284,274	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.
Reserves are recognised for €29,289 at 31 December 2010.

24. 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.

						2010						2009
	Effect. interest rate %	Total €000's	0 to <1 year €000's	1 to <2 years €000's	2 to <5 years €000's	> 5 ye-ars€000's	Effect. interest rate %	Total €000's	0 to <1 years €000's	1 to <2 years €000's	2 to <5 years €000's	> 5 Years €000's
Cash and cash equiva-lents	1.5%	4,442	4,442	0	0	0	1.5%	3,579	3,579	0	0	0
Available for sale		0	0	0	0	0		0	0	0	0	0
Bank loans	5.45%	(1,274)	(133)	(120)	(288)	(733)	5.45%	(1,363)	(120)	(120)	(360)	(763)
Finance lease liabilities	6.00%	(119)	(75)	(20)	(24)	0	6.00%	(130)	(89)	(15)	(26)	0
		3,049	4,234	(140)	(312)	(733)		2,086	3,370	(135)	(386)	(763)

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 and the first instalment was already paid. 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 €38,000 and lower financial debts for €168,000, to be reversed on a straight line basis over the duration of the subsidised loan (9 years).

25. Foreign currency risk

On 31 December 2010 the Group had bank deposits in Sterling equal to €1,000 (2009: €0,000) and trade debts in foreign currency equal to €19,000 (2009: €2,000).
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.

	31/12/10 €'000	31/12/09 €'000
Sterling bank deposits	1	0
Sterling trade and other receivables	0	0
Sterling trade and other payables	(29)	(1)
US Dollar trade and other receivables	54	53
US Dollar trade and other payables	0	0

26. Financial leases

Financial leases are payable as follows:

	31/12/10 €'000	31/12/09 €'000
Not longer than 1 year	75	89
Longer than 1 year and not longer than 5 years	45	41
Longer than 5 years		0
	120	**130**

During the year, the Group commenced new financial leases relative to motor vehicles for €32,000.

27. Other Financial liabilities

During 2010, the Company transferred the wholly-owned special purpose vehicles (SPV) Actasol 1 S.r.l., Actasol 2 S.r.l., and Actasol 3 S.r.l. for a total value of € 2,450,000, to the investment company Auditors Italiana S.r.l. and Ingefin S.r.l.

For these companies, project authorization approval proceedings for the construction of photovoltaic systems totalling 9.7 MW are in progress. In the early months of 2011, these authorization proceedings saw delays in approvals and in the issuance of the authorizations, and the Directors consequently chose not to recognise this transaction as a sale. The Group is negotiating with the customers to avoid any potential legal proceedings arising from this transaction, and is seeking to reach an agreement during 2011. As of 31 December 2010, other financial liabilities include a € 2,420,000 debt corresponding to the capital gain generated by the transfers of the SPVs.

28. Related parties

The transactions incurred with the Directors during 2010 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	7	3
Alessandro Tampucci	0	40	0	0

There were no related party transactions in 2010, other than those disclosed above, which represent, in the case of Sumitomo, the Group's normal commercial activity and, in the case of Mr Tampucci, an interest bearing loan granted in October 2010 to be repaid in June 2010.
In relation to Auditors Italiana S.r.l., it is noted a member of the Board of Acta S.p.A. is also a shareholder and member of the Board of Auditors Italiana. In the light of this, the Board of Acta has ascertained that the transaction undertaken with Auditors Italiana is not classifiable as a related party transaction as defined by IAS 24.

29. Provision for liabilities and charges

At 31 December 2010 the provision for liabilities and charges amounts to €800,000 (2009: €904,000).
The changes during the year relate to provisions to cover the risk of legal actions for €540,000 (2009: €265,000).
The legal actions relate to two arbitration proceedings: (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 (ii) 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.

With reference to the arbitration proceeding regarding the patent assessment, the arbitrator appointed by the Pisa chamber of commerce handed down an opinion in late 2010. Although this ruling was negative for the Group, its directors and legal counsel consider it to be unfounded in the light of the facts of the case. The directors have therefore decided to continue defending the company against this unjustified action, and have appealed against the arbitration award before the Florence Court of Appeal.

According to the Company's legal counsel, following the Company's decision to appeal the award in court, there is a good likelihood that its case will be upheld, and the award will not be enforced. As a precautionary measure, the directors have decided to allocate a total sum of € 450,000 to the risk provision. Moreover, Bertam S.r.l. has provided a letter of guarantee covering the Company and its directors against any potential damage exceeding €500,000 caused by this ruling.

Lastly, this risk provision covers the risks for damages derived from a legal action between a member of Acta's Board of Directors and a third party, in which Acta had been named as a third party debtor; to cover this liability, in 2009 a company current account was blocked for a total of € 421,000.

In the first months of 2011, an agreement was reached with the third party, which has declared satisfaction with the settlement, releasing a statement to warrant no further action against either the Director or the Company.

30. 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.

31. Subsequent events

On 3 March 2011, the Italian government approved a decree determining new rates for renewable energy production projects (Conto Energia III) as of 31 May 2011, and on 5 May 2011 it approved a decree making 31 May 2011 the deadline for the current feed-in tariff (Conto Energia III) and outlining the terms of the new rates in force (Conto Energia IV). The new tariff regime calls for gradually reducing, in comparison with the previous plan, the feed-in tariffs, while also establishing a cap on the total photovoltaic capacity installed for 2011 and 2012, and limiting the use of agricultural land for installations of this kind.

Changes in the tariff system have generated considerable discontent among industry operators, investors, banks and environmental groups, and caused the temporary suspension of funding for new installation projects. This has negatively impacted the Group's operations in 2011 – an impact that manifested itself in the termination of a sales contract the Group had signed in late 2010 - and the non-recognition of € 2,450,000 of proceeds from the sale of authorizations in December 2010. Since the payment for these sales had been received during 2010, the received liquidity was reclassified as Group liabilities (see note 14). In the current year € 300,000 of these funds have been repaid to the customer and the Company is hopeful that the dispute over the sale may be settled by negotiation. Furthermore on 19 March 2011 the Group announced the termination of the contract to sell four project authorisations and related EPC contracts to SPF Energy S.p.A., which has resulted in the non-recognition of 50% of the relative revenue in the consolidated income statement (€ 465,000).

The approval of the new feed-in tariff has revitalized the industry, reinstating bank financing for new projects, and restarting the local authorities' authorization processes. On 20 May 2011, the Company announced that, through Solgen, it had signed two new EPC contracts with SPF energy as a continuation of the framework agreement signed in 2010, and that two additional EPC contracts are soon to be signed, thus resuming the conditional agreement signed in December and then terminated in the month of March. This contract envisages a direct investment by Solgen S.c.r.l. in the project SPVs equal to 25% of the project equity required to develop the photovoltaic projects. The Directors believe that this restoration of a contract that had been suspended earlier supports their conviction that the industry will return to normal activity, including the financing of new projects, within the first half of the year.

32. Other information

Financial assets

	31 December 2010 €'000	31 December 2009 €'000
Available-for-sale financial assets	0	0
Cash and cash equivalents	4,442	3,579
Trade receivables	4,530	94
Other receivables	846	1,193
Financial liabilities at amortised cost	(6,796)	(2,742)
Total	**3,022**	**2,124**