Metroelectric PLC

Annual Report and Financial Statements for the Year Ended 30 June 2011

Company's registered number: 05840813
(England & Wales)

COMPANY INFORMATION

Directors	G Collier P Rewrie M Chapman
Secretary	Nominee Secretaries Limited
Registered Office	14 Bennell Court West Street Comberton Cambridge Cambridgeshire CB23 7EN
Auditors	Welbeck Associates Limited 31 Harley Street London W1G 9QS
Registrars	Share Registrars Limited First floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL

Metroelectric PLC

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Chairman's Statement for the year ended 30 June 2011

INTRODUCTION

The Board is pleased to present the results of Metroelectric plc ("the Company") for the year ended 30th June 2011. The Company was established by the Directors as a PLUS Markets Investment Vehicle initially seeking acquisition targets in the information sector. In 2009 the company purchased Powabyke EV Limited and the trading group is now a supplier and distributor of electric vehicles.

RESULTS

The Company made a loss for the year to 30 June 2011 of £1,277,427 (2010: £51,018)

The loss per ordinary share for the year was 0.342p (2010: 0.017p)

REVIEW

The year to 30th June 2011 was a difficult trading period for Powabyke EV, mainly due to problems with the supply chain and cost and quality issues with a former supplier. These problems resulted in a high level of returns and products which could not be resold resulting in stock having to be written off. These issues contributed to a significant decrease in margins, which have resulted in a negative gross margin and an operating loss before impairment charges of £648,861 (2010: £27,732).

Due to the underperformance of Powabyke EV Ltd the directors have reviewed the goodwill in the consolidated accounts which relates to the on-going value of its investment in its trading subsidiary. Although significant losses were incurred during the year the positive cash and profit projections of Powabyke for 2012 indicate that it still has a positive value. The directors have decided that the carrying value of goodwill should be written down to reflect the reduced value of its investment in Powabyke and this has resulted in a goodwill impairment charge of £432,696 in the annual accounts.

In August 2010 we successfully introduced the new Mk2 range of X-Byke's. The aesthetic and technical improvements of these bikes are significant as they offer both increased performance and greater reliability. In February 2011, we reintroduced the Powatryke (our electric tricycle) which has made significant inroads into the tricycle market. In July 2010 we announced a distribution agreement with Wonder EV to distribute its electric cars in the UK and Eire.

The Directors continue to believe that Powabyke provides the Company with a unique opportunity to build a major presence in the European electric bicycles and tricycles market. We continue to actively seek international partners to represent the Powabyke brand overseas.

POST BALANCE SHEET EVENTS

As a result of difficult market conditions and on-going supply issues during the period, the Company has taken significant steps to streamline its operations, including reducing both management and staff numbers, combining the warehouse into the office and renegotiating more favourable terms with suppliers. The financial benefits from our product development are not reflected in these figures but the Directors believe that the Company is now well positioned moving forward and we expect our gross margin to improve.

The Company's commitment to the emerging electric vehicle market remains strong and we are increasingly convinced that this is a growth sector for both leisure activities and commuting. As such, the Board continues to pursue a number of associated opportunities.

Since August 2011 the company has raised £230,000 and received the first payment from the EU grant (£85,000). From these proceeds the company repaid £200,000 of debt, including outstanding interest, and has agreement from the convertible term loan holders to extend the period of repayment.

In December 2011, the company announced that it had signed non binding heads of terms concerning a UK licence agreement with Eveport Limited, which would allow the Directors to concentrate on looking for new opportunities within the eco-friendly area and also develop the international Powabyke market. The company will receive a licence fee and ongoing royalty payments but will not incur any of the related selling or marketing costs, this will result in cost savings for the group and increased profitability.

Greg Collier
Chairman
Metroelectric plc
31 December 2011

Metroelectric PLC

REPORT OF THE DIRECTORS for the year ended 30 June 2011

The directors present their report together with the consolidated financial statements for the year ended 30 June 2011.

Principal activities

The principal activity of the group is the supply and distributor of electric vehicles

Business review

Development and performance of the business

The financial year to 30th June 2011 has been challenging with pressure on margins and supply issues. The directors having reviewed the business strategy have recently signed heads of terms with Eveport Limited which will result in royalty payments being received and the company will no longer be burdened with the cost involved in sourcing, shipping, assembling, marketing and distribution. This will result in the group been able to dramatically reduce costs and concentrate on the development of the international market namely Europe where they have already made inroads.

	2011	**2010**
Turnover	£613,127	£404,778
Gross profit margin	(2.9%)	51%
EU grant income	£13,189	£97,560
Loss before tax	£(1,277,427)	£(51,018)

As a result of a collaboration with Bath City council and a number of other parties Powabyke EV Limited was awarded an EU grant in 2010 for the introduction of an electric bike rental scheme in the City of Bath. The second claim has been made and agreed for £13,189.

Position of the business

At the end of the year, the Group net assets totalled £20,539 (2010: £1,053,255).

A detailed review of the business is contained in the Chairman's Report

Results and dividends

The results for the group are set out in the financial statements.

The directors do not recommend the payment of a dividend.

Going concern

The financial statements have been prepared on a going concern basis, notwithstanding the trading losses incurred since incorporation.

The Group meets its day to day financing through its cash reserves and shareholders' loans. As at 30 June 2011 the Group has a total of £15,098 in cash reserves. However, its Creditors less than one year are £733,409 and it has net current liabilities of £249,491. Since the year end, an additional £230,000 has been raised through a mixture of short term unsecured loans and additional equity. In addition, just over £200,000 of the short term funding including interest has been repaid since the year end and it has agreement from the convertible loan note holders to extend the period of repayment.

The Directors have prepared cash flow forecasts for the period to 31 December 2012 which assumes increased sales and no unnecessary costs or expenditure. On the basis of these forecasts and the additional funding detailed in the preceding paragraph the Group is expected to continue to operate within its available financial facilities for at least the next 12 months. The going concern basis is dependent upon the company meeting its forecasts for 2012 and if it does not meet these forecasts further finance will need to be raised which may not be forthcoming. The forecasts assume a certain level of trading which independent of the Eveport licence arrangement.

Whilst the Directors remain confident of continuing as a going concern, this is dependent on their ability to renew short term finance facilities and to operate with their budget and there can be no certainty in this respect. Nevertheless, after making due and careful enquiries and considering all uncertainties the Directors believe the company will continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the annual report and financial statements. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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REPORT OF THE DIRECTORS for the year ended 30 June 2011 (continued)

Financial instruments

Details of the Group's risk management objectives and policies together with its exposure to financial risk are set out below. The purpose of the policies is to ensure that adequate cost effective funding is available to the Group and exposure to financial risk, interest rate, liquidity and credit risk is minimised.

Principal risks and uncertainties

The Group's activities expose it primarily to the following financial risks:

Requirements for further funds

There may be a requirement for the Group to raise further funds in the future in order to fund working capital requirements. Such a funding requirement may be by way of the issue of further ordinary shares or the issue of convertible loan note instruments.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables. This risk is managed daily by the Group's credit control function who monitor recovery to ensure that outstanding debts are identified when these become overdue and appropriate action is taken to recover the outstanding amount. The Group had no substantial exposure to any individual third party in respect of trade receivables.

Liquidity risk

The Group's policy is to finance its operations through working capital. The Group has actively been seeking new sources of liquidity during the year, and has secured new loan agreements and continues to seek additional sources of finance to provide sufficient funds for the foreseeable future.

Interest rate and cash flow risk

The Group has interest bearing assets and liabilities. Interest bearing assets include only cash balances which earn interest at a fixed rate. The Group monitors its interest rate risk primarily through cash flow forecasting and allocating funds to the most relevant accounts in light of forecast balances and outgoings.

Supplier payment policy

It is the Group's policy to settle trade liabilities in accordance with the terms and conditions of each individual supplier.

The Group's trade creditor days for the year ended 30 June 2011 were 45 days (2010: 55 days). This represents the ratio, expressed in days, between the amounts invoiced to the Group by its suppliers in the year and the amounts due, at the year end, to trade creditors within one year.

Directors

The Directors of the Company who held office during the period were as follows:

G Collier
P Rewrie
M Chapman

REPORT OF THE DIRECTORS for the year ended 30 June 2011 (continued)

Substantial shareholdings

Save for the holdings disclosed below the Directors are not aware of any shareholdings representing 3% or more of the issued share capital of the Company at 29 December 2011.

Shareholders	Number of shares	Shareholding %
Redmayne Nominees Limited	90,772,931	18.9%
JIM Nominees Limited	53,270,000	11.1%
Lewis Charles Nominees Limited	50,000,000	10.4%
Worship Street Investments Limited	39,500,000	8.2%
Brewin Nominees Limited (NTNL)	34,132,659	7.1%
Pershing Nominees Limited	28,644,100	6.0%
Barclayshare Nominees Limited	26,189,103	5.5%
Brewin Nominees Limited (NTNLPEN)	26,009,118	5.4%
QiHang Equipment Company Ltd	25,000,000	5.2%

Research and development

The group will continue its policy of investment in research and development in order to retain a competitive position in the market.

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and 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 group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company 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 apply them consistently;
- make judgments and estimates that are responsible 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the of the Company, and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to Auditors

In the case of each person who was a Director at the time this report was approved:

- so far as that Director was aware there was no relevant available information of which the company's auditors were unaware; and
- that Director had taken all steps that the Director ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors were aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditors

The auditors Welbeck Associates have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

P Rewrie
Director
31 December 2011

Independent Auditor's Report to the Members of Metroelectric PLC

We have audited the Group and Company financial statements of Metroelectric PLC for the year ended 30 June 2011 which comprise the consolidated profit and loss account, balance sheets, cash flow statements and the related notes. These financial statements have been prepared under the accounting policies set out therein. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our 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 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 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

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the 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 Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the 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 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 financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2011 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group's ability to continue as a going concern. The group incurred a net loss of £1,277,427 during the year ended 30th June 2011 and, at that date, the group has net assets of £20,539 and net current liabilities of £249,491. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements and the Directors' Report in accordance with the small companies regime.

Jonathan Bradley-Hoare
(Senior Statutory Auditor)
For and on behalf of Welbeck Associates Chartered Accountants,
Statutory Auditor
31 December 2011

31 Harley Street
London
W1G 9QS

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CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 30 June 2011

	Note	2011 £	2010 £
Turnover		**613,127**	404,778
Cost of sales		**(630,937)**	(197,117)
Gross profit/(loss)		**(17,810)**	207,661
EU grant income		**13,189**	97,560
Distribution costs		**-**	(6,144)
Administrative expenses		**(644,240)**	(324,034)
Loss on disposal of fixed assets		**-**	(2,775)
Impairment of goodwill		**(432,396)**	-
Operating loss	3	**(1,081,257)**	(27,732)
Interest payable and similar charges	6	**(196,170)**	(23,286)
Loss on ordinary activities before taxation		**(1,277,427)**	(51,018)
Tax on loss on ordinary activities	7		-
Loss for the year		**(1,277,427)**	(51,018)
Earnings per share (pence)			
- Basic and diluted earnings per share	8	**(0.342)p**	(0.017)p

The consolidated profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the consolidated profit and loss account.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the Parent Company profit and loss account.

The loss for the Parent Company for the period was £1,344,606 (2010: £79,372).

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CONSOLIDATED BALANCE SHEET as at 30 June 2011

.	Notes	2011 £	2010 £
Fixed assets			
Goodwill	9	443,917	887,313
Other intangible fixed assets	10	16,264	6,700
Tangible assets	12	-	6,230
		460,181	900,243
Current assets			
Stocks	13	115,875	179,325
Debtors	14	352,945	305,925
Cash at bank and in hand		15,098	47,932
		483,918	533,182
Creditors: Amounts falling due within one year	15	(733,409)	(209,170)
Net current assets/(liabilities)		(249,491)	324,012
Creditors greater than one year:			
Convertible loan notes	16	(190,151)	(171,000)
Net assets/(liabilities)		20,539	1,053,255
Capital and reserves			
Called up share capital	17	379,511	369,100
Share premium	18	1,010,586	930,997
Loan note holders reserve	16	22,471	-
Share option reserve	18	132,240	-
Profit and loss account	19	(1,524,269)	(246,842)
Shareholders' funds/(deficit)	20	20,539	1,053,255

The financial statements were approved by the Board of Directors on 31 December 2011 and were signed on its behalf by:

P Rewrie
Director

Company registration number – 05840813 (England and Wales)

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COMPANY BALANCE SHEET as at 30 June 2011

.	Notes	2011 £	2010 £
Fixed assets			
Investments	11	450,000	984,003
		450,000	984,003
Current assets			
Stocks	13	-	5,000
Debtors	14	20,739	232,749
Cash at bank and in hand		1,767	-
		22,506	237,749
Creditors: Amounts falling due within one year	15	(355,128)	(23,630)
Net current assets/(liabilities)		(332,622)	214,119
Creditors greater than one year:			
Convertible loan notes	16	(190,151)	(171,000)
Net assets/(liabilities)		(72,773)	1,027,122
Capital and reserves			
Called up share capital	17	379,511	369,100
Share premium	18	1,010,586	930,997
Loan note holders reserve	16	22,471	-
Share option reserve	18	132,240	-
Profit and loss account	19	(1,617,581)	(272,975)
Shareholders' funds/(deficit)	20	(72,773)	1,027,122

The financial statements were approved by the Board of Directors on 31 December 2011 and were signed on its behalf by:

P Rewrie
Director

Company registration number – 05840813 (England and Wales)

CONSOLIDATED CASH FLOW STATEMENT for the year ended 30 June 2011

	Notes	2011 £	2010 £
Net cash outflow from operating activities	20	(282,327)	(318,043)
Returns on investments and servicing of finance			
Interest paid		(184,548)	(23,286)
Net cash outflow for returns on investments and servicing of finance		(184,548)	(23,286)
Capital expenditure			
Payments to acquire intangible assets		(5,313)	-
Net cash outflow for capital expenditure		(5,313)	-
Acquisitions and disposals			
Purchase of subsidiary undertaking		-	(120,000)
Net cash acquired with subsidiary undertakings		-	12,145
Net cash inflow/(outflow) for acquisitions and disposals		-	(107,855)
Net cash outflow before management of liquid resources and financing		(472,188)	(449,184)
Financing			
Proceeds from issue of shares		90,000	239,000
Proceeds from issue of convertible loan notes		30,000	171,000
Other new short term finance		319,354	84,661
Repayment of other short term loans		-	(2,500)
Net cash inflow from financing		439,354	492,161
Net increase/(decrease) in cash in the year		(32,834)	42,977
Cash at beginning of year		47,932	4,955
Cash at end of year	21, 22	15,098	47,932

Metroelectric PLC

COMPANY FLOW STATEMENT for the year ended 30 June 2011

	Notes	2011 £	2010 £
Net cash outflow from operating activities	20	15,994	(67,902)
Returns on investments and servicing of finance			
Interest paid		(124,950)	(5,627)
Net cash outflow for returns on investments and servicing of finance		(124,950)	(5,627)
Acquisitions and disposals			
Purchase of subsidiary undertaking		-	(120,000)
Loan to subsidiary undertaking		(264,312)	(216,471)
Net cash inflow/(outflow) for acquisitions and disposals		(264,312)	(336,471)
Net cash outflow before management of liquid resources and financing		(373,268)	(410,000)
Financing			
Proceeds from issue of shares		90,000	239,000
Proceeds from issue of convertible loan notes		30,000	171,000
Other new short term finance		255,035	-
Repayment of other short term loans		-	-
Net cash inflow from financing		375,035	410,000
Net increase/(decrease) in cash in the year		1,767	-
Cash at beginning of year		-	-
Cash at end of year	21, 22	1,767	-

1 ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements are prepared under the historical cost convention. The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

Going concern

The financial statements have been prepared on a going concern basis, notwithstanding the trading losses incurred since incorporation.

The Group meets its day to day financing through its cash reserves and shareholders' loans. As at 30 June 2011 the Group has a total of £15,098 in cash reserves. However, its Creditors less than one year are £733,409 and it has net current liabilities of £249,491. Since the year end, an additional £230,000 has been raised through a mixture of short term unsecured loans and additional equity. In addition, just over £200,000 of the short term funding including interest has been repaid since the year end and it has agreement from the convertible loan note holders to extend the period of repayment.

The Directors have prepared cash flow forecasts for the period to 31 December 2012 which assumes increased sales and no unnecessary costs or expenditure. On the basis of these forecasts and the additional funding detailed in the preceding paragraph the Group is expected to continue to operate within its available financial facilities for at least the next 12 months. The going concern basis is dependent upon the company meeting its forecasts for 2012 and if it does not meet these forecasts further finance will need to be raised which may not be forthcoming. The forecasts assume a certain level of trading which independent of the Eveport licence arrangement.

Whilst the Directors remain confident of continuing as a going concern, this is dependent on their ability to renew short term finance facilities and to operate with their budget and there can be no certainty in this respect. Nevertheless, after making due and careful enquiries and considering all uncertainties the Directors believe the company will continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the annual report and financial statements. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Consolidation

Subsidiaries are entities that are directly or indirectly controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at the fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

The financial statements have been prepared under historical cost convention. The entities that have been consolidated within these financial statements include:

Entity name	Principal activity	Domicile	Ownership
Powerbyke EV Limited	Supply and distribution of electric powered bicycles	England	100%
Metro Cars Limited	Supply and distribution of electric motor vehicles	England	100%
Metro Vans Limited	Dormant	England	100%
Park Electric Limited	Dormant	England	100%

Metro Vans Limited and Park Electric Limited were dissolved on 18 October 2011

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Revenue recognition

Revenue represents the amounts derived from the sale of goods during the year stated net of Value Added Tax. Sales are recognised in the profit and loss account and recorded as sales upon the delivery of goods to customers. Licence fees are included within Sales and are recognised in full, net of any provisions, in the year in which the agreement is signed. Any royalties due as part of these agreements are recognised as and when they fall due.

Government and EU grants are recognised in the profit and loss account so as to match them with the expenditure towards which they are intended to contribute. To the extent that grants are received as a contribution towards specific expenditure on fixed assets, they are recognised over the useful economic lives of the related assets. Grants received to reimburse costs already incurred are recognised in the profit and loss account in the period in which they become receivable.

Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic segments.

Research and development

Research expenditure is written off to the profit and loss account in the year 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.

Investments

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

Tangible fixed assets

Fixed assets are stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such costs include the cost of replacing part of the asset when that cost is incurred, if the recognition criteria are met.

Depreciation is calculated on a straight-line basis over the useful life of the assets, which are as follows:

Furniture and equipment -	20%
Vehicles and machinery -	25%

Fixed assets are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account in the year the asset is derecognised.

Goodwill

Goodwill arising on consolidation as a result of the acquisition of a business in December 2009, is capitalised in the balance sheet and amortised on a straight line basis over its useful economic life, up to a maximum of 20 years. Provision is made for any impairment.

Other intangible fixed assets

Other intangibles comprise Trade Marks and Patents. Only those intangible assets which are acquired in a business combination are capitalised, and only if all of the following conditions are met:

- the asset can be identified
- it is probably that the asset will generate future economic benefits
- the fair value of the asset can be measure reliably

These are amortised on a straight-line basis over their useful lives. At each balance sheet date management consider impairment of other intangibles.

Stock

Stock is valued at the lower of cost and net realisable value and includes both finished goods and goods in transit. The goods in transit make up a large portion of the total stock at any point in time during the year. Stock is only recognised as 'in transit' once payment has been made to the supplier. This is because the legal title only transfers to the company once payment has been made.

Taxation

The charge for taxation is based on the results for the year adjusted for items which are tax exempt or are not tax deductible. Tax is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred taxation is provided on the comprehensive basis computed as the difference between the tax base and carrying amounts of assets and liabilities. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Share based payments

The cost of share-based employee compensation arrangements whereby employees receive remuneration in the form of shares or share options is recognised as an employee benefit expense in the income statement.

The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The assumptions underlying the number of awards expected to vest are subsequently adjusted for the effects of non market-based vesting to reflect the conditions prevailing at the balance sheet date. Fair value is measured by the use of the Black-Scholes model. The expected life used in the model has been adjusted based on management's best estimate for the effects of the non-transferability exercise restrictions and behavioural considerations.

2 Segmental analysis

There is no segmental area of operations, as the directors consider that the Group's operations comprise one business segment; that of the investment or acquisition in businesses or companies within the eco-friendly technology sector. The disclosures for this primary segment are therefore given by the primary financial statements and related notes. All income and trading activity currently arises in the United Kingdom.

3 Operating profit/(loss)

Operating profit/(loss) is stated after charging:

	2011 £	2010 £
Operating lease rentals	**-**	29,200
Auditors' remuneration:		
- audit services	**17,500**	13,000
Depreciation of tangible assets:		
- owned assets	**-**	1,550
Amortisation of goodwill	**11,000**	22,750
Amortisation of other intangible fixed assets	**1,979**	300
Loss on disposal of fixed assets	**-**	2,775
Impairment of goodwill	**432,396**	-
Adviser and listing fees	**-**	5,000

4 Particulars of employees

The average number of employees (including executive directors) was 7 (2010: 7)

	2011 £	2010 £
Wages and salaries	**146,516**	75,522
Social security costs	**12,397**	7,175
	158,913	82,697

5 Directors' remuneration

The directors' remuneration for the year is as follows:

	2011 £	2010 £
Directors' remuneration (including benefits in kind)	**29,000**	29,430
Equity settled share based payment cost	**110,200**	-
	139,200	29,430

6 Interest payable and similar charges

	2011 £	2010 £
Factoring finance charges	**45,798**	10,659
Interest on convertible loan notes	**35,742**	5,627
Interest on other loans	**114,630**	7,000
	196,170	23,286

Metroelectric PLC

7 Taxation

	2011 £	2011 £
UK corporation tax credit on loss for the year	-	-
Tax on loss on ordinary activities	-	-
Loss on ordinary activities before tax	(1,277,427)	(51,018)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2010: 21%)	(268,260)	(10,714)
Effects of:		
Expenses not deductible for tax purposes	2,625	2,100
Unutilised tax losses	265,635	8,614
Current tax credit for the year	-	-

No provision for tax has been made as the Group has estimated tax losses of £1,380,000 (2010: £245,000). The deferred tax asset arising on these losses has not been provided as the directors cannot satisfy themselves that the losses will be relieved within the next 12 months.

8 Earnings per share

	2011 **£**	**2010** **£**
Basic and fully diluted earnings per share	**(0.342p)**	(0.017p)
Earnings		
Losses for the purposes of basic and fully diluted earnings per share	**(1,277,427)**	(51,018)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**373,854,542**	298,891,457

The effect of conversion into ordinary shares of warrants is anti-dilutive when the Company has made a loss and so is disregarded. As the Company made a loss in both 2010 and 2011the basic and diluted loss per share is the same for each of the two years.

9 Goodwill

	£
Cost at 1 July 2010 and 30 June 2011	910,063
Amortisation at 1 July 2010	22,750
Amortisation for the period	11,000
Provision for impairment	432,396
Amortisation and impairment at 30 June 2011	466,146
Net book value at 30 June 2011	443,917
Net Book value at 30 June 2010	887,313

The goodwill in the group arose on the acquisition of the trading subsidiary, Powabyke EV Limited. Due to the underperformance of Powabyke EV Limited during the year the directors have reviewed the value of goodwill for any impairment. Due to the significant losses incurred the Directors decided that the value of goodwill should be written down, to reflect the current and future value of the subsidiary, by **£432,396** in the year ended 30 June 2011.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

10 Other intangible fixed assets

	£
Trade marks & patents:	
Cost at 1 July 2010	7,000
Cost of assets reclassified	7,780
Additions during period	5,313
Cost at 30 June 2011	20,093
Amortisation at 1 July 2010	300
Amortisation of assets reclassified, brought forward	1,550
Amortisation for the period	1,979
Amortisation at 30 June 2011	3,829
Net book value at 30 June 2011	16,264
Net book value at 30 June 2010	6,700

11 Investments

Company

	£
Cost and net book value at 1 July 2010	984,003
Provision for diminution in value	(534,003)
Net book value at 30 June 2011	450,000

Investments in group undertakings are stated at cost less provision for diminution in value.

At 30 June 2011 details of the Group's subsidiary companies were as follows:

Name of company	Nature of business	Country of incorporation	Holding	% voting rights and shares held
Powabyke EV Limited	Supply and distribution of electric powered bicycles	England	Ordinary	100%
Metro Cars Limited	Supply and distribution of electric cars	England	Ordinary	100%
Metro Vans Limited	Dormant	England	Ordinary	100%
Park Electric Limited	Dormant	England	Ordinary	100%

Metro Vans Limited and Park Electric Limited were dissolved on 18 October 2011.

12 Tangible fixed assets

Group

	Furniture & equipment £
Cost	
As at 1 July 2010	7,780
Reclassified as intangible assets	(7,780)
As at 30 June 2011	-
Depreciation	
As at 1 July 2010	1,550
Reclassified as intangible assets	(1,550)
As at 30 June 2011	-
Net book value	
As at 30 June 2011	-
As at 30 June 2010	6,230

The Company held no fixed assets during the year.

13 Stocks

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Finished goods and goods for resale	**115,875**	179,325	**-**	5,000

14 Debtors

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Trade debtors	**133,806**	128,916	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**17,459**	228,194
EU grant receivable	**110,749**	97,560	**-**	-
Deposits on goods to be delivered	**-**	56,973	**-**	-
Other debtors	**104,735**	14,631	**-**	1,500
Prepayments and accrued income	**3,655**	7,845	**3,280**	3,055
	352,945	305,925	**20,739**	232,749

15 Creditors: Amounts falling due within one year

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Trade creditors	**39,588**	58,002	**490**	490
Short term trade finance – secured (see Note 1 below)	**158,980**	94,661	**-**	-
Other short term secured finance (see Note 2 below)	**120,000**	-	**120,000**	
Other short term unsecured finance	**135,035**	-	**135,035**	
Taxation and social security	**59,006**	23,692	**-**	-
Other creditors	**38,334**	11,488	**1,807**	1,813
Accruals and deferred income	**182,466**	21,327	**97,796**	21,327
	733,409	209,170	**355,128**	23,630

Note 1 Short term trade finance is a debt finance arrangement under which outstanding amounts are secured on the trade debtors of Powabyke EV Limited.

Note 2 Other short term secured finance is secured by a floating charge on the assets of Metroelectric plc and Powabyke EV Limited.

16 Convertible loan notes

The proceeds of the convertible loan notes issued during the year to 30 June 2011 have been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Group, and the loan notes in issue at 30 June 2010 have been adjusted in this respect, as follows:

	2011 £	2010 £
Liability component at beginning of period	171,000	-
Nominal value of loan notes issued	30,000	171,000
Equity component	(22,471)	-
Adjusted liability component at date of issue	178,529	171,000
Interest charged	35,742	5,627
Interest paid	(24,120)	(5,627)
Liability component at end of period	190,151	171,000
Total equity component	22,471	-

The convertible loan notes are interest bearing at the rate of 12% per annum, payable quarterly on 31 March, 30 June, 30 September and 31 December, and are convertible at 1.5p per share at any time prior to redemption.

The actual interest charged for the year is calculated by applying an effective interest rate of 20% to the liability component for the period since the loan notes were issued.

The Directors estimate the fair value of the liability component of the loan notes at 30 June 2011 to be approximately £190,151. This fair value has been calculated by discounting the future cash flows at the estimated market rate of 20%.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

17 Called up share capital

	2011 £	2010 £
Allotted and fully paid		
379,511,405 (2010: 369,099,640) ordinary shares of 0.1p each	379,511	369,100
	379,511	369,100

On 16 September 2010, 1,000,000 ordinary shares were issued for cash at 1p per share..

On 3 February 2011, 9,411,765 ordinary shares were issued for cash at 0.85 pence each. In respect of the shares issued the subscriber was granted warrants for 9,411,765 shares, exercisable at 0.85p per share at any time up to December 2012.

18 Statement of movement in reserves

Group

	Share premium £	Loan note holders reserve £	Option reserve £	Profit and loss account £	Total £
Balance at 1 July 2010	930,997	-	-	(246,842)	684,155
Loss for the year	-	-	-	(1,277,427)	(1,277,427)
Equity component of loan notes	-	22,471	-	-	22,471
Share based payment cost	-	-	132,240	-	132,240
Premium on shares issued during the year	79,589	-	-	-	79,589
Balance at 30 June 2011	1,010,586	22,471	132,240	(1,524,269)	358,972

Company

	Share premium £	Loan note holders reserve £	Option reserve £	Profit and loss account £	Total £
Balance at 1 July 2010	930,997	-	-	(272,975)	658,022
Loss for the year	-	-	-	(1,344,606)	(1,344,606)
Equity component of loan notes	-	22,471	-	-	22,471
Share based payment cost	-	-	132,240	-	132,240
Premium on shares issued during the year	79,589	-	-	-	79,589
Balance at 30 June 2011	1,010,586	22,471	132,240	(1,617,581)	(452,284)

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

19 Reconciliation of movements in shareholders' funds

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Loss for the financial year	(1,277,427)	(51,018)	(1,344,606)	(79,372)
Proceeds from issue of shares	90,000	1,105,097	90,000	1,105,097
Loan note and share premium reserves	154,711	-	154,711	-
Net addition to/(depletion in) shareholders' funds	(1,032,716)	1,054,079	(1,099,895)	1,025,725
Opening shareholders' funds	1,053,255	(824)	1,027,122	1,397
Closing shareholders' funds	20,539	1,053,255	72,773	1,027,122

20 Reconciliation of operating loss to net cash outflow from operations

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Operating loss	(1,081,257)	(27,732)	(1,208,034)	(73,745)
Depreciation of tangible assets	-	1,550	-	-
Share based payment expense	132,240	-	132,240	-
Amortisation of goodwill and other intangible assets	12,979	23,050	-	-
Loss on disposal of fixed assets	-	2,775	-	-
Impairment of goodwill	432,396	-	-	-
Provision for diminution in value of investment	-	-	534,003	-
Inter-company loan provision	-	-	475,047	-
Increase in stocks	63,450	(15,142)	5,000	-
(Increase)/decrease in debtors	(47,020)	(284,318)	1,275	316
Increase/(decrease) in creditors within one year	204,885	(18,226)	76,463	5,527
Net cash outflow from operating activities	(282,327)	(318,043)	15,994	(67,902)

21 Analysis of net funds/net debt

	1 July 2010 £	Cash flow £	Other non-cash changes £	30 June 2011 £
Net cash:				
Cash at bank and in hand	47,932	(32,834)	-	15,098
	47,932	(32,834)	-	15,098
Debt:				
Falling due within one year	(94,661)	(319,354)	-	(414,015)
Falling due after one year	(171,000)	(30,000)	10,849	(190,151)
Net funds/(net debt)	(217,729)	(382,188)	10,849	(589,068)

22 Reconciliation of net cash flow to movement in net funds

	Group 2011 £	Group 2010	Company 2011 £	Company 2010
Increase/(decrease) in cash in the year	(32,834)	42,977	1,767	-
Increase in debt in the year	(349,354)	(265,661)	(274,186)	(171,000)
Movement in net funds in the year	(382,188)	(222,684)	(272,419)	(171,000)
Opening net debt	(217,729)	4,955	(171,000)	-
Closing net debt	(589,068)	(217,729)	(443,419)	(171,000)

30 Share based payments

On 30 November 2010 the Company granted share options totalling 30,000,000 shares to directors and key executives. The options, exercisable at 0.5p per share, vested on the date of grant and have a contractual life of 10 years.

A summary of the options outstanding during the year is shown below.

	No of options	Exercise price
Outstanding at the beginning of the year	-	
Granted during the year	30,000,000	0.5p
Forfeited during the year	-	
Exercised during the year	-	
Lapsed during the year	-	
Outstanding at the end of the year	30,000,000	0.5p
Exercisable at the end of the year	30,000,000	0.5p

The value of the options granted during the year has been measured by the use of the Black-Scholes pricing model. The inputs into the model were as follows:

Share price at grant date	0.8p
Exercise price	0.5p
Volatility	40%
Expected life	5 years
Risk free rate	3%
Expected dividend yield	0%

Expected volatility rate used was the estimated weighted average volatility of the share prices of comparable companies listed on the PLUS market. The expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability exercise restrictions and behavioural considerations.

The Group recognised total expenses of £132,240 (2010: £Nil) related to equity-settled share-based payment transactions in the year to 30 June 2011.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

23 Acquisition of subsidiary business

On 22 October 2009 the Company acquired the entire share capital of Powabyke EV Limited for total consideration of £983,997, satisfied by the issue of 107,999,640 shares at 0.8p each and cash of £120,000. The fair value of the net assets acquired are summarised below.

	2010
	£
Tangible fixed assets	7,780
Intangible fixed assets	7,000
Inventory	148,200
Debtors	15,980
Cash	12,145
Financial liabilities	(117,171)
	73,934
Goodwill	910,063
Total consideration	983,997
Satisfied by:	
Issue of shares	863,997
Cash	120,000
	983,997
Net cash outflow arising on acquisition:	
Cash consideration	120,000
Cash balances acquired	(12,145)
	107,855

23 Related party transactions

- On 30 November 2010 the Directors of the company were issued with Share Options as follows:- Greg Collier 10,000,000; Paul Rewrie 10,000,000; Mark Chapman 5,000,000. The options were granted at an exercise price of £0.005 per share exercisable for up to 5 years from the date of grant.
- Also on 30 November 2010 Nick Child, a director of Powabyke EV Limited, a trading subsidiary of the company, was granted 5,000,000 options on the same terms.
- Paul Rewrie Limited, a company controlled by Mr P Rewrie, invoiced the Group £32,659 in respect of accounting and administration services. £1,769 was outstanding at the year end.
- Mark Chapman purchased £10,000 of shares at £0.001 per share through his SIPP. All the shares were fully paid by the 30 June 2011.

24 Ultimate controlling party

The Directors consider that there is no ultimate controlling party

25 Post balance sheet events

- In November 2011 the company raised £100,000 by way of subscription for new ordinary shares at a price of £0.001 per share.
- In December 2011 the company agreed Heads of Terms with Eveport Limited for an exclusive UK licence of the products of one of the group's entities, Powabyke EV Limited.
- On 8 December 2011, the company received £106,000 in the form of a short-term loan from a company associated with Eveport Limited, secured against the assets of the company, repayable 8 March 2012. The interest payable on the loan is 2% per month.
- A further £25,000 was received in December 2011 of which £15,000 is intended as a subscription for shares and £10,000 is in the form of short term loans.