

Company number: 3148295

CINPART PLC

INTERIM REPORT

For the six months ended 30 June 2009

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CHAIRMAN'S STATEMENT

For the six months ended 30 June 2009

The period under review has been significant for Cinpart. We identified and completed the establishment of Active Energy Limited ("Active Energy") which was in line with the Company's stated strategy. Your board believes that Active Energy, which manufactures and installs the VoltageMaster range of voltage optimisation equipment, will deliver significant shareholder value in the future. This was endorsed by the announcement of a contract with a value of £1.18 million to supply the VoltageMaster to the stores of an international retailer and manufacturer of affordable home products, and underpins our continuing confidence and optimism for the VoltageMaster.

Financial Review

Group revenues for the period were £802,604 (2008: £1,090,907), all of which was derived from our legacy businesses; Gasignition Limited, ("Gasignition") a supplier of electrical components to small and medium-sized European gas appliance manufacturers and Derlite Co Limited ("Derlite"); an international manufacturer of electrical and non-electrical components. The decline in revenues reflected the continued deterioration of worldwide economic conditions during that period. Gasignition and Derlite were particularly affected by customers purchasing fewer products, movements in the exchange rate between the US Dollar and Sterling and the necessity to reduce prices to remain competitive.

The Group reported a loss for the period of £704,992 (2008: £194,416). The loss attributable to owners of the parent company is £652,236 (2008: £194,416). A number of non-recurring costs contributed to the increased loss, including £57,784 of redundancy costs (relating to 42 employees in Thailand), which is expected to result in future wage cost savings of approximately £84,000 per annum), share based payment costs of £163,328 associated with the issue of share options to senior executives, other start up expenses of £150,733 relating to the development of Active Energy, as it rapidly increased the size of its sales team in order to meet tender opportunities and £60,743 of costs associated with the Sterling and Thai Baht exchange rate movements. The average conversion rate during 2008 was 63.52 Baht/£ and during the six months ended 30 June 2009, was 52.02 Baht/£).

In addition to exchange rate fluctuations, price reductions also affected margins in the period under review. Gross margins fell from 39.2 per cent in the period ended 30 June 2008 to 30.7 per cent for the corresponding period in 2009.

Operating Review

Revenue levels remain depressed within Derlite and Gas Ignition, but there are indications that core customer purchase volumes are slowly increasing. Whilst the Group has come under pricing pressure, recent new product developments are expected to improve margins in the short to medium term.

As noted above, the establishment of Active Energy, announced on 5 March 2009, has been the most significant event in the period under review. To fund this new business and to support the current operations, we raised £729,000 before expenses by a placing of new ordinary shares at 2 pence per share in March 2009. In the period under review, the Group rapidly implemented Active Energy's business plan in order to take advantage of the considerable sales opportunities in this growing market.

Active Energy manufactures, sells and installs the full range of VoltageMaster equipment. These devices optimise the power distributed throughout commercial premises and can provide electricity cost savings of up to 20 per cent. As the generation of electricity emits CO₂ into the atmosphere, the VoltageMaster also directly reduces CO₂ emissions. There are 15 sizes of the VoltageMaster and installed prices range from £8,000 to £58,000. There are numerous additional settings available to customers and each installation is tailored to a customer's specific requirements.

The Group is working closely with Stephen Coomes, the minority shareholder in Active Energy and his company, SDC Industries Ltd ("SDC"), which developed the VoltageMaster product and continues to provide technical support and manufacturing capacity in the early stages of the development of the Active Energy business.

CHAIRMAN'S STATEMENT - continued

For the six months ended 30 June 2009

Your Board believes that the establishment of Active Energy in the period is timely. Globally, governments are actively legislating to tackle the reduction of carbon emissions to prevent further global warming and pollution issues. In addition, the onset of a global recession has brought forward the requirement to reduce energy consumption and thereby generate cost savings in both the public and private sector. The directors believe that recent increases in the cost of electricity and the need to reduce greenhouse gas emissions have created a large potential market for the VoltageMaster.

In April 2010, the UK is expected to introduce a new, binding climate change and energy saving scheme called the Carbon Reduction Commitment. This is intended to require large business and public sector organisations to improve their energy efficiency levels. Organisations that do not comply with the new legislation are expected to incur significant financial penalties.

In addition, SMEs can contribute to carbon emission reduction and enjoy electricity cost savings as the Carbon Trust recently relaxed its guidelines for its interest free Carbon Trust Energy Efficiency loans. All businesses whose electricity consumption falls below the level at which they become liable for the Carbon Reduction Commitment, i.e. any business in the UK whose electricity consumption fell below 6 million kWh in the calendar year 2008, qualifies for an interest free loan to purchase a VoltageMaster. The Carbon Trust offers loans from £3,000 to £400,000 with the loan repayment period matched to the payback of the investment rounded up to the next full year.

The Carbon Trust has also relaxed guidelines for Public Sector bodies. Salix Finance – the public sector arm of the Carbon Trust offers interest free loans based on a payback of up to five years. (Previously Salix only offered grants to public sector bodies on condition of matched funding.) The loans are available to local authorities, NHS hospitals, schools, colleges, universities, libraries and any other public body not directly controlled by central government. As with the Carbon Trust, the VoltageMaster qualifies for interest-free Salix loans.

On 15 June 2009, Active Energy announced it had won a £1.18 million contract, in conjunction with SDC to install VoltageMaster units throughout the UK to a well known leading international retailer and manufacturer of affordable home products. Production of the units is almost complete and the installation programme is expected to be completed in Q4 2009.

On 2 September 2009, the Company announced that Active Energy had received notice of the acceptance of a tender to supply VoltageMaster in public sector buildings under a Framework Agreement to members of the Eastern Shires Purchasing Organisation ("ESPO") This framework agreement allows members of the group to make direct purchases from Active Energy without going through the complex public tender process on each occasion. As a Framework Agreement, neither ESPO nor its members have a contractual commitment to purchase; however the estimated value of this contract, as advised to Active Energy by ESPO is up to £15 million.

The number of sales opportunities has increased at a faster rate than originally envisaged. Consequently, in recent weeks Active Energy has doubled the size of its sales team. The sales process is complex and the sales team is experiencing longer lead times than anticipated; however the level of current live quotes is very encouraging. To fund the recruitment of the new members of the sales team in order to advance the roll out of VoltageMaster, as well as to strengthen the Group's balance sheet, a further fundraising at 10 pence per share of £775,000 before expenses was completed on 10 July 2009.

On 13 August 2009, Cinpart acquired an additional 10 per cent. stake in Active Energy from Alpha Prospects plc for a total consideration of £250,000 (comprising £100,000 in cash and the balance by the issue of new Cinpart shares). Following a share reorganisation of Active Energy, a 2.8 per cent. stake was sold to Stephen Coomes for a consideration of £69,375. The Group's total interest in Active Energy has increased to 72.2 per cent of its share capital. Stephen Coomes holds a 27.8 per cent interest.

CHAIRMAN'S STATEMENT - continued

For the six months ended 30 June 2009

Outlook

The outlook for the legacy business remains stable. There are increased levels of orders being received and a number of new products have recently been introduced for current customers.

The Board is pleased with the progress of Active Energy. Even though it has been operating for just a few months, it has already secured a substantial contract with a major retailer, as well as receiving acceptance of its first public sector tender.

A consequence of the extended sales process is that there have been minor delays in the commencement of the revenue stream from this new operation and consequently the results for the year ended 31 December 2009 are expected to be lower than current market expectations. However the level of active order quotes remains high and we anticipate that the conversion rate will improve as a result of the recently announced changes to the Carbon Trust and Salix Government backed loans, which are available to our potential customers to assist them in funding the purchase of a VoltageMaster.

We believe that the revitalised Group will return to profitability at an operating level during the second six months of 2009 and the Board remains very confident about the prospects for 2010 and beyond.

Philip Palmer
Non-executive Chairman
17 September 2009

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Notes	Six Months Ended 30 June 2009 Unaudited £	Six Months Ended 30 June 2008 Unaudited £	Year Ended 31 December 2008 Audited £
Revenue		802,604	1,090,907	2,028,918
Cost of Sales		(556,537)	(662,884)	(1,236,639)
Gross profit		246,067	428,023	792,279
Other income		2,329	4,541	22,292
Administrative expenses		(946,875)	(619,104)	(1,140,654)
Loss from operations		(698,479)	(186,540)	(326,083)
Finance cost		(6,733)	(8,885)	(18,597)
Finance income		220	1,009	1,438
Loss before tax		(704,992)	(194,416)	(343,242)
Income tax expense		-	-	(3,304)
Loss for the period		(704,992)	(194,416)	(346,546)
Other comprehensive income				
Exchange differences on translating foreign operations		(55,502)	14,011	154,823
Total comprehensive income for the period		(760,494)	(180,405)	(191,723)
Loss attributable to				
Owners of the parent		(652,236)	(194,416)	(346,546)
Non controlling interest		(52,756)	-	-
		(704,992)	(194,416)	(346,546)
Total comprehensive income attributable to				
Owners of the parent		(707,738)	(180,405)	(191,723)
Non controlling interest		(52,756)	-	-
		(760,494)	(180,405)	(191,723)
Earnings per share	2			
Basic and diluted (pence)		(1.17)	(0.61)	(1.09)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

	Notes	30 June 2009 Unaudited £	30 June 2008 Unaudited £	31 December 2008 Audited £
Assets				
Non-current assets				
Goodwill		105,028	105,028	105,028
Property, plant and equipment		160,669	177,948	202,479
		<u>265,697</u>	<u>282,976</u>	<u>307,507</u>
Current assets				
Inventories		357,119	307,626	404,169
Trade and other receivable		545,958	564,894	547,692
Cash and cash equivalents		160,169	20,260	22,059
		<u>1,063,246</u>	<u>892,780</u>	<u>973,920</u>
Total assets		<u>1,328,943</u>	<u>1,175,756</u>	<u>1,281,427</u>
Liabilities				
Current liabilities				
Trade and other payables		454,641	357,051	436,898
Financial liabilities - borrowings				
Interest bearing loans and borrowings		53,487	100,393	109,096
Corporate Tax		3,304	-	3,304
		<u>511,432</u>	<u>457,444</u>	<u>549,298</u>
Net current assets		<u>551,814</u>	<u>435,336</u>	<u>424,622</u>
Non current liabilities				
Financial liabilities - borrowings				
Interest bearing loans and borrowings		11,277	-	25,135
Total liabilities		<u>522,709</u>	<u>457,444</u>	<u>574,433</u>
Net assets		<u>806,234</u>	<u>718,312</u>	<u>706,994</u>
Equity				
Called up share capital	4	4,131,444	3,766,748	3,766,748
Share premium		2,564,873	2,233,163	2,233,163
Merger reserve		128,571	128,571	128,571
Retained earnings		(6,038,143)	(5,397,105)	(5,549,235)
Foreign exchange reserve		72,245	(13,065)	127,747
Attributable to equity holders of parent		<u>858,990</u>	<u>718,312</u>	<u>706,994</u>
Non controlling interest		(52,756)	-	-
Total equity		<u>806,234</u>	<u>718,312</u>	<u>706,994</u>

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Share capital	Share Premium	Retained earnings	Translation of foreign operations	Merger reserve	Total	Minority interest	Total equity
Balance at 1 January 2008	3,759,763	2,186,108	(5,202,689)	(27,076)	128,571	844,677	-	844,677
Issue of share capital	6,985	47,055	-	-	-	54,040	-	54,040
Total comprehensive income for the period	-	-	(194,416)	14,011	-	(180,405)	-	(180,405)
Balance at 30 June 2008	3,766,748	2,233,163	(5,397,105)	(13,065)	128,571	718,312	-	718,312
Balance at 1 January 2008	3,759,763	2,186,108	(5,202,689)	(27,076)	128,571	844,677	-	844,677
Issue of share capital	6,985	47,055	-	-	-	54,040	-	54,040
Total comprehensive income for the year	-	-	(346,546)	154,823	-	(191,723)	-	(191,723)
Balance at 31 December 2008	3,766,748	2,233,163	(5,549,235)	127,747	128,571	706,994	-	706,994
Balance at 1 January 2009	3,766,748	2,233,163	(5,549,235)	127,747	128,571	706,994	-	706,994
Issue of share capital	364,696	364,696	-	-	-	729,392	-	729,392
Share issue costs	-	(32,986)	-	-	-	(32,986)	-	(32,986)
Share option expense	-	-	163,328	-	-	163,328	-	163,328
Total comprehensive income for the period	-	-	(652,236)	(55,502)	-	(707,738)	(52,756)	(760,494)
Balance at 30 June 2009	4,131,444	2,564,873	(6,038,143)	72,245	128,571	858,990	(52,756)	806,234

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

		<i>Six Months Ended 30 June 2009 Unaudited £</i>	<i>Six Months Ended 30 June 2008 Unaudited £</i>	<i>Year Ended 31 December 2008 Audited £</i>
Net cash used in operating activities	3	(470,563)	(69,919)	(86,498)
Investing activities				
Purchase of property plant and equipment		(11,753)	(23,115)	(29,468)
Sale of property plant and equipment		-	-	46,374
Interest received		220	1,009	1,438
Net cash used in investing activities		<u>(11,533)</u>	<u>(22,106)</u>	<u>18,344</u>
Financial activities				
Repayment of loans		(23,595)	-	(14,184)
(Repayment)/receipt of finance leases		(15,799)	24,256	(19,543)
Repayment of bank loans and other borrowing		(30,073)	(55,844)	(10,397)
Proceeds on issue of shares		696,406	54,040	54,040
Interest paid		(6,733)	(8,885)	(18,420)
Net cash from financing activities		<u>620,206</u>	<u>13,567</u>	<u>(8,504)</u>
Cash and cash equivalents at beginning of period		22,059	98,717	98,717
Cash and cash equivalents at end of period		<u>160,169</u>	<u>20,260</u>	<u>22,059</u>

NOTES TO THE INTERIM STATEMENT

For the six months ended 30 June 2009

1. Accounting policies

Basis of preparation

This financial information has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively EU Adopted IFRSs).

The principal accounting policies used in preparing the interim results are those the Group expects to apply in its financial statement for the year ended 31 December 2009 and are unchanged from those disclosed in the Group's Report and Financial Statements for the year ended 31 December 2008, except for the adoption of IAS 1 "Presentation of Financial Statements" (Revised).

IAS 1 Presentation of Financial Statements (Revised) includes the requirement to present a Statement of Changes in Equity as a primary statement and introduces the possibility of either a single Statement of Comprehensive (combining the Income Statement and a Statement of Comprehensive Income) or to retain the Income Statement with a supplementary Statement of Comprehensive Income. The second option has been adopted by the Group in the preparation of the interim financial statements. As this standard is concerned with presentation only it does not have any impact on the results or net assets of the Group.

Non-statutory accounts

The financial information for the year ended 31 December 2008 set out in this interim report does not comprise the Group's statutory accounts as defined in section 435 of the Companies Act 2006.

The statutory accounts for the year ended 31 December 2008, which were prepared under International Financial Reporting Standards, International Accounting Standards and IFRIC interpretations (collectively IFRS), have been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, but did include an emphasis of matter relating to going concern which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under either Section 237 (2) or Section 237 (3) of the Companies Act 1985.

The financial information for the 6 month periods ended 30 June 2009 and 30 June 2008 is unaudited.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - continued

For the six months ended 30 June 2009

2. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

Reconciliations are set out below:

	<i>Six Months Ended 30 June 2009 Unaudited £</i>	<i>2009 Weighted average number of shares</i>	<i>Per-share amount pence</i>
Basic EPS			
Earnings attributable to ordinary shareholders	(652,236)	55,592,613	(1.17)
Effect of dilutive securities			
Options (anti dilutive)	-	7,148,142	-
Diluted EPS			
Adjusted earnings	<u>(652,236)</u>	<u>62,740,755</u>	<u>(1.17)</u>
	<i>Year Ended 31 December 2008 Audited £</i>	<i>2008 Weighted average number of shares</i>	<i>Per-share amount pence</i>
Basic EPS			
Earnings attributable to ordinary shareholders	(346,546)	31,920,728	(1.09)
Effect of dilutive securities			
Options (anti dilutive)	-	3,501,182	-
Diluted EPS			
Adjusted earnings	<u>(346,546)</u>	<u>35,421,910</u>	<u>(1.09)</u>
	<i>Six Months Ended 30 June 2008 Unaudited £</i>	<i>2008 Weighted average number of shares</i>	<i>Per-share amount pence</i>
Basic EPS			
Earnings attributable to ordinary shareholders	(194,416)	31,894,082	(0.61)
Effect of dilutive securities			
Options (anti dilutive)	-	5,481,629	-
Diluted EPS			
Adjusted earnings	<u>(194,416)</u>	<u>37,375,711</u>	<u>(0.61)</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS - continued

For the six months ended 30 June 2009

3. Cash used in operating activities

	<i>Six Months Ended 30 June 2009 Unaudited £</i>	<i>Six Months Ended 30 June 2008 Unaudited £</i>	<i>Year Ended 31 December 2008 Audited £</i>
Loss before tax	(704,992)	(194,416)	(343,242)
Depreciation charge	31,309	27,816	57,032
Share based payments	163,328	-	-
Non controlling interest		-	-
Exchange translation costs	(33,248)	9,642	103,060
Finance costs	6,733	8,885	18,597
Finance income	(220)	(1,009)	(1,438)
Decrease in debtors	1,734	222,902	240,104
Increase / (decrease) in creditors	17,743	(118,073)	(38,403)
Decrease / (increase) in inventories	47,050	(25,665)	(122,208)
Net cash outflow from operating activities	(470,563)	(69,919)	(86,498)

4. Movements in called up share capital

	<i>Six Months Ended 30 June 2009 Unaudited Number</i>	<i>Six Months Ended 30 June 2008 Unaudited Number</i>	<i>Year Ended 31 December 2008 Audited Number</i>
Allotted, issued and fully paid:			
New ordinary shares of 1p each	68,417,133	31,947,520	31,947,511
Deferred shares of 9.5p each	15,409,000	15,409,000	15,409,000
New deferred shares of 0.49p each	404,779,408	404,779,408	404,779,408
	488,605,541	452,135,928	452,135,919
	<i>Six Months Ended 30 June 2009 Unaudited Value £</i>	<i>Six Months Ended 30 June 2008 Unaudited Value £</i>	<i>Year Ended 31 December 2008 Audited Value £</i>
Allotted, issued and fully paid:			
New ordinary shares of 1p each	684,171	319,475	319,475
Deferred shares of 9.5p each	1,463,855	1,463,855	1,463,855
New deferred shares of 0.49p each	1,983,418	1,983,418	1,983,418
	4,131,444	3,766,748	3,766,748

On 4 March 2009, 36,469,613 new 1p ordinary shares were issued at 2p each.