

DISENCO ENERGY PLC

Company Number: 5669278

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

DISENCO ENERGY PLC

COMPANY INFORMATION

Directors

A Caplin
G B Longpre
S Bernstein
T J MacKay
A Dale
D A Hunter

Secretary

T Hughes

Company Number

5669278

Registered Office

Unit J
Sheffield Business Park
Europa Link
Sheffield
S9 1XU

Auditors

PKF (UK) LLP
2nd Floor
Fountain Precinct
Balm Green
Sheffield
S1 2JA

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

Davenport Lyons
30 Old Burlington Street
London
W15 3NL

Lawyers – Canada

MacDonald Tuskey
1210-777 Hornby Street
Vancouver, BC
V6Z 1S4
Canada

DISENCO ENERGY PLC

CONTENTS

	Page
Directors' report	1 - 6
Statement of directors' responsibilities	7
Independent auditors' report	8 – 9
Independent auditors' report compatibility with Canadian GAAS	10
Consolidated profit and loss account	11
Consolidated balance sheet	12
Balance sheet	13
Consolidated cash flow statement	14
Notes to the consolidated financial statements	15 - 41

DISENCO ENERGY PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

The directors submit their report and the consolidated financial statements for the period ended 31 December 2008.

Results and dividend

The group loss for the period, after taxation, amounted to £1,381,516 (2007: £1,523,591).

The directors do not recommend the payment of a dividend.

Principal activity

The group's business is to develop and commercially exploit an 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 appliance 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 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

The group does not have any product related revenue streams at this stage of the company's development.

The group has continued to make progress on the development and commercialisation of its micro combined heat and power ("m-CHP") appliance during 2008. The main developments that occurred during the year are noted as follows:

Initial production designs of the group's m-CHP appliance were completed in Quarter 3, 2007 allowing production components and associated tooling to be placed on order. The initial m-CHP production engines were assembled and cold bench tested during December 2007 and early 2008. An appropriate supplier base has been identified for the purpose of fulfilling initial low volume production demand.

In Quarter 1, 2008, the group signed contracts with Sentec Limited, to commence the development of the electronic controls unit and to develop a grid interface for the stirling engine generator, within the m-CHP appliance. Sentec have made considerable progress during 2008 in designing and building a prototype electronic controls display unit, and in developing a usable grid interface with controllable power electronics. The contracted work with Sentec is proceeding in line with progress on the Phase two commercialisation contract.

In December of 2007 Disenco Limited successfully completed 14 months of field trials of its 176b field trial models in the UK under the auspices of the Carbon Trust Field Trial program. The field trials with the Carbon Trust performed to expectation during the trials meeting both the 3 kW electrical and 15 kW thermal output performance expectations. In total the company operated five field trial appliances in 2006/2007. The Company expects to commence field trials in 2010 of its AP0, production intent HPP appliances in anticipation of planned market entry by the end of Quarter 2, 2010.

In January 2008 the Company announced that it has appointed Autocraft Industries UK Limited ("Autocraft") and Malvern Boilers Limited ("Malvern Boilers") to manufacture the initial commercial volumes of the completed HPP appliances. Autocraft will manufacture the stirling engine component of the appliance and Malvern Boilers will manufacture the condensing boiler element, the boiler appliance parts and complete the final assembly with quality certification of the product. Both subcontractors will utilise the latest lean manufacturing techniques to ensure that the Company meets initial demand and product quality for its product.

DISENCO ENERGY PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

Management believes that utility companies are a key route to market for its appliance due to the combination of a radical change to the market for distributed energy, strong government energy saving and CO2 emissions reduction requirements, rising fuel and energy costs and the expected savings that can be achieved by the Company's m-CHP technology from both an ecological as well as a financial aspect.

The group announced in July 2008 that it has signed a Memorandum of Understanding with Endesa, one of the leading utility companies in the Spanish energy market and the number one private-sector multinational electricity utility in Latin America. In accordance with the agreement Disenco's patented technology, after undergoing rigorous testing by Endesa, will be placed into field trialling sites in selected end user domestic and business premises, with the focus of this agreement to explore the deployment of the Disenco technology and HPP products in the markets of Endesa. Under the terms of the Agreement, Endesa has the exclusive rights to use and exploit Disenco's technology in Spain, Chile, Brazil, Argentina, Peru and Colombia. Endesa, with its market skill and expertise, will lead the relationship with the Spanish regional authorities, to meet the legal and regulatory requirements to enable production of the HomePowerPlant units. The Agreement, which has a duration of 12 months subject to extension upon the agreement of both parties, does not necessitate any financial payments, but does oblige the parties to explore funding vehicles for the research and development of Disenco's technologies, including regulatory and governmental initiatives.

The group also announced in September 2008 that it had signed a Memorandum of Understanding with Centrica, one of the world's leading energy providers, serving the energy needs of over 20 million residential and business customers on both sides of the Atlantic. Under the terms of the Memorandum of Understanding, the two companies will collaborate in the development of Disenco's patented technology and HPP product and jointly contribute to the field trialling, marketing, installation and distribution of the appliance to meet customer requirements. It is anticipated that British Gas, Centrica's wholly owned subsidiary, will work with Disenco to bring the product into field trials by late 2009 followed by commercialisation by the end of Quarter 2, 2010. The agreement joins together Disenco's low carbon heat and electricity appliance with Centrica's existing residential and business customer base.

The group has also announced in January 2009 that it has signed an agreement with National Grid LLC, the international electricity and gas utility company, which has over 3 million electricity and gas customers in the North Eastern states of the United States of America. Under the terms of the agreement, National Grid and Disenco will develop a pilot program of at least five units. National Grid will collaborate with Disenco in defining product specifications, selecting appropriate customer sites, and understanding the potential for the group's appliance in the US market, with a view to wider product roll-out. Both companies will work together to support efforts to acquire funding for product development, product demonstration and deployment from external public sources as appropriate, such as grants from state or federal research and development agencies

The group is also in advanced discussions with a number of other utility companies in the UK, mainland Europe and North America and in addition to this is continuing to have ongoing discussions with other utilities, municipalities and community planning groups throughout the UK and the EU. The Company expects to complete commercial relationships with such companies for the distribution of its m-CHP appliance, during 2010.

Initial product is expected to be available for field trials with its utility company partners by late 2009, providing estimated funding requirements are met.

During the year, the Company filed a final short form prospectus to qualify the distribution in the Provinces of British Columbia, Alberta and Ontario of up to 16,700,000 units of Disenco Energy plc at a price of C\$0.30 per unit for aggregate gross proceeds of up to C\$5,010,000. Each unit consisted of one C Ordinary Share and one transferable share purchase warrant. Each warrant entitles the holder to purchase one C Share at a price of \$0.50 per C Share for a period of 24 months from the closing of the offering. The Company closed this offering in November 2008, having issued 6,365,000 units from the offering for gross proceeds of C\$1.9 million.

DISENCO ENERGY PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

The group is continuing to discuss funding initiatives with a number of interested parties and has entered into a funding agreement with existing investors of Disenco, as it seeks to secure funding to complete the development and commercialisation of its appliance.

- Clients of Challis International Limited

Headed by Rai Hamilton who is a current investor and shareholder in Disenco. On April 8, 2009 Disenco signed an agreement for Challis International Limited to invest C\$2 million in Disenco followed by Challis having the right commencing May 2009 to invest a further C\$9 million in Disenco over the following eighteen month period.

- Qwatee AG, Zug

A group of private investors based in Zurich Switzerland, one of which is a current investor and shareholder of Disenco. On April 22, 2009 Disenco entered into with Qwatee AG, ZUG a Private Placement Agreement whereby Qwatee AG, Zug has agreed to invest US\$5 million into Disenco on or before May 2, 2009 and a further US\$5 million into Disenco on or before May 30, 2009.

- Hunter Group

Headed by Doug Hunter who is an experienced business leader and developer in the energy markets. Disenco on November 18, 2008 signed an agreement with the Hunter Group whereby on a best efforts basis the Hunter Group agreed to raise up to C\$9 million. To date, the Hunter Group has succeeded in raising approximately C\$300,000. Mr Hunter was appointed to the Board of Disenco Energy plc in November 2008.

Key Performance Indicators (KPI)

a) Financial

- Funding to meet General Business KPI's

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

- It is the Company's expectation that it will develop and utilize appropriate Financial KPIs as the Company moves closer to having a commercialised product and an appropriate revenue stream for its business.

b) General Business KPI's

- Complete Phase Two of the commercialisation programme, for the design and manufacture of production intent appliances

Expect to complete Phase Two contract in Quarter 3, 2009.

Signed contract with electronic controls partner, Sentec Limited, in January 2008.

Expect to have commercial appliances for field trialling with utility companies by late 2009.

DISENCO ENERGY PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

Key Performance Indicators (KPI's) (continued)

- Secure commercial arrangements with major utility companies

Memorandums of Understanding signed with Endesa, Centrica, and National Grid.

Discussions continuing with a number of other major utility companies. Expect to sign further MOUs in 2009.

- Commence manufacture of initial production appliances

Memorandum of Understanding (MOUs) signed with Autocraft and Malvern Boilers. Production of initial appliances for field trial purposes expected to occur in Quarter 4, 2009, providing funding objectives are achieved.

- Commence Field Trials of Commercial Appliance

Initial discussions undertaken with utility companies and other interested parties during 2008 regarding the form and nature of field trial programme.

Company expects to enter field trials by end of Quarter 4, 2009, providing its funding objectives are achieved.

- Recruit additional key personnel to support the business through the commercialisation programme

Recruited an Engineering Manager and Administration Assistant in June 2008. Further personnel changes will be dependent on the receipt of further funds to take the Company through to the commercialisation of the appliance.

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) additional financing will be required to develop the group's products and services;
- b) the need for market penetration and possible resistance to the arrival of new technology;
- c) any significant shortfall of demand in relation to expectation for the group's products would have an adverse impact on the group;
- d) the group may experience competition against 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 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; and
- i) the group's exposure to liquidity risk is detailed in note 16. The directors review this risk and manage it as set out in note 1.2.

DISENCO ENERGY PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

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 limited trade creditors denominated in foreign currency.

The group has no formal 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 2,747,607 (Norwegian Krone), with outstanding interest of NOK 271,035, loan facilities with outstanding balances totaling C\$1,192,645 (Canadian Dollars) plus accrued interest of C\$75,614 and a convertible debenture repayable at C\$1.375 million. All loans undertaken in 2008 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 limited to currency risk on the above Norwegian Krone loan and Canadian Dollar loans and 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.

Directors

The directors who served during the period were 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 2008	C Ordinary Shares 2008	S Ordinary Shares 2007	C Ordinary Shares 2007
A Caplin	-	-	-	-
G B Longpre	251,550	22,464,136	251,550	22,779,136
G Bretvin (resigned 30 April 2008)	See below		450,000	4,455,000
J W Gunn (resigned 15 November 2008)	See below		126,380	9,934,154
S Ambler (resigned 6 May 2008)	See below		-	-
C Mearns (resigned 13 February 2009)	-	-	-	-
S Bernstein	-	100,000	-	100,000
T J MacKay	-	-	-	-
A Dale (appointed 12 May 2008)	-	-	-	-
D A Hunter (appointed 28 November 2008)	-	-	-	-

The share holdings noted at 31 December 2007 for Messes Bretvin, Gunn and Ambler were also the shares held by each of them on the date of their resignation.

Details of director's share options issued throughout the year are disclosed within note 4. (b) to the accounts.

DISENCO ENERGY PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

Policy of payment of creditors

The group attempts to pay invoices within the payment terms agreed by suppliers, which is normally 30 day terms. The group maintains a continual dialogue with its creditors and agrees extended payment terms, where required, to match its payments to its funding expectations.

At the year end the creditor days stood at 75 days (2007: 52 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 30 April 2009 and signed on its behalf.

A Dale
Director

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 Regulations.

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

- select suitable accounting policies and then apply them consistently;
- make 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.

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 the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

DISENCO ENERGY PLC

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 year ended 31 December 2008 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and related notes. 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.

DISENCO ENERGY PLC

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 2008 and of the group's loss for the periods 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 1.2 to the financial statements concerning the group and company's ability to continue as a going concern. The group incurred a net loss of £1,381,516 during the period ended 31 December 2008 and had a deficiency on profit and loss account of £5,274,362 and net current liabilities of £2,957,997 at that date. The company incurred a net loss of £706,000 during the period ended 31 December 2008 and had a deficiency on the profit and loss account of £2,012,233 at that date. This position, along with the other matters explained in note 1.2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group and company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and company was unable to continue as a going concern.

PKF (UK) LLP

Registered Auditors

Sheffield, UK

30 April 2009

DISENCO ENERGY PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS 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 years ended 31 December 2007 and 2008 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 years ended 31 December 2007 and 2008 given above. In all other respects, there are no material differences in the form and content of the above noted auditors' report.

PKF (UK) LLP

Sheffield, UK

DISENCO ENERGY PLC

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Note	2008 £	2007 £
TURNOVER	1	-	41,200
Cost of sales		(230,510)	(168,521)
		<hr/>	<hr/>
Gross loss		(230,510)	(127,321)
Administrative expenses		(973,870)	(1,245,304)
		<hr/>	<hr/>
OPERATING LOSS	2	(1,204,380)	(1,372,625)
Interest receivable and similar income	6	1,692	5,210
Interest payable	7	(362,173)	(201,573)
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,564,861)	(1,568,988)
Tax on loss on ordinary activities	8	183,345	45,397
		<hr/>	<hr/>
LOSS FOR THE FINANCIAL YEAR		(1,381,516)	(1,523,591)
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2008 or 2007 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

	Note	2008	2007
Basic	9	1.9 pence	2.2 pence
Diluted	9	1.9 pence	2.2 pence

DISENCO ENERGY PLC

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008**

	Note	£	2008 £	£	2007 £
FIXED ASSETS					
Intangible	10		4,227,747		3,532,777
Tangible	11		65,848		28,146
			<hr/>		<hr/>
			4,293,595		3,560,923
CURRENT ASSETS					
Debtors: due within one year	13	52,892		203,069	
Cash at bank and in hand		18,280		125,135	
			<hr/>	<hr/>	
			71,172	328,204	
CREDITORS: amounts falling due within one year	14	(3,029,169)		(2,799,617)	
			<hr/>	<hr/>	
NET CURRENT LIABILITIES			(2,957,997)		(2,471,413)
			<hr/>	<hr/>	
TOTAL ASSETS LESS CURRENT LIABILITIES			1,335,598		1,089,510
CREDITORS: amounts falling due after more than one year	15		(710,092)		-
			<hr/>	<hr/>	
NET ASSETS			625,506		1,089,510
			<hr/> <hr/>	<hr/> <hr/>	
CAPITAL AND RESERVES					
Called up share capital	17		8,013,763		7,233,016
Share premium account	18		891,143		943,072
Merger reserve	18		(3,762,559)		(3,762,559)
Warrant reserve	18		95,387		63,020
Share option reserve	18		620,487		780,976
Convertible debenture reserve	18		41,647		14,481
Profit and loss account	18		(5,274,362)		(4,182,496)
			<hr/>	<hr/>	
SHAREHOLDERS' FUNDS	19		625,506		1,089,510
			<hr/> <hr/>	<hr/> <hr/>	

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 April 2009.

A Dale
Director

DISENCO ENERGY PLC

**BALANCE SHEET
AS AT 31 DECEMBER 2008**

	Note	£	2008 £	£	2007 £
FIXED ASSETS					
Investments	12		5,593,500		5,593,500
CURRENT ASSETS					
Debtors: due within one year	13	731		4,300	
Debtors: due after more than one year	13	5,077,643		3,892,748	
Cash at bank and in hand		672		887	
			<hr/>	<hr/>	
			5,079,046	3,897,935	
CREDITORS: amounts falling due within one year	14	(2,312,260)		(2,052,753)	
			<hr/>	<hr/>	
NET CURRENT ASSETS			2,766,786		1,845,182
			<hr/>	<hr/>	
TOTAL ASSETS LESS CURRENT LIABILITIES			8,360,286		7,438,682
CREDITORS: amounts falling due after more than one year	15		(710,092)		-
			<hr/>	<hr/>	
NET ASSETS			7,650,194		7,438,682
			<hr/> <hr/>	<hr/> <hr/>	
CAPITAL AND RESERVES					
Called up share capital	17		8,013,763		7,233,016
Share premium account	18		891,143		943,072
Warrant reserve	18		95,387		63,020
Share option reserve	18		620,487		780,976
Convertible debenture reserve	18		41,647		14,481
Profit and loss account	18		(2,012,233)		(1,595,883)
			<hr/>	<hr/>	
			7,650,194	7,438,682	
			<hr/> <hr/>	<hr/> <hr/>	

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 April 2009.

A Dale
Director

DISENCO ENERGY PLC

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008**

	2008 £	2007 £
Reconciliation of operating loss to net cash outflow from operating activities		
Operating loss	(1,204,380)	(1,372,625)
Amortisation of intangible assets	39,598	52,372
Depreciation of tangible fixed assets	14,513	13,198
Decrease in debtors	104,780	174,745
Increase/(decrease) in creditors	28,890	(136,971)
Share based payments	109,642	346,313
	(906,957)	(922,968)
Net cash outflow from operating activities	(906,957)	(922,968)
CASH FLOW STATEMENT (note 20)		
Net cash outflow from operating activities	(906,957)	(922,968)
Taxation	228,742	-
Returns on investments and servicing of finance	(178,355)	(88,421)
Capital expenditure	(786,783)	(1,914,331)
	(1,643,353)	(2,925,720)
Financing	1,536,498	3,018,821
(Decrease)/increase in cash	(106,855)	93,101
Reconciliation of net cash flow to movement in net debt (note 21)		
(Decrease)/increase in cash in the period	(106,855)	93,101
Issue of convertible debenture	(640,134)	(272,622)
Repayment of debenture	286,265	-
Issue of loans	(378,190)	(1,560,355)
Loan repayments	10,863	374,021
Conversion of convertible debenture into equity	-	186,060
Issue of shares for settlement of debt	-	200,000
Amortisation of debenture issue costs	(37,607)	-
Exchange rate movements	(153,420)	(89,049)
	(1,019,078)	(1,068,844)
Change in net debt	(1,019,078)	(1,068,844)
Net debt at 1 January 2008	(2,081,292)	(1,012,448)
Net debt at 31 December 2008	(3,100,370)	(2,081,292)

DISENCO ENERGY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES

1.1. 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 2008.

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 £706,000 (2007: £762,264).

1.2. Basis of preparation - going concern basis

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 1 to 3. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in detail throughout the financial statements. In particular, the group's debt position is disclosed fully in Notes 16, 24 and 26 (c) of the financial statements. In addition to this the business risks and uncertainties, and risks in relation to financial instruments, including foreign currency and interest rate risk exposure, are noted on pages 4 and 5 of the Directors' report.

As described in the directors' report on page 1, the group has yet to complete the development and commercialisation of its appliance, and as a result has no revenue stream at this time. The group is therefore continuing to make operating losses, and will continue to do so until the group's product comes to market. The directors' consider that the outlook presents significant challenges in terms of managing its cash and other resources until cash is available from trading profits. Whilst the directors have instituted measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flows.

As explained in Notes 16, 24 and 26(c), the group is in continued discussions with all of its lenders in relation to repayment terms. It is likely that these discussions will continue until such time as significant funds are received which will enable the group to repay these balances in full or in accordance with an agreed structured repayment plan. The directors are continuing to pursue a number of alternative sources of funding (see note 28), to enable the group to repay its debt commitments, fund the final development and commercialization of the appliance, and fund the manufacture and subsequent monitoring of its planned field trial programme, but as yet have not secured the full amount of the funding required.

The directors have concluded that the combination of these circumstances represent a material uncertainty that casts significant doubt upon the group's and the company's ability to continue as a going concern. Nevertheless after making enquiries, and considering the uncertainties described above, the directors have a reasonable expectation that the group and the company will have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

DISENCO ENERGY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES (continued)

1.2. Basis of preparation - going concern basis (continued)

In the event that the parent company was unable to raise sufficient funds, the carrying value of the group's intangible fixed assets may not be recoverable in full. Further, in the parent company, the investment in the subsidiary and the inter company debtor may not be recoverable in full.

1.3. Turnover

Turnover in 2007 represented amounts received from the Carbon Trust in respect of a contract for trials undertaken of the company's m-CHP appliance. All turnover arose in the United Kingdom.

1.4. Intangible fixed assets and amortisation

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%

The directors have considered whether impairment of the intangible fixed assets is necessary and deem it not to be on the basis of future expected cashflows.

1.5. Tangible fixed assets and depreciation

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% - 33%
---	-----------

1.6. Investments

Investments are valued at the fair value of the consideration given for the assets acquired. Subsequent to initial recognition, investments are carried at cost less impairment.

The directors have considered whether impairment of the investment in subsidiary is necessary and deem it not to be on the basis of future expected cashflows.

1.7. Foreign currencies

Monetary 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 gains and losses are recognised in the profit and loss account.

1.8. 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.

DISENCO ENERGY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES (continued)

1.9. Operating leases

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

1.10. Grant income

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

1.11. 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.

1.12. Pensions

The company contributes to a personal defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

1.13. Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 the estimates used are reasonable. However, actual results could differ from those estimates and would impact future results of operations and cash flows.

1.14. 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 over the vesting period of the share-based payment. If the awards or rights vest immediately after they are granted, then the share-based payments are recognised as an expense in the period that they are granted. For service providers share-based payment charges are recognised over the period in which services are 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 money received 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 FOR THE YEAR ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES (continued)

1.15. Changes in Accounting Policies

With effect from 1 January 2008, the Company adopted the new Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535: Capital Disclosures

Section 1535: Capital disclosures establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard, the Company is required to disclose quantitative and qualitative information about its objectives, policies and processes for managing capital. The Company has included disclosures recommended by the new Handbook section in note 27 to these consolidated financial statements.

DISENCO ENERGY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

2. OPERATING LOSS

The operating loss is stated after:

	Note	2008 £	2007 £
Amortisation of intangible assets	10	39,598	52,372
Depreciation of tangible fixed assets:			
- owned by the company	11	14,513	13,198
Audit fees (company: £12,500 (2007: £13,500))		19,500	20,500
Share based payments		109,642	346,313
Operating lease rentals:			
- property rental		56,000	52,582
		331,253	788,878

Share based payments include £72,876 (2007: £95,852) in relation to options offered in return for corporate services and 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 £102,119 (2007: £250,461) 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 4(b). Offset against this charge in the year were credits totalling £65,353 relating to the cancellation of share options not yet vested, for which a charge had been previously recorded through the profit and loss account.

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 between 3.22% and 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 4(b).

3. AUDIT FEES

	2008 £	2007 £
Statutory audit remuneration (company £12,500 (2007: £13,500))	19,500	20,500
Other assurance services	15,000	8,500
Taxation	6,900	6,400
	41,400	35,400

Fees totalling £6,750 within other assurance services for 2008 related to work done in connection with the Company's Canadian fundraising, which were debited against the share premium account.

DISENCO ENERGY PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

4. (a) DIRECTORS' EMOLUMENTS AND BENEFITS

	2008	2007
	£	£
Directors' emoluments	304,230	312,203
Pension contributions	3,075	2,750
	307,305	314,953

One director (2007: one) receives contributions into a personal money purchase pension scheme.

Directors' emoluments include a loss of office payment of £30,000 made to a director in June 2008.

The highest paid director received emoluments and benefits as follows:

	2008	2007
	£	£
Emoluments and benefits under long term incentive schemes	74,987	108,600
Loss of office payment	30,000	-
	104,987	108,600

4. (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:

Director	1		31	Exercise	Date from	Expiry	Vesting	
	January	Granted	December	Price	which	date	Period	
	2008	Exercised/ lapsed	2008	C\$	exercisable			
A Caplin	3,000,000	-	-	3,000,000	0.245	16/10/2006	16/10/2011	Note (b1)
A Caplin	-	2,000,000	-	2,000,000	0.500	03/09/2008	03/09/2013	Note (b7)
G Bretvin	300,000	-	(300,000)	-	0.375	16/10/2006	16/10/2011	Note (b2)
J W Gunn	425,000	-	-	425,000	0.375	16/10/2006	16/10/2011	Note (b3)
G B Longpre	425,000	-	(128,500)	296,500	0.375	16/10/2006	16/10/2011	Note (b3)
S Ambler	2,660,835	-	(2,660,835)	-	0.375	16/10/2006	16/10/2011	Note (b4)
C Mearns	500,000	-	-	500,000	0.430	08/05/2007	08/05/2012	Note (b5)
S Bernstein	-	500,000	-	500,000	0.500	01/01/2008	01/01/2013	Note (b7)
T MacKay	-	500,000	-	500,000	0.500	01/01/2008	01/01/2013	Note (b7)
A Dale	250,000	-	-	250,000	0.430	08/05/2007	08/05/2012	Note (b6)
A Dale	-	250,000	-	250,000	0.500	03/09/2008	03/09/2013	Note (b7)
Total	7,560,835	3,250,000	(3,089,335)	7,721,500				

DISENCO ENERGY PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

4. (b) DIRECTORS' SHARE OPTIONS (continued)

Details of options for the comparative period are as follows:

Director	1 January 2007	Granted	Exercised/ lapsed	31 December 2007	Exercise Price C\$	Date from which exercisable	Expiry date	Vesting Period
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	-
G Bretvin	300,000	-	-	300,000	0.375	16/10/2006	16/10/2011	Note (b2)
J W Gunn	425,000	-	-	425,000	0.375	16/10/2006	16/10/2011	Note (b3)
G B Longpre	425,000	-	-	425,000	0.375	16/10/2006	16/10/2011	Note (b3)
S Ambler	2,634,816	26,019	-	2,660,835	0.375	16/10/2006	16/10/2011	Note (b4)
C Mearns	-	500,000	-	500,000	0.430	08/05/2007	08/05/2012	Note (b5)
Total	7,984,816	526,019	(1,200,000)	7,310,835				

- 1,500,000 share options vested on appointment, 750,000 vested on appointment of a management team, 750,000 vested on the date on which the company obtained a listing on the TSX Venture Exchange.
- 75,000 share options vested on the date on which the company obtained a listing on the TSX Venture Exchange, 37,500 vest each subsequent 3 months thereafter for a period of 18 months. 300,000 share options lapsed three months after resignation as a director of the company.
- 106,250 share options vested on the date on which the company obtained a listing on the TSX Venture Exchange, 53,125 vested each subsequent 3 months thereafter for a period of 18 months.
- 665,209 share options vested on appointment, 665,209 vested on completion of field trials, 332,604 vested on the date on which the company obtained a listing on the TSX Venture Exchange, 665,209 vest on the commercialisation of the m-CHP appliance, 332,604 vest on the company achieving an AIM listing. All of these options lapsed three months after resigning as a director of the company.
- 250,000 vest on the commercialisation of the m-CHP appliance, 250,000 vest on the company achieving an AIM listing.
- 125,000 vest on the commercialisation of the m-CHP appliance, 125,000 vest on the company achieving an AIM listing. These options were received by A Dale in 2007, prior to becoming a director of the company.
- These options have no vesting conditions attached to them (i.e. they vested on granting of the option).

5. STAFF COSTS

Staff costs, including directors' emoluments, were as follows:

	2008 £	2007 £
Wages and salaries (including fees to non-executive directors)	449,739	437,736
Social security costs	46,495	49,236
Pension	3,075	2,750
	499,309	489,722

DISENCO ENERGY PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

5. STAFF COSTS (continued)

The company incurred fees to non-executive directors totalling £18,000.

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

	2008	2007
	No.	No.
Manufacturing & distribution	6	5
Administration	5	7
	11	12

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2008	2007
	£	£
Bank interest	1,692	5,210

7. INTEREST PAYABLE

	2008	2007
	£	£
Loan interest	122,086	52,850
Interest on debentures	84,628	57,481
Exchange differences	155,459	91,242
	362,173	201,573

8. TAXATION

	2008	2007
	£	£
Research and development tax credit regarding prior years	(183,345)	(45,397)

(a) Factors affecting tax charge for the year

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 28%. The differences are explained below:

	2008	2007
	£	£
Loss on ordinary activities before tax	(1,564,861)	(1,568,988)
Loss on ordinary activities multiplied by the standard rate of corporation tax of 28% (2007: 30%)	(438,162)	(470,711)
Effects of:		
Expenses not deductible for tax purposes	44,662	116,338
Capital allowances in excess of depreciation	(201,490)	(562,435)
Uplift on R&D expenditure	(94,033)	(162,269)
Tax losses carried forward	689,023	1,079,077
Current tax charge for the period	-	-

There are no taxation liabilities due to losses incurred.

DISENCO ENERGY PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

8. TAXATION (continued)

(b) Factors that may affect future tax charges

There are estimated accumulated tax losses to carry forward of approximately £6,992,866 (2007: £5,423,000). The tax credit in respect of pending research and development claims of approximately £134,500 has not been recognised as an asset on the basis that it is not virtually certain.

A deferred tax asset has not been recognised as it is uncertain when suitable taxable profits from 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 net of other timing differences, it would have amounted to approximately £918,000 (2007: £678,000) at a corporation tax rate of 28%.

9. LOSS PER SHARE

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

	2008	2007
	£	£
Loss for the financial period	1,381,516	1,523,591
	<hr/>	<hr/>
	2008	2007
	No. of	No. of
	shares	shares
Weighted average number of shares for basic loss per share	73,647,920	68,394,814
	<hr/>	<hr/>

The effect of the share options is anti dilutive and therefore basic earnings per share is equal to the dilutive earnings per share.

10. INTANGIBLE FIXED ASSETS

	Development costs	Patents & designs	Intellectual property rights	Total
Group - 2008	£	£	£	£
Cost				
At 1 January 2008	3,024,025	92,841	575,000	3,691,866
Additions	734,568	-	-	734,568
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	3,758,593	92,841	575,000	4,426,434
	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation				
At 1 January 2008	-	68,055	91,034	159,089
Charge for the year	-	10,858	28,740	39,598
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	-	78,913	119,774	198,687
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2008	3,758,593	13,928	455,226	4,227,747
	<hr/>	<hr/>	<hr/>	<hr/>

DISENCO ENERGY PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

10. INTANGIBLE FIXED ASSETS (continued)

	Development costs £	Patents & designs £	Intellectual property rights £	Total £
Group - 2007				
Cost				
At 1 January 2007	1,123,808	91,186	575,000	1,789,994
Additions	1,900,217	1,655	-	1,901,872
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007	3,024,025	92,841	575,000	3,691,866
	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation				
At 1 January 2007	-	44,422	62,295	106,717
Charge for the year	-	23,633	28,739	52,372
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007	-	68,055	91,034	159,089
	<hr/>	<hr/>	<hr/>	<hr/>
Net book amount				
At 31 December 2007	3,024,025	24,786	483,966	3,532,777
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

11. TANGIBLE FIXED ASSETS

	Fixtures, fittings, tools & equipment £
Group - 2008	
Cost	
At 1 January 2008	63,161
Additions	52,215
	<hr/>
At 31 December 2008	115,376
	<hr/>
Depreciation	
At 1 January 2008	35,015
Charge for the year	14,513
	<hr/>
At 31 December 2008	49,528
	<hr/>
Net book value	
At 31 December 2008	65,848
	<hr/> <hr/>
Group - 2007	
Cost	
At 1 January 2007	50,702
Additions	12,459
	<hr/>
At 31 December 2007	63,161
	<hr/>
Depreciation	
At 1 January 2007	21,817
Charge for the year	13,198
	<hr/>
At 31 December 2007	35,015
	<hr/>
Net book value	
At 31 December 2007	28,146
	<hr/> <hr/>

DISENCO ENERGY PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

12. FIXED ASSET INVESTMENTS

Company	Shares in subsidiary undertakings £
As at 1 January 2008 and 31 December 2008	5,593,500

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 m-CHP units.

13. DEBTORS

	Group 2008 £	Company 2008 £	Group 2007 £	Company 2007 £
Due within one year				
Trade debtors	-	-	27,730	-
Other debtors	14,455	-	142,396	-
Prepayments	38,437	731	32,943	4,300
Due after one year				
Amounts due from group undertakings	-	5,077,643	-	3,892,748
	52,892	5,078,374	203,069	3,897,048

14. CREDITORS: Amounts falling due within one year

	Group 2008 £	Company 2008 £	Group 2007 £	Company 2007 £
Trade creditors	340,967	-	355,266	-
Other tax and social security	26,268	-	19,569	-
Other creditors	575,281	275,706	300,459	-
Accruals and deferred income	210,307	160,208	182,738	111,168
Convertible debenture loans	275,000	275,000	513,244	513,244
Other loans	1,601,346	1,601,346	1,428,341	1,428,341
	3,029,169	2,312,260	2,799,617	2,052,753

Other group creditors include £263,936 (2007: £264,842) 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 loans include loans totalling £380,743 owed to Mr J Gunn, a former director of the Company, which, subsequent to the year end, were secured by a fixed and floating charge over the group's property and assets, ranking second only in priority to the charge granted to Innovation Bank, noted above. Accrued interest of £17,798 at the date of the agreement is also secured on the same basis.

DISENCO ENERGY PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

15. CREDITORS: Amounts falling due after more than one year

	Group 2008 £	Company 2008 £	Group 2007 £	Company 2007 £
Convertible debenture loans (note 16)	710,092	710,092	-	-

16. LOANS

	Group 2008 £	Company 2008 £	Group 2007 £	Company 2007 £
Loans fall due for payment as follows:				
Convertible debenture loans				
Less than one year	275,000	275,000	513,244	513,244
Between one and two years	710,092	710,092	-	-
	985,092	985,092	513,244	513,244
Other loans				
Less than one year	1,601,346	1,601,346	1,428,341	1,428,341

The debenture loans at 31 December 2007 comprised a convertible debenture of C\$1million, repayable in total at C\$1.2million on 31 August 2008, and a convertible debenture for £275,000 at an interest rate of 8% per annum repayable on 1 December 2008.

The unconverted equity balance on the C\$1.2million debenture was C\$766,800, which was repaid in full by the Company, with the funds reinvested by the holder in full in a new debenture as disclosed below.

The second convertible debenture was completed in December 2007 for £275,000 at an interest rate of 7% per annum repayable on 1 December 2008. The debenture can be converted into equity by the holder at a conversion price of C\$0.30 per unit at any stage during the term of the debenture. Each unit comprises one share of the Company's C ordinary shares and one half of one share purchase warrant entitling the holder to purchase one additional share at an exercise price of C\$0.40 per warrant. The term on this convertible debenture has now lapsed without conversion. The Company are currently in discussions with the lender regarding re-investing the capital amount due for repayment in a new debenture or securing further additional investment, with part of the proceeds used to repay the debenture balance.

The Company completed a convertible debenture in August 2008 for C\$1,375,286 at an interest rate of 8% per annum repayable on 29 August 2010. The debenture can be converted into equity by the holder at a conversion price of C\$0.30 per unit at any stage during the term of the debenture. Each whole unit comprises one share of the Company's C ordinary shares and one half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional share at an exercise price of C\$0.40 per warrant until the earlier of the maturity date or two years after the conversion date. The unconverted balance (C\$766,800) on the debenture which was due to be repaid on 31 August 2008 was repaid in full and the funds subsequently re-invested into this new debenture, as noted above. At the end of 2008 the full value of the debenture and accrued interest remain unconverted.

Other loans include balances outstanding to an external party totalling £690,000 which were consolidated into one loan on 1 January 2008 and added to with further advances totalling £45,000 in 2008. This loan bears interest at 7% per annum. These loan advances commenced in April 2007 with repayment terms being agreed and rolled forward on 30 day intervals. These loans are guaranteed in full by Mr B Longpre, a director of the company. In December 2008, the lender agreed to convert £350,000 of the outstanding balance into a convertible debenture, expiring on 1 December 2009, with interest payable at 7%, convertible into C ordinary shares at C\$0.20. The convertible debenture was issued in February 2009.

DISENCO ENERGY PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

16. LOANS (continued)

The company also has loan balances totalling £380,743 with Mr J Gunn, a former director of the company, and £485,604 with Dover International, a company in which Mr B Longpre, a director of the company, is both a shareholder and a director. Details of these loan balances are included in note 24.

The convertible debentures have 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%.

17. SHARE CAPITAL

Equity share capital - 2008	No	Authorised £	Allotted, called up & fully paid £	
			No	£
At 31 December 2007				
S Ordinary shares of £0.10 each	60,000,000	6,000,000	559,350	55,935
C Ordinary shares of C\$0.24 each	200,000,000	22,583,693	70,586,512	7,177,081
	<hr/>	<hr/>	<hr/>	<hr/>
	260,000,000	28,583,693	71,145,862	7,233,016
	<hr/>	<hr/>	<hr/>	<hr/>
Movements in period:				
S Ordinary shares of £0.10 each	-	-	-	-
C Ordinary shares of C\$0.24 each	-	-	6,365,000	780,747
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	6,365,000	780,747
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008				
S Ordinary shares of £0.10 each	-	-	559,350	55,935
C Ordinary shares of C\$0.24 each	-	-	76,951,512	7,957,828
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	77,510,862	8,013,763
	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>
Equity share capital - 2007	No	Authorised £	Allotted, called up & fully paid £	
			No	£
Movements in period:				
S Ordinary shares of £0.10 each	-	-	-	-
C Ordinary shares of C\$0.24 each	116,666,667	12,791,053	12,503,713	1,325,210
	<hr/>	<hr/>	<hr/>	<hr/>
	116,666,667	12,791,053	12,503,713	1,325,210
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007				
S Ordinary shares of £0.10 each	60,000,000	6,000,000	559,350	55,935
C Ordinary shares of C\$0.24 each	200,000,000	22,583,693	70,586,512	7,177,081
	<hr/>	<hr/>	<hr/>	<hr/>
	260,000,000	28,583,693	71,145,862	7,233,016
	<hr/>	<hr/>	<hr/>	<hr/>

DISENCO ENERGY PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

17. SHARE CAPITAL (continued)

On 11 July 2008, 2 September 2008 and 20 November 2008 the Company issued 3,267,000, 2,798,000 and 300,000 units respectively in relation to the closing of the first, second and third tranches of a share offering. Each unit comprised one "C" share at C\$0.30 per share and one warrant which entitles the holder to acquire one additional share at a price of C\$0.50 per share until the date that is 24 months from the date of issue. This offering was closed on completion of the third tranche.

Rights

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

Outstanding share options at the period end

Options have been granted under the following option schemes to subscribe for ordinary shares of the company. As at 31 December 2008 the following options were outstanding:

	Number of shares under option	Weighted average subscription price per share C\$	Exercise period expires
Executive share options	6,810,835	0.318	16/10/2011
Executive share options	750,000	0.430	08/05/2012
Service providers	1,700,000	0.409	16/10/2011
Service providers	659,904	0.500	16/10/2009
Service providers	96,000	0.510	15/03/2012
Service providers	104,000	0.510	31/08/2012
IPO Fundraisers	617,045	0.500	21/02/2009
	<hr/>	<hr/>	
Options outstanding at 31 December 2007	10,737,784	0.365	
Issued during the period:			
Executive share options	1,000,000	0.500	01/01/2013
Executive share options	2,725,000	0.500	03/09/2013
Service providers	400,000	0.510	01/01/2013
Service providers	973,000	0.500	17/09/2013
Fundraisers (Agent Options)	326,700	0.300	11/07/2010
Fundraisers (Agent Options)	279,800	0.300	02/09/2010
Fundraisers (Agent Options)	30,000	0.300	20/11/2010
Cancelled during the period:			
Service Providers	(1,200,000)	0.371	
Executive share options	(3,089,335)	0.375	
	<hr/>	<hr/>	
Options outstanding at 31 December 2008	12,182,949	0.416	
	<hr/> <hr/>	<hr/> <hr/>	

On 1 January 2008 1,000,000 options were granted under the company's executive share option scheme. The options are exercisable at any time up to 1 January 2013 at a price of C\$0.50 per share.

On 1 January 2008 400,000 options were granted to a service provider. The options are exercisable at any time up to 1 January 2013 at a price of C\$0.51 per share.

DISENCO ENERGY PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

17. SHARE CAPITAL (continued)

On 13 June 2008 a director agreed to cancel 128,500 options in order to ensure that there is a sufficient pool of options available to reward and motivate employees for their contribution towards the success and goals of the company.

In February 2008 and August 2008, the Company cancelled agreements with two service providers, resulting in the cancellation of 1,200,000 share options.

On 11 July 2008, 2 September 2008 and 20 November 2008, the Company issued agents' options of 326,700, 279,800 and 30,000 respectively in relation to the closing of the first and second tranches of the Company's C\$5 million share offering. Each agent's options entitles the agent to acquire one unit at a price of C\$0.30 per unit at any time until 24 months after the closing of the offering. Each unit is comprised of one "C" share and one warrant. Each warrant entitles the holder to acquire an additional "C" share at a price of C\$0.50 per share until the date that is 24 months after the date of issue.

In August 2008, 2,960,835 options were cancelled as a result of the resignations of Mr Ambler and Mr Bretvin as directors of the Board.

On 3 September 2008 2,725,000 options were granted under the Company's executive share option plan. The options are exercisable at any time up to 3 September 2013 at a price of C\$0.50 per share.

On 18 September 2008 973,000 options were granted to a service provider. The options are exercisable at any time up to 17 September 2013 at a price of C\$0.50 per share.

18. RESERVES	Group 2008 £	Company 2008 £	Group 2007 £	Company 2007 £
Share premium account				
At 1 January	943,072	943,072	-	-
Premium on shares issued during the period	195,187	195,187	1,026,119	1,026,119
Cash expenses of share issue	(195,230)	(195,230)	(202,606)	(202,606)
Issue of warrants	(32,367)	(32,367)	(63,020)	(63,020)
Issue of share options to finders	(19,519)	(19,519)	(26,912)	(26,912)
Conversion of special warrants into equity	-	-	109,939	109,939
Conversion of convertible debenture into equity	-	-	99,552	99,552
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	891,143	891,143	943,072	943,072
	<hr/>	<hr/>	<hr/>	<hr/>
Merger reserve				
At 1 January & 31 December	(3,762,559)	-	(3,762,559)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Warrant reserve				
At 1 January	63,020	63,020	347,280	347,280
Issue of warrants during the period	32,367	32,367	63,020	63,020
Conversion of special warrants into equity	-	-	(347,280)	(347,280)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	95,387	95,387	63,020	63,020
	<hr/>	<hr/>	<hr/>	<hr/>
Share option reserve				
At 1 January	780,976	780,976	502,074	502,074
Options granted during the period	194,514	194,514	373,225	373,225
Cancellation of share options in period	(355,003)	(355,003)	(94,323)	(94,323)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	620,487	620,487	780,976	780,976
	<hr/>	<hr/>	<hr/>	<hr/>

DISENCO ENERGY PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

18. RESERVES (continued)

	Group 2008 £	Company 2008 £	Group 2007 £	Company 2007 £
Convertible debenture reserve				
At 1 January	14,481	14,481	12,436	12,436
Issue of convertible debenture during the period	41,647	41,647	7,432	7,432
Conversion of convertible debenture into equity	-	-	(5,387)	(5,387)
Expiry of convertible debenture	(14,481)	(14,481)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	41,647	41,647	14,481	14,481
	<hr/>	<hr/>	<hr/>	<hr/>
Profit and loss account				
At 1 January 2008	(4,182,496)	(1,595,883)	(2,753,228)	(927,942)
Loss for the period	(1,381,516)	(706,000)	(1,523,591)	(762,264)
Cancellation of share options	289,650	289,650	94,323	94,323
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	(5,274,362)	(2,012,233)	(4,182,496)	(1,595,883)
	<hr/>	<hr/>	<hr/>	<hr/>

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2008 £	2007 £
Loss for year	(1,381,516)	(1,523,591)
New shares issued	975,934	2,113,987
Share issue costs	(195,230)	(202,606)
Issue of convertible debenture	41,647	7,432
Share based payments	174,995	346,313
Conversion of convertible debenture into equity	-	94,166
Expiry of convertible debentures	(14,481)	-
Cancellation of share options not vested	(65,353)	-
	<hr/>	<hr/>
	(464,004)	835,701
Opening funds	1,089,510	253,809
	<hr/>	<hr/>
At 31 December 2008	625,506	1,089,510
	<hr/>	<hr/>

DISENCO ENERGY PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

20. GROSS CASH FLOWS

	2008 £	2007 £
Returns on investments and servicing of finance		
Interest received	1,692	5,210
Interest paid	(180,047)	(2,389)
Exchange rate (losses)/gains	-	(91,242)
	(178,355)	(88,421)
Capital expenditure		
Payments to acquire intangible fixed assets	(734,568)	(1,901,872)
Payments to acquire tangible fixed assets	(52,215)	(12,459)
	(786,783)	(1,914,331)
Financing		
Issue of share capital	975,934	1,755,467
Expenses paid in connection with the issue of shares	(195,230)	(175,980)
Issue of convertible debenture	703,335	275,000
Expenses paid in connection with convertible debenture	(21,554)	(22,000)
Repayment of convertible debentures	(293,314)	-
Issue of loans	378,190	1,560,355
Repayment of loans	(10,863)	(374,021)
	1,536,498	3,018,821

21. ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2008 £	Cash flows £	Other non cash transactions £	Exchange rate differences £	At 31 December 2008 £
Cash at bank and in hand	125,135	(106,855)	-	-	18,280
Debt due within 1 year	(2,206,427)	(344,660)	229,840	(87,311)	(2,408,558)
Debt due after 1 year	-	(369,053)	(274,930)	(66,109)	(710,092)
	(2,081,292)	(820,568)	(45,090)	(153,420)	(3,100,370)

22. OTHER NON CASH TRANSACTIONS

	2008 £	2007 £
Amortisation of loan issue costs	37,607	-
Conversion of debt to equity	-	386,060
Amounts settled by director	7,483	-
	45,090	386,060

DISENCO ENERGY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

23. OTHER COMMITMENTS

Group

At 31 December 2008 the group had annual commitments under operating leases as follows:

	Land & buildings 2008	Land & buildings 2007
	£	£
Expiry date:		
Less than one year	56,000	-
Between two and five years	-	56,000
	56,000	56,000

24. TRANSACTIONS WITH RELATED PARTIES

The group owes £325,069 to Disenco International AS, a company in which G Bretvin and G B Longpre are both directors and shareholders. Further details regarding this balance are disclosed in Note 26 (c).

On 3 March 2007 Mr Longpre, a director of the company, agreed to a share for debt settlement for £200,000 of the company's outstanding loans to himself and Dover International Limited, a company in which Mr Longpre is a director and shareholder. This was accepted by the TSX Venture Exchange and relevant securities commissions in May 2007. The remaining outstanding balance of £38,892 is due to be repaid to Dover International on receipt of significant funds from the current round of fundraising.

The group owes C\$12,500 to J Gunn, a former director and shareholder of the company, in relation to expenses incurred on the company's behalf.

The group also owes an additional £50,000 to J Gunn in relation to a loan granted on 30 April 2007. The loan incurs interest at 6% payable on date of repayment, which is on receipt of significant funds from the current round of fundraising.

The group also owes J Gunn £100,000 in respect of £50,000 loans granted on 22 October 2007 and 8 February 2008. These loans incur interest at 7% payable at the date of repayment, which is due on receipt of significant funds from the current round of fundraising.

In July 2007, the company received a \$400,000 payment as first drawdown instalment from the C\$1,000,000 loan facility agreement that it has with Mr J Gunn. This facility is repayable at any time from one year of date of commencement of the facility, which was 12 October 2006, following receipt of seven days notice in writing from the lender. Interest on the loan is charged at 1% above the rate obtained for an equivalent value 12 month Canadian dollar deposit, which the company has agreed with the lender will be 5.05%.

In December 2008, J Gunn issued a formal request to the Company to have his loans repaid immediately. Subsequent to the year end, the Company has reached agreement with J Gunn to pay the outstanding balance plus accrued interest in four instalments of £99,635 each commencing 9 February 2009, with the remaining payments made in six weekly intervals from that date. These loans have been secured through a debenture agreement by a fixed and floating charge over the group's property and assets. Since reaching the above agreement, the Company has paid the sum of C\$105,000 to such loans and has agreed with J Gunn that the balance of the loans would be settled on receipt of significant funds from the current round of fundraising.

In the period from August 2007 to September 2008 the company received funds totalling C\$792,645 as drawdown instalment from the C\$1,000,000 loan facility agreement that it has with Dover International Limited. This facility is repayable at any time from one year of date of commencement of the facility, which was 12 October 2006, following receipt of seven days notice in writing from the lender. Interest on the loan is charged at 1% above the rate obtained for an equivalent value 12 month Canadian dollar deposit, which the company has agreed with the lender will be 5.05%.

DISENCO ENERGY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

24. TRANSACTIONS WITH RELATED PARTIES (continued)

Throughout 2007 the company was granted several loans from Warburg International. These were consolidated on 1 January 2008 into one loan of £690,000. The company has also received additional advances of £25,000 on 1 February 2008 and £20,000 on 31 March 2008. Mr G B Longpre, a director of the company, is a guarantor on these loan amounts. The loans bear interest at a rate of 7% per annum. The Company repaid loan interest of £30,000 in September 2008. Total interest accrued and unpaid on these loans at 31 December 2008 is £38,760. In February 2009 the lender converted £350,000 of the loan balance into a convertible debenture (see note 16).

In November 2008 the group signed an agreement with the Hunter Group in Canada, headed by Doug Hunter, an experienced business leader and developer in the energy markets. Under the terms of the Agreement, the Hunter Group is to raise, on a best efforts basis, C\$9million in Disenco Energy plc for common shares of Disenco, at share prices to be agreed, to own 50% of a new company to be created by the two companies called Disenco North America ("DNA"). The new company will commercialise Disenco's HomePowerPlant ("HPP") product to residential and business owners uniquely in North America. The C\$9million is to be raised in three tranches over the remaining development of the appliance. In consideration of the services to be provided by the Hunter Group, the Hunter Group shall be entitled to a 50% ownership interest in DNA. If less than C\$9million is raised by the Hunter Group, its ownership interest in DNA shall be calculated on the basis of 50% of the total amount raised divided by C\$9million. Mr Hunter was appointed to the main Board of Disenco Energy plc in November 2008 and will undertake the role of CEO of DNA, on creation of that entity. At 31 December 2008, the Company had received C\$326,000 of the first tranche of funds, of which C\$100,000 was invested personally by Mr Hunter. Shares are to be issued to the investors on the closing of the first tranche of investment.

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.

Disenco Energy plc does not have an ultimate controlling party.

25. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group has classified its cash and cash equivalents as held-for-trading; amounts receivable, deposits, and due from related parties as loans and receivables; and due to related parties and accounts payable and accrued liabilities as other financial liabilities. 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 risk exposure and the impact on the Group's financial instruments are summarized below:

(a) Credit risk

The group currently has no assets with a significant risk of defaulting. The group does not have significant cash reserves or loans to other parties that are not related. Therefore credit risk exposure is not high.

The Group has asset backed securities detailed in note 16.

DISENCO ENERGY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

25. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in obtaining funds to meet commitments. The Group's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Group manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities.

Short term financing is generally received from directors in the form of short term loans where necessary. The majority of the funding for Disenco Energy Plc is from equity investors.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk, and other price risk.

(i) Interest rate risk

The group has several loans which have interest rates attached. These are not due to fluctuate as they are fixed in their nature.

(ii) Foreign currency risk

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

(iii) Other price risk

The company currently has no traded instruments that are subject to fluctuation in price. The company is still in its development stage and is therefore using funds to commercialise the product.

26. SIGNIFICANT DIFFERENCES FROM CANADIAN GAAP

The audited financial statements of the company for the period ended 31 December 2008 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.

DISENCO ENERGY PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

26. SIGNIFICANT DIFFERENCES FROM CANADIAN GAAP (continued)

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)
Allocated to deficit	(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.

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.

DISENCO ENERGY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

26. SIGNIFICANT DIFFERENCES FROM CANADIAN GAAP (continued)

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. Debt totalling £325,069 is owed to Disenco International AS ("DIAS"), a company in which G B Longpre, a director of the company, and G Bretvin, a former director of the company, are shareholders, of which £263,936 (2,749,607 NOK) represents the repayment of amounts owing by DIAS to SND Innovation Bank, for which the company has given a guarantee and is secured by a fixed charge over certain of the group's intangible fixed assets dated 24 March 2005. The interest on the debt is calculated at Norwegian Bank base rate plus 2%. In September 2008 the Company paid 509,342 NOK towards the payment of the outstanding balance, which comprised 376,607 NOK, being all outstanding interest as at 1 June 2008, 109,491 NOK, being a contribution towards the outstanding capital balance and 23,254 NOK, being a contribution towards outstanding penalty interest. Interest of 80,367 NOK and penalty interest of 190,668 NOK remain outstanding at 31 December 2008. The Company reached an agreement in January 2009 with Innovation Bank in Norway, who underwrite the loan, to enable the Company to repay the capital amount owed (2,749,607 NOK) plus accrued interest to the bank in eight equal quarterly payments commencing on 30 June 2009, providing the Company pays all accrued interest at 31 December 2008 (271,035 NOK) by 31 March 2009. The Company has since obtained an extension from the Innovation Bank to pay the accrued interest of (271,035 NOK) by 1 June 2009. In this agreed payment plan the loan will be repaid in full on 31 March 2011.

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.

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:

DISENCO ENERGY PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

26. SIGNIFICANT DIFFERENCES FROM CANADIAN GAAP (continued)

	2008	2007
	£	£
Income tax benefit computed at UK statutory rates	(438,162)	(470,696)
Permanent differences	(49,371)	116,188
Other temporary differences	(201,490)	(554,078)
Unrecognised tax losses	689,023	908,586
	<hr/>	<hr/>
	-	-
The components of future income tax assets are as follows:	<hr/>	<hr/>
Future income tax assets	3,279,000	2,260,000
Non-capital loss carry-forwards for United Kingdom income tax purposes	-	-
	<hr/>	<hr/>
Tax rate	28%	30%
	<hr/>	<hr/>
Less: Valuation allowance	918,120	678,000
	(918,120)	(678,000)
	<hr/>	<hr/>
	-	-
	<hr/> <hr/>	<hr/> <hr/>

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
FOR THE YEAR ENDED 31 DECEMBER 2008**

26. SIGNIFICANT DIFFERENCES FROM CANADIAN GAAP (continued)

i	Reconciliation of total assets, liabilities and stockholders' equity:	2008	2007
		£	£
	Total assets per UK GAAP	4,364,767	3,889,127
	Adjustments to Canadian GAAP		
	Intellectual property amortisation	80,489	51,749
		<hr/>	<hr/>
	Total assets per Canadian GAAP	4,445,256	3,940,876
		<hr/>	<hr/>
	Total liabilities per UK GAAP	3,739,261	2,799,617
	Adjustments to Canadian GAAP	-	-
		<hr/>	<hr/>
	Total liabilities per Canadian GAAP	3,739,261	2,799,617
		<hr/>	<hr/>
	Total equity per UK GAAP	625,506	1,089,510
	Adjustments to Canadian GAAP		
	Intellectual property amortisation	80,489	51,749
	Merger reserve	3,762,559	3,762,559
	Pre-acquisition losses	1,545,359	1,545,359
	Excess of consideration over assets acquired allocated to deficit	(5,307,918)	(5,307,918)
		<hr/>	<hr/>
	Total equity per Canadian GAAP	705,995	1,141,259
		<hr/>	<hr/>
	Total liabilities and equity per Canadian GAAP	4,445,256	3,940,876
		<hr/> <hr/>	<hr/> <hr/>
ii	Reconciliation of net loss reported in Canadian GAAP and UK GAAP		
	Statement of Operations	2008	2007
		£	£
	Net loss per UK GAAP	(1,381,516)	(1,523,591)
	Add:		
	Net loss under merger accounting	1,381,516	1,523,591
	Net loss under the purchase method of accounting	(1,381,516)	(1,523,591)
	Amortisation of intellectual property rights	28,740	28,739
		<hr/>	<hr/>
	Net loss per Canadian GAAP	(1,352,776)	(1,494,852)
		<hr/> <hr/>	<hr/> <hr/>

DISENCO ENERGY PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

26. SIGNIFICANT DIFFERENCES FROM CANADIAN GAAP (continued)

iii Statement of Cash Flows under Canadian GAAP

	2008	2007
	£	£
Net loss per Canadian GAAP	(1,352,776)	(1,494,852)
Add:		
Depreciation of fixed assets	14,513	13,198
Depreciation of patents and designs	10,858	23,633
Share based payments	109,642	346,313
	<hr/>	<hr/>
	(1,217,763)	(1,111,708)
Changes in non-cash working capital:		
Accounts receivable/payable	361,193	100,319
	<hr/>	<hr/>
Cash outflow from operating activities	(856,570)	(1,011,389)
	<hr/>	<hr/>
Investing activities		
Purchase of fixed assets	(786,783)	(1,914,331)
	<hr/>	<hr/>
Cash used in investing activities	(786,783)	(1,914,331)
	<hr/>	<hr/>
Financing activities		
Net proceeds from share issue	780,704	1,579,487
Net proceeds from issue of convertible debenture	681,781	253,000
Repayment of convertible debenture	(293,314)	-
Issue of loans	378,190	1,560,355
Loan repayments	(10,863)	(374,021)
	<hr/>	<hr/>
	1,536,498	3,018,821
	<hr/>	<hr/>
(Decrease)/increase in cash during the period	(106,855)	93,101
Opening cash	125,135	32,034
	<hr/>	<hr/>
Ending cash	18,280	125,135
	<hr/> <hr/>	<hr/> <hr/>

27. CAPITAL MANAGEMENT POLICY

The Company's capital management objective is to raise the funds necessary to complete the research and development and commercialisation activities required to take its product to market and to maximise the long term investment returns to its equity-linked stakeholders within the context of relevant opportunities and risks associated with the Company's operating segment. Achieving these objectives requires management to consider the underlying nature of its research and development activities, the availability of capital, the cost of various capital alternatives and other factors. Establishing and adjusting capital requirements is a continuous management process.

DISENCO ENERGY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

27. CAPITAL MANAGEMENT POLICY (continued)

The Company has needed to raise capital in order to continue the development and commercialisation of its appliance. The Company attempts, where possible, to fund these activities by issuing share capital rather than using other capital sources that requires fixed repayments of principal or interest. All forms of financing, including debt, however, are considered to enable the Company to continue its progress towards its commercial objectives.

The Company's capital under management includes:

	2008 £	2007 £
Convertible Debentures	710,092	513,244
Shareholders' Equity:		
Called up share capital	8,013,763	7,233,016
Share premium account	891,143	943,072
Equity component of convertible debentures	41,647	14,481

The increase in the convertible debenture balance relates mainly to the issue of a new 2 year debenture on 29 August 2008. This debenture, which closed at a value of C\$1,375,286, is convertible at any time during the 2 year period into units at a price of C\$0.30 per unit. Each unit comprises one "C" share and one half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional "C" share at an exercise price of C\$0.40 until the earlier of the expiration of the debenture or two years after the conversion of the debenture. Interest is charged on the debenture at 8% per annum. The unconverted balance (C\$766,800) on the debenture which was due to be repaid on 31 August 2008 was repaid in full and subsequently re-invested into this new debenture and is included in the C\$1,375,286 closing value.

The increase in the convertible debentures also relates to the amortisation of issue costs over the life of the debenture and associated foreign currency gains and losses.

The company is subject to certain covenant provisions related to its convertible debentures and is in compliance with all such covenants for the year ended 31 December 2008.

28. POST BALANCE SHEET EVENTS

Qwatee AG, Zug is a group of private investors based in Zurich Switzerland, one of which is a current investor and shareholder of Disenco. On April 22, 2009 Disenco entered into with Qwatee AG, ZUG a Private Placement Agreement whereby Qwatee AG, Zug has agreed to invest US\$5 million into Disenco on or before May 2, 2009 and a further US\$5 million into Disenco on or before May 30, 2009.

Challis International Limited is headed by Rai Hamilton who is a current investor and shareholder in Disenco. On April 8, 2009 Disenco signed an agreement for Challis International Limited to invest C\$2 million in Disenco followed by Challis having the right commencing May 2009 to invest a further C\$9 million in Disenco over the following eighteen month period.

In December 2008, J Gunn issued a formal request to the Company to have his loans repaid immediately. Subsequent to the year end, the Company has reached agreement with J Gunn to pay the outstanding balance plus accrued interest in four instalments of £99,635 each commencing 9 February 2009, with the remaining payments made in six weekly intervals from that date. These loans have been secured through a debenture agreement by a fixed and floating charge over the group's property and assets. Since reaching the above agreement, the Company has paid the sum of C\$105,000 against such loans and has agreed with J Gunn that the balance of the loans would be settled on receipt of significant funds from the current round of fundraising.

DISENCO ENERGY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

28. POST BALANCE SHEET EVENTS (continued)

The Company reached an agreement in January 2009 with Innovation Bank in Norway, who underwrite the loan (as detailed in note 24), to enable the Company to repay the capital amount owed (2,749,607 NOK) plus accrued interest to the bank in eight equal quarterly payments commencing on 30 June 2009, providing the Company pays all accrued interest at 31 December 2008 (271,035 NOK) by 31 March 2009. The Company has since obtained an extension from the Innovation Bank to pay the accrued interest of (271,035 NOK) by 1 June 2009. In this agreed payment plan the loan will be repaid in full on 31 March 2011.

Throughout 2007 the Company was granted several loans from Warburg International. These were consolidated on 1 January 2008 into one loan of £690,000. The Company has also received additional advances totalling £45,000 in 2008. In February 2009 the lender converted £350,000 of the loan balance into a convertible debenture.