

DISENCO ENERGY PLC

Company Number: 5669278

REPORT AND FINANCIAL STATEMENTS

PERIOD ENDED 31 DECEMBER 2006

DISENCO ENERGY PLC
COMPANY INFORMATION

Directors	A Caplin G B Longpre Sir R F Needham G Bretvin J W Gunn S Ambler C Mearns
Secretary	C Mearns
Company Number	5669278
Registered Office	Unit J Sheffield Business Park Europa Link Sheffield S9 1XU
Auditors	PKF (UK) LLP Knowle House 4 Norfolk Park Road Sheffield S2 3QE
Bankers	The Royal Bank of Scotland 1 St Paul's Place 121 Norfolk Street Sheffield S1 2JF
Lawyers – UK	Kimbells LLP Power House Harrison Close Knowlhill Milton Keynes MK5 8PA
Lawyers – Canada	Clark Wilson LLP 800 - 885 W Georgia Street Vancouver, BC V6C 3H1 Canada

DISENCO ENERGY PLC

CONTENTS

	Page
DIRECTORS' REPORT	1 - 5
STATEMENT OF DIRECTORS' RESPONSIBILITIES	6
INDEPENDENT AUDITORS' REPORT	7 - 8
INDEPENDENT AUDITORS' REPORT COMPATIBILITY WITH CANADIAN GAAS	9
CONSOLIDATED PROFIT AND LOSS ACCOUNT	10
CONSOLIDATED BALANCE SHEET	11
BALANCE SHEET	12
CONSOLIDATED CASH FLOW STATEMENT	13
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	14 - 37

DISENCO ENERGY PLC
DIRECTORS' REPORT
TWELVE MONTHS ENDED 31 DECEMBER 2006

The directors submit their report and the consolidated financial statements for the period ended 31 December 2006.

Results and dividend

The group loss for the period, after taxation, amounted to **£1,440,601**.

The directors do not recommend the payment of a dividend.

Incorporation and change of name

The company was incorporated on 9 January 2006 as Silbury 311 Limited and changed its name on 17 March 2006 to Disenco Energy PLC.

Principal activity

The group's business is to develop and commercially exploit a m-CHP unit that generates heat and electricity for central and hot water heating used in individual households and small businesses. The group has developed and owns the intellectual property rights to this unit known as a micro-combined heat and power unit. The group's m-CHP unit is called the "Disenco Home Power Plant". The m-CHP generates mechanical, electrical and thermal energy simultaneously allowing it to recover much of the energy normally lost in separate power generation. The recovered energy can be used for heating purposes and is expected to eliminate the need for a separate boiler. The heat generated by these small units can be used to heat the house and water and can be adapted to cool the house as well. The power generated by these units can be used for lighting, consumer electronics or other electrical appliances or can be sold into the power grid.

Business review

Neither Disenco Energy plc nor its subsidiary Disenco Limited had any product related revenue streams at this stage of the group's development.

Prior to September 2006, the development of the Disenco Home Power Plant had been restricted to development trials within a laboratory or factory environment. It was essential that the units be tested in the environment and under the working conditions that would exist in normal commercial circumstances.

In June 2006 the group received GAD (Gas Appliance Directive) approval for its first field trial unit allowing the product to be used in a domestic environment. On 14 September, 2006 the group commissioned its first m-CHP field trial unit. This initial field trial is fully instrumented and under contract with the Carbon Trust to provide data for the analysis of the actual performance of the unit. A second field trial unit was then subsequently commissioned on 15 December, 2006 and is again being monitored by the Carbon Trust. It is the intention of management to conduct at least five field trials from 2006 and into mid 2007, the exact number being dependent on the quality of information being received from the first field trial and the availability of trial locations.

As part of the group's growth plans, a full time Chief Executive was recruited, who commenced employment with the group on 14th August 2006. In addition a full time Chief Financial Officer was recruited in October 2006, who commenced employment with the group on 29th January 2007.

Significant resource and effort was expended through the latter 6 months of the year as the group sought additional funds through a planned listing on the TSX Venture Exchange in Canada. This led to a receipt for prospectus being received on 29th December 2006, with a subsequent listing on the exchange taking place on 21st February 2007.

DISENCO ENERGY PLC
DIRECTORS' REPORT
TWELVE MONTHS ENDED 31 DECEMBER 2006

Key performance indicators (KPI)

(a) Financial

- Funding to meet general business KPI's.

The overriding KPI for the business was the generation and maintenance of a steady and sufficient cash flow profile to enable the general business KPI's to be achieved within 2006. This was achieved through the continued financial support of the group's backers and a number of structured loans and debentures. Cash flow and cash resources are monitored on a daily basis, to ensure the group meets its continuing liabilities.

- It is the group's expectation that it will develop and utilise appropriate financial KPI's as the group moves closer to having a commercialised product and an appropriate revenue stream for its business.

(b) General business KPI's

- Development of the m-CHP unit to produce 15kWt and 3kWe.
This was successfully completed by Quarter 3 of 2006.
- Commence field trials with the Carbon Trust.
This was successfully completed by Q4 of 2006.
- Appoint an Executive Team.
This was successfully completed by Q4 of 2006.
- List on the TSX Venture Exchange.
Receipt for prospectus was received on 29th December 2006, with eventual listing taking place on 21st February 2007.

DISENCO ENERGY PLC
DIRECTORS' REPORT
TWELVE MONTHS ENDED 31 DECEMBER 2006

Business risk and uncertainties

The group's technology is of a disruptive nature, by which the directors mean that its technology will significantly change the market in which it will eventually operate. The directors believe that its technology has significant benefits for both the environment and its target market, leading to enhanced shareholder value. It should be noted that in considering the risks the directors believe that there is significant established momentum supporting the introduction of this type of technology from both an environmental and regulatory standpoint. However the very nature of the technology means that there are risks associated with bringing it to market.

Risk factors considered by the directors include without limitation:

- (a) the need for market penetration and possible resistance to the arrival of new technology;
- (b) any significant shortfall of demand in relation to expectation for the group's products would have an adverse impact on the group;
- (c) additional financing will be required to develop the group's products and services;
- (d) the group is experiencing competition for its products;
- (e) the group is reliant to a certain degree on its suppliers regarding terms of trade, pricing and fulfilment requirements;
- (f) the group is subject to the complex regulatory environment in the United Kingdom (the "UK") and overseas markets;
- (g) the group is currently dependent upon its senior management, board of directors and consultants;
- (h) The principal planned activity of the group is to finalise the development of the m-CHP unit and complete the commercialisation of the product. To this end additional financing will be required and will be the single most restrictive factor in the short term rate of growth of the group.

DISENCO ENERGY PLC
DIRECTORS' REPORT
TWELVE MONTHS ENDED 31 DECEMBER 2006

Financial Instruments

The group has no trading revenues at this stage of development, and so finances its working capital requirements through loan or equity funding.

The group has trade creditors on normal payment terms. The group has very few trade creditors denominated in foreign currency.

The group has no credit facility with its bank, Royal Bank of Scotland. During the year all development was funded through the issue of equity, director and other loans, and the issue of a convertible debenture.

All borrowings are denominated in pounds sterling, except for a loan balance in Disenco Limited of NOK 2,849,149, with outstanding interest of NOK 101,113 (Norwegian Kroner), and a convertible debenture repayable at C\$1.2 million (Canadian Dollars). All loans undertaken in 2006 were granted at fixed interest rates, at broadly prevailing market rates.

The group's financial risk management objective is broadly to seek to make neither profit nor loss from exposure to currency or interest rate risks. Its policy is to finance working capital through issue of equity and through borrowings at prevailing market interest rates. The group does not use hedge accounting.

The group's exposure to the price risk of financial instruments is minimal. The only potential exposure relates to currency risk on the above Norwegian Kroner loan and Canadian Dollar debenture. The group does not undertake any forward currency purchases to hedge against this risk.

The directors do not consider any other risks attaching to the use of financial instruments to be material to an assessment of its financial position or loss.

Merger

On 13 March 2006, the business combination of Disenco Energy plc and Disenco Limited took place. The cost was £5,593,500 which was equivalent to the net book value of Disenco Limited's assets and liabilities. The consideration was satisfied by the issue of 5,593,500 shares in Disenco Energy plc.

Events since the end of the year

The company filed a prospectus and other documents to qualify for distribution of 5,500,000 units comprised of one C Ordinary Share and one half of one warrant at a price of C\$0.50 per unit and 2,059,642 C Ordinary Shares to be issued to the holders of 2,059,642 previously issued special warrants of the company.

The company also issued, as a result of a private placement of funding, 670,642 C Shares at C\$0.50 each and 335,321 share purchase warrants convertible at any time into a "C" share at a price of C\$0.75 up until close of business on 9 February 2009.

The listing on the TSX Venture Exchange was completed on 21 February 2007.

DISENCO ENERGY PLC
DIRECTORS' REPORT
TWELVE MONTHS ENDED 31 DECEMBER 2006

Directors

The directors who served during the period and their interests in the company's issued share capital at the balance sheet date and at the start of the period (or date of appointment, if later) were:

	S Ordinary Shares 2006	C Ordinary Shares 2006	S Ordinary Shares Date of appointment	C Ordinary Shares
A Caplin (appointed 20 March 2006)	-	-	-	-
P H Smith (resigned 26 February 2007)	2,130	1,280,872	213,000	-
G B Longpre (appointed 20 March 2006)	25,155	24,429,136	2,515,500	-
Sir R F Needham (appointed 20 April 2006)	-	-	-	-
G Bretvin (appointed 20 March 2006)	4,500	4,455,000	450,000	-
J Hambleton (resigned 13 March 2006)	-	-	-	-
J W Gunn (appointed 20 April 2006)	12,638	3,260,171	2,158,500	-
S Ambler (appointed 5 September 2006)	-	-	-	-

Details of director's share options issued throughout the year are disclosed within note 3. (b) to the accounts.

C Mearns was appointed a director of the company on 26 February 2007. He currently holds no direct interest in the company's issued share capital.

Policy of payment of creditors

The group pays invoices within the payment terms agreed by suppliers. All payments are usually within 30 days of receipt of goods or services.

At the year end the creditor days stood at 39 days.

Provision of information to auditors

So far as each of the directors is aware at the time the report is approved:

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

Auditors

The auditors, PKF (UK) LLP, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 10 April 2007 and signed on its behalf.

C Mearns
Secretary

DISENCO ENERGY PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DISENCO ENERGY PLC

We have audited the group and parent company financial statements ('the financial statements') of Disenco Energy PLC for the period ended 31 December 2006 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, and consolidated cash flow statement. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion the information given in the directors' report is consistent with the financial statements.

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

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
DISENCO ENERGY PLC**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2006 and of the group's loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Emphasis of matter – Going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosure made in note 1(b) to the financial statements concerning the group's ability to continue as a going concern. The group incurred a net loss of £1,440,601 during the period ended 31 December 2006 and had a deficiency on profit and loss account of £2,753,228 at that date. This condition, along with the other matters explained in note 1(b) to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

10 April 2007
Sheffield, UK

PKF (UK) LLP
Registered Auditors

INDEPENDENT AUDITORS' REPORT TO DIRECTORS OF DISENCO ENERGY PLC IN RESPECT OF COMPATIBILITY WITH CANADIAN GAAS.

In accordance with the requirement contained in National Instrument 52-107 we report below on the compatibility of Canadian Generally Accepted Auditing Standards ("Canadian GAAS") and International Standards on Auditing (UK and Ireland).

We conducted our audit for the year ended 31 December 2006 in accordance with International Standards of Auditing (UK and Ireland). There are no material differences in the form or content of our audit report, except as noted below, as compared to an auditors' report prepared in accordance with Canadian GAAS and if this report were prepared in accordance with Canadian GAAS it would not contain a reservation.

An audit report issued in accordance with Canadian GAAS does not require the Emphasis of Matter paragraph that is included in the United Kingdom Independent Auditors' Report for the year ended 31 December 2006 given above. In all other respects, there are no material differences in the form and content of the above noted auditors' report.

10 April 2007
Sheffield, UK

PKF (UK) LLP
Registered Auditors

DISENCO ENERGY PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT
TWELVE MONTHS ENDED 31 DECEMBER 2006

	Notes	2006 £
TURNOVER		6,853
Cost of sales		(118,399)
		<hr/>
Gross loss		(111,546)
Administrative expenses		(1,469,684)
Other operating income		114,983
		<hr/>
OPERATING LOSS	2	(1,466,247)
Interest receivable and similar income	5	56,763
Interest payable	6	(31,117)
		<hr/>
LOSS ON ORDINARY ACTIVITIES AND FOR THE FINANCIAL PERIOD	17	(1,440,601)
		<hr style="border-top: 3px double black;"/>

All amounts relate to continuing operations.

There were no recognised gains or losses for the period other than those included in the profit and loss account.

There was no material difference between the reported result and the result calculated on an unmodified historical cost basis.

LOSS PER SHARE

Basic	8	2.5 pence
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DISENCO ENERGY PLC
CONSOLIDATED BALANCE SHEET
31 DECEMBER 2006

	Notes	£	2006	£
FIXED ASSETS				
Intangible	9			1,683,277
Tangible	10			28,885
				1,712,162
CURRENT ASSETS				
Debtors	12	332,417		
Cash at bank and in hand		32,034		
				364,451
CREDITORS: amounts falling due within one year	13	(1,355,250)		
				(990,799)
NET CURRENT LIABILITIES				
				721,363
TOTAL ASSETS LESS CURRENT LIABILITIES				
CREDITORS: amounts falling due after more than one year	14			(467,554)
				253,809
NET ASSETS				
CAPITAL AND RESERVES				
Called up share capital	16			5,907,806
Share premium account	17			-
Merger reserve	17			(3,762,559)
Warrant reserve	17			347,280
Share option reserve	17			502,074
Convertible debenture - equity reserve	17			12,436
Profit and loss account	17			(2,753,228)
				253,809
SHAREHOLDERS' FUNDS				
	18			253,809

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 10 April 2007.

C Mearns Director

S Ambler Director

DISENCO ENERGY PLC
BALANCE SHEET
31 DECEMBER 2006

	Notes	£	2006	£
FIXED ASSETS				
Investments	11			5,593,500
CURRENT ASSETS				
Debtors	12	1,182,577		
Cash at bank and in hand		475		

			1,183,052	
CREDITORS: amounts falling due within one year	13	(542,344)		

NET CURRENT ASSETS				640,708

TOTAL ASSETS LESS CURRENT LIABILITIES				6,234,208
CREDITORS: amounts falling due after more than one year	14			(392,554)

NET ASSETS				5,841,654
				=====
CAPITAL AND RESERVES				
Called up share capital	16			5,907,806
Share premium account	17			-
Warrant reserve	17			347,280
Share option reserve	17			502,074
Convertible debenture reserve	17			12,436
Profit and loss account	17			(927,942)

				5,841,654
				=====

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 10 April 2007.

C Mearns Director

S Ambler Director

DISENCO ENERGY PLC
CONSOLIDATED CASH FLOW STATEMENT
TWELVE MONTHS ENDED 31 DECEMBER 2006

	2006 £
Reconciliation of operating loss to net cash outflow from operating activities	
Operating loss	(1,466,247)
Amortisation of intangible assets	46,530
Depreciation of tangible fixed assets	9,860
Increase in debtors	(40,738)
Increase in creditors	502,733
Share based payments	727,381
	(220,481)
Net cash outflow from operating activities	(220,481)
CASH FLOW STATEMENT (note 19)	
Net cash outflow from operating activities	(220,481)
Returns on investments and servicing of finance	5,091
Capital expenditure	(1,168,702)
	(1,384,092)
Financing	1,298,300
	(85,792)
Decrease in cash	(85,792)
Reconciliation of net cash flow to movement in net debt (note 20)	
Decrease in cash in the period	(85,792)
Cash transferred on merger	117,826
Debt transferred on merger	(300,000)
Issue of convertible debenture	(392,554)
Issue of loans	(418,228)
Exchange rate movements	66,300
	(1,012,448)
Change in net debt	
Net debt at 9 January 2006	-
Net debt at 31 December 2006	(1,012,448)

DISENCO ENERGY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED 31 DECEMBER 2006

1. ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

A group reconstruction of Disenco Energy PLC and Disenco Limited, which took place on 13 March 2006, has been accounted for under the merger accounting rules as permitted by Financial Reporting Standard No.6. The cost was £5,593,500 and the consideration was satisfied by the issue of 5,593,500 shares in Disenco Energy plc. The net book value of Disenco Limited's assets and liabilities at the date of the merger was £285,582.

The consolidated financial statements comprise the audited financial statements of the company and its subsidiary undertaking made up to 31 December 2006.

A separate profit and loss account for the parent company has not been prepared as permitted by Section 230(2) of the Companies Act 1985.

The loss of the parent company for the period amounted to **£927,942**.

(b) Basis of preparation - going concern basis

The directors have prepared financial projections to take the group through to commercialisation of its product in late 2007/early 2008 in the reasonable expectation that the company will generate significant amounts of future funding via private equity placements and director and other loans. They believe that sufficient funds can be raised to meet the net costs for the foreseeable future and until the group becomes profitable. The directors therefore consider it appropriate to prepare the financial statements on a going concern basis.

While the directors have estimated the future costs of the group and are taking reasonable steps to ensure that the required funding is received, there can be no certainty in relation to these matters. The financial statements do not include any adjustments that would result from a failure to secure the required equity funding.

(c) Turnover

Turnover represents amounts received from the Carbon Trust in respect of a contract for trials to be undertaken of the company's Home Power Plant.

(d) Intangible fixed assets

Intangible fixed assets are stated at their purchase cost, together with any incidental expenses of acquisition, less amortisation. Amortisation is provided to write off the cost of the intangible fixed assets over their expected useful economic lives on the following bases:

Intellectual property rights	5%
Patents and designs	25%

DISENCO ENERGY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED 31 DECEMBER 2006

1. ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following basis:

Fixtures, fittings, tools and equipment 25%

(f) Investments

Investments are valued at the fair value of the consideration given for the assets acquired.

(g) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

(h) Research & Development

Development expenditure that relates to the clearly defined project of developing the home power plant (mCHP) which is proven technically feasible and is commercially viable is capitalised and amortised over its expected useful economic life. Amortisation will commence once the project reaches commercialisation.

Other expenditure on research and development is charged in the profit and loss account as cost of sales in the period in which it is incurred.

(i) Operating leases

Operating lease rentals are charged in the profit and loss account on a straight line basis over the term of the lease.

(j) Grant income

Grant income relating to revenue expenditure is recognised in the profit and loss account when received.

(k) Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

A net deferred tax asset is recognised only if it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

DISENCO ENERGY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED 31 DECEMBER 2006

1. ACCOUNTING POLICIES (continued)

(l) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of estimates include the rate of amortisation of intangible fixed assets, the rate of depreciation of tangible assets and the assumptions used in determination of the fair value of share-based payments. Management believes that estimates are reasonable however actual results could differ from those estimates and would impact future results of operations and cash flows.

(m) Share-based payments

The company follows FRS 20 'Share-based payments', to account for share-based payments using the fair value based method with respect to all share-based payments to directors, employees, non employees and service providers, including awards that are direct awards of shares and call for settlement in cash or other assets, or share appreciation rights that call for settlement by the issuance of equity instruments. Under this standard, share-based payments for directors, employees and non-employees are recorded as an expense in the period the share-based payment vests or when the awards or rights are granted. For service providers share-based payments are recorded as an expense in the period the service is received based on the fair value of the service. A corresponding increase to the share option reserve under shareholders' funds is recognised. When share options are exercised, the corresponding fair value is transferred to share capital or when share options are forfeited, cancelled or expire, the corresponding fair value is transferred to the profit and loss account.

DISENCO ENERGY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED 31 DECEMBER 2006

2. OPERATING LOSS

The operating loss is stated after:

	2006 £
Amortisation of intangible assets	46,530
Depreciation of tangible fixed assets:	
- owned by the company	9,860
Audit fees	10,000
Government grants released	(113,316)
Share based payments	727,381
Operating lease rentals:	
- property rental	48,500
	48,500

Share based payments include £48,270 in relation to options offered in return for corporate services and £225,307 in relation to the issue of 1,000,000 C ordinary shares on 31 August 2006 for assistance in fund raising activities. The fair value of the share based payments is equal to the market value of the services received.

Share based payments also includes £453,804 in relation to issue of share options to certain executives and service providers of the company. These have been calculated at fair value using the Black-Scholes method and the details are disclosed in note 3(b).

The model has used the following assumptions:

- A volatility rate of 50%. This figure is based upon the experience of similar companies, newly listed, operating in a market with new technology.
- A risk free interest rate of 4.04% based upon the value of Government of Canada benchmark bond yields for 5 years.
- Expected life of options of 3.5 years.
- Bid price discount of 20%.
- Expected dividend rate of £nil.

To view share options exercise prices see note 3(b).

3. (a) DIRECTORS' EMOLUMENTS AND BENEFITS 2006

	£
Directors' emoluments	180,776
No directors were members of company pension schemes.	
The highest paid director received emoluments and benefits as follows:	
Emoluments and benefits under long term incentive schemes	58,333

DISENCO ENERGY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED 31 DECEMBER 2006

3. (b) DIRECTORS' SHARE OPTIONS

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the company granted to or held by the directors. Details of those options are as follows:

Name of director	1 January 2006	Granted	Exercised/ lapsed	31 December 2006	Exercise Price C\$	Date from which exercisable	Expiry date	Vesting Period <i>(see below)</i>
A Caplin	-	3,000,000	-	3,000,000	0.245	16/10/2006	16/10/2011	Note (b1)
Sir R F Needham	-	1,200,000	-	1,200,000	0.350	16/10/2006	16/10/2011	Note (b2)
G Bretvin	-	300,000	-	300,000	0.375	16/10/2006	16/10/2011	Note (b3)
J W Gunn	-	425,000	-	425,000	0.375	16/10/2006	16/10/2011	Note (b4)
G B Longpre	-	425,000	-	425,000	0.375	16/10/2006	16/10/2011	Note (b4)
S Ambler	-	2,634,816	-	2,634,816	0.375	16/10/2006	16/10/2011	Note (b5)
Total	-	7,984,816	-	7,984,816				

1. 1,500,000 share options vest on appointment, 750,000 vest on appointment of a management team, 750,000 shares vest on the date on which the company obtains a listing on the TSX Venture Exchange.
2. 600,000 share options vest on appointment, 600,000 shares vest on the date on which the company obtains a listing on the TSX Venture Exchange.
3. 75,000 share options vest on the date on which the company obtains a listing on the TSX Venture Exchange, 37,500 vest each subsequent 3 months thereafter for a period of 18 months.
4. 106,250 share options vest on the date on which the company obtains a listing on the TSX Venture Exchange, 53,125 vest each subsequent 3 months thereafter for a period of 18 months.
5. 658,704 share options vest on appointment, 658,704 vest on completion of field trials within 12 months, 658,704 vest on condition of the company becoming AIM listed, 658,704 vest on the product commencing commercialisation within 18 months.

DISENCO ENERGY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED 31 DECEMBER 2006

4. STAFF COSTS

Staff costs, including directors' emoluments, were as follows:	2006 £
Wages and salaries	286,558
Social security costs	30,355
	316,913
	316,913

The average monthly number of employees, including executive directors, during the period was:

	No
Manufacturing & distribution	3
Administration	8
	11
	11

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2006 £
Bank interest	8,967
Exchange differences	47,796
	56,763
	56,763

6. INTEREST PAYABLE

	2006 £
Loan interest	18,833
Interest on debentures	12,284
	31,117
	31,117

DISENCO ENERGY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED 31 DECEMBER 2006

7. TAXATION

- (a) The tax assessed for the period does not reflect a credit equivalent to the loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2006 £
Loss on ordinary activities before tax	(1,440,601)
Loss on ordinary activities multiplied by the standard rate of corporation tax of 30%.	(432,180)
Effects of:	
Expenses not deductible for tax purposes	267,019
Depreciation in excess of capital allowances	5,710
Tax losses carried forward	159,451
Current tax charge for the period	-

Because of losses incurred there are no taxation liabilities.

- (b) Factors that may affect future tax charges

There are estimated accumulated tax losses of approximately £1,863,000.

A deferred tax asset has not been recognised as it is uncertain when suitable taxable profits from which the future reversal of the underlying timing differences can be deducted will be available.

If a deferred tax asset had been provided in respect of the above losses, it would have amounted to approximately £555,900.

DISENCO ENERGY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED 31 DECEMBER 2006

8. LOSS PER SHARE

The calculations of both the basic and diluted loss per share are based on the following losses and numbers of shares.

	2006 £
Loss for the financial period	1,440,601
	<hr/>
	2006 Number of shares
Weighted average number of shares for basic loss per share	57,606,903
	<hr/> <hr/>

The company is not required to report diluted earnings per share under FRS 22 'Earnings per share' due to the fact that the potential ordinary shares would decrease loss per share from continuing operations on conversion to ordinary shares.

Since the year end, the company has listed on the TSX Venture Exchange and undertaken a private placement which resulted in the issue of 6,170,642 "C" shares. The transaction also involved the conversation of 2,059,642 previously issued special warrants into "C" shares. These transactions are not included in the above calculation of weighted average number of shares.

DISENCO ENERGY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED 31 DECEMBER 2006

9. INTANGIBLE FIXED ASSETS

Group

	Development costs £	Patents & designs £	Intellectual property rights £	Total £
Cost				
Additions	1,123,808	28,304	-	1,152,112
Transfers on merger	-	62,882	575,000	637,882
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	1,123,808	91,186	575,000	1,789,994
	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation				
Charge for the period	-	17,778	28,752	46,530
Transfers on merger	-	26,644	33,543	60,187
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	-	44,422	62,295	106,717
	<hr/>	<hr/>	<hr/>	<hr/>
Net book amount				
At 31 December 2006	1,123,808	46,764	512,705	1,683,277
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

DISENCO ENERGY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED 31 DECEMBER 2006

10. TANGIBLE FIXED ASSETS

Group	Fixtures, fittings, tools & equipment £
Cost	
Additions	16,590
Transfers on merger	34,112
	<hr/>
At 31 December 2006	50,702
	<hr/>
Depreciation	
Charge for year	9,860
Transfers on merger	11,957
	<hr/>
At 31 December 2006	21,817
	<hr/>
Net book amount	
At 31 December 2006	28,885
	<hr/> <hr/>

11. FIXED ASSET INVESTMENTS

Company	Shares in subsidiary undertakings £
Cost	
Additions	5,593,500
	<hr/>
At 31 December 2006	5,593,500
	<hr/> <hr/>

The company's interest in subsidiary undertakings comprise a 100% interest in the nominal value of the issued share capital of Disenco Limited, a company which is registered and operates wholly within England and Wales. The principal activity of Disenco Limited is the initial establishment and preparation for the development and distribution of Home Power Plants (m-CHP).

DISENCO ENERGY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED 31 DECEMBER 2006

12. DEBTORS

	Group 2006 £	Company 2006 £
Due within one year		
Trade debtors	8,053	-
Other debtors	324,364	244,809
Due after one year		
Amounts due from group undertakings	-	937,768
	<hr/>	<hr/>
	332,417	1,182,577
	<hr/> <hr/>	<hr/> <hr/>

13. CREDITORS

	Group 2006 £	Company 2006 £
Amounts falling due within one year		
Trade creditors	506,621	-
Other tax and social security	21,727	-
Other creditors	619,360	425,543
Accruals and deferred income	207,542	116,801
	<hr/>	<hr/>
	1,355,250	542,344
	<hr/> <hr/>	<hr/> <hr/>

Other group creditors include **£158,700** that is secured by a fixed charge over certain of the group's intangible fixed assets dated 24 March 2005, this is supported by a guarantee given by the group in favour of Innovation Bank.

Other creditors include directors loans of **£418,228** that are secured by promissory notes from the company.

DISENCO ENERGY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED 31 DECEMBER 2006

14. CREDITORS

	Group 2006 £	Company 2006 £
Amounts falling due after more than one year		
Debenture loans (note 15)	392,554	392,554
Other creditors	75,000	-
	467,554	392,554
	467,554	392,554

Other creditors are secured by a fixed charge over certain of the group's intangible fixed assets dated 24 March 2005, this is supported by a guarantee given by the group in favour of Innovation Bank.

15. LOANS

Loans fall due for payment as follows:

	Group 2006 £	Company 2006 £
Debenture loans		
Between one and two years	392,554	392,554
	392,554	392,554
	392,554	392,554

A convertible debenture was issued on 12 September 2006 for the sum of C\$1,000,000. This is redeemable on 31 August 2008 at a premium for C\$1,200,000. Due to the premium on redemption, no interest is charged during the term of this debenture.

The holder may at any time during the term of the debenture convert all or part into units at a conversion price of C\$0.50 per unit. Each unit consists of one C ordinary share and one-half of one non-transferable share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one additional C ordinary share at an exercise price of C\$0.50 per warrant.

The convertible debenture has been accounted for in accordance with FRS 25 'Financial instruments: disclosure and presentation', and split between debt and equity based up on the market rate of a similar debenture not carrying conversion options, estimated to be 11%.

DISENCO ENERGY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED 31 DECEMBER 2006

16. SHARE CAPITAL

Equity share capital

	Authorised	Allotted, called up and fully paid	
	£	No	£
Movements in period:			
S Ordinary shares of £1 each	6,000,000	55,935	55,935
C Ordinary shares of C\$0.24 each	9,792,640	58,082,799	5,851,871
	<hr/>	<hr/>	<hr/>
	15,792,640	58,138,734	5,907,806
	<hr/>	<hr/>	<hr/>
At 31 December 2006			
S Ordinary shares of £1 each	6,000,000	55,935	55,935
C Ordinary shares of C\$0.24 each	9,792,640	58,082,799	5,851,871
	<hr/>	<hr/>	<hr/>
	15,792,640	58,138,734	5,907,806
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The company was incorporated on 9 January 2006 with authorised share capital of £1,000 divided into 1,000 ordinary shares of £1 each. On incorporation 1 ordinary share was issued for cash at par.

On 13 March 2006 the company's authorised share capital was increased to £6,000,000 divided into 6,000,000 ordinary shares of £1 each.

On 13 March 2006, 5,593,499 ordinary shares of £1 each were issued at par in exchange for 100% of the share capital of Disenco Limited.

On 20 March 2006, the company increased its authorised share capital by C\$20,000,000 divided into 83,333,333 C ordinary shares of C\$0.24 each and converted its ordinary share capital into S ordinary shares of £1 each.

On 20 March 2006, 1,707,149 C ordinary shares of C\$0.24 each with an aggregate nominal value of £200,610 were issued for a consideration of £204,788.

On 20 April 2006 the company converted 5,537,565 S shares into 55,375,650 C shares at a rate of 10 C shares for every one share held.

On 18 May 2006, 2,079,642 special warrants were issued at a price of C\$0.35 each, for aggregate gross proceeds of £343,046. A further 207,964 finders warrants were issued for a deemed consideration of £6,985. This was a share based payment with the deemed consideration based upon the fair value of services received. Each special/finders warrant entitles the holder to acquire, without additional payment, one C share for each warrant. Special/finders warrants are exercisable at the option of the holder until the earlier of, five business days following the qualifying of the Company's final prospectus and 18 May 2007. Any warrants not exercised on expiry per above will be deemed to be exercised immediately without further action of the holder. These are recognised by a separate Warrant reserve. Before the year end date 20,000 special warrants were rescinded.

DISENCO ENERGY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED 31 DECEMBER 2006

16. SHARE CAPITAL (continued)

On 31 August 2006, 1,000,000 C ordinary shares of C\$0.24 each with an aggregate nominal value of £113,696 were issued for a deemed consideration of £225,307. This was a share based payment, with the deemed consideration based upon the fair value of services received.

A resolution was passed on 13 January 2007 to convert all £1 "S" shares into 10 shares of £0.10 each. Each holder of £1 "S" shares was granted 10 £0.10 "S" shares to replace the £1 "S" share in issue.

Rights

The holders of S shares and C shares are entitled to receive notice of and to attend meetings of shareholders and to one vote for each S share or C share held on all votes taken at such meetings. Each one S share may, subject to the approval of the Board of Directors, be converted into ten C shares upon written notice to the Company provided that at no time shall the number of issued and outstanding S shares be less than 50,000.

Holders of C shares and S shares are entitled to receive dividends, as and when determined by the Board of Directors. On dissolution, liquidation or winding-up of the Company, each S share shall confer on the holder the right to acquire £10 for each £1 received by holders of C shares.

As a result of the resolution passed on 13 January 2007, £0.10 "S" shares and C\$0.24 C shares are to rank pari passu in all respects.

Share options

659,904 share options were granted on 1 April 2006. These are performance related based upon the achievement of set milestones. 10% of the options vested immediately, and then a further 15% become vested on the achievement of each milestone. The options are excisable at any time up to 31 March 2009 at a price of C\$.50 per share.

On 1 June 2006 an agreement was signed that will grant 200,000 shares once the company has successfully listed on the TSX Venture Exchange. These have a price of C\$0.35 and will vest over a period of one year, at least 50,000 every three months. Also upon successful listing the option holders will be entitled to the issue of C ordinary shares to the value of £30,000 based upon the price of C\$0.35 per share.

1,000,000 share options were granted on 1 August 2006. 25% of the options become vested and eligible for exercise at the end of every three month period from the date of grant. The options are excisable at any time up to 31 July 2011 at a price of C\$0.375 per share.

On 16 October 2006 the company granted 7,984,816 share options to directors of the company. These are listed in note 3(b). On the same date the company also granted 500,000 options to service providers at a price of C\$0.50 which are exercisable for up to 5 years from date of issue.

On 31 October 2006 an option was granted to IPO fundraisers to purchase 10% of the aggregate number of common share units sold under the planned offering on the TSX Venture Exchange and linked private placement. This is at a price of C\$0.50 and is excisable for up to two years from the date of closing of the offering.

DISENCO ENERGY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED 31 DECEMBER 2006

16. SHARE CAPITAL (continued)

Outstanding share options at the year end

Options have been granted under the following option schemes to subscribe for ordinary shares of the company. As at 31 December 2006 the following options were outstanding:

Description	Number of shares under option	Weighted average subscription price per share C\$	Exercise period expires
Executive share options	7,984,816	0.322	16/10/2011
Service providers	1,700,000	0.409	16/10/2011
Service providers	659,904	0.500	16/10/2009
IPO fundraisers	617,045	0.500	21/02/2009
	<hr/>		
	10,961,765		
	<hr/> <hr/>		

Details of the executive share options totalling 7,984,816 included in the above table can be found in note 3 (b).

DISENCO ENERGY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED 31 DECEMBER 2006

17. RESERVES

	Group £	Company £
Share premium account		
Premium on shares issued during the period	129,054	129,054
Expenses of share issue	(87,142)	(87,142)
Expenses of warrant issue	(41,912)	(41,912)
	<hr/>	<hr/>
At 31 December 2006	-	-
	<hr/>	<hr/>
Merger reserve		
Merger during the year	(3,762,559)	-
	<hr/>	<hr/>
At 31 December 2006	(3,762,559)	-
	<hr/>	<hr/>
Warrant reserve		
Issue of special warrants during the period	340,295	340,295
Issue of finders warrants during the period	6,985	6,985
	<hr/>	<hr/>
At 31 December 2006	347,280	347,280
	<hr/>	<hr/>
Share option reserve		
Options granted during the period	502,074	502,074
	<hr/>	<hr/>
At 31 December 2006	502,074	502,074
	<hr/>	<hr/>
Convertible debenture - equity reserve		
Issue of convertible debenture during the period	12,436	12,436
	<hr/>	<hr/>
At 31 December 2006	12,436	12,436
	<hr/>	<hr/>
Profit and loss account		
Loss for the period	(1,440,601)	(927,942)
Transfer to profit and loss account on merger	(1,312,627)	-
	<hr/>	<hr/>
At 30 September 2006	(2,753,228)	(927,942)
	<hr/>	<hr/>

18. SHAREHOLDERS' FUNDS

	2006 £
Loss for the period	(1,440,601)
Other movements:	
New shares issued	6,036,860
Share issue costs	(129,054)
Transfer to profit and loss account in merger	(1,312,627)
Other reserves	(2,900,769)
	<hr/>
Shareholders' funds at 31 December 2006	253,809
	<hr/>

DISENCO ENERGY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED 31 DECEMBER 2006

19. GROSS CASH FLOWS

	2006 £
Returns on investments and servicing of finance	
Interest received	6,636
Interest paid	(10,538)
Exchange rate gains	8,993
	5,091
 Capital expenditure	
Payments to acquire intangible fixed assets	(1,152,112)
Payments to acquire tangible fixed assets	(16,590)
	(1,168,702)
 Financing	
Issue of share capital	204,788
Expenses paid in connection with the issue of shares	(108,804)
Issue of convertible debenture	443,793
Issue of special warrants	340,295
Issue of loans	418,228
	1,298,300

20. ANALYSIS OF CHANGES IN NET DEBT

	At 9 January 2006 £	Cash flows £	Other changes £	Exchange rate differences £	At 31 December 2006
Cash at bank and in hand	-	(85,792)	117,826	-	32,034
Debt due within 1 year	-	(418,228)	(225,000)	66,300	(576,928)
Debt due after 1 year	-	(392,554)	(75,000)	-	(467,554)
Total		(896,574)	(182,174)	66,300	(1,012,448)

Cash of £117,826 and debt of £300,000 were transferred on the merger of Disenco Energy PLC and Disenco Limited.

DISENCO ENERGY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED 31 DECEMBER 2006

21. OTHER COMMITMENTS

Group

At 31 December 2006 the group had annual commitments under operating leases as follows:

	Land & buildings 2006 £
Expiry date: Between two and five years	52,000

22. TRANSACTIONS WITH RELATED PARTIES

The group owes £268,817 to Disenco International AS, a company in which G Bretvin and G B Longpre are both directors and shareholders.

The group owes £32,400 to Dover International Limited, a company in which G B Longpre is a director and shareholder, in relation to expenses incurred on the company's behalf. The group also owes an additional £150,000 to Dover International Limited in relation to a loan they have provided. The loan is interest free and will be repaid on the exercise of the special warrants issued by the company on 18 May 2006.

The group also owes £5,793 to G B Longpre for expenses settled on the company's behalf and owes £50,000 in respect of a loan granted on 4 December 2006. The loan incurs interest at 6%, payable on date of repayment, which is within 5 days of receipt of the proceeds from the listing on the TSX Venture Exchange.

The group owes £7,500 to J Gunn, a director and shareholder of the company, in relation to expenses incurred on the company's behalf. The group also owes an additional £122,535 to J Gunn in relation to a loan he has provided. The loan is interest free and will be repaid on the exercise of the special warrants issued by the company on 18 May 2006.

The group also owes J Gunn £50,000 in respect of a loan granted on 6 December 2006. The loan incurs interest at 6% payable at the date of repayment, which is within 5 days of receipts of the proceeds from the listing on the TSX Venture Exchange.

No disclosure has been made within these financial statements of any transactions with group companies in accordance with the exemptions allowed by Financial Reporting Standard No.8.

23. POST BALANCE SHEET EVENTS

The company filed a prospectus on 29 December and other documents to qualify for distribution of 5,500,000 units comprised of one C ordinary share and one-half of one warrant at a price of C\$0.50 per unit and 2,059,642 C ordinary shares to be issued by the company to the holders of 2,059,642 previously issued special warrants of the company.

The listing on the TSX Venture Exchange was completed on 21 February 2007. Total net proceeds, after deducting applicable commissions and expenses, of C\$3,246,310 were received in full by the company on 23 February 2007.

The company also issued, on the date, 670,642 "C" shares at C\$0.50 each and 335,321 share purchase warrants with each warrant exercisable at any time into a "C" Ordinary share at a price of C\$0.75 until close of business on 9 February 2009.

DISENCO ENERGY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED 31 DECEMBER 2006

24. FINANCIAL INSTRUMENTS

The group finances working capital through issue of equity and through borrowings at prevailing market interest rates. The group does not use hedge accounting.

The group's financial instruments comprise cash recourses raised through the issue of equity, directors and other loans, the issue of a convertible debenture and various other items, such as trade creditors, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations.

It is, and has throughout the period under review been, the group's policy that no trading in financial instruments shall be undertaken.

The group's exposure to the price risk of financial instruments is minimal. The only potential exposure relates to currency risk on the above Norwegian Kroner loan and Canadian Dollar debenture. The group does not undertake any forward currency purchases to hedge against this risk.

DISENCO ENERGY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED 31 DECEMBER 2006

25. SIGNIFICANT DIFFERENCES FROM CANADIAN GAAP

The audited financial statements of the company for the period ended 31 December 2006 have been prepared in accordance with United Kingdom Generally Accepted Accounting Principles ("UK GAAP") which, as applied in the financial statements, conforms in all material respects to those accounting principles generally accepted under Canadian Generally Accepted Accounting Principles ("CDN GAAP"), except as described below:

a) Basis of consolidation

On 13 March 2006, Disenco Energy plc acquired the whole of the share capital of Disenco Limited in exchange for 5,593,500 ordinary shares of £1 each, being the directors estimate of the fair value of the consideration given.

Under UK GAAP, the combination of Disenco Energy plc and Disenco Limited has been accounted for under the merger accounting rules.

Under Canadian GAAP, the acquisition has been accounted for using the purchase method. Accordingly, the directors have considered the value of the assets acquired and their fair value at the date of acquisition and believe that there is no material difference between the fair value of the assets and their book value. Accordingly, the purchase price has been allocated as follows:

	£
Intellectual property rights	535,707
Patents and designs	33,093
Fixtures, fittings, tools and equipment	20,512
Net current liabilities	(153,730)
Long term liabilities	(150,000)
	285,582
Issuance of capital stock	(5,593,500)
	(5,307,918)

In accordance with CICA section 3840, the transaction was a non-monetary transaction between related parties with no amount to independently substantiate the exchange amount, and accordingly no gain is recognised.

DISENCO ENERGY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED 31 DECEMBER 2006

25. SIGNIFICANT DIFFERENCES FROM CANADIAN GAAP (continued)

b) Patents and Intellectual property rights

Under UK GAAP Intangible fixed assets are stated at their purchase cost, together with any incidental expenses of acquisition, less amortisation. Amortisation is provided to write off the cost of intangible fixed assets over their expected useful economic lives.

Under Canadian GAAP, an intangible asset that is acquired either individually or with a group of other assets should be initially recognized and measured at cost. An intangible asset is not written down or written off in the period of acquisition, unless it becomes impaired during this period.

When an intangible asset has a finite useful life, but the precise length of that life is not known, the intangible asset is amortised over the best estimate of its useful life. When an intangible asset has an infinite useful life, the intangible is tested annually for impairment.

For Canadian GAAP purposes, intellectual property is recorded at cost and tested for impairment on an annual basis. No amortisation is taken. For UK GAAP amortisation is provided to write off the cost of intellectual property rights over their expected useful economic lives.

c) Related party transactions

Under Canadian GAAP separate disclosure is required for transactions incurred with related parties. Such disclosure includes a description of the terms of the transaction as well as a description of the relationship. Long-term debt of £268,817 is owed to Disenco International AS, a company in which G Bretvin and G B Longpre, who are both directors of the company, are shareholders. The debt is paid in equal instalments of £75,000. The interest on the debt was 5.75% to 31 December 2005, until 1 November 2006 and 6.4% thereafter. Interest of £18,820 and £17,148 was accrued during the periods ended 31 December 2006 and 31 December 2005 respectively. Interest of £27,673 was paid during the period ended 31 December 2006. No interest was accrued or paid during earlier periods.

d) Loss per share

Loss per share is calculated based on the weighted average number of common shares outstanding during the year. The company uses treasury stock methods for calculating diluted earnings per share. However, diluted loss per share has not been presented as the potential exercise of options and warrants outstanding would have the effect of reducing the loss per share. Therefore, basic and diluted loss per share are the same.

DISENCO ENERGY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED 31 DECEMBER 2006

25. SIGNIFICANT DIFFERENCES FROM CANADIAN GAAP (continued)

e) Income tax losses

Under Canadian GAAP certain disclosures relating to income tax and future income tax are required as follows:

Reconciliation of income tax provision recorded at statutory rates to the recorded income tax provision:

	Twelve month period ended 31 December 2006 £
Income tax benefit computed at UK statutory rates	(432,180)
Permanent differences	269,019
Other temporary differences	5,710
Unrecognised tax losses	159,451
	-
	-
The components of future income tax assets are as follows:	
Future income tax assets	1,863,000
Non-capital loss carry-forwards for United Kingdom income tax purposes	-
	-
Tax rate	30%
	558,900
Less: Valuation allowance	(558,900)
	-
	-

The valuation allowance reflects the Company's estimate that the tax assets, more likely than not, will not be realised.

The Company has available non-capital losses that may be carried forward to apply against future years' income for United Kingdom income tax purposes. There is no time limit for utilisation of these losses.

DISENCO ENERGY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED 31 DECEMBER 2006

25. SIGNIFICANT DIFFERENCES FROM CANADIAN GAAP (continued)

i	Reconciliation of total assets, liabilities and stockholders' equity:	As at 31 December 2006 £
	Total assets per UK GAAP	2,076,613
	Adjustments to Canadian GAAP	
	Intellectual property amortisation	23,010
		<hr/>
	Total assets per Canadian GAAP	2,099,623
		<hr/>
	Total liabilities per UK GAAP	1,822,804
	Adjustments to Canadian GAAP	-
		<hr/>
	Total liabilities per Canadian GAAP	1,822,804
		<hr/>
	Total equity per UK GAAP	253,809
	Adjustments to Canadian GAAP	
	Intellectual property amortisation	23,010
	Merger reserve	3,762,559
	Pre-acquisition losses	1,545,359
	Excess of consideration over assets acquired allocated to deficit	(5,307,918)
		<hr/>
	Total equity per Canadian GAAP	276,819
		<hr/>
	Total liabilities and equity per Canadian GAAP	2,099,623
		<hr/>
ii	Reconciliation of net loss reported in Canadian GAAP and UK GAAP	
	Statement of Operations	Twelve month period ended 31 December 2006 £
	Net loss per UK GAAP	(1,440,601)
	Add:	
	Net loss under merger accounting	1,440,601
	Net loss under the purchase method of accounting	(1,207,869)
	Amortisation of intellectual property rights	23,010
		<hr/>
	Net loss per Canadian GAAP	(1,184,859)
		<hr/>

DISENCO ENERGY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED 31 DECEMBER 2006

25. SIGNIFICANT DIFFERENCES FROM CANADIAN GAAP (continued)

iii Statement of Cash Flows under Canadian GAAP	Twelve month period ended 31 December 2006 £
Net loss per Canadian GAAP	(1,184,859)
Add:	
Depreciation of fixed assets	8,217
Depreciation of patents and designs	14,625
Share based payments	727,381
	(434,636)
Changes in non-cash working capital:	
Accounts receivable/payable	144,340
	(290,296)
Cash provided by operating activities	(290,296)
Investing activities	
Purchase of fixed assets	(1,168,702)
Cash acquired on acquisition	192,732
	(975,970)
Cash used in investing activities	(975,970)
Financing activities	
Proceeds from share issue	95,984
Issue of convertible debenture	443,793
Issue of special warrants	340,295
Issue of loans	418,228
	1,298,300
Increase in cash during the period	32,034
Opening cash	-
	32,034
Ending cash	32,034