



**SPDG**  
TECHNOLOGIES PLC

**CONSOLIDATED DIRECTORS' REPORT  
AND FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 31 DECEMBER 2007**



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## **SPDG TECHNOLOGIES PLC**

### **COMPANY INFORMATION**

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<b>Directors</b>	R L Hargreaves, Chairman R P Mitchell M J Cunningham J M Cunningham B R Crossing J C Hill J Morley – Kirk D Watson L Sullivan
<b>Secretary</b>	D Higson
<b>Company number</b>	05290744
<b>Registered office</b>	Old Bank Buildings 6 Market Square Kirkby Lonsdale Cumbria LA6 2AN
<b>Auditors</b>	Moore and Smalley LLP Kendal House, Murley Moss Business Village Oxenholme Road Kendal Cumbria, LA9 7RL
<b>Bankers</b>	HSBC Plc 35 Market Street Lancaster Lancashire LA1 1JQ

## **REPORT OF THE CHAIRMAN FOR THE PERIOD ENDED 31 DECEMBER 2007**

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I am very pleased to be reporting to the shareholders in the first annual accounts published since I became chairman in July 2007

Since the last accounts for the period to 30 June 2006 the company has seen a great deal of change

- 1 With shareholder approval, we resigned from the PLUS market for three reasons. First, it was not proving possible for shareholders to deal in the shares. Second, the costs were prohibitive. Third, we were advised not to have public visibility of our share price when we came to negotiate with investors who might invest large sums at much higher prices.
- 2 We changed the year end from 30 June to 31 December to allow us the time to present the changed circumstances of the company in a more orderly way. We have written off the balance sheet all intangible asset carrying values relating to both discontinued activities and any asset where realisability is uncertain. We hope this makes our position more transparent and puts the declared losses into context.
- 3 We recruited a chief executive, Roger Mitchell, who brings considerable experience of resolving complex business problems.
- 4 We have also recruited three new non executive directors with considerable relevant experience namely Jonathan Morley-Kirk, Derek Watson and Linda Sullivan.
- 5 One of Roger's first acts was to conduct a full review of our portfolio of technologies. The conclusion of this was that the water technologies have so much more potential than the rest of the technologies that we should concentrate solely on these and develop a water business. Since then, increasing press and research coverage has been given to the world's growing water problems. For example, Goldman Sachs has recently published a report calling water "the petroleum for the next century" and expecting demand to mushroom worldwide.
- 6 One consequence of this review is that we shall seek to sell our other technologies in an orderly way.
- 7 We are now starting to strengthen the executive team to implement our plans and have recruited a Sales and Development Director, David Heath, with extensive international experience.
- 8 It is proposed that the name of the company will be changed to Aquario plc in the coming months to better reflect the focus on water.
- 9 Finally, much of the last few months has been spent fundraising. I am pleased to report that we have raised £1.3m following shareholder approval which was granted on 6 June 2008. This injection of capital will allow the company to meet its objectives in the water sector in the short and medium term.

We have made a great deal of progress in the past year but now the really challenging task must be tackled. This challenge is the conversion from a company seeking sustainable technologies to one which makes and sells water related products worldwide. I believe the company is becoming increasingly well placed to achieve this.

## **REPORT OF THE CHAIRMAN FOR THE PERIOD ENDED 31 DECEMBER 2007**

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### **WARNING NOTE CONCERNING BUCKET SHOP SCAMS**

Finally there is one regrettable matter I need to bring to your attention. Certain shareholders have been approached by bucket shop operations who claim to be about to buy the company or to have purchasers for shares at prices well in excess of the recent fundraising at 2p per share. None of these operations has anything at all to do with us and nobody is authorised to seek buyers for the company's shares. We strongly urge shareholders to ignore phone calls from such sources. If there is the chance to sell shares in the future by an offering or a trade sale, shareholders will be properly informed by the board.

Given the changes in the composition of the board, a biography of each of the directors follows.

### **BIOGRAPHY OF DIRECTORS**

#### **Richard Hargreaves, Chairman**

Richard has invested and advised smaller companies since 1973. He was at 3i plc for nearly ten years before founding Baronsmead plc. This company was sold to Ivory & Sime plc (now F&C Asset Management plc) in 1995 after which he ran all their unquoted activities. He left in 1997, by which time managed funds totalled £180m, and before co-founding Classic Fund Management Limited. This company was sold in 2004 prior to the launch of Endeavour Ventures Ltd, which raises money from private clients to invest in unquoted companies. Richard is a former chairman of the British Venture Capital Association and has considerable experience as a non-executive director on the boards of both public and private companies. He is a very active business angel.

#### **Roger Mitchell, Chief Executive Officer**

Senior Executive with Chief Executive Officer and company doctor experience. Operating on the public markets and at Board level. Change Agent and self-starter in turnaround, start-up, non-routine and problematic environments. Track record of success.

Qualified Scottish Chartered Accountant, Chief Financial Officer level, Big 4 training, capital markets experience. Strategic corporate finance, including City and Venture Capital fundraising, Initial Public Offerings (IPO), Mergers and Acquisitions. International deal-flow, including leading an AIM IPO for a Chinese company.

Private equity investment and Venture Capital experience, in the area of investigation, due diligence and execution, often followed by ongoing advisory role. Fluent in detailed financial reporting and systems/controls implementation. Wider Chief Operating Officer and general manager duties involving supply chain, distribution, logistics, procurement, major legal contractual negotiation, and IT. Marketing & Business Development.

#### **Michael Cunningham, Founder and Technology & Development Director**

Joined the Royal Air Force in 1965 where he flew on Canberra, Buccaneer and Tornado Squadrons. He left the RAF in the rank of Group Captain at the request of the Saudi Government to act as senior advisor to UK Ministry of Defence and British Aerospace ('BAe'). Within BAe he was promoted to Director of The Defence Systems Division. In 1993, he left BAe to pursue his own business interests whilst retaining a UK Government contract to remain available as senior advisor to the Royal Saudi Air Force. He carried out a comprehensive review of former Soviet technologies on behalf of the Russian Space Ministry, for which he was awarded the order of Yuri Gagarin in 1993. He continued to work in the area of Defence Conversion and, in 1999, selected software technology from the UK Ministry of Defence for development in the commercial market. He financed the launch of the technology within a commercial framework, and today, with further investment from senior corporate partners and major funds, the new company is in revenue. In recent years, through a new subsidiary company, Sustainable Project Development Group, he brought together a range of innovative technologies. Mr Cunningham was honoured by the Queen with the award of the MBE in 1975 and the OBE in 1985.

## **REPORT OF THE CHAIRMAN FOR THE PERIOD ENDED 31 DECEMBER 2007**

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### **John Cunningham, Operations Director**

Formed Geopolitical Research Associates Ltd (GRA), a company providing geopolitical analysis for the U S finance community, in 1991. As Managing Director with editorial responsibility he provided in-depth geopolitical analysis to high-level clients in the United States, specifically in the energy, finance and fund management industries. In 1994 he was instrumental in the formation of The Coach House Group (UK) Ltd (CHG). GRA became the geopolitical analysis division of CHG. In 1998 CHG moved into the field of international business development. Mr Cunningham was appointed Operations Director, responsible for identifying opportunities overseas and evaluating and implementing CHG's portfolio of environmentally sound technologies in emerging economies world wide. He has worked in Europe, Africa, North America and the Middle East.

### **Bruce Crossing, Director of Agronomy**

Bruce Crossing has spent his whole career in the world of agriculture, agribusiness and agripolitics. He operated farming and grazing properties for 35 years in the northern area of New South Wales, Australia. During this time he rose to senior positions in farming organisations both in his home state as well as nationally. He was instrumental in negotiating with Government's of the day new legislation or modifying existing legislation which has allowed Australian agriculture to remain competitive in the world environment. He also represented Australia in the International forum, having led delegations to the U S at a time of key trade negotiations and has also sat on numerous Government sponsored committees. In recent years, he has focused more on his businesses, raising finance and setting up a number of companies which continue to be at the forefront of technology change.

### **David Heath, Sales and Development Director**

David has senior operational and commercial management experience with a strong international component in a range of technology related sectors. Following 10 years with BAe, David worked at board level in the motor retail, entertainment, investment capital and medical device industries. David's experience extends from pre-IPO fundraising and market launch with start-ups to corporate planning and mature product management with public corporations. He has an MBA from Scotland's Strathclyde University Graduate Business School where he graduated top of his year in 1992.

### **Derek Watson FCMA, Non-Executive Director**

Extensive experience of the construction, foundry, engineering, oil, gas and the water industry worldwide. Held senior positions in Amec and Anglian Water International. Successful track record in building international businesses. Strong Government contacts in the UK and overseas.

Currently Chief Executive Officer of Aeon International Ltd a company involved in the revolutionary design and supply of a range of patented valves, to the international Water and Gas industries. Also holds a number of non executive positions in companies involved in the oil and gas, property and leisure industries.

### **Jonathan Hill, Non-Executive Director**

Jonathan is a banker and the former Chief Executive Officer of General Capital Group Plc ("General Capital"). His early career was spent with Barclays and The Royal Bank of Scotland Group. Since 2000 he has specialised in structuring and, through General Capital, providing mezzanine, convertible and other forms of secondary debt. He has wide experience of providing financial re-construction for both private and traded companies and is a non-executive director of AIM quoted Earthport Plc.

## **REPORT OF THE CHAIRMAN FOR THE PERIOD ENDED 31 DECEMBER 2007**

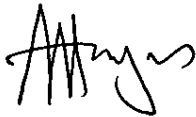
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### **Jonathan Morely-Kirk, Non-Executive Director**

Jonathan is a highly experienced chartered accountant with many years of City work. He is the chairman of Fox-Davies Capital Limited, the London based natural resources focused stockbroker. He is also a non-executive director of Cardinal Resources Plc and Dimension Resources Plc, which are both listed on AIM. He is a Jersey resident and a director of a number of offshore investment structures. He specialises in structuring and managing investments in emerging markets. He is a Fellow of the Securities Institute, a Member of the Society of Trust and Estate Practitioners and a Member of the Expert Witness Institute.

### **Linda Sullivan, Non-Executive Director**

Linda qualified as a solicitor at Macfarlanes, a leading City of London law firm, specialising in Tax and IP. She went on to become Commercial Adviser to a Group of US and Canadian entrepreneurs, being appointed as special adviser to the Board of GEAC Computer Corporation, one of Canada's largest technology companies. Following her return to the UK, she specialised in mergers and acquisitions in the media sector and is an adviser to a number of corporations and funds in the US, UK and Europe. Her Directorships include Media Equity Partners Ltd, Media Group Europe and Climate and Environment Media Ltd. Experienced in financing and the exploitation and licensing of Intellectual Property, she will assist management in the development of the company's Intellectual Property and licensing strategy.



R L Hargreaves  
Chairman

## **REPORT OF THE DIRECTORS FOR THE PERIOD ENDED 31 DECEMBER 2007**

The directors present their report and financial statements for the period ended 31 December 2007

### **Principal activities and review of the business**

The principal activity of the company continued to be that of the development and commercial exploitation of products and processes in the field of environmental technology. Further commentary on the business activities is given in the chairman's statement on pages 1 to 4. Shortly prior to the period end it was decided to concentrate on technologies based around water to make best use of the group's resources as it was felt this market offered higher profit potential.

The results for the period are set out on page 9. The consolidated loss for the period after taxation was £6,043,137 (2006 - £2,397,452). In view of the loss and the given stage of the group's development, the directors do not recommend payment of a dividend (2006 - £nil).

### **Market value of land and buildings**

A permanent diminution in the value of the land and buildings in South Australia has been reflected in these accounts (see note 9).

The land and buildings at Tamworth, New South Wales which is carried in the accounts at \$AUS 1,095,982 (£482,811) has been valued at between \$AUS 1,400,000 (£616,740) and \$AUS 1,500,000 (£660,792). The directors are in the process of trying to find a buyer for this property to realise this gain but have been unsuccessful to date.

### **Research and development**

The Group has continued to invest into Research and Development with the aim of developing new products and maximising the commercial value of know-how that is owned.

### **Post balance sheet events**

On 11 July 2008 the company completed a round of fundraising in which it raised £1.3m to fund the ongoing overheads of the group and allow further investment into existing and new projects.

### **Directors**

The following directors have held office since 1 July 2006

A B Baldry	(Resigned 18 January 2007)
M J Cunningham	
D A Collins	(Resigned 16 November 2007)
B R Crossing	
J C Hill	
J M Cunningham	
R Mitchell	(Appointed 1 September 2007)
R L Hargreaves	(Appointed 1 July 2007)
Mrs L Sullivan	(Appointed 3 January 2008)
D Watson	(Appointed 20 November 2007)
J Morley-Kirk	(Appointed 1 July 2007)

### **Creditor payment policy**

The company and its subsidiaries endeavour to comply with trading terms agreed with suppliers.

### **Principal risks and uncertainties**

The company is still at an early stage of its development and faces all the risks and uncertainties that any developing company does. It may fail to develop sales in its chosen markets, its technology may be overtaken by better products introduced by competitors and it may fail to raise further funds when it needs them.

### **Analysis using key performance indicators**

The Group is moving from acquiring and developing technologies to becoming an operating business selling products across the world. At this stage the Group has not yet fully developed manufacturing capacity or sales channels for its products and revenue streams are therefore not currently significant. The use of financial key performance indicators will develop as revenue sources increase.



## **REPORT OF THE DIRECTORS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2007**

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### **Auditors**

On 28 February 2008 HLB Vantis Audit Plc resigned as auditors and Lonsdale & Partners Limited were appointed

Following the amalgamation of Lonsdale & Partners Limited with Moore and Smalley LLP on 1 April 2008 Lonsdale & Partners Limited resigned and the directors appointed Moore and Smalley LLP as auditors

A resolution to appoint Moore and Smalley LLP as auditors for the ensuing year will be proposed at the Annual General Meeting in accordance with Section 385 of the Companies Act 1985

### **Directors' responsibilities**

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. The directors have elected to prepare the consolidated financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting standards and applicable law). The consolidated financial statements are required by law to give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group will continue in business

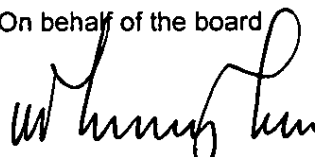
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

### **Statement of disclosure to auditors**

So far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the group's auditors are aware of that information

The maintenance and integrity of the company's website is the responsibility of the directors and the work carried out by the auditor does not invite consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the Financial Statements since they were published on the website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions

On behalf of the board



Mr M J Cunningham  
Director

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SPDG TECHNOLOGIES PLC**

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We have audited the group and parent company financial statements (the "financial statements") of SPDG Technologies plc for the period ended 31 December 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Directors Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 6.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's report that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. However, with respect to the group's interest in Kafus Internacional Espana S A (KIESA) and Mirage Vortex Global Limited (MVGL) the evidence available to us was limited. In respect of KIESA the financial statements for the period 1 July 2006 to 31 December 2007 are unaudited. MVGL commenced trading on 1 December 2007. The period up to SPDG Technologies plc's period end date is only one month and thus the directors did not consider it practicable to have this short period audited.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF SPDG TECHNOLOGIES PLC

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### Qualified opinion arising from limitation in audit scope

Except for the financial effects of such adjustments, if any, as might have been determined to be necessary had the financial information of KIESA and MVGL been subject to audit, in our opinion the financial statements

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the company's affairs as at 31 December 2007 and of its loss for the period then ended,
- have been properly prepared in accordance with the Companies Act 1985, and

In respect solely of the limitation on our work relating to KIESA and MVGL

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit, and
- we were unable to determine whether proper accounting records had been maintained

In our opinion the information given in the Directors' Report is consistent with the financial statements

*Moore & Smalley LLP*

Moore and Smalley LLP  
Chartered Accountants  
Registered Auditors

Date *24/7/08*  
Kendal House,  
Murley Moss Business Village  
Kendal  
LA9 7RL

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 2007

	Notes	18 months to 31 December 2007			12 months to 30 June 2006		
		Continuing £	Discontinued £	Total £	Continuing £	Discontinued £	Total £
Group turnover	2	23,432	-	23,432	6,006	417,142	423,148
Cost of sales		(58,129)	-	(58,129)	(27,203)	(562,789)	(589,992)
Gross loss		(34,697)	-	(34,697)	(21,197)	(145,647)	(166,844)
Administrative expenses		(1,233,471)	(145,283)	(1,378,754)	(1,699,967)	(925,970)	(2,625,937)
Other operating income		-	-	-	-	56,642	56,642
Group operating loss	3	(1,268,168)	(145,283)	(1,413,451)	(1,721,164)	(1,014,975)	(2,736,139)
Share of loss of associated undertaking	12	(53,486)	-	(53,486)			
Exceptional Items							
Provision for permanent diminution in the value of intangible assets	8	(3,901,390)	(507,430)	(4,408,820)	-	-	-
Loss on disposal of discontinued operation	11	-	(156,430)	(156,430)	-	-	-
Loss on ordinary activities before interest		(5,223,044)	(809,143)	(6,032,187)	(1,721,164)	(1,014,975)	(2,736,139)
Interest receivable	5	551,136	-	551,136	389,795	-	389,795
Interest payable	6	(496,700)	(75,542)	(572,242)	(26,958)	(89,766)	(116,724)
Loss on ordinary activities before taxation		(5,168,608)	(884,685)	(6,053,293)	(1,358,327)	(1,104,741)	(2,463,068)
Taxation	7			-			7,382
Loss after taxation				(6,053,293)			(2,455,686)
Minority interests				10,156			58,234
Retained loss after taxation				(6,043,137)			(2,397,452)

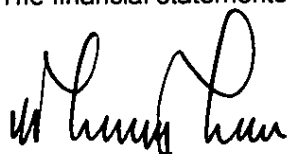
## **CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE PERIOD ENDED 31 DECEMBER 2007**

	<b>18 Months to 31 December 2007 £</b>	<b>12 Months to 30 June 2006 £</b>
<b>Loss for the financial period/year</b>	(6,043,137)	(2,397,452)
Unrealised gain on revaluation of properties	-	2,063,166
Realised loss on disposal of property (see note 9)	(2,063,166)	-
Currency translation differences on foreign currency net investments	127,301	(187,369)
<b>Total recognised gains and losses relating to the period/year</b>	<b>(7,979,002)</b>	<b>(521,655)</b>

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

		2007	30 June 2006
		£	£
<b>Fixed assets</b>	<b>Notes</b>		
Intangible assets	8	47,516	4,707,505
Tangible assets	9	1,295,747	4,261,819
Interest in associate undertaking	12	88,995	-
		<u>1,432,258</u>	<u>8,969,324</u>
<b>Current assets</b>			
Stocks	13	-	106,725
Debtors	14	65,353	3,446,402
Cash at bank and in hand		107,870	86,307
		<u>173,223</u>	<u>3,639,434</u>
<b>Creditors: amounts falling due within one year</b>	<b>15</b>	<u>(1,304,384)</u>	<u>(5,532,868)</u>
<b>Net current liabilities</b>		<u>(1,131,161)</u>	<u>(1,893,434)</u>
<b>Total assets less current liabilities</b>		<u>301,097</u>	<u>7,075,890</u>
<b>Creditors: amounts falling due after more than one year</b>	<b>16</b>	<u>(582,953)</u>	<u>(723,949)</u>
		<u>(281,856)</u>	<u>6,351,941</u>
<b>Capital and reserves</b>			
Share capital	19	185,325	121,126
Share premium	20	7,982,380	6,535,308
Revaluation reserve	20	-	2,063,166
Profit and loss account	20	(8,500,657)	(2,584,821)
		<u>(332,952)</u>	<u>6,134,779</u>
<b>Shareholders funds attributable to the Shareholders of the parent company</b>	<b>21</b>		
Minority interests		51,096	217,162
		<u>(281,856)</u>	<u>6,351,941</u>
<b>Total Shareholders' funds</b>		<u>(281,856)</u>	<u>6,351,941</u>

The financial statements were approved by the Board and authorised for issue on



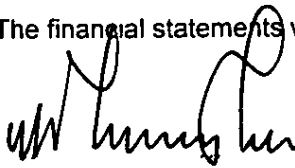
**Mr M J Cunningham**  
Director

15 July 2008

## COMPANY BALANCE SHEET AS AT 31 DECEMBER 2007

	Notes	2007 £	30 June 2006 £
<b>Fixed assets</b>			
Investments	10	412,236	4,950,000
<b>Current assets</b>			
Debtors	14	711,749	2,294,352
Cash		105,232	-
		<u>816,981</u>	<u>2,294,352</u>
<b>Creditors: amounts falling due within one year</b>	15	(616,255)	(317,373)
<b>Net current assets</b>		<u>200,726</u>	<u>1,976,979</u>
<b>Total assets less current liabilities</b>		<u>612,962</u>	<u>6,926,979</u>
<b>Creditors: amounts falling due after more than one year</b>	16	(582,953)	(421,770)
		<u>30,009</u>	<u>6,505,209</u>
<b>Capital and reserves</b>			
Called up share capital	19	185,325	121,126
Share premium account	20	7,982,380	6,535,308
Profit and loss account	20	(8,137,696)	(151,225)
<b>Shareholders' funds</b>	21	<u>30,009</u>	<u>6,505,209</u>

The financial statements were approved by the Board and authorised for issue on

  
Mr M J Cunningham  
Director

15 July 2008

## CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2007

	2007	2006
	£	£
<b>Net cash outflow from operating activities</b>	(1,492,935)	(2,589,180)
<b>Returns on investments and servicing of finance</b>		
Interest received	551,136	389,795
Interest paid	(334,830)	(116,724)
<b>Net cash (outflow)/inflow for returns on investments and servicing of finance</b>	216,306	273,071
<b>Taxation</b>	-	7,382
<b>Capital expenditure and financial investment</b>		
Purchase of tangible assets	(3,865)	(65,364)
Purchase of intangible assets	-	(4,638)
<b>Net cash outflow for capital expenditure</b>	(3,865)	(70,002)
<b>Acquisitions and disposals</b>		
Cash acquired with subsidiaries	-	41,559
Cash disposed of with subsidiaries	(20,232)	-
Purchase of interest in associate	(412,061)	-
	(432,293)	41,559
<b>Net cash outflow before management of liquid resources and financing</b>	(1,712,787)	(2,337,170)
<b>Financing</b>		
Issue of ordinary share capital	1,511,271	1,776,432
New long-term loan	-	486,849
Other new short-term loans	-	100,000
Movement on loan from associate	275,347	-
Loan repayments	(25,120)	-
<b>Net cash inflow from financing</b>	1,761,498	2,363,281
<b>Increase in cash in the period/year</b>	48,711	26,111



## NOTES TO THE CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2007

### 1 Reconciliation of operating profit to net cash inflow from operating activities

	2007 £	2006 £
Operating loss	(1,413,451)	(2,736,139)
Depreciation of tangible assets	110,424	43,139
Amortisation of intangible assets	5,279	1,177,913
Provision for diminution in value of tangible fixed assets	176,211	-
(Profit) / Loss on disposal of tangible assets	(177,417)	2,835
Decrease in stocks	106,725	332,464
(Increase) / Decrease in debtors	3,381,049	3,583,446
(Decrease) in creditors within one year	(3,688,926)	(4,805,624)
Foreign exchange movements	7,171	(187,214)
<b>Net cash outflow from operating activities</b>	<b>(1,492,935)</b>	<b>(2,589,180)</b>

### 2 Analysis of net cash / debt

	2006 £	Cash flow £	Other non-cash changes £	2007 £
Net cash				
Cash at bank and in hand	86,307	21,563	-	107,870
Bank overdrafts	(1,035)	(32,011)	-	(33,046)
Factoring overdraft	(59,159)	59,159	-	-
	<u>26,113</u>	<u>48,711</u>	<u>-</u>	<u>74,824</u>
Debt				
Debts falling due within one year	(100,000)	-	(779,195)	(879,195)
Debts falling due after one year	(486,849)	-	(96,104)	(582,953)
	<u>(586,849)</u>	<u>-</u>	<u>(875,299)</u>	<u>(1,462,148)</u>
<b>Net (debt) / cash</b>	<b>(560,736)</b>	<b>48,711</b>	<b>(875,299)</b>	<b>(1,387,324)</b>

### 3 Reconciliation of net cash flow to movement in net debt

	2007 £	2006 £
Increase in cash in the period/year	48,711	26,111
Cash inflow from increase in debt	(875,299)	(586,849)
<b>Movement in net debt in the period/year</b>	<b>(826,588)</b>	<b>(560,738)</b>
Opening net debt	(560,736)	2
<b>Closing net debt</b>	<b>(1,387,324)</b>	<b>(560,736)</b>

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2007**

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### **1 Accounting policies**

#### **1.1 Basis of preparation**

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold land and buildings where appropriate. The accounts have been prepared in accordance with applicable United Kingdom accounting standards (UK Generally Accepted Accounting Practice) which have been applied consistently, unless otherwise stated.

#### **Going Concern**

The directors believe it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments to the value of the balance sheet assets or provision for further liabilities which would result should the going concern basis not be valid.

This is on the basis that in June/July 2008 SPDG Technologies plc raised £1.3m of additional equity investment from institutional and private investors which has re-capitalised the company.

Since the period end SPDG Technologies plc has entered into negotiations to sell two pieces of land in Australia which will generate around £500,000 of working capital for the group. This matter has not as yet been completed.

#### **1.2 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the company and all of its subsidiaries (other than Idroplax SRL, see note 11) made up to 31 December 2007. The results of subsidiaries sold or acquired are included in the profit and loss account up to or from the date that control passes. Intra-group sales and profits are eliminated fully on consolidation.

The group share of the net assets of associated companies are reflected as a single entry in the consolidated balance sheet and the group share of losses is included as a single entry in the profit and loss account. Transactions with associated companies are not eliminated on consolidation and are detailed in the related party transactions note.

Fair value adjustments are made in relation to assets owned by subsidiary and associate undertakings upon acquisition.

#### **1.3 Turnover**

Turnover represents amounts receivable by the group for goods and services net of VAT and trade discounts, to the extent that the company has a right to consideration arising from the performance of its contractual arrangements.

#### **1.4 Goodwill**

On the acquisition of a business, fair values are ascribed to the net assets acquired, goodwill arises when the fair value of the consideration paid for the business exceeds net asset values. Acquisitions are accounted for under the acquisition method. Goodwill arising on the acquisition of a business is capitalised as an asset and amortised on a straight line basis over the directors' estimate of the useful economic life, which in no case exceeds twenty years.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2007**

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### **1.5 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost or valuation, less depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful economic life, as follows

Plant and machinery	10% to 15% straight line
Motor vehicles	25% straight line

Buildings are depreciated in such a manner as to leave the carrying value in line with the open market value of the assets

### **1.6 Intellectual Property**

Intellectual property is stated at cost/valuation less accumulated amortisation. Amortisation is calculated to write off the cost/valuation in equal annual instalments over their estimated useful lives

### **1.7 Leasing and hire purchase commitments**

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the lease term or their estimated useful economic lives, whichever is the shorter. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period. Rentals payable under operating leases are charged against income on a straight line basis over the lease term

### **1.8 Investments**

Fixed asset investments are stated at cost less provision for any diminution in value

### **1.9 Stock and work in progress**

Stock and work in progress are valued at the lower of cost and net realisable value

### **1.10 Pensions**

The pension costs charged in the financial statements represent the contributions payable by the group during the period in accordance with FRS 17

### **1.11 Research and Development**

Research expenditure is written off to the profit and loss account in the period in which it is incurred. Development expenditure is written off in the same way unless the Directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the group is expected to benefit

### **1.12 Foreign currencies**

For the purpose of these financial statements, foreign currencies have been translated into sterling on the following basis

- share capital, other reserves and fixed assets at the rates ruling on the date of the relevant transaction
- liabilities and current assets at the rates ruling at the Balance Sheet date
- profit and loss account items at the rates ruling at the date of the transaction

The results of subsidiaries whose functional currency is not sterling have been translated at the average rate for the year, while their assets and liabilities have been translated at the rate ruling at the balance sheet date. Any exchange differences arising on the retranslation of opening net assets are taken directly to reserves. All other translation differences are taken to the profit and loss account

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2007

### 1.13 Deferred taxation

Deferred tax is recognised in full on all timing differences where the transactions or events that give the Group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the Balance Sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different to those in which they are included in the financial statements. Deferred tax assets are only recognised to the extent that it is more likely than not that there will be suitable taxable profits against which they can be recovered, while deferred tax assets and liabilities are not discounted. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of those assets.

### 2 Turnover and operating profit / loss

Turnover and operating results by region have been derived as follows

	Turnover	Operating profit / (loss)
	£	£
UK and EU	10,462	(809,874)
Australia	12,970	(603,577)
	<u>23,432</u>	<u>(1,413,451)</u>

### Parent company profit and loss account

The profit and loss account of the parent company is not presented in these financial statements, as permitted by Section 230(4) of the Companies Act 1985. The parent company's loss for the period was £7,986,471 (30 June 2006 - loss £151,225).

### 3 Operating loss

	2007 £	2006 £
Operating loss is stated after charging		
Amortisation of intangible assets	5,279	1,177,913
Depreciation of tangible assets	110,424	43,139
Operating lease rentals		
- Plant and machinery	1,884	27,724
- Other assets	68,168	275,318
- Foreign exchange differences	-	42
Auditors' remuneration		
- HLB Vantis Audit Plc (of which company £28,700) (*1)	28,700	10,000
- Moore and Smalley LLP (of which company £13,500)	13,500	-
- Paul Jones & Associates	10,040	10,000
Remuneration of auditors for non-audit work		
- HLB Vantis Audit Plc	-	7,650
- Moore and Smalley LLP (of which company £27,242) (*2)	27,242	-

(\*1) Relates to underprovision on 2006 audit fee

(\*2) Includes fees from Lonsdale & Partners Ltd prior to amalgamation with Moore and Smalley LLP

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2007

### 4 Directors and employees

Staff costs during the period/year were as follows

	2007 £	2006 £
Wages and salaries	326,982	208,540
Social security costs	36,245	4,047
Other pension costs	720	250
	<u>363,947</u>	<u>212,837</u>

The average number of employees of the Group during the period, categorised as management was 9 (2006 23 of which 7 were categorised as management)

Directors' remuneration is included in the above and totals £202,500 (2006 - £23,500) No pension contributions or taxable benefits are paid for directors No directors have exercised any share options in the period

### 5 Interest receivable

	2007 £	2006 £
Interest receivable	550,309	388,522
Bank interest	827	1,273
	<u>551,136</u>	<u>389,795</u>

### 6 Interest payable

	2007 £	2006 £
Interest payable		
- on loans wholly repayable within 5 years	313,480	116,724
- on loans partially repayable in over 5 years	258,762	-
	<u>572,242</u>	<u>116,724</u>

Interest payable of £75,542 and shown as discontinued activities relates to mortgage interest payable by KIESA

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE PERIOD ENDED 31 DECEMBER 2007**

### **7 Taxation**

On the basis of these financial statements, no provision has been made for Corporation Tax

	2007 £	2006 £
Current tax charge	-	-
Foreign tax credit	-	703
Deferred tax credit	-	6,679
	<hr/>	<hr/>
	-	7,382
Factors affecting the tax charge for the period/year		
(Loss) on ordinary activities before taxation	(6,053,293)	(2,463,068)
(Loss) on ordinary activities before taxation multiplied by the standard rate of UK Corporation tax of 30% (2006 – 30%)	(1,815,968)	(738,920)
Effect of		
Depreciation add back	31,127	12,942
Capital allowances	(12,610)	(9,212)
Non deductible expenses	42,755	38,091
Other tax adjustments	(1,877,240)	(780,741)
	<hr/>	<hr/>
Current tax charge	-	-
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**

**8 Intangible fixed assets**

<b>Group</b>	<b>Intellectual Property</b>	<b>Patents</b>	<b>Goodwill</b>	<b>Total</b>
<b>Cost</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 July 2006	-	4,638	5,880,780	5,885,418
Additions	52,795	-	-	52,795
Disposals	-	(4,638)	(370,519)	(375,157)
At 31 December 2007	52,795	-	5,510,261	5,563,056
<b>Amortisation</b>				
As 1 July 2006	-	(1,757)	(1,176,156)	(1,177,913)
Charge for period	(5,279)	-	-	(5,279)
Provision for permanent diminution in value			(4,408,820)	(4,408,820)
Disposals	-	1,757	74,715	76,472
At 31 December 2007	(5,279)	-	(5,510,261)	(5,515,540)
<b>Net book value</b>				
At 31 December 2007	47,516	-	-	47,516
At 30 June 2006	-	2,881	4,704,624	4,707,505

Intellectual property arose from a fair value adjustment when purchasing Mirage Vortex Global Limited. Further details of the acquisitions are provided in Note 12.

**Permanent Diminution in value of goodwill**

Following a review of the operating activity and a valuation of assets held by subsidiaries the directors have decided to provide in full for the permanent diminution in the value of goodwill in relation to Rebest Pty Ltd, The Sustainable Projects Development Group Limited and Kafus Internacional Espana SA.

This provision is shown on the face of the profit and loss account as an exceptional item.

**Amortisation**

In the case of Mirage Vortex Global Limited the useful life of the intellectual property is estimated to be 10 years based on a conservative estimate of the lifecycle of products associated with this technology.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**

**9 Tangible fixed assets**

Group	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Total £
<b>Cost or valuation</b>				
At 1 July 2006	4,002,886	645,603	20,722	4,669,211
Additions	10,168	3,865	-	14,033
Disposals	(2,773,302)	(217,027)	(5,486)	(2,995,815)
Exchange differences	213,295	55,163	3,395	271,853
Revaluation	-	-	-	-
At 31 December 2007	1,453,047	487,604	18,631	1,959,282
<b>Depreciation</b>				
At 1 July 2006	-	(390,686)	(16,706)	(407,392)
Additions	-	-	-	-
Disposals	-	75,367	4,762	80,129
Charge for the period	(67,177)	(42,426)	(821)	(110,424)
Provision for permanent Diminution in value	(176,211)	-	-	(176,211)
Exchange differences	-	(47,774)	(1,863)	(49,637)
At 31 December 2007	(243,388)	(405,519)	(14,628)	(663,535)
<b>Net book value</b>				
At 31 December 2007	1,209,659	82,085	4,003	1,295,747
At 30 June 2006	4,002,886	254,917	4,016	4,261,819

During the period ended 31 December 2007 the option to re-purchase land based in Spain which was sold under a sale and re-purchase agreement expired. The entries relating to the sale and re-purchase have therefore been reversed in these accounts. The land was also subject to a revaluation and this has also been reversed in these accounts.

Freehold land and buildings at 31 December 2007 comprised

- land and buildings at Tamworth in New South Wales and Virginia in South Australia held at a valuation of £1,209,659

Contracts have been exchanged for the sale of the land and buildings in South Australia but completion has not yet taken place, which indicate that the carrying value of this asset is overstated by \$400,000 AUS. Adjustment has been made in these accounts in relation to this permanent diminution in value as noted above.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2007

### 10 Fixed asset investments Company

	Shares in subsidiary undertakings £	Total £
<b>Cost or valuation</b>		
At 1 July 2006	4,950,000	4,950,000
Additions	412,236	412,236
Provision for permanent diminution in value	(4,950,000)	(4,950,000)
At 31 December 2007	<u>412,236</u>	<u>412,236</u>

### Holdings of more than 20%

The Group holds more than 20% of the share capital of the following companies

Company	Country of registration or incorporation	Shares held Class	%
<b>Subsidiary undertakings</b>			
Rebest Pty Ltd	Australia	Ordinary	100
Australian Technology Finance No 2 Pty Ltd (3)	Australia	Ordinary	100
Australian Technology Finance No 3 Pty Ltd (3)	Australia	Ordinary	100
Sustainable Products Management Pty Ltd (3)	Australia	Ordinary	100
Kafus Internacional Espana S A (KIESA) (2)	Spain	Ordinary	90
SPDG Naturol Ltd	England	Ordinary	100
Naturol (2003) Ltd	England	Ordinary	100
The Sustainable Projects Development Group Ltd (SPDG Ltd)	England	Ordinary	100
SPDG Fibre International Ltd	England	Ordinary	100
Mirage Vortex Global Ltd	Isle of Man	Ordinary	87 14
Mirage Global Ltd	England	Ordinary	100
Aquario Ltd	England	Ordinary	100
<b>Associated company</b>			
Mirage Vortex Manufacturing Inc (1)	USA	Ordinary	42 68

The principal activities of the various group companies are as follows

	Principal activity
Rebest Pty Ltd	Hydroponic agriculture
KIESA	Research and development
SPDG Naturol Ltd	Holding company
Naturol (2003) Ltd	Essential oil extraction
SPDG Ltd	Sustainable technologies
SPDG Fibre International Ltd	Holding company
Mirage Vortex Global Ltd	Global marketing and distribution
Mirage Global Ltd	Dormant company
Mirage Vortex Manufacturing Ltd	R & D and manufacturing
Aquario Ltd	Dormant company
Australian Technology Finance No 2 Pty Ltd	Dormant company
Australian Technology Finance No3 Pty Ltd	Dormant company
Sustainable Products Management Pty Ltd	Dormant company

(1) Owned by Mirage Vortex Global Ltd

(2) Owned by SPDG Fibre International Ltd

(3) Owned by Rebest Pty Ltd

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE PERIOD ENDED 31 DECEMBER 2007**

### **11 Acquisitions**

The company has acquired a shareholding in Mirage Vortex Global Limited during the accounting period and the directors have decided to amortise the goodwill arising on acquisition over a ten year period based on a conservative estimate of the lifecycle of products related to these companies

#### **Mirage Vortex Global Limited**

The company acquired a direct shareholding of 77½% of this company on 1 December 2007 for £412,061 (US\$850,000). The effective holding of shares in this company is 87.14% due to the ownership arrangements between Mirage Vortex Global Limited and its subsidiary Mirage Vortex Manufacturing Inc. The net assets acquired were as follows

Share of debtors	£359,266
Share of Intellectual Property	£52,795
Consideration paid	<u>£412,061</u>

Acquisition accounting is used to account for this transaction. The loss for the short period 1 December 2007 to 31 December 2007 amounted to £14,958.

### **Disposals**

On 29 December 2006 The Sustainable Projects Development Group Limited disposed of its entire shareholding in Idroplax SRL, a company involved in the manufacture of biodegradable plastics and incorporated in Italy for no consideration on the basis that the acquirer took on responsibility for all past and future liabilities.

No financial information in connection with the period to disposal of this subsidiary is currently available and the timing of the production of this information is now outside the control of the directors of SPDG Technologies plc. The results are therefore not consolidated in these accounts.

The loss on disposal of the discontinued activity on the face of the profit and loss account relates to the difference between the net liabilities of Idroplax and the unamortised goodwill at the previous year end.

During February 2008 Sustainable Agri-Future Enterprises Pty Ltd was struck off.

### **12 Associate Undertaking**

SPDG Technologies plc owns an effective shareholding of 42.68% in Mirage Vortex Manufacturing Limited, a company incorporated in the United States of America involved in the research, development and manufacture of Mirage water products. Intellectual property is to be amortised over a ten year period.

The net assets acquired were as follows

Share of debtors	£175,868
Share of Intellectual Property	£236,193
Consideration paid	<u>£412,061</u>

At 31 December 2007 the group share of the company balance sheet was made up as follows

Share of net assets	£151,768
Unamortised element of Intellectual Property	£212,574
Loan from associated undertaking	<u>(£275,347)</u>
Group share of associate	£88,995

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**

**13 Stock**

	2007 £	2006 £
Finished goods	-	106,725
	<u>-</u>	<u>106,725</u>

**14 Debtors**

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Trade debtors	18,598	155,711	5,875	-
Amounts owed by subsidiary undertakings	-	-	661,270	2,269,580
Other debtors	44,130	3,285,328	41,979	19,409
Prepayments and accrued income	2,625	5,363	2,625	5,363
	<u>65,353</u>	<u>3,446,402</u>	<u>711,749</u>	<u>2,294,352</u>

**15 Creditors' amounts falling due within one year**

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Bank loans and overdrafts	33,046	1,035	33,046	1,035
Amounts owing to debt factoring service	-	59,159	-	-
Trade creditors	167,585	385,387	84,896	43,434
Amounts owed to subsidiary undertakings	-	-	260,614	-
Tax and social security costs	7,378	22,988	7,378	-
Other creditors	154,028	3,610,258	154,069	-
Other loans	879,195	1,311,141	46,140	165,079
Accruals and deferred income	63,152	142,900	30,112	107,825
	<u>1,304,384</u>	<u>5,532,868</u>	<u>616,255</u>	<u>317,373</u>

The bank overdraft is secured over the assets of the Group Companies

Loans are secured over the assets of Group Companies (see note 16)

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE PERIOD ENDED 31 DECEMBER 2007**

### **16 Creditors: amounts falling due after more than one year**

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank and other loans	582,953	723,949	582,953	421,770
	<u>582,953</u>	<u>723,949</u>	<u>582,953</u>	<u>421,770</u>

### **Analysis of Loans**

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Not wholly repayable within five years by instalments	629,093	-	629,093	-
Wholly repayable within five years	833,055	2,035,090	-	586,849
	<u>1,462,148</u>	<u>2,035,090</u>	<u>629,093</u>	<u>586,849</u>
Included in current liabilities	(879,195)	(1,311,141)	(46,140)	(165,079)
	<u>582,953</u>	<u>723,949</u>	<u>582,953</u>	<u>421,770</u>
Installments not due within five years	<u>72,627</u>	<u>-</u>	<u>72,627</u>	<u>-</u>
<b>Loan maturity analysis</b>				
	-	723,949	-	421,770
Between two and five years	582,953	-	582,953	-
Over five years				
	<u>582,953</u>	<u>723,949</u>	<u>582,953</u>	<u>421,770</u>

General Capital hold a charge over the assets of the company and all group members in relation to amounts owed of £629,093 (2006 - £586,849)

As 31 December 2007 Pesas Pty Ltd Superannuation Fund is owed £833,055 (2006 - £589,627) (£ nil of which is by the company) The loan is secured by a registered first mortgage over certain freehold properties in Australia which are owned by Rebest Pty Ltd, a wholly owned subsidiary

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2007

### 17 Pension costs

Certain Group companies operate a defined contribution pension scheme. The assets of these schemes are held separately from those of the companies in independently administered funds. The pension cost charge represents contributions payable by the Group and the company to the fund and amounted to £720 (2006 - £250). No amounts were outstanding at 31 December 2007 (2006 - £Nil).

### 18 Financial instruments

Where permitted by FRS 13, short-term debtors and creditors are excluded from these disclosures.

#### Debt instruments

At present, the Company is financed with a combination of short- and medium-term borrowings and equity. All borrowings are at fixed rates, repayable over a predetermined period of time and denominated in the currency in which the borrowing group company operates.

#### Currency risk

The Group produces its financial statements in pounds sterling. Since most of the group's activities are conducted in currencies other than sterling, it is subject to foreign currency exchange risk due to exchange movements, which will affect the Group's transaction costs and translation of the results. No financial instruments are utilised to manage risk and currency gains, and profits/losses are charged to the profit and loss account as incurred.

#### Interest rate risk

The Group has no exposure to interest rate risk since all borrowings are at fixed rates of interest.

#### Liquidity

An analysis of financial liabilities is set out in Notes 16 and 17.

#### Fair values

The directors consider that the carrying value of financial assets and liabilities is not materially different to their fair values.

### 19 Share capital

	2007 £	2006 £
<b>Authorised</b>		
400,000,000 Ordinary shares of £0.001 each	400,000	400,000
<b>Allotted, called up and fully paid</b>		
180,551,941 Ordinary shares of £0.001 each	180,552	115,761
<b>Allotted but not yet issued</b>		
4,773,168 Ordinary shares of £0.001 each	4,773	5,365
	<u>185,325</u>	<u>121,126</u>

During the period a total of 64,199,282 shares were allotted of which 4,773,168 were unissued at the period end. The total consideration received for these shares was £1,511,271 including premiums.

During the period, the following options were exercised:

On 11 October 2006 Juniper Equity exercised an option to purchase 1,000,000 shares at 1p per share.

On 15 November 2006 Winterflood Securities Limited exercised an option to purchase 100,000 shares at 5p each.

On 18 December 2007 Mr R Duckworth exercised an option to purchase 12,500,000 shares at 2p each.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2007

At the balance sheet date the following outstanding options were in place

General Capital Venture Finance Limited have options over 2,500,000 of the company's share capital exercisable at 2p per share These options expire on 31 May 2013

Atlantic Law LLP have options over 1,115,960 of the company's share capital exercisable at 24 5p per share These options have no set expiry date

Employees and directors have options over 2,009,027 of the company's share capital exercisable at 2p per share 1,388,888 of these options expire on 1 September 2010 and the remainder on 1 December 2010

No charge against profits has been made in these accounts in either current or comparative year as the annual charge which is calculated using the Black Scholes model is immaterial in the context of the company and group

### 20 Statement of movements on reserves

#### Group

	Share premium account £	Revaluation reserve £	Profit & loss account £
At 1 July 2006	6,535,308	2,063,166	(2,584,821)
Realised loss on disposal of land (see note 9)	-	(2,063,166)	-
Retained loss for the year	-	-	(6,043,137)
Premium on shares issued during the period	1,447,072	-	-
Foreign currency exchange	-	-	127,301
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2007	7,982,380	-	(8,500,657)
	<hr/>	<hr/>	<hr/>

#### Company

	Share premium account £	Profit & loss account £
At 1 July 2006	6,535,308	(151,225)
Retained loss for the period	-	(7,986,471)
Premium on shares issued during the period	1,447,072	-
	<hr/>	<hr/>
Balance at 31 December 2007	7,982,380	(8,137,696)
	<hr/>	<hr/>

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE PERIOD ENDED 31 DECEMBER 2007**

### **21 Reconciliation of movements in shareholders' funds**

	Group 2007 £	Company 2007 £
Loss for the period	(6,043,137)	(7,986,471)
Proceeds from issue of shares	1,511,271	1,511,271
Movements on other reserves	(1,935,865)	-
	<hr/>	<hr/>
Net addition / (reduction) to shareholders' funds	(6,467,731)	(6,475,200)
Opening shareholders' funds	6,134,779	6,505,209
	<hr/>	<hr/>
Closing shareholders' funds	(332,952)	30,009
	<hr/>	<hr/>

### **22 Operating Lease commitments**

At 31 December 2007 the company was committed to making the following payments under non cancellable operating leases in the year ended 31 December 2008

	Group 2007 £	Company 2007 £
<b>Land &amp; Buildings</b>		
Expiring		
Less than one year	10,269	-
Two to five years	-	-
Over five years	-	-
	<hr/>	<hr/>
	10,269	-
	<hr/>	<hr/>

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE PERIOD ENDED 31 DECEMBER 2007**

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#### **23 Post balance sheet events**

On 11 July 2008 the company completed a round of fundraising in which it raised £1.3m to fund the ongoing overheads of the group and allow further investment into existing and new projects

#### **24 Contingent liabilities**

General Capital Venture Finance Limited holds a Guarantee and Debenture over the assets of the Group in relation to a loan made to SPDG Technologies plc

Pesas Pty Ltd Superannuation Fund has a registered first mortgage over certain freehold properties in Australia which are owned by Rebest Pty Ltd, a wholly owned subsidiary

#### **25 Related party transactions**

At 31 December 2007, KIESA, a subsidiary in which the company owns 90%, owed £12,111 (2006 - £2,708) to Valagro, one of its shareholders and was owed £Nil (2006 - £3,610) by D Sanchez, a director of Valagro

At 31 December 2007, B R Crossing, a director of SPDG Technologies plc was owed £27,868 (2006 - £24,194) by Rebest Pty Ltd

SPDG Technologies plc obtains management services from The Coach House Group (UK) Ltd, a company in which M J and J M Cunningham are directors. During the period, these amounted to £91,192 (2006 - £43,875) and £149,192 (2006 - £12,500) was owed to The Coach House Group (UK) Ltd as at 31 December 2007

At 31 December 2007, SPDG Technologies plc owed General Capital Venture Finance Limited, a company of which J C Hill is a director £629,093 (2006 - £586,849) of which £46,140 (2006 - £65,078) is due within one year and £582,953 (2006 - £421,771) is due in over one year. During the period the company paid interest totalling £251,201 (2006 - £26,673) in relation to this loan

SPDG Technologies plc obtains corporate finance services, fundraising support and pays fees for the services of R L Hargreaves to Endeavour ventures Limited, a company in which R L Hargreaves is a director. During the period these amounted to £69,968 (2006 - Nil). At 31 December 2006 £27,625 (2006 Nil) was owed to Endeavour Ventures Limited by SPDG Technologies Plc

During the period of account SPDG Technologies plc incurred fees totalling £30,465 for the services of R Mitchell from Albachiara SAGL, a company in which Mr R Mitchell is a director. No amounts were outstanding between SPDG Technologies Plc and Albachiara SAGL at 31 December 2007 (2006 - Nil)

#### **26 Ultimate controlling party**

There is no single ultimate controlling party of the company