

**QUIET REVOLUTION LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2012**

COMPANY REGISTRATION NUMBER 5405104

QUIET REVOLUTION LIMITED

GROUP CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2012

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QUIET REVOLUTION LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2012

CONTENTS	PAGES
Officers and Professional Advisers	2
Directors' Report	3 to 6
Independent Auditors Report to the Shareholders of Quiet Revolution Limited	7 to 8
Consolidated Income Statement	9
Consolidated Statement of Changes in Equity	10
Consolidated Statement of Financial Position	11
Company Statement of Financial Position	12
Consolidated Statement of Cash Flows	13 to 14
Notes to the Consolidated Financial Statements	15 to 30

**QUIET REVOLUTION LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
FOR THE YEAR ENDED 31 DECEMBER 2012**

Company registration number	5405104
The board of directors	Mr V Griffiths (appointed – 15 October 2012) Mr C Leick Ms I Schirmer (appointed - 26 January 2012)
Registered office	Unit 23 B&C Berghem Mews Blythe Road London W14 0HN
Current auditor	Evens & Co Ltd Hamilton House Hamilton Terrace Milford Haven Pembrokeshire SA73 3JP
Bankers	National Westminster Bank Plc Watford 72-74 High Street Watford Herts WD17 2GZ
Solicitors	Peachey & Co LLP 95 Aldwych London WC2B 4JF

**QUIET REVOLUTION LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012**

The directors present their report and consolidated financial statements for the year ended 31 December 2012. These consolidated financial statements have been prepared under International Financial Reporting Standards for Small and Medium-sized Entities as adopted by the European Union, rather than UK GAAP.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £2,708,807 (2011 - £4,001,300). The directors do not recommend the payment of a dividend (2011 - £nil).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The Group continued the strategy of developing its vertical axis wind turbine (VAWT) product in the context of very challenging economic conditions. The project to deliver the next generation of the qr5 is on track for completion in mid-2013 and remains a key focus. The company has further consolidated its cost base during the year.

The directors recognise the continued challenges of a subsidy-dependant market in the UK but remain confident in the ability of the Group to continue to consolidate its position and to grow through new opportunities.

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of risks and uncertainties which could have a material impact on the execution of the company's strategy. Risks are reviewed by the board and appropriate processes and controls are put in place to monitor and mitigate them.

Technology risk

Although a certain level of technology risk is inherent in an early stage technology business, the group and directors have implemented best practice techniques and design principles, methodologies and technologies to mitigate this risk. Furthermore, to ensure the successful commercialisation and transition to scale manufacture of the products, the company has employed personnel with significant experience in design for volume manufacture.

Global economic and credit market risk

The impact of the current credit market conditions increases the risk of securing further investment. To date, the company's customers have fulfilled their contractual obligations, however, the directors recognise the increased exposure risk and will continue to monitor closely.

Supplier risk

The group remains conscious of the risk of suppliers with regard to pricing, quality, availability and consistency of supply.

Managing growth and capital requirements

The group has grown its customer base and anticipates further growth in demand. Investment in operational working capital and resources will be required, and there is a risk that growth will be constrained by lack of sufficient resources.

QUIET REVOLUTION LIMITED
DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012

Research and development

The group continued its strategy of product development of its vertical axis wind turbine. During the year the group incurred expenditure of £602,146 (2011 - £1,446,309) all of which has been written off to the statement of comprehensive income.

Key personnel dependence risk

The group recognises the need to recruit and retain a high calibre of employees with the requisite experience required to achieve its goals. There are risks inherent in relying on key employees and management. There are also restrictive covenants on employee contracts. These are aimed at reducing risk of disruption to operations and damage to the business due to loss of key personnel.

EVENTS AFTER THE REPORTING PERIOD

In February 2013 the company received £200,000 from shareholders by way of a loan memorandum dated 4 February 2013. This loan attracts interest at 20% p.a. of the amount outstanding, calculated on a daily basis. The loan is repayable in tranches of £50,000 each on 1 July 2013, 1 August 2013, 1 September 2013 and 1 October 2013. On the 1 November 2013 all of the remaining loan amount shall be repaid in full together with all accrued interest.

In March 2013 the company also received £100,000 from shareholders by way of a loan memorandum dated 28 February 2013. This loan attracts interest at 20% p.a. of the amount outstanding, calculated on a daily basis. The loan is repayable in tranches of £25,000 on 1 September 2013, 1 October 2013, 1 November 2013 and 1 December 2013. On 1 December 2013 all of the remaining loan amount shall be repaid in full together with all interest accrued.

In April 2013 the company received a loan of £200,000 from shareholders by way of a loan memorandum dated 19 April 2013. This loan attracts interest at 16% per annum of the amount outstanding calculated on a daily basis. The loan is repayable in tranches of £25,000 on 1 November 2013, 1 December 2013, 1 January 2014, 1 February 2014, 1 March 2014, 1 April 2014, 1 May 2014 and 1 June 2014. On 1 June 2014 all of the remaining loan account shall be repaid in full with all interest accrued. As additional consideration for the arrangement of this loan, the Company granted the lender a non exclusive licence of the intellectual property rights which becomes effective in event of the default by the company of the terms of its loan, but which becomes ineffective if there is no default of the agreement.

In June 2013 the company received a convertible loan of £200,00 from a private investor by way of a convertible loan memorandum dated 18 June 2013. The loan attracts interest at 25% per annum of the amount outstanding under the Memorandum from time to time (calculated on a day by day basis) from the date of drawdown until the date of repayment or prepayment. All accrued interest is payable on 20 June 2014, except in the case of mandatory conversion into equity, as would arise under the proposed terms of the QR Restructuring Memorandum of Understanding (QR MoU).

On 18 June 2013 the QR MoU was signed by all major QR stakeholders, including shareholders, key debt-holders and the private investor, providing terms for a proposed restructuring agreement of the company. The QR MoU provided for the proposed restructuring and conversion of loans into two new classes of shares, the transfer of certain shares and the cancellation of other loans. Certain cancelled loans are settled by the acquisition of (a) certain IP rights for existing IP and new IP developed by 31 December 2014 and (b) certain earn out rights over a 12 year period. The contractual documentation supporting the MoU is expected to be fully agreed by 1 August 2013. After completion of the restructuring under the MoU, the balance sheet of the Company will be substantially strengthened as all debt but bank debt will have been converted into equity.

**QUIET REVOLUTION LIMITED
DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012**

DIRECTORS

The directors who served during the year and subsequently were as follows

Mr V Griffiths (appointed 15 October 2012)
Mr B Guest (resigned 26 January 2012)
Mr C Leick
Ms I Schirmer (appointed 26 January 2012)
Mr P Summers (appointed 25 April 2012, resigned 16 November 2012)
Mr P Ward (resigned 30 August 2012)

DIRECTORS QUALIFYING THIRD PARTY INDEMNITY PROVISION

Qualifying third party indemnity provision is in place for the benefit of all officers of the company

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

In so far as the directors are aware

- there is no relevant audit information of which the group's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

AUDITORS

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Evens & Co Ltd as auditors

STATEMENT OF 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. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) as adopted by the European Union and applicable law.

International Financial Reporting Standards for Small and Medium-sized Entities requires that financial statements present fairly for each financial year the group's financial position, financial performance and cash flows. This requires faithful representation of the effect of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out on the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all situations, a fair presentation will be achieved by complying with all applicable IFRS for SMEs. In preparing these financial statements, the directors are also required to

- select suitable accounting policies and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRS for SMEs is insufficient to enable users to understand the impact of particular

QUIET REVOLUTION LIMITED
DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012

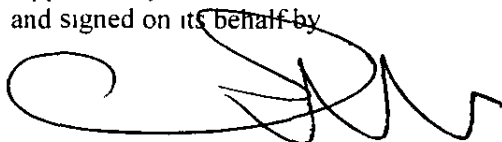
transactions, other events and conditions on the group's financial position and financial performance, and

- 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 adequate 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 2006 and Article 4 of the IAS Regulation. 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.

The directors have prepared this report in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

Approved by the board on 21 June 2013
and signed on its behalf by



Mr V Griffiths
Director

QUIET REVOLUTION LIMITED
INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF QUIET
REVOLUTION LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2012

We have audited the consolidated financial statements of Quiet Revolution Limited and its subsidiary (the 'group') for the year ended 31 December 2012 which comprise the Consolidated Income Statement, Consolidated Statement of Changes in Equity, the Consolidated and Parent Company Statements of Financial Position, Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) as issued by the International Accounting Standards Board.

This report is made solely to the group's shareholders, as a body, in accordance with Section 495 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the group's shareholders those matters we are required to state to them in an auditors' 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 group and the group's shareholders as a body, for our audit work, for this report or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities, set out on page 5, the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Boards' (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL ACCOUNTS

An audit involves obtaining evidence about the amounts and disclosures in the consolidated financial statements sufficient to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the consolidated financial statements.

BASIS OF OPINION

We conducted our audit work 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 consolidated financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in preparation of the consolidated financial statements, and of whether the accounting policies are appropriate for the group and parent 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 a reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements.

**QUIET REVOLUTION LIMITED
INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF QUIET
REVOLUTION LIMITED (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012**

OPINION ON FINANCIAL STATEMENTS

In our opinion the consolidated financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2012 and of its loss for the period then ended,
- have been properly prepared in accordance with IFRS for SMEs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

EMPHASIS OF MATTER - GOING CONCERN

In forming our opinion on the consolidated financial statements, which is not qualified, we draw attention to the disclosure made in note 1 to the financial statements concerning the negative equity at the balance sheet date and its impact on the company's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The consolidated financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion


- the information given in the Directors' Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the consolidated financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all of the information and explanations we require for our audit


Bruce Evens (Senior Statutory Auditor)
For and on behalf of

Evans & Co Ltd
Hamilton House
Hamilton Terrace
Milford Haven
Pembrokeshire
SA73 3JP

21 June 2013

QUIET REVOLUTION LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £	2011 £
Revenue		1,464,773	1,042,193
Cost of sales		(1,834,618)	(1,729,380)
GROSS LOSS		(369,845)	(687,187)
Other operating income		18,587	124,074
Administrative and distribution expenses		(2,466,196)	(3,653,301)
OPERATING LOSS	3	(2,817,454)	(4,216,414)
Finance costs	4	(166,951)	(39,850)
Income from investments	5	396	4,985
LOSS BEFORE TAX		(2,984,009)	(4,251,279)
Income tax income	6	275,202	249,979
LOSS FOR THE YEAR		(2,708,807)	(4,001,300)

The notes on pages 15 to 30 form part of these financial statements.

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

	Attributable to equity holders of the parent				Total equity
	Issued capital £	Share premium £	Other reserves £	Retained earnings £	£
Balance at 1 January 2012	2,096,536	14,054,867	46,286	(16,788,618)	(590,929)
Loss for the year	-	-	-	(2,708,807)	(2,708,807)
Issue of share capital	8,052,726	(6,815,759)	-	-	1,236,967
Share issue costs	-	-	-	-	-
Recognition of share-based payments	-	-	(46,286)	46,286	-
Balance at 31 December 2012	<u>10,149,262</u>	<u>7,239,108</u>	<u>-</u>	<u>(19,451,139)</u>	<u>(2,062,769)</u>

	Attributable to equity holders of the parent				Total equity
	Issued capital £	Share premium £	Other reserves £	Retained earnings £	£
Balance at 1 January 2011	904,592	12,991,088	101,674	(12,842,706)	1,154,648
Loss for the year	-	-	-	(4,001,300)	(4,001,300)
Issue of share capital	1,191,944	1,086,095	-	-	2,278,039
Share issue costs	-	(22,316)	-	-	(22,316)
Recognition of share-based payments	-	-	(55,388)	55,388	-
Balance at 31 December 2011	<u>2,096,536</u>	<u>14,054,867</u>	<u>46,286</u>	<u>(16,788,618)</u>	<u>(590,929)</u>

The notes on pages 15 to 30 form part of these financial statements.

QUIET REVOLUTION LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £	2011 £
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	199,037	357,926
CURRENT ASSETS			
Inventories	9	423,779	707,098
Trade and other receivables	10	468,655	553,362
Cash and cash equivalents	11	23,558	198,209
		<u>915,992</u>	<u>1,458,669</u>
TOTAL ASSETS		1,115,029	1,816,595
CURRENT LIABILITIES			
Interest bearing borrowings	12	(725,000)	(92,345)
Deferred income		(427,617)	(294,824)
Provisions	13	(57,404)	(83,500)
Trade and other payables	14	(667,777)	(600,242)
		<u>(1,877,798)</u>	<u>(1,070,911)</u>
NON CURRENT LIABILITIES			
Interest bearing borrowings	12	(1,300,000)	(1,336,613)
TOTAL LIABILITIES		(3,177,798)	(2,407,524)
NET LIABILITIES		(2,062,769)	(590,929)
EQUITY			
ISSUED CAPITAL AND RESERVES			
Issued share capital	15	10,149,262	2,096,536
Share premium		7,239,108	14,054,867
Reserves	16	-	46,286
Retained profits		(19,451,139)	(16,788,618)
TOTAL EQUITY		(2,062,769)	(590,929)

Approved by the Board on 21 June 2013 and signed on its behalf by



Mr V Griffiths, Director

Company registration number 5405104

The notes on pages 15 to 30 form part of these financial statements.

QUIET REVOLUTION LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £	2011 £
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	165,237	273,062
CURRENT ASSETS			
Inventories	9	188,035	157,000
Trade and other receivables	10	444,369	536,484
Cash and cash equivalents	11	13,951	176,065
		<u>646,355</u>	<u>869,549</u>
TOTAL ASSETS		811,592	1 142,611
CURRENT LIABILITIES			
Interest bearing borrowings	12	(700,000)	-
Deferred income		(427,617)	(294,824)
Provisions	13	(50,404)	(76,500)
Trade and other payables	14	(952,689)	(921,118)
		<u>(2,130,710)</u>	<u>(1,292,442)</u>
NON CURRENT LIABILITIES			
Interest bearing borrowings	12	(1,200,000)	(1,200,000)
TOTAL LIABILITIES		(3,330,710)	(2,492,442)
NET LIABILITIES		(2,519,118)	(1,349,831)
EQUITY			
ISSUED CAPITAL AND RESERVES			
Issued share capital	15	10,149,262	2,096,536
Share premium		7,239,108	14,054,867
Options reserves	16	-	46,286
Retained profits		(19,907,488)	(17,547,520)
TOTAL EQUITY		(2,519,118)	(1,349,831)

Approved by the Board on 21 June 2013 and signed on its behalf by



Mr V Griffiths, Director

Company registration number 5405104

The notes on pages 15 to 30 form part of these financial statements.

QUIET REVOLUTION LIMITED
CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 £	2011 £
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	(2,708,807)	(4,001,300)
ADJUSTMENTS TO RECONCILE TO LOSS FROM OPERATIONS		
Interest expense	166,951	34,865
Interest income	(396)	-
Income tax credit	(275,202)	(249,979)
ADJUSTMENTS TO RECONCILE LOSS FROM OPERATIONS	(108,647)	(215,114)
	(2,817,454)	(4,216,414)
NON-CASH ADJUSTMENTS		
Depreciation	172,823	229,857
Loss on derecognition of NCA not held for sale on property, plant and equipment	-	84
Provisions used	(26,096)	(82,500)
NON-CASH ADJUSTMENTS	146,727	147,441
CASH FLOWS BEFORE CHANGES IN WORKING CAPITAL	(2,670,727)	(4,068,973)
INCREASE IN WORKING CAPITAL		
Decrease/(Increase) in inventories	283,319	(294,205)
(Decrease)/Increase in trade and other receivables	(86,710)	102,061
Increase in trade and other payables	121,370	160,444
INCREASE/(DECREASE) IN WORKING CAPITAL	317,979	(31,700)
CASH FLOWS USED IN OPERATING ACTIVITIES	(2,352,748)	(4,100,673)
CASH FLOWS FROM OTHER OPERATING ACTIVITIES		
Income taxes refunded	446,619	166,137
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(1,906,129)	(3,934,536)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to acquire property, plant and equipment	(13,934)	(265,131)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(13,934)	(265,131)
NET CASH FLOWS AFTER INVESTING ACTIVITIES	(1,920,063)	(4,199,667)
CASH FLOWS FROM FINANCING ACTIVITIES		
Gross proceeds from issue of equity share capital	1,236,967	2,255,723
Gross proceeds from other borrowings	700,000	1,200,000
Repayment of bank loans	(25,000)	(92,346)
Repayment of obligations under finance leases	-	(6,637)
Payments of interest classified as financing	(166,951)	(39,850)

The notes on pages 15 to 30 form part of these financial statements.

QUIET REVOLUTION LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011
	£	£
Other cash inflows from financing activities	396	4,985
NET CASH FLOWS FROM FINANCING ACTIVITIES	1,745,412	3,321,875
NET CASH FLOWS FROM FINANCING ACTIVITIES	(174,651)	(877,792)
Cash and cash equivalents as at 1 January 2012	198,209	1,076,001
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER 2012	23,558	198,209

The notes on pages 15 to 30 form part of these financial statements.

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRS'S

Quiet Revolution Limited (the company) is a limited company incorporated and domiciled in England and Wales. The address of its registered office and principal place of business is at Unit 23 B&C, Berghem Mews, Blythe Road, London W14 0HN.

The group consists of the company and its wholly-owned subsidiary Quiet Revolution Manufacturing Limited. Their principal activities are the manufacture and supply of wind turbines as described in the Directors' Report.

The group's financial statements for the year were authorised for issue on 21 June 2013 and the consolidated statement of financial position signed on the board's behalf by Mr V Griffiths.

The group's financial statements have been prepared in accordance with International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The principal accounting policies adopted by the group are set out in note 2.

The group financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiary) made up to 31 December each year.

Separate financial statements for the parent entity have not been disclosed in these consolidated financial statements in accordance with International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) section 9.24.

FUNDAMENTAL ACCOUNTING CONCEPT

As at 31 December 2012 the group has negative equity of £2,062,769 however, as detailed in note 18 to the financial statements, the board has subsequently secured further funding to continue in operational existence for the foreseeable future and accordingly has presented their financial statements on a going concern basis. Cash forecasts identifying the group's liquidity requirements are produced regularly and reviewed by the Board. The Board seeks to ensure that sufficient financial headroom exists for at least a 12 month period to safeguard the group's ability to continue as a concern.

2. ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its wholly-owned subsidiary. All intra-group transactions, balances, income and expenses are eliminated.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided during the normal course of business net of discounts and VAT and other sales taxes.

Revenue for sales of goods is recognised when goods are delivered and/or when significant risks and rewards have passed.

2. ACCOUNTING POLICIES (continued)

Revenue from the rendering of maintenance services is recognised over the term of the contract on a straight line basis. Revenue from other services is recognised once the service has been delivered.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Interest expense recognition

Expense is recognised as interest accrues, using the effective interest method, to the net carrying amount of the financial liability.

Effective interest method

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to that asset's or liability's net carrying amount.

Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Foreign currency exchange

The financial statements are presented in the currency of the primary economic environment in which the group operates (its 'functional currency'). The financial statements, results and financial position of the group are expressed in Pounds Sterling, which is the functional currency of the group and the presentational currency of the financial statements.

Transactions in currencies other than the functional currency of the group are initially recorded at the exchange rate prevailing on the dates of the transaction. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the exchange rate prevailing at the reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in profit or loss for the period, except for exchange differences on non-monetary assets and liabilities, which are recognised directly in other comprehensive income when the changes in fair value are recognised directly in other comprehensive income.

Taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on all material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

2. ACCOUNTING POLICIES (continued)

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss,
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future, and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on the tax rates and laws enacted or substantively enacted at the balance sheet date

The carrying amount of deferred income tax assets is reviewed at the balance sheet date. Deferred tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred taxes relate to the same taxation authority and that authority permits the company to make a single net payment

Tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise tax is recognised in the statement of comprehensive income

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss

Depreciation is provided on a straight line basis to write off each asset over its estimated useful life or, if held under finance lease, over the term of the lease, whichever is shorter

Leasehold improvements - 20% on cost
Plant and machinery - 20% - 33% on cost
Fixtures and equipment - 33% on cost

At each reporting date, the group reviews the carrying amount of its property, plant and equipment to determine the extent of the impairment loss (if any). The recoverable amount is the higher of the fair value less costs to sell and value in use

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease

2. ACCOUNTING POLICIES (continued)

Financial risk management objectives and policies

The objective of the group's capital management is to ensure that it maintains strong credit ratings and capital ratios. This will ensure that the business is correctly supported and shareholder value is maximised.

The group manages its capital structure through adjustments that are dependent on economic conditions. In order to maintain or adjust the capital structure, the group may choose to change or amend dividend payments to shareholders or issue new share capital to shareholders. There were no changes to the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2011.

Financial instruments

Financial assets and financial liabilities are recognised when the group has become a party to the contractual provisions of the instrument.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials - purchase cost on a weighted average basis

Work in progress and finished goods - cost of raw materials used in production on a weighted average basis

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion or disposal.

Trade and other receivables

Trade receivables are classified as loans and receivables and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest method less any provision for impairment. A provision for impairment is made where there is objective evidence, (including customers with financial difficulties or in default of payments), that amount will not be recovered in accordance with original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flows discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short term deposits. Short term deposits are defined as deposits with an initial maturity of three months or less.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

2. ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date.

Provisions are currently recognised by the group in respect of warranties granted to customers. Management estimates of expected future expenditure under these warranties are supported by the group's own failure mode data collected by the operations department.

Critical accounting estimates and assumptions

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Warranty provisions

The group provides for future liabilities arising from contractual obligations in relation to warranties granted to customers. Estimates of the likely value of these obligations are made up using the group's own data collected by its operations department, historical costs incurred and forecasted costs based on estimated failure analysis. However, performance under specific warranty obligations cannot be anticipated so a level of uncertainty exists over the amount for warranty provisions included in the balance sheet.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

QUIET REVOLUTION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012

2. ACCOUNTING POLICIES (continued)

Operating lease commitments

Capital and operating lease commitments payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term

3. OPERATING LOSS

Operating loss is stated after charging/(crediting) the following

	2012	2011
	£	£
Cost of inventories recognised as an expense	1,461,155	1,100,701
(Profit)/loss on disposal of property, plant and equipment	(500)	84
Depreciation of property, plant and equipment	172,823	229,857
Net foreign currency differences	332	964
Auditor's remuneration - audit services	17,870	17,520
Auditor's remuneration - taxation services	1,000	980

QUIET REVOLUTION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012

4. FINANCE COSTS

	2012	2011
	£	£
Interest on bank borrowings	5,907	7,384
Interest on finance leases	-	220
Interest on other loans	161,044	32,246
	<u>166,951</u>	<u>39,850</u>

5. INCOME FROM INVESTMENTS

	2012	2011
	£	£
Interest earned on loans and deposits	<u>396</u>	<u>4,985</u>

6. INCOME TAX

Components of income tax expense

	2012	2011
	£	£
Current income tax credit		
Current income tax credit	<u>(275,202)</u>	<u>(249,979)</u>

Reconciliation of income tax charge to accounting profit

	% age	2012	% age	2011
		£		£
Tax at the domestic income tax rate of	20.00	(596,802)	20.25	(860,884)
Tax effect of capital allowances	20.00	(15,753)	20.25	(38,403)
Tax effect of non deductible expenses	20.00	34,502	20.25	45,419
Tax effect of utilisation of losses	20.00	262,962	20.25	392,156
Tax effect of unutilised losses carried forward	20.00	457,624	20.25	650,819
Tax effect of R&D enhanced deduction	20.00	(142,533)	20.25	(189,107)
Tax effect of R&D tax credit	20.00	(149,432)	20.25	(249,979)
Tax effect of prior year under-provision	20.00	(125,770)	20.25	-
Tax expense using effective rate		<u>(275,202)</u>		<u>(249,979)</u>

QUIET REVOLUTION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012

7. PROPERTY, PLANT AND EQUIPMENT

Group at 31 December 2012

	Leasehold improvements £	Plant and equipment £	Fixtures and fittings £	Total £
Cost				
At 1 January 2012	116,801	725,818	327,460	1,170,079
Additions	-	13,934	-	13,934
Disposals	-	-	(1,054)	(1,054)
At 31 December 2012	<u>116,801</u>	<u>739,752</u>	<u>326,406</u>	<u>1,182,959</u>
Depreciation				
At 1 January 2012	(95,388)	(453,635)	(263,130)	(812,153)
Disposals	-	-	1,054	1,054
Charge for year	(20,674)	(116,359)	(35,790)	(172,823)
At 31 December 2012	<u>(116,062)</u>	<u>(569,994)</u>	<u>(297,866)</u>	<u>(983,922)</u>
Net book value				
At 1 January 2012	<u>21,413</u>	<u>272,183</u>	<u>64,330</u>	<u>357,926</u>
At 31 December 2012	<u>739</u>	<u>169,758</u>	<u>28,540</u>	<u>199,037</u>

Group at 31 December 2011

	Leasehold improvements £	Plant and equipment £	Fixtures and fittings £	Total £
Cost				
At 1 January 2011	116,801	517,011	294,835	928,647
Additions	-	231,647	33,484	265,131
Disposals	-	(22,840)	(859)	(23,699)
At 31 December 2011	<u>116,801</u>	<u>725,818</u>	<u>327,460</u>	<u>1,170,079</u>
Depreciation				
At 1 January 2011	(72,164)	(310,360)	(209,386)	(591,910)
Disposals	-	8,755	859	9,614
Charge for year	(23,224)	(152,030)	(54,603)	(229,857)
At 31 December 2011	<u>(95,388)</u>	<u>(453,635)</u>	<u>(263,130)</u>	<u>(812,153)</u>
Net book value				
At 1 January 2011	<u>44,637</u>	<u>206,651</u>	<u>85,449</u>	<u>336,737</u>
At 31 December 2011	<u>21,413</u>	<u>272,183</u>	<u>64,330</u>	<u>357,926</u>

QUIET REVOLUTION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company at 31 December 2012

	Plant and equipment £	Fixtures and fittings £	Total £
Cost			
At 1 January 2012	378,266	244,793	623,059
Additions	-	-	-
Disposals	-	(1,054)	(1,054)
At 31 December 2012	<u>378,266</u>	<u>243,739</u>	<u>622,005</u>
Depreciation			
At 1 January 2012	(154,367)	(195,630)	(349,997)
Disposals	-	1,054	1,054
Charge for year	(80,718)	(27,107)	(107,825)
At 31 December 2012	<u>(235,085)</u>	<u>(221,683)</u>	<u>(456,768)</u>
Net book value			
At 1 January 2012	<u>223,899</u>	<u>49,163</u>	<u>273,062</u>
At 31 December 2012	<u>143,181</u>	<u>22,056</u>	<u>165,237</u>

Company at 31 December 2011

	Plant and equipment £	Fixtures and fittings £	Total £
Cost			
At 1 January 2011	203,765	215,597	419,362
Additions	197,341	30,055	227,396
Disposals	(22,840)	(859)	(23,699)
At 31 December 2011	<u>378,266</u>	<u>244,793</u>	<u>623,059</u>
Depreciation			
At 1 January 2011	(96,864)	(159,857)	(256,721)
Disposals	8,755	859	9,614
Charge for year	(66,258)	(36,632)	(102,890)
At 31 December 2011	<u>(154,367)</u>	<u>(195,630)</u>	<u>(349,997)</u>
Net book value			
At 1 January 2011	<u>106,901</u>	<u>55,740</u>	<u>162,641</u>
At 31 December 2011	<u>223,899</u>	<u>49,163</u>	<u>273,062</u>

8. RELATED PARTY TRANSACTIONS

Subsidiaries

The consolidated financial statements include the financial statements of Quiet Revolution Limited and the subsidiaries listed in the following table

Name	Principal activity	Country of incorporation	% Interest 2012	% Interest 2011
Quiet Revolution Manufacturing Limited	Manufacture of wind turbines	England & Wales	100%	100%

The value of the investment is stated as £nil (2011- £nil) following an impairment review in 2010

Trading activities

During the year the Group made sales of £219,157 to RWE Innogy GmbH (2011 - £7,316)
RWE Innogy GmbH holds interest in Innogy Renewables Technology Fund 1 GmbH & Co KG which is a shareholder of the company

Sales of goods to related parties were made at the Group's usual list prices

Key management compensation

Director's remuneration comprised

	2012 £	2011 £
Wages and salaries	<u>405,935</u>	<u>319,874</u>

QUIET REVOLUTION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012

9. INVENTORIES

	<i>Group</i>		<i>Company</i>	
	2012	2011	2012	2011
	£	£	£	£
Raw materials	155,570	429,121	-	-
Work in progress	227,697	3,659	188,035	-
Finished goods	40,512	274,318	-	157,000
	<u>423,779</u>	<u>707,098</u>	<u>188,035</u>	<u>157,000</u>

10. TRADE AND OTHER RECEIVABLES

	<i>Group</i>		<i>Company</i>	
	2012	2011	2012	2011
	£	£	£	£
Receivable from trade customers	118,239	1,544	118,239	1,544
Other receivables	72,545	105,199	48,259	88,321
Tax receivables	277,871	446,619	277,871	446,619
	<u>468,655</u>	<u>553,362</u>	<u>444,369</u>	<u>536,484</u>

Amounts receivable from trade customers are non-interest bearing and are generally on 30 - 90 day terms

11. CASH AND CASH EQUIVALENTS

	<i>Group</i>		<i>Company</i>	
	2012	2011	2012	2011
	£	£	£	£
Cash at bank	<u>23,558</u>	<u>198,209</u>	<u>13,951</u>	<u>176,065</u>

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise the following at 31 December 2012

	<i>Group</i>		<i>Company</i>	
	2012	2011	2012	2011
	£	£	£	£
Cash at bank	<u>23,558</u>	<u>198,209</u>	<u>13,951</u>	<u>176,065</u>

12. FINANCIAL LIABILITIES AND EQUITY

Group at 31 December 2012	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Non-current				
Bank loans	100,000	125,000	-	-
Interest bearing other loans	1,200,000	1,211,613	1,200,000	1,200,000
	<u>1,300,000</u>	<u>1,336,613</u>	<u>1,200,000</u>	<u>1,200,000</u>
Current				
Bank loans	25,000	25,000	-	-
Interest bearing other loans	700,000	67,345	700,000	-
	<u>725,000</u>	<u>92,345</u>	<u>700,000</u>	<u>-</u>
Bank loans and other borrowings				
	2012	2011	2012	2011
	£	£	£	£
Fixed rate bank loan	125,000	150,000	-	-
Other borrowings	1,900,000	1,278,958	1,900,000	1,200,000
	<u>2,025,000</u>	<u>1,428,958</u>	<u>1,900,000</u>	<u>1,200,000</u>
Less current instalments due on loans and borrowings	(725,000)	(92,345)	(700,000)	-
	<u>1,300,000</u>	<u>1,336,613</u>	<u>1,200,000</u>	<u>1,200,000</u>

Fixed rate bank loan

The bank loan is secured by a debenture including fixed charge over all present freehold and leasehold property, first fixed charge over book and other debts, chattels, goodwill and uncalled capital, both present and future, and first floating charge over all assets and undertaking both present and future dated 27 September 2007

Other borrowings

Loan one

A loan of £1,200,000 was received during the previous year from shareholders. The loan is repayable in full, together with interest accrued, by September 2013. The interest rate applied to the loan is 8% p a for the first 6 months and 10% p a thereafter payable quarterly in arrears until repayment of the loan. By way of an amendment dated 11 July 2012 the term of the loan was extended to April 2014, and the interest rate capped at 8% p a.

The loan is secured by a fixed charge over the right, title and interest in and to Quiet Revolution Limited's wind turbine development prospects in the UK including any signed ELAs which have not been installed and all data relating to such projects.

Loan two

A loan of £700,000 was received during the year from shareholders. The loan is repayable along with any interest that has accrued but remains outstanding, on 15 December 2013. The interest rate applied to the loan was initially 12% p a. However, by way of an amendment dated 2 May 2012, the interest rate was reduced to 8% p a. Interest is payable on the 30 June, 30 September, 30 December and 31 March in each year, the first payment having been due on 30 June 2012.

QUIET REVOLUTION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012

13. PROVISIONS

Group at 31 December 2012

	Warranty provision £	Dilapidations provision £	Total £
At 1 January 2011	159,000	7,000	166,000
Release of provision during the year	(82,500)	-	(82,500)
At 31 December 2011	76,500	7,000	83,500
Release of provision during the year	(26,096)	-	(26,096)
At 31 December 2012	50,404	7,000	57,404

Company at 31 December 2012

	Warranty provision £	Dilapidations provision £	Total £
At 1 January 2011	159,000	-	159,000
Release of provision during the year	(82,500)	-	(82,500)
At 31 December 2011	76,500	-	76,500
Release of provision during the year	(26,096)	-	(26,096)
At 31 December 2012	50,404	-	50,404

Warranty provision

A provision is recognised for expected warranty claims on products sold in the last two years, based on past experience of the levels of repairs and returns. Assumptions used to calculate the provision for warranties were based on current sales levels and the current information available about repairs based on the two-year warranty period for all products sold.

Dilapidations provision

A dilapidation provision has been recognised for the expected dilapidation cost associated with a factory rented by Quiet Revolution Manufacturing Limited.

QUIET REVOLUTION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012

14. TRADE AND OTHER PAYABLES

	<i>Group</i>		<i>Company</i>	
	2012	2011	2012	2011
	£	£	£	£
Payable to trade suppliers	460,788	431,337	299,114	318,003
Other payables	-	28,919	-	5,563
Accrued liabilities	173,226	85,149	169,656	85,149
Tax payable	33,763	54,837	29,967	47,803
Payable to related parties	-	-	453,952	464,600
	<u>667,777</u>	<u>600,242</u>	<u>952,689</u>	<u>921,118</u>

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs

The directors consider that the carrying amount of trade payables approximates to their fair value

15. SHARE CAPITAL

Group and Company Issued share capital

	No.	2012 £	No.	2011 £
Issued and fully paid				
Ordinary share capital				
At 1 January	7,910,675	791,067	5,137,870	513,787
New issues of share capital	350,120	35,012	2,772,805	277,280
Ordinary shares converted to Ordinary A shares	(3,117,100)	(311,710)	-	-
At 31 December	5,143,694	514,369	7,910,675	791,067
Ordinary A share capital				
At 1 January	13,054,680	1,305,469	3,908,045	390,805
New issues of share capital	73,331,401	7,333,140	9,146,635	914,664
Ordinary shares converted to Ordinary A shares	3,117,100	311,710	-	-
Debt conversion rights exercised	6,845,743	684,574	-	-
At 31 December	96,348,924	9,634,893	13,054,680	1,305,469
Total share capital				
At 31 December	101,492,618	10,149,262	20,965,355	2,096,536

All issued share capital is classified as equity

16. SHARE BASED PAYMENTS

Equity-settled share based payments

The group operates a share option plan, under which certain directors and employees have been granted options to subscribe for ordinary shares, which are treated as equity settled share based payments in accordance with the requirements of IFRS for SMEs

The fair value at the grant date of the option is expensed on a straight-line basis over the vesting period based on the group's estimate of shares that will eventually vest. The charge is then credited back to reserves as follows

	Options reserve £
At 1 January 2012	46,286
Diminution of value	(46,286)
At 31 December 2012	-

	Options reserve £
At 1 January 2011	101,674
Diminution of value	(55,388)
At 31 December 2011	46,286

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows

	2012		2011	
	No.	WAEP £	No.	WAEP £
Outstanding at the beginning of the year	237,650	1.21	900,510	2.02
Forfeited during the year	105,000	1.21	662,860	2.78
Outstanding at the end of the year	132,650	-	237,650	1.21
Exercisable at the end of the year	-	-	21,000	1.21

17. OPERATING LEASE COMMITMENTS

The minimum lease payments under non-cancellable operating lease rentals are in aggregate as follows

As lessee

	2012	2011
	£	£
Less than one year	<u>34,684</u>	<u>54,000</u>

18. EVENTS AFTER THE REPORTING PERIOD

In February 2013 the company received £200,000 from shareholders by way of a loan memorandum dated 4 February 2013. This loan attracts interest at 20% p a of the amount outstanding, calculated on a daily basis. The loan is repayable in tranches of £50,000 each on 1 July 2013, 1 August 2013, 1 September 2013 and 1 October 2013. On the 1 November 2013 all of the remaining loan amount shall be repaid in full together with all accrued interest.

In March 2013 the company received a further £100,000 from shareholders by way of a loan memorandum dated 28 February 2013. This loan attracts interest at 20% p a of the amount outstanding, calculated on a daily basis. The loan is repayable in tranches of £25,000 each on each of 1 September 2013, 1 October 2013 and 1 November 2013. On 1 December 2013 all of the remaining loan amount shall be repaid in full together with all accrued interest.

In April 2013 the company received a loan of £200,000 from shareholders by way of a loan memorandum dated 19 April 2013. This loan attracts interest at 16% per annum of the amount outstanding calculated on a daily basis. The loan is repayable in tranches of £25,000 on 1 November 2013, 1 December 2013, 1 January 2014, 1 February 2014, 1 March 2014, 1 April 2014, 1 May 2014 and 1 June 2014. On 1 June 2014 all of the remaining loan account shall be repaid in full with all interest accrued. As additional consideration for the arrangement of this loan, the Company granted the lender a non exclusive licence of the intellectual property rights which becomes effective in event of the default by the company of the terms of its loan, but which becomes ineffective if there is no default of the agreement.

In June 2013 the company received a convertible loan of £200,00 from a private investor by way of a convertible loan memorandum dated 18 June 2013. The loan attracts interest at 25% per annum of the amount outstanding under the Memorandum from time to time (calculated on a day by day basis) from the date of drawdown until the date of repayment or prepayment. All accrued interest is payable on 20 June 2014, except in the case of mandatory conversion into equity, as would arise under the proposed terms of the QR Restructuring Memorandum of Understanding (QR MoU).

On 18 June 2013 the QR MoU was signed by all major QR stakeholders, including shareholders, key debt-holders and the private investor, providing terms for a proposed restructuring agreement of the company. The QR MoU provided for the proposed restructuring and conversion of loans into two new classes of shares, the transfer of certain shares and the cancellation of other loans. Certain cancelled loans are settled by the acquisition of (a) certain IP rights for existing IP and new IP developed by 31 December 2014 and (b) certain earn out rights over a 12 year period. The contractual documentation supporting the MoU is expected to be fully agreed by 1 August 2013. After completion of the restructuring under the MoU, the balance sheet of the Company will be substantially strengthened as all debt but bank debt will have been converted into equity.