Metroelectric PLC

Annual Report and Financial Statements for the Year Ended 30 June 2013

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

Metroelectric PLC

COMPANY INFORMATION

Directors	G Collier (Executive Chairman) M Chapman C Luck
Secretary	Nominee Secretaries Limited
Registered Office	2nd Floor Cambridge House Cambridge Road Harlow Essex CM20 2EQ
Auditors	Welbeck Associates Chartered Accountants & Registered Auditors 30 Percy Street London W1T 2DB
Registrars	Share Registrars Limited First floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL
ISDX Corporate Adviser	Peterhouse Corporate Finance 31 Lombard Street London EC3V 9BQ

Metroelectric PLC

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Metroelectric PLC

Chairman's Statement for the year ended 30 June 2013

The Board is pleased to present the results of Metroelectric plc ("the Company") for the year ended 30th June 2013.

RESULTS

During the period for the year to 30th June 2013, the Company made a loss of £217,697 (2012: £295,527). The loss per ordinary share for the year was 0.021p (2012: 0.061p). Sales have continued to be slow, primarily hampered by cash restraint. Product development has also continued to be limited by the Company's cash position during the year. On the 2nd August 2012 the company announced the conversion of all the loan notes outstanding at the time (totalling £309,000). Whilst this cleared most of the outstanding debt it left the company with limited cash reserves and on the 7th November 2012 we raised a further £250,000 by issue of convertible loan notes.

On the 5th November 2012, Metroelectric announced it has sold a 30% stake in Powabyke EV Ltd, its trading subsidiary to the Green Automotive Company Corporation ("GACR"), for 1,050,000 GACR ordinary shares. GACR shares are traded on the OTC Market Tier--OTC Pink Current under the ticker "GACR". The Company still retains these shares.

POST BALANCE SHEET EVENTS

Whilst Metroelectric has made some progress in its main business, the retailing of electric bicycles, the Company continues to be constrained by cash, limiting the Directors' ability to drive forward the Company's current business plan. On the 28th September 2013 the Company was pleased to announce the appointment of a new Executive Director, Cameron Luck. With over 24 years' experience in waste and recycling, Cameron will help to broaden the Company's activities encompassing other eco-friendly products and technologies, particularly in the fields of Recycling and Waste to Energy. The Company simultaneously announced the need to raise additional capital and on the 30th October 2013 £100,000 was raised by issue of new shares.

Greg Collier
Chairman
Metroelectric plc
17 December 2013

Metroelectric PLC

REPORT OF THE DIRECTORS for the year ended 30 June 2013

The directors present their annual report together with the consolidated financial statements for the year ended 30 June 2013.

Principal activities

The principal activity of the Group is the supply and distribution of electric vehicles.

Business review

Development and performance of the business

The financial year to 30 June 2013 has been challenging with pressure on margins and sales hampered by cash constraints, which have resulted in the reduction in turnover.

During the year the directors reviewed the business strategy and decided not to proceed with the licence agreement with Eveport Limited instead they decided to acquire Eveport and assume control of the company's operations. Operating costs and long term debt has been significantly reduced during the year as the goal of the directors has been to improve the financial position of the Group.

Key performance indicators

As the company is in an early stage of development the board considers reduction in the loss before tax and gross margin as key targets. No individual key performance indicator, or group thereof, is regarded as more important than informed background knowledge of the underlying businesses.

	2013	**2012**
Turnover	£137,792	£226,619
Gross margin	(4.5%)	(9.6%)
Loss before tax	£(217,697)	£(295,527)
Share price	0.45p	0.27p

Position of the business

At the end of the year, the Group had net assets of £99,954 (2012: Net liabilities of £52,488).

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

Results and dividends

The Group's loss for the year from continuing and total operations was £217,697 (2012: £295,527)

The directors do not recommend the payment of a dividend (2012: £nil)

Going concern

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

The Group meets its day to day financing through its cash reserves, shareholders' loans and share issues. As at 30 June 2013 the Group has a total of £20,018 in cash reserves. However, its Creditors less than one year are £286,770 and it has net current liabilities of £184,822. Subsequent to the year end the Group has raised £100,000 through a private placing of shares. The Directors also have plans of raising up to £500,000 over the next 12 months. These funds will be used to settle outstanding liabilities and to provide working capital for the Group.

The Directors have prepared cash flow forecasts for the period to 31 December 2014 which assumes 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 2014 and if it does not meet these forecasts further finance will need to be raised which may not be forthcoming.

Whilst the Directors remain confident that the Company will continue as a going concern, this is dependent on their ability to manage funding raised post year end, operate within their budget and meet sales forecasts 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.

REPORT OF THE DIRECTORS for the year ended 30 June 2013 (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 2013 were 63 days (2012: 71 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
M Chapman

On 24 September 2013 Cameron Luck was appointed a director.

REPORT OF THE DIRECTORS for the year ended 30 June 2013 (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 11 December 2013.

Shareholders	Number of shares	Shareholding %
Brewin 1762 Nominees Limited A/c GRO	311,744,807	32.4%
W B Nominees Limited	134,251,224	14.0%
JIM Nominees Limited A/c Jarvis	128,833,574	13.4%
Lawshare Nominees Limited A/c SIPP	117,132,142	12.2%
Barclayshare Nominees Limited	36,973,665	3.8%

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.

REPORT OF THE DIRECTORS for the year ended 30 June 2013 (continued)

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

Greg Collier
Chairman
17 December 2013

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 2013 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 6, 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

A description of the scope of an audit of financial statements is provided on the APB's website at: www.frc.org.uk/apb/scope/private.cfm.

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 2013 and of the group's loss 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 £217,697 during the year ended 30 June 2013 and, at that date, the Group has net current liabilities of £184,822. 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.

Jonathan Bradley-Hoare
(Senior Statutory Auditor)
For and on behalf of Welbeck Associates, Registered Auditor
30 Percy Street
London
W1T 2DB

17 December 2013

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 30 June 2013

	Note	2013 £	2012 £
Turnover		**137,792**	226,619
Cost of sales		**(143,968)**	(248,295)
		(6,176)	(21,676)
Research and development credit		**27,113**	–
Administrative expenses		**(236,372)**	(233,626)
Gain on disposal of investment		**150,000**	–
Impairment of investment		**(123,000)**	–
Operating loss	3	**(188,435)**	(255,302)
Interest payable and similar charges	6	**(29,262)**	(40,225)
Loss on ordinary activities before taxation		**(217,697)**	(295,527)
Tax on loss on ordinary activities	7	–	–
Loss for the year		**(217,697)**	(295,527)
Attributable to:			
Owners of the parent company		**(182,125)**	(295,527)
Minority interests		**(35,572)**	–
		(217,697)	(295,527)
Earnings per share			
Basic and diluted earnings per share	8	**(0.021)p**	(0.061)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 £283,062 (2012: £101,916).

Metroelectric PLC

CONSOLIDATED BALANCE SHEET as at 30 June 2013

.	Notes	2013 £	2012 £
Fixed assets			
Goodwill	9	**311,924**	421,917
Other intangible fixed assets	10	**10,892**	13,840
Investments	12	**162,000**	–
		484,816	435,757
Current assets			
Stocks	13	**3,964**	64,653
Debtors	14	**77,966**	27,448
Cash at bank and in hand		**20,018**	399
		101,948	92,500
Creditors: Amounts falling due within one year	15	**(286,770)**	(386,224)
Net current (liabilities)		**(184,822)**	(293,724)
Creditors greater than one year:			
Convertible loan notes	16	**(200,040)**	(194,521)
Net (liabilities)/assets		**99,954**	(52,488)
Capital and reserves			
Called up share capital	17	**911,011**	602,011
Share premium	18	**1,010,586**	1,010,586
Loan note holders reserve	18	**61,139**	22,471
Share option reserve	18	**132,240**	132,240
Profit and loss account	18	**(1,979,450)**	(1,819,796)
Shareholders' (deficit)/funds		**135,526**	(52,488)
Minority interest	18	**(35,572)**	**–**
		99,954	(52,488)

The financial statements were approved by the Board of Directors on 17 December 2013 and were signed on its behalf by:

Greg Collier
Chairman

Company registration number – 05840813 (England and Wales)

Metroelectric PLC

COMPANY BALANCE SHEET as at 30 June 2013

.	Notes	2013 £	2012 £
Fixed assets			
Investment in subsidiaries	11	**315,000**	450,000
Other investments	12	**162,000**	–
		477,000	450,000
Current assets			
Debtors	14	**5,850**	13,470
Cash at bank and in hand		**33**	62
		5,883	13,532
Creditors: Amounts falling due within one year	15	**(147,955)**	(221,200)
Net current liabilities		**(142,072)**	(207,668)
Creditors greater than one year:			
Convertible loan notes	16	**(200,040)**	(194,521)
Net assets/(liabilities)		**134,888**	47,811
Capital and reserves			
Called up share capital	17	**911,011**	602,011
Share premium	18	**1,010,586**	1,010,586
Loan note holders reserve	18	**61,139**	22,471
Share option reserve	18	**132,240**	132,240
Profit and loss account	18	**(1,980,088)**	(1,719,497)
Shareholders' funds/(deficit)		**134,888**	47,811

The financial statements were approved by the Board of Directors on 17 December 2013 and were signed on its behalf by:

Greg Collier
Chairman

Company registration number – 05840813 (England and Wales)

CONSOLIDATED CASH FLOW STATEMENT for the year ended 30 June 2013

	Notes	2013 £	2012 £
Net cash (outflow)/inflow from operating activities	20	**(187,665)**	65,226
Returns on investments and servicing of finance			
Interest paid		**(1,271)**	(35,855)
Net cash outflow for returns on investments and servicing of finance		**(1,271)**	(35,855)
Net cash(outflow)/ inflow before management of liquid resources and financing		**(188,936)**	29,371
Financing			
Proceeds from issue of shares		–	100,000
Proceeds from issue of convertible loan notes		**250,000**	–
Short term financing		–	106,000
Repayment of other short term loans		**(41,445)**	(250,070)
Net cash inflow/(outflow) from financing		**208,555**	(44,070)
Net increase/(decrease) in cash in the year	21	**19,619**	(14,699)
Cash at beginning of year	21	**399**	15,098
Cash at end of year	21	**20,018**	399

COMPANY CASH FLOW STATEMENT for the year ended 30 June 2013

	Notes	2013 £	2012 £
Net cash outflow from operating activities	20	(65,204)	(48,724)
Returns on investments and servicing of finance			
Interest paid		–	(26,446)
Net cash outflow for returns on investments and servicing of finance		(65,204)	(26,446)
Investment activities			
Loan to subsidiary undertaking		(184,825)	–
Net cash outflow for investment activities		(184,825)	–
Net cash outflow before management of liquid resources and financing		(250,029)	(75,170)
Financing			
Proceeds from issue of shares		–	100,000
Proceeds from issue of convertible loan notes		250,000	–
Short term financing		–	106,000
Repayment of other short term loans		–	(132,535)
Net cash inflow from financing		250,000	73,465
Net decrease in cash in the year	22	(29)	(1,705)
Cash at beginning of year	22	62	1,767
Cash at end of year	22	33	62

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 continuing trading losses.

The Group meets its day to day financing through its cash reserves, shareholders' loans and share issues. As at 30 June 2013 the Group has a total of £20,018 in cash reserves. However, its Creditors less than one year are £286,770 and it has net current liabilities of £184,822. Subsequent to the year end the Group has raised £100,000 through a private placing of shares. The Directors also have plans of raising up to £500,000 over the next 12 months. These funds will be used to settle outstanding liabilities and to provide working capital for the Group.

The Directors have prepared cash flow forecasts for the period to 31 December 2014 which assumes 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 2014 and if it does not meet these forecasts further finance will need to be raised which may not be forthcoming.

Whilst the Directors remain confident that the Company will continue as a going concern, this is dependent on their ability to manage funding raised post year end, operate within their budget and meet sales forecasts 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
Powabyke EV Limited	Supply and distribution of electric powered bicycles	England	70%
Eveport Limited	Supply and distribution of electric powered bicycles	England	70%

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.

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 of 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 loss

Operating loss is stated after charging:

	2013 £	2012 £
Auditors' remuneration:		
- audit services	**10,000**	15,000
Amortisation of goodwill	**24,050**	22,000
Amortisation of other intangible fixed assets	**2,948**	2,424

4 Particulars of employees

The average number of employees, including executive directors, was 4 (2012: 5)

	2013 £	2012 £
Wages and salaries	**64,087**	70,067
Social security costs	**3,447**	3,481
	67,534	73,548

5 Directors' remuneration

The directors' remuneration for the year is as follows:

	2013 £	2012 £
Directors' remuneration (including benefits in kind)	**37,000**	34,695
	37,000	34,695

6 Interest payable and similar charges

	2013 £	2012 £
Factoring finance charges	–	6,659
Interest on convertible loan notes	**27,991**	28,490
Interest on other loans	**1,271**	5,076
	29,262	40,225

7 Taxation

	2013 £	2012 £
UK corporation tax credit on loss for the year	–	–
Tax on loss on ordinary activities	–	–
Loss on ordinary activities before tax	**(217,697)**	(295,527)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2012: 20.75%)	**(43,539)**	(61,322)
Effects of:		
Expenses not deductible for tax purposes	**4,200**	5,068
Unutilised tax losses	**39,339**	56,254
Current tax credit for the year	–	–

No provision for tax has been made as the Group has estimated tax losses of £1,830,000 (2012: £1,670,000). 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

	2013 £	2012 £
Basic and fully diluted loss per share	**(0.021p)**	(0.061p)
Earnings		
Losses for the purposes of basic and fully diluted earnings per share	**(182,125)**	(295,527)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**883,074,419**	483,782,238

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 2012 and 2013 the basic and diluted loss per share is the same for each of the two years.

9 Goodwill

	£
Cost at 1 July 2012	910,063
Acquisition of subsidiary	49,057
Part disposal of subsidiary	(135,000)
Cost at 30 June 2013	824,120
Amortisation and impairment at 1 July 2012	488,146
Amortisation for the period	24,050
Amortisation and impairment at 30 June 2013	512,196
Net book value at 30 June 2013	311,924
Net Book value at 30 June 2012	421,917

10 Other intangible fixed assets

	£
Group	
Trade marks & patents:	
Cost at 1 July 2012 and 30 June 2013	20,093
Amortisation at 1 July 2012	6,253
Amortisation for the period	2,948
Amortisation at 30 June 2013	9,201
Net book value at 30 June 2013	10,892
Net book value at 30 June 2012	13,840

11 Investment in subsidiaries

Company

	£
Cost at 1 July 2012	984,003
Part disposal of subsidiary	(135,000)
Provision for diminution in value in prior year	(534,003)
Net book value at 30 June 2013	315,000
Net book value at 30 June 2012	450,000

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

At 30 June 2013 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	70%
Eveport Limited	Supply and distribution of electric powered bicycles	England	Ordinary	70%

Powabyke Limited is directly held and Eveport Limited is indirectly held.

12 Other Investments

Group and Company

	£
Cost at 1 July 2012	–
Acquired on part disposal of subsidiary	285,000
Impairment of investment	(123,000)
Net book value at 30 June 2013	162,000
Net book value at 30 June 2012	–

Other investments are quoted, and are shown at cost less provision for impairment

13 Stocks

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Finished goods and goods for resale	**3,964**	64,653	–	–

14 Debtors

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Trade debtors	**1,008**	1,582	–	–
Amounts owed by subsidiary undertakings	**–**	–	–	10,111
R & D credit receivable	**31,335**	–	–	–
Other debtors	**39,773**	22,507	–	–
Prepayments and accrued income	**5,850**	3,359	**5,850**	3,359
	77,966	27,448	**5,850**	13,470

15 Creditors: Amounts falling due within one year

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Trade creditors	**45,868**	48,144	**34,120**	9,220
Short term secured finance	–	106,000	–	106,000
Other short term unsecured finance	–	41,445	–	–
Taxation and social security	**34,212**	70,876	–	–
Other creditors	**180,553**	11,779	**90,002**	–
Accruals and deferred income	**26,137**	107,980	**23,833**	105,980
	286,770	386,224	**147,955**	221,200

16 Convertible loan notes

The convertible loan notes contain two components liability and equity elements. The equity element is presented as loan note holders reserve, representing the fair value of the embedded option to convert the liability into equity of the Group, and the loan notes issued have been adjusted in this respect, as set out below.

	2013 £	2012 £
Liability component at beginning of period	**194,521**	190,151
Nominal value of loan notes issued	**250,000**	–
Equity component	**(61,139)**	–
Conversion of loans outstanding at beginning of period	**(203,000)**	–
Adjusted liability component at date of issue	**180,382**	190,151
Interest charged	**27,991**	28,490
Interest accrual at end of period	**(8,333)**	(24,120)
Liability component at end of period	**200,040**	194,521
Total equity component	**61,139**	22,471

The loan notes outstanding at 30 June 2012 were converted into equity in July 2012.

On 7 November 2012, the Company issued £250,000 convertible loan notes bearing interest at 5% per annum. The notes are redeemable on 26 October 2015 if not converted on or before that date.

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 2013 to be approximately £200,040. This fair value has been calculated by discounting the future cash flows at the estimated market rate of 20%.

17 Called up share capital

	2013 £	2012 £
Allotted and fully paid		
911,011,405 (2011: 602,011,405) ordinary shares of 0.1p each	**911,011**	602,011
	911,011	602,011

On 2 August 2012, 309,000,000 ordinary shares were issued at 0.1p per share on the conversion of outstanding loans.

18 Statement of movement in reserves

Group

	Share premium	Loan note holders reserve	Option reserve	Profit and loss account	Total share holders' funds	Minority interest	Total equity funds
	£	£	£	£	£	£	£
Balance at 1 July 2012	1,010,586	22,471	132,240	(1,819,796)	(654,499)	–	(654,499)
Loss for the year	–	–	–	(182,125)	(182,125)	(35,572)	(217,697)
Issue of convertible loan notes	–	61,139	–	–	61,139	–	61,139
Conversion of loan notes	–	(22,471)	–	22,471	–	–	–
Balance at 30 June 2013	1,010,586	61,139	132,240	(1,979,450)	(775,485)	(35,572)	(811,057)

Company

	Share premium	Loan note holders reserve	Option reserve	Profit and loss account	Total
	£	£	£	£	£
Balance at 1 July 2012	1,010,586	22,471	132,240	(1,719,497)	(554,200)
Loss for the year	–	–	–	(283,062)	(283,062)
Issue of convertible loan notes	–	61,139	–	–	61,139
Conversion of loan notes	–	(22,471)	–	22,471	–
Balance at 30 June 2013	1,010,586	61,139	132,240	(1,980,088)	(776,123)

19 Reconciliation of movements in shareholders' funds

	Group 2013	Group 2012	**Company 2013**	Company 2012
	£	£	**£**	£
Loss for the financial year	**(182,125)**	(295,527)	**(283,062)**	(101,916)
Proceeds from issue of shares	**309,000**	222,500	**309,000**	222,500
Issue of convertible loan notes	**61,139**	–-	**61,139**	–
Net addition to/(depletion in) shareholders' funds	**188,014**	(73,027)	**87,077**	120,584
Opening shareholders' funds	**(52,488)**	20,539	**47,811**	(72,773)
Closing shareholders' funds	**135,526**	(52,488)	**134,888**	47,811

20 Reconciliation of operating loss to net cash flow from operations

	Group 2013	Group 2012	Company 2013	Company 2012
	£	£	£	£
Operating loss	(188,435)	(255,302)	(255,071)	(71,100)
Amortisation of goodwill and other intangible assets	24,948	24,424	–	–
Impairment of goodwill	–	–	–	–
Gain on disposal of investment	(150,000)	–	(150,000)	–
Provision for diminution in value of investment	123,000	–	123,000	–
Inter-company loan provision	–	–	194,936	–
Decrease in stocks	60,689	51,222	–	–
(Increase)/decrease in debtors	(50,518)	325,497	(2,491)	7,269
(Decrease)/Increase in creditors within one year	(7,349)	(80,615)	24,422	15,107
Net cash (outflow)/inflow from operating activities	(187,665)	65,226	(65,204)	(48,724)

21 Analysis of net funds/net debt

	1 July 2012	Cash flow	Other non-cash changes	30 June 2013
	£	£	£	£
Net cash:				
Cash at bank and in hand	399	19,619	–	20,018
	399	19,619	–	20,018
Debt:				
Falling due within one year	(147,445)	147,445	–	–
Falling due after one year	(194,521)	(5,519)	–	(200,040)
Net funds/(net debt)	(341,567)	161,545	–	(180,022)

22 Reconciliation of net cash flow to movement in net funds

	Group 2013	Group 2012	Company 2013	Company 2012
	£		£	
Increase/(decrease) in cash in the year	19,619	(14,699)	(29)	(1,705)
decrease in debt in the year	141,926	262,200	100,481	144,665
Movement in net funds in the year	161,545	247,501	100,452	142,960
Opening net debt	(341,567)	(589,068)	(300,459)	(443,419)
Closing net debt	(180,022)	(341,567)	(200,007)	(300,459)

23 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	30,000,000	0.5p
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 ISDX 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 £nil (2012: £nil) related to equity-settled share-based payment transactions in the year to 30 June 2013.

24 Acquisition of Eveport Limited

On 26 October 2012, the Group acquired the entire share capital of Eveport Limited. The business of Eveport is the distribution of electric powered bicycles. The assets and liabilities of Eveport at the date of acquisition are set out below.

	£
Inventories	59,753
Trade and other receivables	10,403
Cash balances	15,438
Trade payables and other current liabilities	(124,651)
Net liabilities of Eveport	(39,057)
Goodwill and intangibles	49,057
Total consideration	10,000
Satisfied by:	
Cash	10,000

25 Related party transactions

As at 30 June 2013, amounts of £67,600 and £20,600 were owed respectively to Mr G Collier and Mr M Chapman in respect of unpaid directors' fees and expenses. (2012: £60,000 and £13,000 respectively)

26 Ultimate controlling party

The Directors consider that there is no ultimate controlling party.

27 Post balance sheet events

- On 30 October 2013, the Company announced that it had raised £100,000 by way of a subscription for 50,000,000 new ordinary shares in the Company at a price of 0.2p pence per share. The shares were subscribed by Manilva Investments Limited, which is now interested in 50,000,000 ordinary shares, representing 5.21% of the issued share capital of the Company. The funds raised will be used for working capital and to identify opportunities for the Company in the environmental sector, in order to widen its business remit.

- On 5 December 2013 the Company announced that it had acquired an option over a 10% interest in Aircraft Recycling Limited ('ARL'). ARL has recently won a 36 month contract with a major airline to breakdown and recycle the airline's redundant aircraft. This work will be carried out at ARL's existing facility at Norwich International Airport. In consideration for the granting of the option, Metroelectric has paid a cash fee of £50,000 to ARL. The option gives Metroelectric the right to acquire a 10% interest in ARL for a further consideration of £150,000. The option period expires on the 1st November 2014. Following the signing of the option agreement Cameron Luck has been appointed as a director of ARL.