

# Fieldbury Plc

(formerly Freeplay Energy plc)

ANNUAL REPORT AND ACCOUNTS 2008  
for the year ended 31 December 2008

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## DIRECTORS AND ADVISORS

DIRECTORS	E Barrett A Polansky W Barrett H Reiter T G Roddick R M Stear
SECRETARY	R C Shear
COMPANY NUMBER	04220065
REGISTERED OFFICE	2 Stone Buildings Lincoln's Inn London WC2A 3TH
AUDITORS	Baker Tilly UK Audit LLP Chartered Accountants and Registered Auditors 3 Hardman Street Manchester M3 3HF
BANKERS	HSBC Poultry and Princes 27-32 Poultry London EC2P 2BX  PNC Bank National Association One PNC Plaza 249 Fifth Avenue Pittsburgh, PA
SOLICITORS	Edwin Coe LLP 2 Stone Buildings Lincoln's Inn, London WC2A 3TH
NOMINATED ADVISER AND BROKER	Charles Stanley Securities Limited 25 Luke Street London EC2A 4AR
REGISTRARS	Capita Registrars The Registry, 34 Beckenham Road Beckenham, Kent BR3 4TU

## CHAIRMAN'S STATEMENT

I am pleased to present the results for Fieldbury plc for the year ended 31 December 2008. The Board is encouraged by the progress made during the period, particularly in light of the increasingly testing economic conditions throughout the year and the significant downturn in consumer confidence.

2008 was a pivotal year for the Group as it marked the disposal of our Freeplay Energy division. The decision to dispose of the division was taken following a strategic review of the business and as assessment of the prevailing economic environment in the business' core end markets.

Mr Devinder Raj Narang, Chairman of Narang Group India, with whom Freeplay Energy had a joint-venture company in India, expressed an interest in acquiring the division and, following a brief negotiation process, the sale of Freeplay Energy was completed on 4 August 2008 for US\$14.5 million, including the assumption of approximately US\$5 million of debt. The agreement for the sale of Freeplay Energy included a target on the amount of working capital that was required to be in place at 30 June 2008. As the target level of working capital was not achieved the overall disposal proceeds were reduced by US\$2.5 million.

This deal was very much in the best interests of shareholders and the Company given the challenging conditions in Freeplay Energy's key end markets coupled with the Group's additional working capital requirements.

Following the disposal and sale of the rights to the Freeplay name and associated trademarks, Freeplay Energy plc changed its corporate name to Fieldbury plc and, as a result of the disposal, Dixie Sales ("Dixie") is now the sole operating company within Fieldbury.

The year's results, therefore, include the activities of the Freeplay Energy division up to 4 August 2008 and thereafter reflect the performance of the Company's sole remaining trading activities, Dixie.

### **Dixie**

Dixie is now a well structured, established sales, marketing, distribution and customer service provider based in Greensboro, North Carolina, USA. It provides a full range of services to its customers and suppliers, which includes customer and supplier account management, customer and supplier logistics, consumer call centre services and technical services such as training and education to customers. The business also has electronic ordering and ecommerce tools.

Since the disposal of Freeplay Energy, management has been able to focus all its efforts on returning Dixie to profitability. The restructuring at Dixie was largely completed at the end of March 2008 and, as a result of the measures undertaken, overall operational costs have been significantly reduced on an annualised basis. I am pleased to report that revenues and EBITDA at Dixie for 2008 were in line with management's expectations despite a backdrop of continued consumer uncertainty in the core dealer parts and whole goods businesses.

### **Financial Review**

#### ***Continuing Operations***

Group Revenue from ongoing operations for the year ended December 31, 2008 was \$34.3 million (2007: \$36.7 million). The 6.5 per cent. decline in 2008 revenue is as a result of the planned exit from a number of marginally profitable business activities. Revenue from core business activities increased approximately 8 per cent. over 2007.

Gross Profit from ongoing operations increased 3.9 per cent. to \$10.6 million (2007: \$10.2 million) due to an increased focus on higher margin products and activities.

Administrative and Distribution costs increased 3.4 per cent. in 2008 to \$12.0 million (2007: \$11.6 million). Reduction in ongoing overhead costs of 7.3 per cent. was offset by on-time costs related to the exit of certain lines of business and products.

Interest costs with respect to continued operations amounted to \$0.6 million (2007: \$0.7 million) a decline of 14.3 per cent. due to a planned reduction in inventory and accounts receivable that was offset by a reduction in interest bearing debt.

### ***Discontinued Operations***

Discontinued Operations consist of the Freeplay Energy Division for the period ended August 4, 2008, the effective date of the sale of that division to Mr. Devin Narang. Total revenue from Discontinued Operations amounted to \$5.8 million. Operating expenses before net finance revenue and gain on the sale of the division amounted to \$7.5 million.

The sale of the Freeplay division generated net proceeds, after adjustments, of \$12 million resulting on a net gain from the sale of the division of \$11.4 million.

## **Review of Operations**

### ***Dixie Sales***

In 2008 Dixie continued to execute its strategic direction as determined in the review completed in the latter half of 2007. In addition, Dixie refined and focused its business proposition as an independent, full service value added distributor.

Total 2008 revenue for the company of \$34.3 million was in line with the Board's expectations and approximately 7 per cent. lower than for the previous year. The year on year decline was due to the planned exit from marginally profitable business activities. The company achieved considerable growth in its core business due to effective sales structure and operational improvements, more favourable weather conditions as compared to 2007, and a greater focus on its principal product offerings. In addition, Dixie started to realise the revenue from its newly acquired manufacturer and retailer relationships.

Dixie's gross margin increased by approximately 3 points to 30.6 per cent. against 2007 (27.3 per cent.) on lower sales volume, again the result on focusing on higher margin activities and products.

The company also made good progress on reducing its cost structure during 2008. Operating costs in 2008 were 7.3 per cent. lower, representing a \$716,000 improvement compared to the previous year. The costs with respect to discontinued product lines and facilities in 2008 were somewhat higher than anticipated due to the earlier than contemplated exit from a significant line of commercial hand held products. These costs were mainly related to redundancy costs as a result of the decision to exit these lines of business.

While certain other lines of business are still under review the exit costs related to these lines of business, should Dixie determine to exit them, will be significantly less than those incurred in 2008.

During 2008 Dixie entered into a number of key new business relationships. Significant new business includes Distribution America (buying group for major independent hardware stores, nationally), Canadian Tire, and American Armed Forces Employees Store ("AAFES") (an electronic store for the exclusive use of all active and retired USA military personnel). The relationship with Distribution America opens a new channel for Dixie's existing product lines and our relationship with AAFES allows the company to expand its retail channel.

The company determined, in discussion with a number of its manufacturing and mass merchant customers, that they had identified a need for assistance to manage the ever growing number of products being returned by end users to retailers. In response to this, the company has developed a Returned Asset Management Program to assist our partners in dealing with this challenge and in February 2009 Dixie commenced a pilot project with Positec Industries to manage the returned products for a number of its lines on a "fee for service" basis. This offering is a good example of Dixie's value to its manufacturing and retail partners utilising its core strengths and capabilities.

Dixie successfully completed a renewal of its banking facility in December 2008 that provides an extension of the banking arrangements to March 2010.

Overall, Dixie's first quarter 2009 performance was in line with the Board's expectations and represents a significant improvement on the same period in 2008 after adjusting for the impact of discontinued lines included in the 2008 revenue.

The business looks forward to 2009 with confidence and optimism. While current economic conditions will pose a challenge for many, the Board is of the view that this will present opportunity for Dixie.

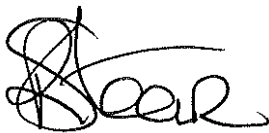
### **People**

On behalf of the Board I would like to thank the management and staff of Dixie for their commitment during the year. Despite a backdrop of increased consumer uncertainty, the division's staff has performed admirably during the period and have responded well to the restructuring of the wider Group.

### **Outlook**

At present, Fieldbury has a net cash position of \$2.3 million.

2008 was a year of significant change for the Group following the disposal of the Freeplay division and the subsequent strengthening of the Group's balance sheet. Your Board continues to explore a number of strategic options concerning the Group's future development.

A handwritten signature in black ink, appearing to read 'R Stear', with a stylized, cursive script.

**R Stear**  
*Chairman*

## **DIRECTORS' REPORT**

For the year ended 31 December 2008

The Directors present their report and the financial statements of the Group for the year ended 31 December 2008.

### **Principal Activities and Review of the Business**

Fieldbury Plc is the parent company of a company engaged in the wholesale distribution of outdoor power equipment parts and accessories to customers located in the United States and Canada. The group is also the licensed international distributor of the revolutionary Freeplay wind-up radios and lanterns.

The company operated as a holding company during the year.

The Company agreed to dispose of its Freeplay Energy division following approval by its shareholders at a General Meeting on 27 June 2008. Following the disposal and the sale of the rights to the Freeplay name and associated trademarks, it was agreed that Freeplay would change its corporate name to Fieldbury plc. The Company's shares will continue to be traded on AIM under Fieldbury plc and will have a new RIC code, FIE.L.

The consolidated income statement for the year ended 31 December 2008 is set out on page 15. The group's operational and reporting currency is US dollars.

The profit for the year is in line with the directors' expectations despite a backdrop of continued customer uncertainty in the core dealer parts and whole goods businesses.

A review of the Group's activities and its future prospects are detailed in the Chairman's Statement on pages 3 to 5.

### **Results and Dividends**

The trading results for the year and the Group's financial position at the end of the year are set out in the attached financial statements.

The Directors do not recommend payment of a final dividend.

### **Directors who held office during the year**

The Directors of the Company who held office during the year, and are in office at the date of this report, are as follows:

R M Stear	<i>Executive Chairman</i>
E Barrett	<i>Non-Executive Director</i>
W Barrett	<i>Executive Director</i>
A Polansky	<i>Non-Executive Director</i>
T G Roddick	<i>Non-Executive Director</i>
D Floyd (resigned 31 July 2008)	<i>Executive Director</i>
H Reiter	<i>Executive Director</i>
R A Court (resigned 31 March 2008)	<i>Finance Director</i>
C Batt (appointed 1 April 2008, resigned 31 July 2008)	<i>Executive Director</i>

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

## The Directors and their Interests

The directors at 31 December 2008 together with their beneficial interests, including family holdings, in the shares of the Company were as follows:

	<i>5p ordinary shares</i>		<i>45p deferred shares</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>
R M Stear <sup>(a)</sup>	8,363,471	8,363,471	205,519	205,519
T G Roddick <sup>(b)</sup>	8,829,962	8,829,962	371,704	371,704
E Barrett <sup>(c)</sup>	4,417,955	4,417,955	—	—
W Barrett <sup>(c)</sup>	5,394,565	5,394,565	—	—
A Polansky	608,493	608,493	—	—
H Reiter	975,609	975,609	—	—

- (a) The beneficial interests of R M Stear shown above are held by the Flambard Settlement of which he is a beneficiary; and Flambard Holdings Limited and Wild Investments Limited in which he has an interest.
- (b) The beneficial interests of T G Roddick shown above include shares held by Wild Investments Limited in which he has an interest.
- (c) The beneficial interests of E Barrett and W Barrett shown above are held by Barrett Marketing Group Limited.

## Directors' Share Options

The directors at 31 December 2008 have been granted options over the Company's shares:

	<i>At</i>	<i>Number</i>	<i>Number</i>	<i>At</i>	<i>Exercise</i>	<i>Date exercisable</i>
	<i>1 January</i>	<i>granted</i>	<i>/lapsed</i>	<i>31 December</i>	<i>price</i>	
	<i>2008</i>	<i>in year</i>	<i>in year</i>	<i>2008</i>		
R M Stear	996,037	—	—	996,037	29p	22-06-07 – 22-06-16
	—	500,000	—	500,000	4.5p	31-12-08 – 31-12-10
	—	500,000	—	500,000	4.5p	22-09-09 – 22-09-18
H Reiter	373,514	—	—	373,514	29p	22-06-07 – 22-06-16
	1,500,000	—	—	1,500,000	6.5p	01-07-09 – 31-12-17
	—	500,000	—	500,000	4.5p	22-09-09 – 22-09-18
E Barrett	—	500,000	—	500,000	4.5p	22-09-09 – 22-09-18
W Barrett	—	500,000	—	500,000	4.5p	22-09-09 – 22-09-18
T G Roddick	—	500,000	—	500,000	4.5p	22-09-09 – 22-09-18

## Payment of creditors

The group's policy is generally to agree terms of payment with suppliers and to settle invoices accordingly. The practice on payment of accounts payable has been quantified under the terms of the Statement of Payment Practice Regulations. The number of days' supplier invoices included in trade payables at 31 December 2008 represented 56 days (2007: 47 days) of annual purchases for the group. The holding company did not trade during the year and does not have any trade payables, a breakdown of group accounts payable is provided in note 13.

## Charitable & Political Contributions

Details of contributions to Freeplay Foundation may be found in Note 18. There were no other charitable and political contributions for 2008 or 2007.

## Employee Involvement

Every effort is made to keep staff informed of and involved in the operations of the group. The group recognises its legal and social obligations with regard to the employment of disabled persons. Applications for employment by disabled persons are given full consideration, taking account of their aptitude and ability. As with all employees, general training and promotion are available to disabled employees in accordance with their ability and commitment.

### **Going Concern Assumption**

The financial statements are prepared on a going concern basis, which assumes the Group will continue in operational existence for the foreseeable future. The Group's ability to meet its future working capital requirements and therefore continue as a going concern is dependent upon it being able to generate significant revenues and free cash flow and the availability of bank facilities. The current facility has been secured until March 2010 and the Directors do not foresee a problem in securing facilities after this date. The Directors have prepared projections which they consider to be prudent and demonstrate that the business can operate within its existing cash resources, and have identified a series of realistically achievable actions that they are committed to taking to mitigate the rate of cash outflow should revenues not be secured as predicted.

### **Business Risks**

As previously demonstrated Dixie's business depends to some extent upon favourable weather conditions in North America.

The group's net debt is supported by a banking facility secured on certain assets of the group. The group works closely with the bank to ensure continuation of this facility.

### **Key Performance Indicators**

The restructuring exercise in Dixie which commenced in 2007 was completed in March 2008 and management continues its focus on improving gross margins and reducing overheads.

### **Financial Instruments**

The Group's activities expose the Group to a number of risks including market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group manages these risks through an effective risk management program. The Board provides written objectives, policies and procedures with regards to managing currency and interest rate exposure, liquidity and credit risk

Exposures to financial risks are monitored by Financial Operations management and they are required to produce a regular risk report comprising of an assessment of the risks and an indication of their impact on the business.

The risk reports are provided to the Board of Directors in advance of the monthly board meetings and are discussed by the Board to ensure that the risk mitigation procedures are compliant with the Group policy and that any new risks are appropriately managed.

Further information may be found in Note 19 to the consolidated financial statements.


### **Statement as to Disclosure of Information to Auditors**

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant financial information and to establish that it has been communicated to the auditor.

### **Auditors**

A resolution to reappoint Baker Tilly UK Audit LLP, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the Board



R Shear  
*Company Secretary*  
29 April 2009

## **CORPORATE GOVERNANCE**

### **Principles of Corporate Governance**

The Group's Board appreciates the value of good corporate governance not only in the areas of accountability and risk management but also as a positive contribution to business prosperity. It believes that corporate governance involves more than a simple "box ticking" approach to establish whether a company has met the principles (including those set out in the corporate governance guidelines for AIM companies published by the Quoted Companies Alliance in July 2005) of a number of specific rules and regulations. Rather the issue is one of applying corporate governance in a sensible and pragmatic fashion having regard to the individual circumstances of a particular company's business. The key objective is to enhance and protect shareholder value.

### **Board Structure**

The specific responsibilities reserved to the board include: setting group strategy and approving an annual budget and medium-term projections; reviewing operational and financial performance; approving major acquisitions, divestments and capital expenditure; reviewing the group's systems of financial control and risk management; ensuring that appropriate management development and succession plans are in place; reviewing the environmental, health and safety performance of the group; approving appointments to the board and the Company Secretary; approving policies relating to directors' remuneration and the severance of directors' contracts; and ensuring that a satisfactory dialogue takes place with shareholders.

The board has delegated the following responsibilities to Executive Management: the development and recommendation of strategic plans for consideration by the board that reflect the longer term objectives and priorities established by the board; implementation of the strategies and policies of the group as determined by the board; monitoring of the operating and financial results against plans and budgets; monitoring the quality of the investment process against objectives; prioritising the allocation of capital, technical and human resources; monitoring the composition and terms of reference of divisional management committees; and developing and implementing risk management systems.

### **Directors and Directors' Independence**

The board comprises the Chairman, who is an executive director, three non-executive directors and a further three executive directors. The names of the directors are set out on page 6. Apart from D Floyd, C Batt and R Court all the remaining executive and non-executive directors served throughout the year under review. The non-executive directors are of sufficient calibre that their views carry significant weight in the board's decision making.

The directors are given access to independent professional advice at the group's expense, when the directors deem it is necessary in order for them to carry out their responsibilities.

The board considers all its non-executive directors to be independent notwithstanding the shareholdings shown in this report.

### **Professional Development**

On appointment, the directors take part in an induction programme when they receive information about the group, the role of the board and the matters reserved for its decision, the terms of reference and membership of the principal board and management committees, and the powers delegated to those committees, the group's corporate governance practices and procedures, including the powers reserved for the group's most senior executives, and the latest financial information about the group. This is supplemented by visits to key locations and meetings with other key senior executives. Throughout their year in office the directors are continually updated on the group's business, the competitive and regulatory environments in which it operates, corporate social responsibility matters and other changes affecting the group and the industry in which it operates as a whole, by written briefings and meetings with senior executives.

## **The Company Secretary**

The Company Secretary is responsible for advising the board through the Chairman on all governance matters. The directors have access to the advice and services of the Company Secretary.

## **Information**

Regular reports and papers are circulated to the directors in a timely manner in preparation for board and Committee meetings. These papers are supplemented by information specifically requested by the directors from time to time. The board periodically holds meetings at the group's various locations and reviews the operations first hand.

## **Relations with Shareholders**

The Chairman gives feedback to the board on issues raised with him by major shareholders as suggested by the new Combined Code. Effective two-way communication with fund managers, institutional investors and analysts is actively pursued and this encompasses issues such as performance, policy and strategy. During the year the Directors have had meetings with analysts and institutions and will continue to do so.

The group maintains a corporate website ([www.fieldbury.com](http://www.fieldbury.com)) containing a wide range of information of interest to institutional and private investors. The group has frequent discussions with institutional shareholders on a range of issues affecting its performance. These include meetings following the announcement of the annual results with the group's largest institutional shareholders on an individual basis. In addition, the group responds to individual ad hoc requests for discussions from institutional shareholders.

There is also an opportunity, at the Company's Annual General Meeting for individual shareholders to raise general business matters with the full Board and notice of the Company's Annual General Meeting is circulated to all shareholders at least 20 working days before such meeting. The Chairman of the Audit and Remuneration Committee will be available at the Annual General Meeting to answer questions.

## **Internal Control**

In accordance with the guidance of the Turnbull Committee the board of directors is responsible for the group's system of internal control; sets appropriate policies on internal control; seeks regular assurance that enables it to satisfy itself that the system is functioning effectively; and ensures that the system of internal control is effective in managing risks in the manner which it has approved.

The directors continue to review the effectiveness of the group's system of financial and non-financial controls, including operational and compliance controls, risk management and the group's high level internal control arrangements. These reviews include an assessment of internal controls and, in particular, internal financial controls.

The group views the careful management of risk as a key management activity. Managing business risk to deliver opportunities is a key element of all activities. These business risks, which may be strategic, operational, reputational, financial or environmental, should be understood and visible.

The group does not have an internal audit function and the board will consider the need to create one as the group grows.

There are no significant issues disclosed in the financial statements for the year ended 31 December 2008 and up to the date of approval of the report and financial statements that have required the board to deal with any material internal control issues.

## **Remuneration Committee**

The group has established a remuneration committee, which will continue to operate with formally delegated duties and responsibilities.

The remuneration committee comprises William Barrett, Edward Barrett, Andrew Polansky and Rory Stear.

The remuneration committee meets twice during the year; where, if necessary, non-committee members are invited to attend.

The committee's principal responsibilities are:

- setting, reviewing and recommending to the board for approval the group's overall remuneration policy and strategy;
- setting, reviewing and approving individual remuneration packages for executive directors and the Chairman, including terms and conditions of employment and any changes to the packages;
- reviewing the salary structure and terms, conditions and benefits of employment of other group executive committee members; and
- approving the rules, and launch, of any executive share, share option or cash based incentive scheme and the grant, award, allocation or issue of shares, share options or payments under such scheme.

In addition the committee regularly reviews the group's remuneration policy in relation to:

- its competitors and industry norms;
- compensation commitment; and
- contract years.

### **The Audit Committee**

The audit committee comprises Edward Barrett and Harold Reiter.

The audit committee meets at least once during the year.

Under its terms of reference, the audit committee monitors the integrity of the group's financial statements and any formal announcements relating to the group's performance. The committee is responsible for monitoring the effectiveness of the external audit process and making recommendations to the board for ensuring that an appropriate relationship between the group and the external auditors is maintained, including reviewing non-audit services and fees.

The committee meets with executive directors and management, as well as privately with the external auditors. In 2008 the audit committee discharged its responsibilities by:

- reviewing the group's draft financial statements prior to board approval and reviewing the external auditor's detailed reports thereon;
- reviewing the appropriateness of the group's accounting policies;
- reviewing and approving the audit fee and reviewing non-audit fees payable to the group's external auditor;
- reviewing the external auditors' plan for the audit of the group's financial statements, which included scope of work, key risks to the financial statements, confirmation of auditor independence and approving the terms of engagement for the audit; and
- reviewing the performance of the external auditors.

### **Auditor's Independence and Objectivity**

The audit committee reviews all services being provided by the external auditor to review the independence and objectivity of the external auditor, taking into consideration relevant professional and regulatory requirements, so that these are not impaired by the provision of permissible non-audit services.

Details of the amounts paid to the external auditors during the year for audit and other services are set out in note 2 to the financial statements.

### **Nomination Committee**

No formal nomination Committee exists in view of the stage of development of the Group. Instead appointments to the Board by the Chief Executive and other Executive Directors are discussed with the Executive Chairman. Appointments are made after an evaluation of the skills, knowledge and expertise required to ensure that the Board as a whole has the ability to ensure that the Group can continue to compete effectively in its market place.

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The Directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

UK Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law the Directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The Group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The Company financial statements are required by law to give a true and fair view of the state of affairs of the Company.

In preparing each of the Group and Company financial statements, the Directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. for the Group financial statements, state whether they have been prepared in accordance with IFRSs adopted by the EU; and for Company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and 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 to enable them to ensure that the financial statements comply with the requirements of 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 financial statements may differ from legislation in other jurisdictions.

## **INDEPENDENT AUDITOR'S REPORT**

For the year ended 31 December 2008

We have audited the group and parent company financial statements which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Changes in Equity, the Group Statement of Total Recognised Income and Expense and the related notes.

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 auditor's 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 group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union ("EU"), and for preparing the parent company 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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement that is cross referenced from the Review of Business section of the Directors' Report.

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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, Chairman's Statement and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **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 judgements 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 which 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.

## Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2008;
- 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.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP  
Registered Auditor  
Chartered Accountants  
3 Hardman Street  
Manchester  
M3 3HF

5 May 2009

**GROUP INCOME STATEMENT**  
For the year ended 31 December 2008

		2008	<i>Before separately disclosable items</i>	<i>2007 Separately disclosable items (note 3)</i>	<i>Total</i>
	<i>Notes</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
<b>Revenue</b>	1	34,296	36,744	—	36,744
Cost of sales		<u>(23,719)</u>	<u>(26,523)</u>	<u>—</u>	<u>(26,523)</u>
<b>Gross profit</b>		10,577	10,221	—	10,221
Administrative expenses		(10,507)	(9,737)	—	(9,737)
Distribution expenses		(1,497)	(1,597)	—	(1,597)
Other expense		—	(250)	—	(250)
Impairment of intangible assets	9	—	—	(1,787)	(1,787)
Amortisation of intangible assets	9	<u>(599)</u>	<u>(633)</u>	<u>—</u>	<u>(633)</u>
<b>Loss from operations</b>		<u>(2,026)</u>	<u>(1,996)</u>	<u>(1,787)</u>	<u>(3,783)</u>
Finance expenses	6	(639)			(739)
Finance income	6	<u>33</u>			<u>1</u>
<b>Loss before tax</b>		(2,632)			(4,521)
Income tax	7	<u>1,174</u>			<u>474</u>
Loss from continuing operations		(1,458)			(4,047)
Profit/(loss) from discontinued operations	4	<u>9,548</u>			<u>(6,574)</u>
<b>Profit/(loss) for the period</b>		<u>8,090</u>			<u>(10,621)</u>
<b>Loss per share from continuing operations</b>					
Basic (\$ per share)	8	(0.02)			(0.08)
Fully diluted (\$ per share)	8	<u>(0.02)</u>			<u>(0.08)</u>

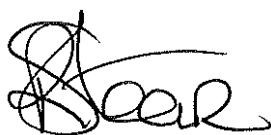
**GROUP STATEMENT OF TOTAL RECOGNISED INCOME AND EXPENSE**  
For the year ended 31 December 2008

	<i>2008</i> <i>US\$000</i>	<i>2007</i> <i>US\$000</i>
Foreign currency differences	—	99
Net income recognised directly in equity	—	99
Profit/(loss) after tax	8,090	(10,621)
Total recognised income and expense for the financial year	<u>8,090</u>	<u>(10,522)</u>

**GROUP BALANCE SHEET**  
As at ended 31 December 2008

	<i>Notes</i>	<i>Year ended 31 December 2008 US\$000</i>	<i>Year ended 31 December 2007 US\$000</i>
<b>Assets</b>			
<b>Non current assets</b>			
Goodwill	9	3,495	3,495
Other intangible assets	9	3,502	4,428
Property, plant and equipment	10	544	948
		<u>7,541</u>	<u>8,871</u>
<b>Current assets</b>			
Inventories	12	8,257	11,488
Trade and other receivables	13	6,109	7,694
Other assets		—	364
Cash and cash equivalents	19	2,697	396
Total current assets		<u>17,063</u>	<u>19,942</u>
<b>Total assets</b>		<u><u>24,604</u></u>	<u><u>28,813</u></u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	17	11,426	11,426
Share premium		28,761	28,761
Merger reserve		1,947	1,947
Other reserves		60	60
Foreign currency translation reserve		—	154
Share based payment reserve		1,727	1,881
Retained losses		(30,766)	(39,275)
<b>Total equity</b>		<u>13,155</u>	<u>4,954</u>
<b>Non current liabilities</b>			
Amounts due to bankers and long term financial liabilities	15	19	364
Deferred taxation	16	524	1,698
		<u>543</u>	<u>2,062</u>
<b>Current liabilities</b>			
Trade and other payables	14	4,712	8,508
Amounts due to bankers and short term financial liabilities	14	6,194	13,289
		<u>10,906</u>	<u>21,797</u>
<b>Total liabilities</b>		<u>11,449</u>	<u>23,859</u>
<b>Total equity and liabilities</b>		<u><u>24,604</u></u>	<u><u>28,813</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 29 April 2009 and are signed on its behalf by:



R STEAR  
*Director*

## GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	<i>Share Capital US\$000</i>	<i>Share Premium US\$000</i>	<i>Merger reserve US\$000</i>	<i>Other reserve US\$000</i>	<i>Foreign currency translat'n reserve US\$000</i>	<i>Share based payment reserve US\$000</i>	<i>Retained losses US\$000</i>	<i>Total Equity US\$000</i>
Balance 1 January 2007	6,608	29,028	1,947	60	55	1,387	(28,654)	10,431
Share based compensation	—	—	—	—	—	494	—	494
Loss for the year	—	—	—	—	—	—	(10,621)	(10,621)
Shares issued	4,818	—	—	—	—	—	—	4,818
Share issue costs	—	(267)	—	—	—	—	—	(267)
Exchange differences arising on translation of foreign operations	—	—	—	—	99	—	—	99
Balance 31 December 2007	11,426	28,761	1,947	60	154	1,881	(39,275)	4,954
Share based compensation	—	—	—	—	—	265	—	265
Transfer due to lapsed share options	—	—	—	—	—	(419)	419	—
Profit for the year	—	—	—	—	—	—	8,090	8,090
Reversal of exchange differences arising on the disposal of subsidiaries	—	—	—	—	(154)	—	—	(154)
Balance 31 December 2008	11,426	28,761	1,947	60	—	1,727	(30,766)	13,155

### Share premium

In 2007 the share premium account arose from the issue of equity shares during the year, the conversion of shareholder loans, convertible loan stock and the issues of non-equity shares in prior years.

### Merger reserve

The merger reserve was established in respect of previous acquisitions, which qualify for Section 131 merger relief.

### Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

### Share based payment reserve

This reserve is the result of the Company's grant of equity settled share options and warrants to selected employees and measured in accordance with IFRS2 Share-based payment transactions.

### Other reserve

Net proceeds of US \$60,000 have been attributed to an issue of warrants in a prior year and this amount has been included within shareholders' funds as an other reserve.

Share Capital has arisen on the issue of shares. The Retained Deficit reflects losses incurred to date.

**GROUP CASH FLOW STATEMENT**  
For the year ended 31 December 2008

	2008 US\$000	2007 US\$000
<b>Profit/(loss) before taxation</b>		
Adjustments to reconcile loss for the year to cash generated/(used in) from operating activities	6,916	(11,139)
Finance cost	639	1,097
Finance income	(33)	(7)
Share based compensation	265	494
Depreciation	342	520
Amortisation of intangible assets and impairment of goodwill	599	2,420
Decrease/(increase) in inventory	2,035	(1,285)
Decrease in accrued income, trade and other receivable	855	1,030
Increase in trade and other payables	354	1,329
Share of loss from joint venture	—	145
Loss on disposal of property, plant and equipment	14	144
Gain on disposal of discontinued operations (note 4)	(11,426)	—
<b>Cash generated by/(used in) operations</b>	560	(5,252)
Taxation	311	343
<b>Cash generated by/(used in) operating activities</b>	871	(4,909)
<b>Cashflows from investing activities</b>		
Acquisition of property, plant and equipment	(495)	(226)
Acquisition of intangible assets	(51)	(369)
Net cash inflow from disposal of Freeplay division (note 4)	10,022	—
Interest received	33	7
Advances to joint venture	—	(145)
<b>Cash used in investing activities</b>	9,509	(733)
<b>Cashflows from financing activities</b>		
Proceeds from the issue of shares	—	4,818
Payment for share issue costs	—	(267)
Repayment of borrowings	(336)	(858)
Interest on loans	(639)	(1,097)
<b>Cash from financing</b>	(975)	2,596
Increase/(decrease) in cash and cash equivalents	9,405	(3,046)
Exchange gains	—	97
<b>Opening cash and cash equivalents</b>	(12,695)	(9,746)
<b>Closing cash and cash equivalents</b>	(3,290)	(12,695)

## **GROUP ACCOUNTING POLICIES**

### **Basis of Preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU) IFRIC interpretations and the Companies Act 1985 applicable to Companies reporting under IFRS.

The Company is a public limited liability company incorporated and domiciled in England and Wales.

The financial statements have been prepared on the historic cost basis. The principal accounting policies adopted are set out below.

### **Reporting Currency**

The financial statements are presented in United States of America Dollars, denoted by the symbol “US\$”, as this is considered by the directors to be the group’s functional currency.

### **Going Concern**

The financial statements are prepared on a going concern basis, which assumes the Group will continue in operational existence for the foreseeable future. The Group’s ability to meet its future working capital requirements and therefore continue as a going concern is dependent upon it being able to generate significant revenues and free cash flow and the availability of bank facilities. The current facility has been secured until March 2010 and the Directors do not foresee a problem in securing facilities after this date. The Directors have prepared projections which they consider to be prudent and demonstrate that the business can operate within its existing cash resources, and have identified a series of realistically achievable actions that they are committed to taking to mitigate the rate of cash outflow should revenues not be secured as predicted.

### **Critical Accounting Estimates and Judgements**

The preparation of financial statements under IFRS requires the Board to make judgements, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities as at the date of the financial statements and the reported amount of revenue and expense during the reporting year. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements that are not readily apparent from other sources. However, the actual results may differ from these estimates.

Other areas of judgement, risk and uncertainty which are relevant to an understanding of these results and the Group’s financial position are referred to in the Directors’ Report. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

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

- goodwill has been tested for impairment by comparing the carrying value of a cash generating unit to which the goodwill has been attributed, to the present value of the forecast cashflows expected to be generated by the unit (note 9);
- the fair value of share-based compensation awards is measured using the Black-Scholes model which inherently makes use of significant estimates and assumptions concerning the future applied by the directors (note 17);

- deferred tax assets and liabilities are assessed on the basis of assumptions regarding the future, the likelihood that assets will be realised and liabilities will be settled, and estimates as to the timing of those future events and as to the future tax rates that will be applicable.

### **Interpretations and Standards which became effective during the year**

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

### **Interpretations and Standards which have been issued and are not yet effective**

At the date of the authorisation of the financial information the following standards and interpretations, which have not been applied in the financial information, were in issue but not yet effective:

IFRS 1	Revised IFRS 1 First time adoption of IFRS (endorsed)
IFRS 2	Share based Payment – Amendments relating to vesting conditions and cancellations (endorsed)
IFRS 3	Business Combinations – Amendments
IFRS 7	Financial Instruments: Disclosures – Consequential amendments arising from amendments to IAS 32
IFRS 8	Operating Segments (endorsed)
IAS 1	Presentation of Financial Statements – Revised (endorsed)
IAS 1	Presentation of Financial Statements – Amendments relating to Puttable Financial Instruments and obligations arising on liquidation (endorsed)
IAS 23	Borrowing Costs – Amendment (endorsed)
IAS 27	Consolidated and separate Financial Statements – Consequential amendments arising from Amendments from IFRS 3
IAS 27	Consolidated and Separate Financial Statements – Amendments cost of an investment in a subsidiary, jointly controlled entity or associate (endorsed)
IAS 28	Investments in Associates – Consequential amendments arising from IFRS 3
IAS 31	Investments in Joint Ventures – Consequential amendments arising from IFRS 3
IAS 32	Financial Instruments Presentation – Amendments relating to Puttable Financial Instruments and obligations arising on liquidation (endorsed)
IAS 39	Financial Instruments: Recognition and Measurement – Consequential amendments arising from amendments to IAS 32
IAS 39	Financial Instruments: Recognition and measurement – Amendment; Eligible ledged items
IAS 39	Financial Instruments: Recognition and measurement – Amendment; Eligible ledged items
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes (endorsed)
IFRIC 14	IAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (endorsed)
IFRIC 15	Agreements for the Construction of Real Estate Assets
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers
IFRIC 9	Reassessment of Embedded Derivatives – Amendment; Embedded Derivatives

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial information when the relevant standards and interpretations come into effect.

### **Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of Fieldbury Plc (previously Freeplay Energy Plc) and its subsidiaries. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date control has changed. Acquisitions are accounted for under the acquisition method of accounting. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

### **Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

#### ***Sale of goods***

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the entity; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### ***Dividend and interest revenue***

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### **Segmental Reporting**

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

A geographical segment is a group of assets and operations that provide a product or service within a particular economic environment and that is subject to risks and returns that are different from segments operating in different environments.

### **Goodwill**

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill



### ***Other intangible assets***

Intangible assets such as computer software and web sites which have finite useful lives, are measured at cost, net of any amortisation and any provision for impairment. Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Web sites	over 3 years on a straight line basis
Software	over 3 years on a straight line basis

Websites acquired during the period have been recognised as intangible assets in accordance with the principles outlined in SIC Interpretation 32 (Intangible Assets – Web Site Costs).

### **Impairment**

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually.

At each balance sheet date, the Group reviews the carrying amounts of its other tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

### **Foreign Currencies**

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in US Dollars ('\$ US'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements. In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in US Dollars using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognised in the income statement in the

year in which the foreign operation is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### **Property, Plant and Equipment**

Property, Plant and Equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

The principal annual rates for this purpose are:

Fixtures & fittings	–	25% straight line
Leasehold improvements	–	over the shorter of the term of the lease or 10% – 33%
Plant and machinery, moulds and tooling	–	20% – 50% straight line
Office furniture and equipment	–	10% – 20% straight line
Motor vehicles	–	20% straight line

### **Inventories**

Inventories are stated at the lower of cost incurred in bringing each product to its present location and net realisable value. Costs, including an appropriate portion of directly attributable overheads, are assigned to inventories using a method considered by the directors to be the most appropriate for this particular class of asset, the majority being measured on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### **Share-Based Compensation**

The Group operates an equity-settled, share based compensation plan. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and growth targets). Non-market vesting conditions are included in the assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement. Contingent rentals are recognised as expenses in the years in which they are incurred. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the year in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative over the lease term.

### **Financial Instruments**

Financial assets and financial liabilities are recognised on the balance sheet when the Group has become a party to the contractual provisions of the instrument.

#### ***Trade and other receivables (Other loans and receivables)***

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

#### ***Cash and cash equivalents (Other loans and receivables)***

Cash and cash equivalents comprise cash at bank and in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdraft.

#### ***Financial liability***

Financial liabilities are classified according to the substance of the contractual arrangements entered into. An instrument will be classified as a financial liability when there is a contractual obligation to deliver cash or another financial asset to another enterprise.

#### ***Borrowings (Other Liabilities)***

Interest-bearing bank loans and overdrafts are initially recorded at fair value, which represents the fair value of the consideration received, net of any issue costs associated with other borrowings. Borrowings are subsequently stated at amortised cost.

Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and allocated to the income statement over the term of the instrument using an effective rate of interest on the outstanding carrying value.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

## **Taxation**

The tax expense represents the sum of the current tax expense and deferred tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority or by different taxable entities where the Group intends to settle its current tax assets and liabilities on a net basis.

## **Employee Benefits**

Certain companies in the group operate defined contribution pension schemes. The pension cost charge for the year for defined contribution schemes represents contributions payable by the group to the schemes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

### 1 Segmental Reporting

#### *Primary reporting format business segments*

The following tables present revenue and losses and certain asset and liability information regarding the Group's business segments for the years ended 31 December 2008 and 31 December 2007. The discontinued activities in 2008 & 2007 relate to Freeplay and continuing activities relate to Dixie.

*Year ended 31 December 2008*

	<i>Discontinued Freeplay 2008 US\$000</i>	<i>Continuing Operations 2008 US\$000</i>	<i>Total 2008 US\$000</i>
<b>Revenue</b>			
Group revenue	5,800	34,296	40,096
Inter segment revenue	—	—	—
Segmental revenue	<u>5,800</u>	<u>34,296</u>	<u>40,096</u>
<b>Result</b>			
Segmental result	(1,682)	(2,026)	(3,708)
Gain from sale of discontinued operations (note 4)	<u>11,426</u>	<u>—</u>	<u>11,426</u>
<b>Profit/(loss) from operations</b>	9,744	(2,026)	7,718
Finance expense	(198)	(639)	(837)
Finance income	<u>2</u>	<u>33</u>	<u>35</u>
<b>Profit/(loss) before taxation</b>	9,548	(2,632)	6,916
Taxation	<u>—</u>	<u>1,174</u>	<u>1,174</u>
<b>Profit/(loss) after taxation</b>	<u>9,548</u>	<u>(1,458)</u>	<u>8,090</u>
<b>Assets and liabilities</b>			
Segment assets	<u>—</u>	<u>24,604</u>	<u>24,604</u>
Segment liabilities	<u>—</u>	<u>11,449</u>	<u>11,449</u>
<b>Other segment information</b>			
Capital expenditure			
Property plant and equipment and intangibles	<u>41</u>	<u>505</u>	<u>546</u>
Depreciation and amortisation	<u>174</u>	<u>767</u>	<u>941</u>

Year ended 31 December 2007

	<i>Discontinued Freeplay 2007 US\$000</i>	<i>Continuing Operations 2007 US\$000</i>	<i>Total 2007 US\$000</i>
<b>Revenue</b>			
Group revenue	7,964	37,271	45,235
Inter segment revenue	—	(527)	(527)
Segmental revenue	<u>7,964</u>	<u>36,744</u>	<u>44,708</u>
<b>Result</b>			
Segmental result	(6,121)	(3,783)	(9,904)
Share of losses of joint venture	(145)	—	(145)
<b>Loss from operations</b>	<u>(6,266)</u>	<u>(3,783)</u>	<u>(10,049)</u>
Finance expense	(358)	(739)	(1,097)
Finance income	6	1	7
<b>Loss before taxation</b>	<u>(6,618)</u>	<u>(4,521)</u>	<u>(11,139)</u>
Taxation	44	474	518
<b>Loss after taxation</b>	<u>(6,574)</u>	<u>(4,047)</u>	<u>(10,621)</u>
<b>Assets and liabilities</b>			
Segment assets	<u>5,477</u>	<u>23,336</u>	<u>28,813</u>
Segment liabilities	<u>7,509</u>	<u>16,350</u>	<u>23,859</u>
<b>Other segment information</b>			
Capital expenditure			
Property plant and equipment and intangibles	<u>446</u>	<u>149</u>	<u>595</u>
Depreciation and amortisation	<u>345</u>	<u>2,595</u>	<u>2,940</u>

### ***Geographical segments***

The following table represents revenue, expenditure and certain asset information regarding the Group's geographical segments by location for the years ended 31 December 2008 and 31 December 2007.

	<i>United Kingdom and the Rest of Europe</i>		<i>North America</i>	
	<i>2007 US\$000</i>	<i>2008 US\$000</i>	<i>2007 US\$000</i>	<i>2008 US\$000</i>
<b>Revenue</b>				
Sales to external customers	2,341	1,906	39,344	35,123
Inter segment revenue	—	—	(527)	—
Segmental revenue	<u>2,341</u>	<u>1,906</u>	<u>38,817</u>	<u>35,123</u>
<b>Segment assets</b>				
Segment assets	<u>5,105</u>	<u>12,320</u>	<u>23,336</u>	<u>12,284</u>
<b>Segment liabilities</b>				
Segment liabilities	<u>6,828</u>	<u>(69)</u>	<u>16,350</u>	<u>11,519</u>
<b>Capital expenditure</b>				
Property plant and equipment and intangibles	<u>439</u>	<u>457</u>	<u>149</u>	<u>85</u>

	<i>Africa and the Rest of the World</i>		<i>Total</i>	
	<i>2007</i> <i>US\$000</i>	<i>2008</i> <i>US\$000</i>	<i>2007</i> <i>US\$000</i>	<i>2008</i> <i>US\$000</i>
<b>Revenue</b>				
Sales to external customers	3,550	3,067	45,235	40,096
Inter segment revenue	—	—	(527)	—
Segmental revenue	<u>3,550</u>	<u>3,067</u>	<u>44,708</u>	<u>40,096</u>
<b>Segment assets</b>				
Segment assets	<u>372</u>	<u>—</u>	<u>28,813</u>	<u>24,604</u>
<b>Segment liabilities</b>	<u>681</u>	<u>—</u>	<u>23,859</u>	<u>11,449</u>
<b>Capital expenditure</b>				
Property plant and equipment and intangibles	<u>7</u>	<u>4</u>	<u>595</u>	<u>546</u>

## 2 Loss from Operations

	<i>2008</i> <i>US\$000</i>	<i>2007</i> <i>US\$000</i>
Loss from operations is stated after charging/(crediting):		
Depreciation of owned assets	262	429
Depreciation of leased assets	80	91
Amortisation of intangible assets	599	633
Impairment of goodwill	—	1,787
Operating lease rentals – other assets	1,196	1,763
Auditor's remuneration	230	163
Share based compensation	265	494
Research and development costs	186	447
Foreign exchange (gains)/losses	<u>100</u>	<u>(92)</u>

Amounts payable to Baker Tilly UK Audit LLP and their associates in respect of both audit and non audit services:

	<i>2008</i> <i>US\$000</i>	<i>2007</i> <i>US\$000</i>
<b>Audit Services</b>		
– Statutory audit	85	58
<b>Other Services</b>		
The auditing of accounts of associates of the company pursuant to legislation.		
– Audit of subsidiaries where such services are provided by Baker Tilly UK Audit LLP and their associates	84	90
Other services	<u>61</u>	<u>15</u>
	<u>230</u>	<u>163</u>

## 3 Separately Disclosed Items

	<i>2008</i> <i>US\$000</i>	<i>2007</i> <i>US\$000</i>
Impairment of goodwill	<u>—</u>	<u>(1,787)</u>

There are no separately disclosed items in the year to 31 December 2008.

As a result of the annual Goodwill impairment test a charge of \$1,787,000 was taken during 2007.

## 4 Discontinued Operations

### *Disposal of Freeplay Division*

Following approval from the Reserve Bank of India and approval by shareholders at a General Meeting on 27 June 2008, the Company agreed to the disposal of its Freeplay Division (“Freeplay Energy”) to Devinder Raj Narang. The total consideration was \$14.5 million, reduced by an adjustment of \$2.5 million, and included approximately \$5 million of bank debt.

The disposal was completed on 4 August 2008. Following the disposal and sale of the rights to the Freeplay name and associated trademarks, it was agreed that Freeplay change its corporate name to Fieldbury plc (“Fieldbury”).

As a result of the disposal of Freeplay Energy, Dixie Sales Inc will be the sole company within Fieldbury plc. The results of the Freeplay division are presented below:

	<i>2008</i>	<i>2007</i>
	<i>US\$000</i>	<i>US\$000</i>
<b>Revenue</b>	5,800	7,964
Cost of sales		
	(4,658)	(7,078)
Separately identifiable expenses	—	(540)
Total cost of sales	<u>(4,658)</u>	<u>(7,618)</u>
<b>Gross profit</b>	1,142	346
Administrative expenses	(2,824)	(5,209)
Separately identifiable expenses	—	(1,258)
Total administrative expenses	(2,824)	(6,467)
Share of losses of joint venture	—	(145)
<b>Loss from operations</b>	(1,682)	(6,266)
Finance expenses	(198)	(358)
Finance income	2	6
<b>Loss before tax from discontinued operation</b>	(1,878)	(6,618)
Gain on disposal of discontinued operation	11,426	—
Income tax	—	44
<b>Profit/(loss) after tax</b>	<u>9,548</u>	<u>(6,574)</u>

In December 2007 Freeplay Energy wrote down by \$540,000 the value of inventory for slow moving products. \$234,000 of this charge related to the cancellation of the WP phones contract.

As announced in August 2007 Freeplay Energy plc embarked on an aggressive restructuring program involving the consolidation of locations and functions as a result of which it incurred one-off severance and exit costs. The cost of this program was \$1,258,000.

The net cashflows attributable to discontinued operations are as follows:

	<i>2008</i>	<i>2007</i>
	<i>US\$000</i>	<i>US\$000</i>
Operating activities	677	(2,978)
Investing cashflow	(629)	(448)
Financing activities	(1,217)	3,093
Net cash outflow	<u>(1,169)</u>	<u>(333)</u>
Earnings/(loss) per share from discontinued operation	0.10	(0.12)
Basic	0.10	(0.12)
Diluted	<u>0.10</u>	<u>(0.12)</u>

Note 8

The net liabilities of the Freeplay Energy division at the date of disposal were as follows:

	<i>2008</i> <i>US\$000</i>
Property, plant and equipment	544
Intangible assets	379
Inventories	1,196
Receivables	2,283
Payables	<u>(4,152)</u>
Total assets and liabilities disposed of other than cash and cash equivalents	250
Attributable foreign exchange differences	(154)
Gain from disposal of subsidiary undertakings	<u>11,426</u>
	<u><u>11,522</u></u>
Satisfied by:	
Cash consideration	5,500
Deferred consideration	<u>1,500</u>
Total consideration	7,000
Costs of disposal	(374)
Cash and cash equivalents in Freeplay division	<u>4,896</u>
	11,522
Less deferred consideration	<u>(1,500)</u>
	<u><u>10,022</u></u>

The deferred consideration will be settled in cash by the purchaser on or before 31 December 2009.

## **5 Employees**

### ***Number of Employees***

The average monthly numbers of employees (including the Directors) during the period were:

	<i>2008</i> <i>Number</i>	<i>2007</i> <i>Number</i>
Sales	71	87
Operations	30	44
Product development	—	4
Administration and executive	<u>24</u>	<u>38</u>
	<u><u>125</u></u>	<u><u>173</u></u>

### ***Employment Costs***

	<i>2008</i> <i>US\$000</i>	<i>2007</i> <i>US\$000</i>
Wages and salaries	7,140	8,805
Social security costs	75	124
Pension costs	6	83
Share based compensation	<u>265</u>	<u>494</u>
	<u><u>7,486</u></u>	<u><u>9,506</u></u>

### ***Directors' Emoluments***

	<i>2008</i> <i>US\$000</i>	<i>2007</i> <i>US\$000</i>
Remuneration and other emoluments	981	1,600
Share based compensation	<u>159</u>	<u>392</u>
	<u><u>1,140</u></u>	<u><u>1,992</u></u>

	<i>US\$000</i>	<i>US\$000</i>
Highest paid Director amounts included above:		
Remuneration and other emoluments	240	464
Share based compensation	42	91
	<u>282</u>	<u>555</u>

No retirement benefits are accruing to any directors under money purchase or defined benefit schemes.

## 6 Finance Costs

	<i>2008</i> <i>US\$000</i>	<i>2007</i> <i>US\$000</i>
Interest payable on bank overdraft	581	654
Interest payable on finance leases	13	7
Interest payable on other loans	45	78
Interest payable on continued activities	639	739
Interest payable on discontinued activities	198	358
	<u>837</u>	<u>1,097</u>
Interest receivable on continued activities	(33)	(1)
Interest receivable on discontinued activities	(2)	(6)
	<u>(35)</u>	<u>(7)</u>
Net interest payable and similar items	<u>802</u>	<u>1,090</u>

## 7 Taxation

	<i>2008</i> <i>US\$000</i>	<i>2007</i> <i>US\$000</i>
ANALYSIS OF CHARGE IN YEAR		
Current tax		
UK corporation tax	—	—
Adjustments in respect of previous periods	—	44
Total current tax charge	<u>—</u>	<u>44</u>
Foreign tax	—	—
Foreign tax credit	—	226
Total current tax charge	<u>—</u>	<u>270</u>
Deferred tax		
Temporary differences, origination and reversal	(404)	204
Recognition of asset arising from losses	(770)	—
Total deferred tax credit	<u>(1,174)</u>	<u>204</u>
Tax credit on (profit)/loss for the period	<u>(1,174)</u>	<u>474</u>

### ***Factors Affecting Tax Charge for Year***

The tax assessed for the period is higher than the standard rate of corporation tax in the UK 28.5 per cent. (30 per cent.). The differences are explained below:

	<i>2008</i> <i>US\$000</i>	<i>2007</i> <i>US\$000</i>
Profit/(loss) before taxation	<u>6,916</u>	<u>(11,139)</u>
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 28.5% (2007: 30%)	1,971	(3,342)
EFFECTS OF:		
Tax effect of expenses that are not deductible in determining taxable profit	(2,478)	3,342
Adjustments to tax charge in respect of previous periods	—	(44)
Relief for overseas taxation	—	(270)
Tax effect of recognition of tax losses made in prior years	(770)	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	<u>103</u>	<u>(204)</u>
Current tax credit/(expense) for year	<u>1,174</u>	<u>(518)</u>

### **8 Earnings/(Loss) Per Share**

	<i>2008</i> <i>US\$000</i>	<i>2007</i> <i>US\$000</i>
(Loss) for the financial year from continuing operations	(1,458)	(4,047)
Profit/(loss) for the financial year from discontinued operations	<u>9,548</u>	<u>(6,574)</u>
Profit/(loss) for the financial year	<u>8,090</u>	<u>(10,621)</u>
Average number of ordinary shares in issue	96,865	52,123
Dilutive potential of share options	—	—
	<u>96,865</u>	<u>52,123</u>
EPS from continuing operations		
Basic loss per 5p (2007: 5p) ordinary share (in US\$)	(0.02)	(0.08)
Diluted loss per 5p (2007: 5p) ordinary share (in US\$)	<u>(0.02)</u>	<u>(0.08)</u>
EPS from discontinued operations Note 4		
Basic earnings/(loss)per 5p (2007: 5p) ordinary share (in US\$)	0.10	(0.12)
Diluted earnings/(loss)per 5p (2007: 5p) ordinary share (in US\$)	<u>0.10</u>	<u>(0.12)</u>

The calculation of the basic and diluted earnings/(loss) per ordinary share of 5p (2007: 5p) each has been based on the profit/(loss) for the relevant financial year and on 96,864,559 shares (2007: 52,122,768). This represents the weighted average number of ordinary shares in issue. The loss for the year from continuing operations and the weighted average number of ordinary shares for the purposes of calculating the diluted loss per share from continuing operations are the same as for the basic loss per share calculation. This is because the outstanding share options would have the effect of reducing the loss per ordinary share and therefore not dilute under the terms of IAS 33.

## 9 Intangible Assets

### a) Goodwill

Group

	<i>US\$000</i>
Cost	
At 31 December 2006	5,282
Additions	—
At 31 December 2007	5,282
Additions	—
At 31 December 2008	<u>5,282</u>
Impairment	
At 31 December 2006	—
Impairment	1,787
At 31 December 2007	1,787
Impairment	—
At 31 December 2008	<u>1,787</u>
Net book values	
At 31 December 2008	<u>3,495</u>
At 31 December 2007	<u>3,495</u>

Goodwill is allocated to cash-generating units (CGUs) identified on the basis of business segments. The amounts at 31 December 2008 and 31 December 2009 relate to the goodwill arising on the acquisition of Dixie Sales Inc.

The recoverable amount of the CGUs has been determined by value in use calculations. The calculations used pre-tax cash flow projections based on the approved budgets for the next two years. In accordance with IAS 36 cash flows beyond the budgeted two year period are extrapolated using an estimated growth rate of 2.5 per cent. which does not exceed the long-term average growth rate for the industry.

The key assumptions applied in the calculations were:

Gross margin	30%
Growth rate for revenue for 2009 and 2010	5%

A discount rate of 18 per cent. being the weighted average cost of capital.

Management determined the gross margin rate based on past performance and future trading conditions. The discount rates used are pre-tax and reflect the risks of the business segment.

Following value in use calculations of impairment IAS 36, utilising the above assumptions, the directors do not consider a further adjustment is required.

b) *Other intangible assets*

	<i>Contractual relationships US\$000</i>	<i>Website US\$000</i>	<i>Development expenditure US\$000</i>	<i>Computer software US\$000</i>	<i>Total US\$000</i>
<b>Cost</b>					
At 31 December 2007	4,416	287	449	184	5,336
Additions	—	—	—	51	51
Arising on the disposal of discontinued operations	—	—	(449)	(10)	(459)
Exchange differences	—	—	—	—	—
Balance as at 31 December 2008	<u>4,416</u>	<u>287</u>	<u>—</u>	<u>225</u>	<u>4,928</u>
<b>Amortisation</b>					
At 31 December 2007	626	136	80	66	908
Charge for the period	441	96	—	62	599
Arising on the disposal of discontinued operations	—	—	(80)	—	(80)
Exchange differences	—	(1)	—	—	(1)
Balance as at 31 December 2008	<u>1,067</u>	<u>231</u>	<u>—</u>	<u>128</u>	<u>1,426</u>
<b>Net book value</b>					
At 31 December 2008	<u>3,349</u>	<u>56</u>	<u>—</u>	<u>97</u>	<u>3,502</u>
At 31 December 2007	<u>3,790</u>	<u>151</u>	<u>369</u>	<u>118</u>	<u>4,428</u>

The amortisation is recognised within administrative expenses in the income statement.

	<i>Contractual relationships US\$000</i>	<i>Website US\$000</i>	<i>Development expenditure US\$000</i>	<i>Computer software US\$000</i>	<i>Total US\$000</i>
<b>Cost</b>					
At 31 December 2006	4,416	287	156	299	5,158
Additions	—	—	293	76	369
Disposals	—	—	—	(194)	(194)
Exchange differences	—	—	—	3	3
Balance as at 31 December 2007	<u>4,416</u>	<u>287</u>	<u>449</u>	<u>184</u>	<u>5,336</u>
<b>Amortisation</b>					
At 31 December 2006	184	40	36	208	468
Charge for the period	442	96	44	51	633
Disposals	—	—	—	(194)	(194)
Exchange differences	—	—	—	1	1
Balance as at 31 December 2007	<u>626</u>	<u>136</u>	<u>80</u>	<u>66</u>	<u>908</u>
<b>Net book value</b>					
At 31 December 2007	<u>3,790</u>	<u>151</u>	<u>369</u>	<u>118</u>	<u>4,428</u>
At 31 December 2006	<u>4,232</u>	<u>247</u>	<u>120</u>	<u>91</u>	<u>4,690</u>

## 10 Property, Plant and Equipment

	<i>Leasehold improvements US\$000</i>	<i>Plant machinery moulds &amp; tooling US\$000</i>	<i>Office furniture &amp; equipment US\$000</i>	<i>Motor vehicles US\$000</i>	<i>Total US\$000</i>
<b>Cost</b>					
At 1 January 2008	381	970	532	3	1,886
Additions	—	442	53	—	495
Disposals	(14)	—	(112)	—	(126)
Arising on the disposal of discontinued operations	—	(1,412)	(110)	(3)	(1,525)
At 31 December 2008	<u>367</u>	<u>—</u>	<u>363</u>	<u>—</u>	<u>730</u>
<b>Depreciation</b>					
At 1 January 2008	22	680	233	3	938
Charge for the year	24	168	150	—	342
Disposals	(2)	—	(110)	—	(112)
Arising on the disposal of discontinued operations	—	(848)	(131)	(3)	(982)
At 31 December 2008	<u>44</u>	<u>—</u>	<u>142</u>	<u>—</u>	<u>186</u>
<b>Net book values</b>					
At 31 December 2008	<u>323</u>	<u>—</u>	<u>221</u>	<u>—</u>	<u>544</u>
At 31 December 2007	<u>359</u>	<u>290</u>	<u>299</u>	<u>—</u>	<u>948</u>

Included in the above is a net book value of US\$216,000 in respect of assets held under finance leases (2007: US\$297,000).

The depreciation is recognised within administrative expenses in the income statement.

	<i>Leasehold improvements US\$000</i>	<i>Plant machinery moulds &amp; tooling US\$000</i>	<i>Office furniture &amp; equipment US\$000</i>	<i>Motor vehicles US\$000</i>	<i>Total US\$000</i>
<b>Cost</b>					
At 31 December 2006	397	1,104	882	3	2,386
Additions	—	181	45	—	226
Disposals	(16)	(317)	(400)	—	(733)
Exchange difference	—	2	5	—	7
At 31 December 2007	<u>381</u>	<u>970</u>	<u>532</u>	<u>3</u>	<u>1,886</u>
<b>Depreciation</b>					
At 31 December 2006	8	518	471	3	1,000
Charge for the year	23	350	147	—	520
Disposals	(9)	(192)	(388)	—	(589)
Exchange difference	—	4	3	—	7
At 31 December 2007	<u>22</u>	<u>680</u>	<u>233</u>	<u>3</u>	<u>938</u>
<b>Net book values</b>					
At 31 December 2007	<u>359</u>	<u>290</u>	<u>299</u>	<u>—</u>	<u>948</u>
At 31 December 2006	<u>389</u>	<u>586</u>	<u>411</u>	<u>—</u>	<u>1,386</u>

## 11 Non Current Asset Investments

In 2007 an investment was made in a 50 per cent. joint venture, Freeplay Energy India Pvt. Ltd., comprising 350,000 shares of 10 rupees per share. This investment was disposed of on August 4, 2008 as part of the disposal of the Freeplay subsidiaries.

	<i>Share of net assets US\$000</i>	<i>Advances US\$000</i>	<i>Total US\$000</i>
Balance as at 1 January 2007	—	—	—
Acquisitions of interest in joint venture	—	145	145
Share of result, net of tax	(145)	—	(145)
Balance as at 31 December 2007	<u>(145)</u>	<u>145</u>	<u>—</u>

	<i>Share of net assets US\$000</i>	<i>Advances US\$000</i>	<i>Total US\$000</i>
Balance as at 1 January 2007	(145)	145	—
Disposal of interest in joint venture	145	(145)	—
Balance as at 31 December 2008	<u>—</u>	<u>—</u>	<u>—</u>

## 12 Inventories

	<i>2008 US\$000</i>	<i>2007 US\$000</i>
Finished goods	8,257	11,486
Raw materials and consumables	—	2
	<u>8,257</u>	<u>11,488</u>

Inventories include an obsolescence provision of \$78,200, (2007: \$94,600).

## 13 Trade and Other Receivables

	<i>2008 US\$000</i>	<i>2007 US\$000</i>
Trade receivables	4,173	6,919
Other receivables	1,592	427
Prepayments	344	348
	<u>6,109</u>	<u>7,694</u>

The directors consider that the carrying amount of trade and other receivables approximates their fair value. The Group's credit risk is primarily attributable to trade receivables. The amounts presented in the balance sheet are net of allowances. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

	<i>2008 US\$000</i>	<i>2007 US\$000</i>
Trade receivable provision		
Provision at January 1	120	100
Utilised during year	(149)	(98)
Provided during year	151	118
Provision at December 31	<u>122</u>	<u>120</u>

	2008 US\$000	2007 US\$000
Ageing of trade receivables		
Future	1,169	1,419
Current	941	3,601
1-30 past due	563	854
31-60 past due	375	298
61+ past due	1,125	747
Total	<u>4,173</u>	<u>6,919</u>

Included in other receivables is \$1.5 million in respect of deferred consideration relating to the disposal of the Freeplay divisions. This receivable is due in December 2009.

#### 14 Current Liabilities

	2008 US\$000	2007 US\$000
Trade and other payables:		
Trade payables	4,629	6,712
Other accounts payable	14	621
Other taxation and social security costs	—	44
Accruals	69	1,131
	<u>4,712</u>	<u>8,508</u>
Financial liabilities:		
Bank overdraft	5,987	13,091
Other borrowings	29	29
Promissory note	107	—
Finance leases	71	169
	<u>6,194</u>	<u>13,289</u>
	<u>10,906</u>	<u>21,797</u>

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 56 days (2007: 47 days).

The promissory note is payable in monthly and quarterly instalments and does not bear interest.

The carrying amount of trade and other payables approximates to their fair values.

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is between 3 and 5 years. For the year ended 31 December 2008, the average effective borrowing rate was 7.4 per cent. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in US Dollars.

The fair value of the Group's lease obligations approximates their carrying amount.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets. The net book value of the secured assets is disclosed in note 10.

The bank overdrafts are secured by a floating charge over the inventory and trade receivables of group companies and by director and shareholder guarantees (refer to note 18). Other borrowings comprise the following:

	<i>2008</i>	<i>2007</i>
	<i>US\$000</i>	<i>US\$000</i>
Other shareholder loans	<u>29</u>	<u>29</u>

Other shareholder loans of US\$29,000 (2007: US\$29,000) represent amounts repayable to certain shareholders. No interest is payable on these amounts. Further details of shareholder loans and loans from directors are set out in note 18.

## 15 Non Current Liabilities

	<i>2008</i>	<i>2007</i>
	<i>US\$000</i>	<i>US\$000</i>
Financial liabilities:		
Promissory note	—	274
Finance leases	19	90
	<u>19</u>	<u>364</u>

## 16 Provisions for Deferred Taxation

	<i>2008</i>	<i>2007</i>
	<i>US\$000</i>	<i>US\$000</i>
At 1 January	1,698	1,902
Recognition of tax asset for losses in subsidiary	(770)	—
Income statement credit	(404)	(204)
At 31 December	<u>524</u>	<u>1,698</u>
	<i>2008</i>	<i>2007</i>
	<i>US\$000</i>	<i>US\$000</i>
Other short term temporary differences	1,294	1,698
Net operating losses	(770)	—
	<u>524</u>	<u>1,698</u>
	<i>2008</i>	<i>2007</i>
	<i>US\$000</i>	<i>US\$000</i>
Unrecognised deferred tax asset		
At 1 January	3,299	1,512
Disposal of Freeplay Energy Division	(2,187)	—
Recognised in period	(770)	—
Generated in period	986	1,787
At 31 December	<u>1,328</u>	<u>3,299</u>

At the balance sheet date, the Group has unused tax losses of \$4,742,000 (2007: \$10,997,000) available for offset against future profits. A deferred tax asset of \$770,000 (2007: \$Nil) has been recognised in respect of such losses on the basis that the directors consider that they will be fully recoverable against approved budgets, extrapolated forecasts and management's current strategy. No deferred tax asset has been recognised in respect of the remaining losses due to the unpredictability of future profit streams. Unrecognised tax losses are losses may be carried forward indefinitely.

## 17 Share Capital

	2008		2007	
	<i>Number of shares</i>	<i>US\$000</i>	<i>Number of shares</i>	<i>US\$000</i>
Authorised				
Ordinary shares of 5p each	150,000,000	14,884	150,000,000	14,884
Deferred shares of 45p each	4,110,650	3,671	4,110,650	3,671
		<u>18,555</u>		<u>18,555</u>
Allotted, called up and fully paid				
Ordinary shares of 5p each				
At the beginning of the year	96,864,559	9,471	49,801,868	4,653
Allotments in the year	—	—	47,062,691	4,818
At the end of the year	<u>96,864,559</u>	<u>9,471</u>	<u>96,864,559</u>	<u>9,471</u>
Deferred shares of 45p each	<u>1,730,098</u>	<u>1,955</u>	<u>1,730,098</u>	<u>1,955</u>
Total				
At the beginning of the year		11,426		6,608
Allotments in the year		—		4,818
At the end of the year		<u>11,426</u>		<u>11,426</u>

The company's deferred shares have no rights to dividends or voting rights.

### *Share options*

At 31 December 2008 the Company had 12,652,641 ordinary shares under option of 5p each (2007: 11,146,697) under the Company's share option schemes, details of which are included below:

<i>Grant date</i>	<i>Subscription price per share</i>	<i>Number of shares for which rights exercisable</i>	<i>Period over which options are exercisable</i>
24 February 2005	52p	1,036,062	24 February 2005 to 24 February 2012
19 October 2005	52p	100,000	1 July 2006 to 1 July 2011
5 May 2005	52p	100,000	31 March 2006 to 31 March 2011
22 June 2006	29p	2,116,579	22 June 2007 to 22 June 2016
1 January 2007	31p	200,000	1 July 2008 to 1 January 2017
5 May 2007	20p	100,000	2 November 2008 to 5 May 2012
17 December 2007	6.5p	500,000	1 July 2009 to 17 December 2012
31 December 2007	6.5p	5,500,000	31 December 2008 to 31 December 2017
22 September 2008	4.5p	3,000,000	31 December 2008 to 22 September 2018
Total share options in issue		<u>12,652,641</u>	

A reconciliation of option movements over the year to 31 December 2008 is shown below:

	2008		2007	
	<i>Number</i>	<i>Weighted average exercise price</i>	<i>Number</i>	<i>Weighted average exercise price</i>
Outstanding at 1 January	11,146,697	19.4p	5,882,757	38p
Granted	3,000,000	4.5p	6,300,000	7.5p
Forfeited/Lapsed	(1,494,056)	29p	(1,036,060)	52p
Exercised	—	—	—	—
Outstanding at 31 December	<u>12,652,641</u>	<u>14.7p</u>	<u>11,146,697</u>	<u>19.4p</u>
Exercisable at 31 December	<u>7,785,974</u>	<u>20.3p</u>	<u>4,846,697</u>	<u>34.9p</u>

The Group charged \$265,000 (2007: \$494,000) to the income statement in relation to share based payments.

Expected volatility was based upon the historical volatility over the expected life of the schemes. The expected life is based upon historical data and has been adjusted based on management's best estimates for the effects of non-transferability, exercise restrictions and behavioural considerations.

Options granted during the year to employees of Fieldbury plc were:

<i>Grant date</i>	<i>22 September 2008</i>
Share price at grant date	4.5p
Exercise price	4.5p
Number of employees	5
Share options granted	3,000,000
Vesting period (months)	3 to 27
Expected volatility	30.4%
Option life (years)	10
Expected life (years)	10
Risk free rate	4%
Expected dividends expressed as a dividend yield	—
Fair value per option	1.5p

## **18 Related Party Transactions**

### ***Shareholder guarantees***

The group has a line of credit with a financial institution that is secured by an inter-creditor agreement whereby the financial institution shares a first lien on substantially all accounts receivable, inventories, equipment and general intangibles. The credit agreement is further secured by a guarantee of the shareholders of the company.

### ***Freeplay Foundation***

Freeplay Foundation is a company limited by guarantee and registered in England and Wales. The Foundation is a non-profit organisation whose key aim is to promote alternative energy solutions, and provides the group with contacts and greater access to the humanitarian aid market and the Developing World. Whilst the Freeplay Foundation operates as a separate organisation, certain directors of Fieldbury plc who served during the year ended 31 December 2008, and certain shareholders of Fieldbury plc serve on the Council of Management of Freeplay Foundation. Freeplay Foundation receives certain management, finance, administration and support services from the group and receives an annual grant from the group (31 December 2008: US\$136,500; 30 December 2007: US\$150,000), which is used to fund overheads including the salary costs of the Executive Director of the Foundation.

### ***Transactions with directors***

During the year ended 31 December 2008, a director, T D Roddick Esq, advanced a loan totalling US\$1,019,202. During the current year the amount was fully repaid. Interest was payable on this loan at 4 per cent. per annum (\$40,768). Another advance was made during the year ended 31 December 2008, by a director, H Reiter, totalling US\$200,000. During the current year the amount was fully repaid. Interest was payable on this loan at 14 per cent. per annum (\$4,493). Directors' emoluments may be found in note 5 to the accounts. In addition share based compensation of US\$158,939 (2007: US\$490,000) was charged to the income statement.

## **19 Financial Instruments**

The group's financial instruments comprise borrowings, cash and cash equivalents, trade receivables, and trade payables, which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's working capital.

The group does not generally enter into derivative transactions (such as interest rate swaps and forward foreign currency contracts), and it is, and has been throughout the year under review, the group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

### ***Interest rate risk***

The group finances its operations through a mixture of bank borrowings and other borrowings. The group borrows in currencies at both fixed and floating rates of interest in order to generate the desired interest profile. Management review and agree the mix of borrowings and will amend the mix to ensure a suitable risk position of the group.

### ***Liquidity risk***

The group's policy is to achieve continuity of funding by ensuring that adequate loan facilities are in place appropriate to meet its forecast requirements. The Board receives regular cash flow forecasts to ensure that sufficient funding is in place as it is required. Where possible the group seeks to put committed facilities in place.

### ***Foreign currency risk***

The group's operational and reporting currency is US dollars, and where possible revenues, costs and financing of the group's global operations are denominated in this currency. Sterling denominated amounts have been retranslated into US dollars using the following rates of exchange: 31 December 2008 £1/US\$1.941 (2007 £1/US\$1.9843).

### ***Interest rate risk profile of financial liabilities***

The interest rate profile of the financial liabilities of the Group as at 31 December 2008 is as follows:

	<i>Fixed rate financial liabilities US\$000</i>	<i>Floating rate financial liabilities US\$000</i>	<i>Financial liabilities on which no interest is paid US\$000</i>	<i>Total US\$000</i>
2008				
US dollars				
Other borrowings	—	29	107	136
Overdrafts	—	5,987	—	5,987
Finance leases	90	—	—	90
At 31 December 2008	<u>90</u>	<u>6,016</u>	<u>107</u>	<u>6,213</u>
2007				
US dollars				
Other borrowings	—	29	274	303
Overdrafts	—	13,091	—	13,091
Finance leases	259	—	—	259
At 31 December 2007	<u>259</u>	<u>13,120</u>	<u>274</u>	<u>13,653</u>

	<i>Fixed rate financial liabilities</i>		<i>Financial liabilities on which no interest is paid</i>
	<i>Weighted average interest rate %</i>	<i>Weighted average period for which rate is fixed years</i>	<i>Weighted average period for until maturity years</i>
At 31 December 2008			
US dollars			
Other borrowings	—	—	0.7
Finance leases	7.40%	1.2	—
At 31 December 2007			
US dollars			
Other borrowings	—	—	1.6
Finance leases	7.40%	2.6	—

The above disclosures exclude short term receivables and accounts payable arising directly from the group's operations

Floating rate financial liabilities bear interest at rates based on relevant national LIBOR equivalents.

Other borrowings on which no interest is paid represents a promissory note of US\$107,000 (2007: US\$274,000) and a loan from shareholders of US\$29,000 (2007: US\$29,000).

#### ***Maturity of financial liabilities***

The maturity profile of the carrying amount of the group's financial liabilities, other than short-term trade payables and accruals during the year of the financial statements was as follows:

	<i>At 31 December 2008</i>			<i>At 31 December 2007</i>		
	<i>Debt US\$000</i>	<i>Finance leases US\$000</i>	<i>Total US\$000</i>	<i>Debt US\$000</i>	<i>Finance leases US\$000</i>	<i>Total US\$000</i>
Payable within one year, or on demand	6,123	71	6,194	13,120	169	13,289
Payable between two and five years	—	19	19	274	90	364
	<u>6,123</u>	<u>90</u>	<u>6,213</u>	<u>13,394</u>	<u>259</u>	<u>13,653</u>

#### ***Borrowing facility***

The group has US\$3,764,000 (2007: US\$2,516,000) undrawn committed borrowing facilities at 31 December 2008.

#### ***Sensitivity analysis***

The Directors have considered the impact of interest rate sensitivity. Based on the average debt outstanding a movement of 100 basis points gives rise to a financial impact of approximately \$80,000.

#### ***Fair values of financial assets and financial liabilities***

The following table provides a comparison by category of the carrying amounts and the fair values of the group's financial assets and financial liabilities at 31 December 2008 and 31 December 2007. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest. Market values are not available and accordingly, fair values have been calculated by discounting expected cash flows at prevailing interest and exchange rates. Set out below the table is a summary of methods and assumptions used for each category of financial instruments.

	<i>At 31 December 2008</i>		<i>At 31 December 2007</i>	
	<i>Book</i>	<i>Fair</i>	<i>Book</i>	<i>Fair</i>
	<i>value</i>	<i>value</i>	<i>value</i>	<i>value</i>
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Primary financial instruments held or issued to finance the group's operations:				
Short term borrowings	(5,987)	(5,987)	(13,394)	(13,394)
Other financial liabilities	(29)	(29)	(259)	(259)
Cash and cash equivalents	2,697	2,697	396	396

Short term receivables and payables whose carrying amount is a reasonable approximation to fair value have been excluded from the tables above.

### ***Summary of methods and assumptions***

#### ***Borrowings and other financial liabilities***

The fair value of other financial liabilities has been calculated by discounting expected cash flows at prevailing rates.

#### ***Foreign currency profile of financial assets***

The foreign currency profile of the financial assets of the Group as at 31 December 2008 is as follows:

	<i>Cash and cash equivalents</i>	
	<i>2008</i>	<i>2007</i>
	<i>US\$000</i>	<i>US\$000</i>
Currency		
Sterling	49	91
US Dollars	2,648	118
Other currencies	—	187
	<u>2,697</u>	<u>396</u>
Other Currencies		
South African Rand	—	69
Kenyan Schilling	—	113
Euro	—	5
	<u>—</u>	<u>187</u>

#### ***Foreign currency profile of financial liabilities***

All financial liabilities of the Group are denominated in US Dollars.

### ***Hedges***

The group has no financial instruments used as hedges during the year or prior year covered by the financial statements.

## **20 Pension Commitments**

There are no pension arrangements for employees following termination of the scheme in December 2007 and the disposal of Freeplay Energy Division.

## **21 Operating Lease Commitments**

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

	<i>2008</i>	<i>2007</i>
	<i>US\$000</i>	<i>US\$000</i>
Amounts due under non-cancelling operating leases		
Within one year	512	1,028
Within two to five years	1,346	2,076
After five years	—	218
	<u>1,858</u>	<u>3,322</u>

The operating leases range from a life of 15 to 25 years.

## **22 Other Financial Commitments**

### ***Security over assets***

For the year covered by the financial statements the group has lease agreements in respect of properties for which the payments extend over a number of years.

The group has a line of credit with a financial institution that is secured by an inter creditor agreement whereby the financial institution shares a first lien on a United States subsidiary on substantially all accounts receivable, inventories, equipment and general intangibles. The credit agreement is further secured by a guarantee of a shareholder of the company. The agreement contains certain restrictive covenants requiring the group to maintain specified levels of net worth and certain financial ratios. During 2007 a breach of the covenants occurred. The group, after discussions with the financial institution, obtained a written waiver for the breach in February 2008. At December 31, 2008, the group was either in compliance with the covenants or had received written waivers from the bank.

At the end of the year there were US\$nil (2007: US\$260,000) funds committed by way of letters of credit.

## COMPANY BALANCE SHEET

As at 31 December 2008

	<i>Notes</i>	<i>2008 US\$000</i>	<i>2007 US\$000</i>
<b>Fixed assets</b>			
Tangible fixed assets	2	6	3
Investments	3	9,705	9,650
		<u>9,711</u>	<u>9,653</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	4	3,108	1,191
Cash and cash equivalents	5	2,649	—
		<u>5,757</u>	<u>1,191</u>
Creditors: amounts falling due within one year	6	(379)	(259)
<b>Net current assets</b>		<u>5,378</u>	<u>932</u>
<b>Total assets less current liabilities</b>		15,089	10,585
Creditors: amounts falling due after one year	7	—	(274)
<b>Net assets</b>		<u>15,089</u>	<u>10,311</u>
<b>Capital and reserves</b>			
Called up share capital	8	11,426	11,426
Share premium account	9	28,761	28,761
Merger reserve	9	1,947	1,947
Other reserve	9	60	60
Share based compensation reserve	9	1,727	1,881
Profit and loss account	9	(28,832)	(33,764)
<b>Shareholders funds</b>		<u>15,089</u>	<u>10,311</u>

The financial statements were approved by the Board of Directors and authorised for issue on 29 April 2009 and are signed on its behalf by:



R STEAR  
*Director*

## **ACCOUNTING POLICIES**

As at 31 December 2008

### **Accounting Convention**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

### **Change in Accounting Policies**

The Company has consistently applied all relevant accounting standards.

### **Basis of Accounting and Reporting Currency**

The financial statements are prepared in accordance with the historical cost convention. The financial statements are presented in United States of America Dollars, denoted by the symbol "US\$", as this is considered to be the company's functional currency.

### **Fixed Asset Investments**

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

### **Tangible Fixed Assets**

Tangible fixed assets are stated at cost. The cost is the purchase cost, together with any directly attributable costs of acquisition. Depreciation is calculated so as to write off the cost of fixed assets, less their estimated residual values, over the expected useful economic lives of the assets concerned.

The principal annual rates for this purpose are:

Office furniture and equipment – 10% – 20% straight line

### **Share-Based Compensation**

The company operates an equity-settled, share based compensation plan. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and growth targets). Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to reserves over the remaining vesting period.

The proceeds received net of any attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

### **Deferred Taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are difference between the Company taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax arrangements in periods different from those in which they are recognised in the financial statements.

Deferred tax assets are recognised only to the extent that the Directors consider that 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.

Deferred tax is calculated at the rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

**Cashflow Statement**

The Company has taken advantage of the exemption permitted by FRS1 not to present a cash flow statement.

**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
As at 31 December 2008

**1 Profit/(Loss) Attributable to Members of the Parent Company**

The company's profit for the current year to 31 December 2008 amounted to US\$4,513,000 (31 December 2007: loss of US\$(5,208,000)). The directors have taken advantage of the exemption available under section 230 of the Companies Act 1985 and not presented a profit and loss account for the company alone.

**2 Tangible Fixed Assets**

	<i>Computer equipment US\$000</i>	<i>Total US\$000</i>
Cost		
At 1 January 2008	4	4
Additions	7	7
Disposals	(3)	(3)
At 31 December 2008	<u>8</u>	<u>8</u>
Depreciation		
At 1 January 2008	1	1
Charge for the year	2	2
Disposals	(1)	(1)
At 31 December 2008	<u>2</u>	<u>2</u>
Net book values		
At 31 December 2008	<u>6</u>	<u>6</u>
At 31 December 2007	<u>3</u>	<u>3</u>

**3 Fixed Asset Investments**

	<i>Shares in subsidiary undertakings US\$000</i>
Cost	
As at 1 January 2008	21,437
Additions (see note 11)	1,000
Disposals	(10,145)
At 31 December 2008	<u>12,292</u>
Provision	
As at 1 January 2008	11,787
Disposal	(10,000)
Impairment	800
At 31 December 2008	<u>2,587</u>
Net book values	
At 31 December 2008	<u>9,705</u>
At 31 December 2007	<u>9,650</u>

The impairment amount this year (2007: \$1,787,000) has been determined by value in use calculations. The calculations used pre-tax cash flow projections over the next five year period based on the budgets for the next two years. A discount rate of 18 per cent. was used, being a risk free rate of 7 per cent. compounded with a risk premium of 11 per cent. Following calculation of value in use under FRS11, utilising the above assumptions, a further impairment of \$800,000 was made.

Details of subsidiary undertakings at the end of the year, which are wholly owned by the company except where noted, are as follows:

<i>Company</i>	<i>Country of registration or incorporation</i>	<i>Shares held class</i>	<i>Proportion of shares held</i>	<i>Nature of business</i>
Fieldbury Holdings Inc (previously Freeplay Holdings Inc)	USA	3,100 common shares without nominal or par value	100%	Dormant
Dixie Sales Inc (*)	USA	96 shares of US\$100 each common stock	100%	Wholesale distribution company
Freeplay Asia Limited (**)	Hong Kong	2 ordinary shares of HK\$1 each	100%	Dormant
Summerspark Limited	United Kingdom	2 ordinary shares of £1 each	100%	Dormant

(\*) denotes indirect shareholding

(\*\*) denotes 50 per cent. held directly and 50 per cent. held indirectly

Details of subsidiaries and joint ventures disposed of during the year may be found in note 10.

#### 4 Debtors

	<i>2008</i> <i>US\$000</i>	<i>2007</i> <i>US\$000</i>
Amounts due from group undertakings	1,437	1,047
Other debtors	1,570	105
Prepayments	101	39
	<u>3,108</u>	<u>1,191</u>

#### 5 Cash and Cash Equivalents

	<i>2008</i> <i>US\$000</i>	<i>2007</i> <i>US\$000</i>
Cash at bank	<u>2,649</u>	<u>—</u>

#### 6 Creditors: amounts falling due within one year

	<i>2008</i> <i>US\$000</i>	<i>2007</i> <i>US\$000</i>
Trade payables	173	—
Other shareholders loans	29	29
Promissory note	107	—
Accruals	70	230
	<u>379</u>	<u>259</u>

#### 7 Creditors: amounts falling due after one year

	<i>2008</i> <i>US\$000</i>	<i>2007</i> <i>US\$000</i>
Promissory note	<u>—</u>	<u>274</u>

## 8 Share Capital

	2008		2007	
	<i>Number of shares</i>	<i>US\$000</i>	<i>Number of shares</i>	<i>US\$000</i>
Authorised				
Ordinary shares of 5p each	150,000,000	14,884	150,000,000	14,884
Deferred shares of 45p each	4,110,650	3,671	4,110,650	3,671
		<u>18,555</u>		<u>18,555</u>
Allotted, called up and fully paid				
Ordinary shares of 5p each				
At the beginning of the year	96,864,559	9,471	49,801,868	4,653
Allotments in the year	—	—	47,062,691	4,818
At the end of the year	<u>96,864,559</u>	<u>9,471</u>	<u>96,864,559</u>	<u>9,471</u>
Deferred shares of 45p each	<u>1,730,098</u>	<u>1,955</u>	<u>1,730,098</u>	<u>1,955</u>
Total				
At the beginning of the year		11,426		6,608
Allotments in the year		—		4,818
At the end of the year		<u>11,426</u>		<u>11,426</u>

The company's deferred shares have no rights to dividends or voting rights.

### *Share options*

At 31 December 2008 the Company had 12,652,641 ordinary shares under option of 5p each (2007: 11,146,697) under the Company's share option schemes, details of which are included below:

<i>Grant date</i>	<i>Subscription price per share</i>	<i>Number of shares for which rights exercisable</i>	<i>Period over which options are exercisable</i>
24 February 2005	52p	1,036,062	24 February 2005 to 24 February 2012
19 October 2005	52p	100,000	1 July 2006 to 1 July 2011
5 May 2005	52p	100,000	31 March 2006 to 31 March 2011
22 June 2006	29p	2,116,579	22 June 2007 to 22 June 2016
1 January 2007	31p	200,000	1 July 2008 to 1 January 2017
5 May 2007	20p	100,000	2 November 2008 to 5 May 2012
17 December 2007	6.5p	500,000	1 July 2009 to 17 December 2012
31 December 2007	6.5p	5,500,000	31 December 2008 to 31 December 2017
22 September 2008	4.5p	3,000,000	31 December 2008 to 22 September 2018
Total share options in issue		<u>12,652,641</u>	

A reconciliation of option movements over the year to 31 December 2008 is shown below:

	2008		2007	
	<i>Number</i>	<i>Weighted average exercise price</i>	<i>Number</i>	<i>Weighted average exercise price</i>
Outstanding at 1 January	11,146,697	19.4p	5,882,757	38p
Granted	3,000,000	4.5p	6,300,000	7.5p
Forfeited/Lapsed	(1,494,056)	29p	(1,036,060)	52p
Exercised	—	—	—	—
Outstanding at 31 December	<u>12,652,641</u>	<u>14.7p</u>	<u>11,146,697</u>	<u>19.4p</u>
Exercisable at 31 December	<u>7,785,974</u>	<u>20.3p</u>	<u>4,846,697</u>	<u>34.9p</u>

The Group charged \$265,000 (2007: \$494,000) to the income statement in relation to share based payments.

The options outstanding at 31 December 2008 had a weighted average exercise price of 19.4p and a weighted average remaining contractual life of 8.5 years.

	2008
Share price (p)	4.5
Exercise price (p)	4.5
Expected volatility (%)	30.4
Expected life (years)	10
Risk-free rate (%)	4
Expected dividends (%)	—

Expected volatility was based upon the historical volatility over the expected life of the schemes. The expected life is based upon historical data and has been adjusted based on management's best estimates for the effects of non-transferability, exercise restrictions and behavioural considerations.

Options granted during the year to employees of Fieldbury plc were:

<i>Grant date</i>	<i>22 September 2008</i>
Share price at grant date	4.5p
Exercise price	4.5p
Number of employees	5
Share options granted	3,000,000
Vesting period (months)	3 to 27
Expected volatility	30.4%
Option life (years)	10
Expected life (years)	10
Risk free rate	4%
Expected dividends expressed as a dividend yield	—
Fair value per option	

## 9 Equity Reserves

	<i>Share premium</i> <i>US\$000</i>	<i>Merger reserve</i> <i>US\$000</i>	<i>Share based compensation</i> <i>US\$000</i>	<i>Other reserve</i> <i>US\$000</i>	<i>Profit and loss account</i> <i>US\$000</i>
Company					
At 1 January 2008	28,761	1,947	1,881	60	(33,764)
Share based compensation	—	—	265	—	—
Transfer due to lapsed share options	—	—	(419)	—	419
Profit for the year	—	—	—	—	4,513
At 31 December 2008	<u>28,761</u>	<u>1,947</u>	<u>1,727</u>	<u>60</u>	<u>(28,832)</u>

## 10 Profit on Disposal of Subsidiary Undertakings

	2008 US\$000
Total consideration	
Cash consideration	5,500
Deferred consideration	1,500
	<hr/> 7,000
Less costs of investments	(145)
Less costs of disposal	(374)
	<hr/> 6,481
Profit on disposal	<hr/> <hr/> 6,481

### *Disposal of Freeplay Division*

Following approval from the Reserve Bank of India and approval by shareholders at a General Meeting on 27 June 2008, the Company agreed to the disposal of its Freeplay Division, comprising Freeplay Market Development Limited, Baylis Generators Limited and Freeplay energy India Pvt Limited, to Devinder Raj Narang. The total consideration was \$14.5 million, reduced by an adjustment of \$2.5 million, and included approximately \$5 million of bank debt.

The disposal was completed on 4 August 2008. Following the disposal and sale of the rights to the Freeplay name and associated trademarks, it was agreed that Freeplay change its corporate name to Fieldbury plc (“Fieldbury”).

## 11 Contingent Liability

On 15 December 2008, Fieldbury plc (“the Company”) announced that it had successfully renewed the banking facility of its wholly owned US subsidiary, Dixie Sales Company Inc (“Dixie”) to March 2010.

Under the terms of the previous facility with PNC Bank and other lenders (“the PNC facility”), the company indemnified Barrett Corporation, a substantial investor in Fieldbury, against any call under a guarantee originally provided by Barrett Corporation in connection with the PNC Facility (the “Barrett Guarantee”) which was limited to \$4m. Accordingly the Company’s exposure under the Barratt Guarantee was up to \$4m.

Under the new agreement, it was agreed that the Company provide a corporate guarantee of the PNC facility in lieu of the Barrett Guarantee. The Company’s guarantee was to be capped at \$1m and was to be implemented on or before 31 March 2009. The corporate guarantee was completed on 30 March 2009.

Furthermore, as a condition of the PNC facility, the Company contributed \$1m to Dixie for working capital purposes which took the form of a subscription for new shares in Fieldbury Holdings Inc, the intermediary holding company of Dixie (“Holdings”). Fieldbury Holdings lent \$1m to Dixie as a secured loan which ranks behind both PNC and Barrett Corporation in terms of Security. Upon release of the Barrett Guarantee, the amount secured to the Barrett Corporation will not exceed \$107,000 pursuant to a loan note issued by Fieldbury in connection with the acquisition of Dixie. It is expected that this sum will be fully repaid in July 2009.

**FIELD BURY PLC**  
**(the “Company”)**

NOTICE IS HEREBY given that the annual general meeting of the Company will be held at 2 Stone Buildings, Lincoln’s Inn, London WC2A 3TH at 11.00 a.m. on 30 June 2009 for the following purposes:

**ORDINARY BUSINESS**

To consider and if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

- 1 To receive and adopt the Company’s annual accounts for the period ended 31 December 2008, together with the last directors’ report and auditors’ report on those accounts.
- 2 To reappoint Roderick Morton Stear, who retires by rotation, as a director of the Company.
- 3 To reappoint Edward Barrett, who retires by rotation, as a director of the Company.
- 4 To appoint Baker Tilly as auditors, to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company, at a remuneration to be determined by the directors.

**SPECIAL BUSINESS**

To consider and, if thought fit, pass the following resolutions, resolution 5 being an ordinary resolution and resolution 6 being a special resolution.

- 5 THAT the directors be and they are generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (the “1985 Act”) to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £2,000,000 provided that this authority is for a period expiring at the Company’s next Annual General Meeting but the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all subsisting authorities, to the extent unused.
- 6 THAT subject to the passing of the previous resolution, the directors be and they are empowered pursuant to section 95 of the 1985 Act to allot equity securities (within the meaning of section 94(2) of the 1985 Act) wholly for cash pursuant to the authority conferred by the previous resolution as if section 89(1) of the 1985 Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
  - (a) in connection with an offer of such securities by way of rights to holder of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and;
  - (b) other than pursuant to sub-paragraph (a) above to an aggregate nominal amount of £2,000,000;

and shall expire on the conclusion of the next Annual General Meeting of the Company after the passing of this resolution save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

## BY ORDER OF THE BOARD

**R C Shear**

*Secretary*

Dated 8 June 2009

Registered Office:  
2 Stone Buildings  
Lincoln's Inn  
London  
WC2A 3TH

### NOTES:

#### *Eligibility to attend and vote*

- 1 In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, to be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the number of votes a member may cast), members must be entered on the Register of Members of the Company by 6.00 p.m. on 28 June 2009. If the meeting is adjourned, members entered into the Register of Members of the Company not later than 48 hours before the time appointed for the adjourned meeting shall be entitled to attend and vote at the meeting.

#### *Appointment of proxies*

- 2 As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting using the procedures set out in these notes and the notes to the proxy form.
- 3 A proxy does not need to be a member of the Company but must attend the Meeting to represent you. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
- 4 The Form of Proxy, accompanied by any Power of Attorney under which it is executed (if applicable), must be received by the Company's registrars, during normal business hours, no later than 48 hours before the time appointed for the holding of the Annual General Meeting. Shares held in uncertificated forms (i.e. in CREST) may be voted through the CREST Proxy Voting Service (Issuer's agent ID: RA10) in accordance with the procedures set out in the CREST manual.
- 5 To appoint as a proxy a person other than the Chairman of the meeting, insert the full name in the space provided. A proxy need not be a member of the Company. You can also appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by you. The following options are available:
  - 5.1 To appoint the **Chairman** as your **sole proxy** in respect of all your shares, simply fill in any voting instruction in the appropriate box and sign and date the Form of Proxy.
  - 5.2 To appoint a **person other than the Chairman as your sole proxy** in respect of all your shares, delete the words "the Chairman of the meeting" and insert the name and address of your proxy in the spaces provided. Then fill in any voting instructions in the appropriate box and sign and date the Form of Proxy.
  - 5.3 To appoint **more than one proxy**, please sign and date the Form of Proxy and attach a schedule listing the names and addresses (in block letters) of all of your proxies, the number of shares in respect of which each proxy is appointed (which, in aggregate, should not exceed the numbers of share held by you) and indicating how you wish each proxy to vote of abstain from voting. If you wish to appoint the Chairman as one of your multiple proxies, simply write "the Chairman of the meeting".
- 6 A corporation must execute the Form of Proxy under either its common seal or the hand of a duly authorised officer of attorney.
- 7 Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

#### *Appointment of proxy by joint members*

- 8 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first-named being the most senior).

#### *Communication*

- 9 Except as provided above, members who have general queries about the Meeting should contact the Company's registrars.
- 10 You may not use any electronic address provided either in this notice of annual general meeting or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

#### *Documents available for inspection*

- 11 The following documents will be available for inspection during normal business hours at the Company's registered office from the date of this notice up until the date of the Annual General Meeting:
  - 11.1 the audited consolidated accounts of the Company for the financial period ended 31 December 2008; and
  - 11.2 the Register of Directors' interests in the capital of the Company and copies of the service contracts of the Directors of the Company.

