

**Specialist Energy Group plc****(“Specialist Energy Group”, the “Group” or the “Company”)****Interim Results for the 3 Months to 31 December 2009**

The Company today announces its interim results for the 3 months to 31 December 2009. Please note that these results relate to the period prior to its reverse acquisition of Southbank UK plc and its wholly owned subsidiary, Hayward Tyler Group Limited (“Hayward Tyler”) when the Company was known as Nviro Cleantech plc.

The reporting of this three month period prior to the reverse acquisition results from the Company’s decision, as stated in its Admission Document, to change its accounting date from 30 September to 31 December so that it is aligned to the reporting date of its main operating subsidiary, Hayward Tyler.

Moving forward, the Company’s interim results for the six months to 30 June 2010 and final results for the twelve months to 31 December 2010 shall be reported in accordance with the AIM Rules for Companies and will include the performance of Southbank UK plc and Hayward Tyler.

The financial statements for the 3 months to 31 December 2009 will be posted to shareholders shortly and will also be available on the Company's website [www.segrouplc.com](http://www.segrouplc.com).

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The Financial Report for the three months to 31 December 2009 is reproduced below.

## Chairman's and Chief Executive's review

These financial statements, which are for the three months ended 31 December 2009, have been prepared in order to change the year end of the Company to 31 December.

From its inception Nviro has been engaged in commercialising clean technologies with the primary focus on the clean fuel technology, Vertus. As I set out in my review of the 12 months to 30 September 2009, that period saw dramatic and wide ranging changes in the world economy which had a knock-on impact on the business and its project portfolio. Without doubt there was a significant contribution from the economic climate to the issues facing Vertus Technologies, the clean coal subsidiary of the Group, which contributed to a series of setbacks at the first commercial pilot site in the first half of 2009. These setbacks led the then Directors to reconsider the economic viability of the project and ultimately to conclude that there was a need to implement strategic partnerships in the energy market place.

The Company entered into discussions with Southbank UK plc, which through its subsidiary Hayward Tyler, designs, manufactures and services specialist pumps and motors for the power generation and energy sectors. These discussions led to the acquisition of Southbank by Nviro, which constituted a reverse takeover in view of the size of Southbank in relation to Nviro and the fundamental change to the Company's business. The transaction, which also raised £4m of new equity, completed on 20 January 2010 and Nviro Cleantech plc changed its name to Specialist Energy Group plc.

As previously reported, the advent of the enlarged Group under Specialist Energy Group plc will see the business primarily focused upon the power generation market and the core engineering business of Hayward Tyler. Whilst this offers some potential market cooperation opportunities for the Clean Fuels technology the primary focus is on trying to monetise the existing Vertus technology through third parties. The other projects, Microrelease, Organotect and Laseair, are expected to be developed independently of SEG and at present carry no significant ongoing cost beyond maintaining the intellectual property and technical value up to the point of sale or third party partnerships. The opportunities to out-license the Vertus technology and, if possible, divest the other technologies are being actively pursued while at the same time the costs of the operations are being significantly reduced in scale. However, if the licensing and disposal discussions do not reach a satisfactory conclusion the intention is to shut down the operations.

Over the three months ended 31 December 2009 the Group recorded a pre-tax loss of £1.2m (12 months to 30 September 2009: £9.5m) after costs of the reverse takeover of £0.7m.

Net cash outflow from operating activities for the three month period was £0.9m (12 months to 30 September 2009: £4.9m) and cash at 31 December 2009 was £2.7m (30 September 2009: £3.4m). Net assets at the end of the period were £2.2m (30 September 2009: 3.4m).

During the three month period under review, the focus of the Board has been on achieving an outcome to negotiations with Southbank and other parties that secures the future of the Company and, in particular, delivers early revenues and cash flow. The Board considers the successful completion of the offer for Southbank, which became unconditional in all respects on 20 January 2010, to represent such an outcome.

## Director's Report

The Directors present their report on the affairs of the Company and the Group, together with the audited financial statements, for the 3 month period ended 31 December 2009.

#### Principal activities

The principal activities of the Group are the development and exploitation of clean technologies.

#### Business review and future developments

Specialist Energy Group plc is a public listed Company, incorporated and domiciled in the Isle of Man and quoted on AIM. The Company is required to set out in this report a fair review of the business of the Group during the financial period ended 31 December 2009 and of the position of the Group at the end of the period. The information that fulfills these requirements can be found within the Chairman's & Chief Executive's statement on page 4 which is incorporated into this report by reference. These sections also include details of expected future developments in the business of the Group.

As outlined in the post balance sheet events section of this report, there was a reverse of Southbank UK plc ("Southbank") into the Company, which completed on 20 January 2010.

An alignment of year ends post transaction has resulted in Specialist Energy Group plc changing its accounting reference date to 31 December. The short period of 3 months is used as the current period figures, the comparative figures represent the year to 30 September 2009.

#### Key Performance Indicators

Legislation requires the Board to disclose relevant Key Performance Indicators. In the current stage of the Group's development, (the pre revenue stage), the main key performance indicator is the monthly cash burn level. During the period, this was running at a level below that originally budgeted. The other key performance indicators are that expenditure remains close to that originally budgeted which has been achieved and the technical feasibility of each project remains sound. As at 31 December 2009, there is no indication that the technical feasibility of any project is in jeopardy. However, because of the reverse of Southbank into the Company, (as outlined elsewhere in these financial statements), which was under negotiation at the year end and, specifically, Southbank's stated intention to focus management effort and resource on the Hayward Tyler business, a decision was made in the prior period, to impair the assets relating to each project.

#### Principal risks and uncertainties

Risk is inherent in all business. Set out below are certain risk factors which could have an impact on the Group's performance. The factors discussed below are in relation to the Group excluding Southbank and should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties facing the Group.

#### Commercialisation Risk

The Group's growth and development is dependent upon developing, commercialising and marketing new technologies. If not done successfully, growth and development may be impaired.

#### Competition Risk

If the Group fails to keep up with rapid technological change then its technologies could become less competitive or obsolete. The Group may face significant competition from organisations that have much greater capital resources than the Group thus making it more difficult for the Group to compete successfully in such a market place.

#### Regulatory Risk

The industry is subjected to intensive government regulation both current and proposed, by various country specific and international regulatory bodies. The Group's technologies will be required to meet certain safety and environmental protection standards to gain approval to manufacture and market. Compliance with these regulations and standards may make it more expensive to operate the business and increase the risk that technologies may be delayed.

#### Intellectual Property Risk (IPR)

The Group depends upon IP to finance, develop and commercialise its technologies. The business of the Group would be adversely affected if the IP is not or cannot be adequately protected in key markets or if the technology it protects is superseded by other technology.

#### Financial Assets

The Group's principal financial assets are bank balances and cash on deposit, and other receivables. The Group is exposed to the following risks – foreign currency risk, credit risk, liquidity risk and interest rate risk. The policy for managing these risks is outlined below;

#### Foreign currency risk

The Group undertakes activities overseas, mostly in the United States and hence owns foreign currency denominated assets and liabilities. The Group also pays for invoices denominated in a foreign currency in the same currency as the invoice. The Group therefore does suffer from a level of foreign currency risk. This risk is reduced by holding money in the currency that invoices are received in. The Directors currently believe that foreign currency risk is at an acceptable level.

#### Liquidity risk

The Group maintains good relationships with its banks, all of whom are banks with high credit ratings and its cash requirements are anticipated via the budgetary process.

#### Credit risk

The Group is mainly exposed to credit risk from its other receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Group is also exposed to credit risk on its cash balances as detailed in note 28. Management considers the above measures to be sufficient to control the credit risk exposure.

#### Interest rate risk

The Group is exposed to interest rate risk on its interest-bearing financial assets and liabilities. Cash and cash equivalents are the only interest-bearing financial assets held by the Group. All cash and cash equivalents are held in floating rate deposit accounts. In the period to 31 December 2009 the Group had no interest bearing financial liabilities.

#### Results and dividend

The results of the Group for the 3 month period ended 31 December 2009 are set out on pages 20 to 21. The Directors are unable to recommend the payment of a dividend for the period.

#### Related party transactions

Details of related party transactions are given in note 28 to the financial statements.

#### Supplier payment policy

The Company's policy which is also applied by the Group is to agree payment terms with all suppliers when establishing the terms of each business transaction and to abide by the agreed terms of payment. Trade payables of the Group at 31 December 2009 were

equivalent to 28 days purchases, (30 September 2009: 25 days) based on the actual year-end balance.

#### Research and Development

There were no research and development activities undertaken by the Group during the period.

#### Directors and Directors' interests

The beneficial interests of the current Directors and their families at 31 December 2009 in the ordinary share capital of the Company were as follows:

	31 December 2009		30 September 2009	
	Ordinary shares	Share options	Ordinary shares	Share options
Ewan Lloyd-Baker (appointed 20 January 2010)	-	-	-	-
Nick Flanagan (appointed 20 January 2010)	-	-	-	-
John May (appointed 20 January 2010)	-	-	-	-
Nick Winks (appointed 20 January 2010)	-	-	-	-
Christopher Every	2,000,000	250,000	2,000,000	250,000

Certain Directors held office during the period and have resigned after 31 December 2009, but before the signing of these financial statements, as follows,

Christopher Tawney (appointed 1 January 2009; resigned 20 January 2010)

Phillip Hollobone (resigned 20 January 2010)

Libby Cooper (resigned 20 January 2010)

Duncan Sedgwick (resigned 20 January 2010)

Andrew Cosentino (resigned 20 January 2010)

Further details of the Directors' share options are provided in the Report of the Remuneration Committee on pages 14 to 16.

#### Substantial shareholdings

At 7 April 2010 the Directors had been notified or were otherwise aware of the following holdings of 3 per cent or more of the Company's issued share capital, subsequent to the reverse acquisition on 20 January 2010. The shareholdings therefore reflect the enlarged share capital of the Company, which includes the share re-organisation undertaken by the Company on 15 January 2010 (see Post Balance Sheet Events below).

	Number of ordinary shares	Percentage of issued ordinary share capital
Mr Ewan Lloyd-Baker	2,438,772	9.97%
Prism Registered Charity No 1099682	1,871,986	7.66%
Harewood Nominees Limited	1,771,977	7.25%
Nortrust Nominees Limited	1,651,542	6.75%
Dartington Portfolio Nominees Limited	1,307,875	5.35%
Duncan Lawrie Offshore Services Limited	1,189,646	4.86%
HSBC Global Custody Nominee (UK) Limited	1,140,000	4.66%
Chase Nominees Limited	913,615	3.74%
Mr John D McIntyre	869,716	3.56%
J M Finn Nominees Limited	838,500	3.43%

Percentages are based on the issued share capital at the date of notification.

#### Charitable and political donations

The Group made no charitable or political donations in the financial period.

#### Directors Indemnities

There are no third party indemnity provisions for the benefit of the Directors in force either during the period or at the date of this report.

#### Post Balance Sheet Events

Subsequent to the period end the following events occurred:

On 15 January 2010, the Company undertook a share re-organisation. The existing share capital at that time of 66,093,190 ordinary shares of 0.1p each was sub-divided into 6,609,319 ordinary shares of 1p each.

On 19 January 2010, the Company changed its name to Specialist Energy Group plc.

On 19 January 2010, prior to the transaction outlined below, a total of 5,263,200 new ordinary shares of 1p each were issued at 76p per share, raising gross proceeds ("Issue Proceeds") of £4 million before expenses.

The Boards of the Company and Southbank reached agreement on the terms of a recommended offer, ("the unconditional offer"), to acquire the entire issued share capital of Southbank. Completion of the acquisition of Southbank took place on 20 January 2010.

Based on the placing price of 76p per Nviro share, post the share re-organisation outlined above, the entire issued and to be issued share capital of Southbank was valued at £10.05 million.

On 25 January 2010 £3m of the Issue Proceeds were used to repay borrowings of Redglade Investments Limited, a wholly owned subsidiary of Southbank.

Further details of the assets and liabilities acquired and the goodwill created by the transaction are given in note 30 to these financial statements.

Following the acquisition and upon re-admittance to AIM, the Company's issued ordinary share capital consisted of 19,957,265 ordinary shares of 1p each. This figure had risen to 24,453,300 by 15 March 2010, as additional shareholders of Southbank accepted the unconditional offer. This entitled the Company to acquire compulsorily, any remaining shares in Southbank, which the Company has proceeded to so and will lead to the shares in issue rising to 25,090,737.

Further details of the assets and liabilities acquired and the goodwill created by the transaction are given in note 30 to these financial statements.

#### Disclosure of information to the auditor

So far as each Director at the date of approval of this report is aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

#### Going Concern

As outlined in the post balance sheet events section of this Director's Report, there was a reverse takeover of Southbank into the Company on 20 January 2010. As part of that

transaction the Company raised £4 million of new capital, repaid £3 million of borrowings in Southbank and secured committed bank borrowing facilities for two years. The Company's projections demonstrate that these facilities, together with the cash in the business and the cash generating ability of Hayward Tyler, Southbank's operating business, are adequate for its needs. Accordingly, the financial statements have been prepared on the going concern basis.

The Company's ability to generate cash will depend on its future operating performance and ability to maintain a sufficient level of working capital, which includes receiving stage payments from customers on longer term manufacturing contracts. Additionally, it will also depend to some extent on general economic, competitive, market and other factors that may be beyond its control. Hayward Tyler operates in the power generation and energy sectors. The buoyancy in those markets together with Hayward Tyler's strong order book, improving margins in its manufacturing division and the ability of its services business to generate profits, provide confidence in the business's future performance.

#### Auditor

Grant Thornton UK LLP were appointed auditors during the period in accordance with section 12(7) of the Isle of Man Companies Act 1982 and offer themselves for reappointment at the forthcoming annual general meeting in accordance with section 12(2) of the Isle of Man Companies Act 1982.

By order of the Board

Nick Flanagan  
Director  
30 April 2010

#### Corporate Governance Statement

The Directors recognise the value of the principles of good corporate governance, as set out in the Combined Code and aim to comply with such corporate governance practice so far as is practicable and appropriate for a public company of the size and nature of a Company quoted on AIM. Set out below is a summary of how, at 31 December 2009, the Group was dealing with corporate governance issues.

#### Board structure

The Board is responsible to shareholders for the proper management of the Group. During the period, the Board comprised the Non-Executive Chairman, the three remaining Non-Executive Directors and the two Executive Directors. At the end of each financial period, one third of the Directors who are subject to retirement by rotation shall retire from office by rotation.

The Board meets at least quarterly and as issues arise that require Board attention. In addition to those formal matters required by the Companies Act(s) to be set before a Board of Directors, the Board has a formal schedule of matters specifically referred to it for decision, including, the consideration of strategy and policy, approval of major capital investments and to consider, and where appropriate, approve all material corporate acquisitions, investments and disposals.

#### Audit Committee

An Audit Committee has been established, which during the period, comprised of the Non-Executive Directors, Philip Hollobone, (Chairman), Duncan Sedgwick and Libby Cooper, (Lawyer). It meets at least twice a year and is responsible for ensuring that the financial performance of the Group is properly reported on and monitored, for meeting the auditors and reviewing the reports from the auditors relating to accounts and internal control systems. If required, meetings are attended by appropriate members of senior management.

The committee advises the Board on the appointment of external auditors and their remuneration for both audit and non-audit work and discusses the nature and scope of the audit with the external auditors. The committee is responsible for overseeing the performance, as well as the independence and objectivity of the auditor which it does by requiring reports from the auditor and a requirement to pre-approve fees for non-audit work.

#### Remuneration Committee

A Remuneration Committee has been established which during the period, comprised of the Non-Executive Directors, Duncan Sedgwick, (Chairman), Philip Hollobone, Andrew Cosentino and Libby Cooper. It meets at least twice a year and has primary responsibility to review the performance of Executive Directors and senior employees and set the scale of their remuneration having due regard to the interests of shareholders. It is also responsible for administering the Share Option Scheme.

#### Internal financial control and reporting

The Board has the responsibility for establishing and maintaining the Group's system of internal controls and reviewing its effectiveness. The procedures which include inter alia, financial, operational and compliance matters and risk management are reviewed on an ongoing basis. The Board approves the annual budget and performance against budget is monitored and reported to the Board. The Board has considered the guidance published by the Institute of Chartered Accounts in England & Wales concerning the internal control requirements of the Combined Code and has established an ongoing process for identifying evaluating and managing the significant risks faced by the Group.

Given the Group's size and the nature of its business, the Board does not consider it would be appropriate to have its own internal audit function. An internal audit function will be established as and when the Group is of an appropriate size but meanwhile the audit of internal financial controls forms part of the responsibilities of the Group's finance function.

#### AIM Compliance Committee

An AIM Compliance Committee has been established which during the period, consisted of Christopher Every and Andrew Cosentino. It meets at least twice a year and is responsible for ensuring that the Company complies at all times with the AIM rules for companies, in particular, compliance with the obligations relating to disclosure.

#### Relations with shareholders

The Board remains fully committed to maintaining regular communication with its shareholders. There is regular dialogue with major institutional shareholders. Press releases are issued throughout the year and the Company maintains a website, [www.segroupplc.com](http://www.segroupplc.com) on which all press releases are posted and which also contains the report and accounts.

#### Changes post 31 December 2009

As has been highlighted elsewhere within these financial statements, the Board of Directors in place at 31 December 2009, all resigned on 20 January 2010, (with the exception of Christopher Every) due to the reverse of Southbank into the Company. The new members for each individual committee were appointed at the March 2010 Board meeting and are

John May, Nick Winks and Christopher Every for both the Audit Committee and the Remuneration Committee.

## Report of the Remuneration Committee

This report describes how the Board has applied the principles of good governance relating to Director's Remuneration.

### Remuneration Committee

During the period the Remuneration Committee comprised of Duncan Sedgwick, (Chairman), Philip Hollobone, Andrew Cosentino and Libby Cooper. It meets at least twice a year and has primary responsibility to review the performance of Executive Directors and senior employees and set the scale of their remuneration having due regard to the interests of shareholders. It is also responsible for administering the Share Option Scheme.

### Policy on Executive Directors' remuneration

The committee is authorised to seek external legal or professional advice, and to secure the attendance of third parties with relevant expertise if considered necessary but shall ensure that all its activities are cost effective for the Company with the pre-approval of the Board.

Executive Remuneration packages are designed to attract, motivate and retain Directors of the calibre required to grow the business and enhance value to shareholders. All Executive Directors are currently paid a basic annual salary and have been granted share options. The Directors are also entitled to receive benefits in kind to the value of £6,000 per annum, which may include contributions into a personal pension scheme. All service contracts of Executive Directors have a notice period of 6 months.

### Share Options

The share option scheme was established to incentivise the Directors and senior management, aid recruitment to the Group and to enable Directors and senior employees to share in the benefit from the increased market capitalisation of the Company. The Remuneration Committee has responsibility for the granting of options under the scheme. All options granted to Directors are shown in the table on page 16.

### Non-Executive Directors

All Non-Executive Directors have specific terms of engagement and annual contracts. Remuneration paid to the Non-Executive Directors is shown in the table below. All Non-Executive Directors participate in the share option scheme. The Board considers that the independence of the Non-Executive Directors is not impaired by their participation in the share option scheme. The Board therefore regards the Non-Executive Directors as being independent Directors.

### Changes post 31 December 2009

As has been highlighted elsewhere within these financial statements, the Board of Directors in place at 31 December 2009, all resigned on 20 January 2010, (with the exception of Christopher Every) due to the reverse takeover of the Company by Southbank UK plc. The new members for the committee were appointed at the March 2010 Board meeting and are John May, Nick Winks and Christopher Every.

### Directors' remuneration

The elements of remuneration received by each Director in respect of the period ended 31 December 2009 were as follows:



Philip Hollobone**	70,000	-	-	27.12.06	70,000	£0.43	until 26/12/16
Libby Cooper**	70,000	-	-	27.12.06	70,000	£0.43	until 26/12/16
Duncan Sedgwick**	70,000	-	-	27.12.06	70,000	£0.43	until 26/12/16
Andrew Cosentino**	70,000	-	-	26.09.07	70,000	£0.58	until 25/09/17

\*\*resigned 20 January 2010

All share options were granted at the market price at the date of grant. The closing market price of the Company's ordinary shares at 31 December 2009 was 5p, and the range during the period was 5p to 8.9p. Further details on the share options are given in note 25 to these financial statements.

Upon leaving the employment of the Company, a Director has three months to exercise their options.

#### Statement of Directors' Responsibilities

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

Isle of Man Company law requires the Directors to prepare Group and Company Financial Statements for each financial period. Under that law the Directors have prepared 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 International Financial Reporting Standards ("IFRS") as adopted by the EU.

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 Acts 1931 to 2004 provide in relation to such financial statements that references in the relevant part of those Act's 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. state whether they have been prepared in accordance with IFRSs adopted by the EU; and
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to

ensure that the financial statements comply with the requirements of the Companies Acts 1931 to 2004. 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 also responsible for the maintenance and integrity of the Specialist Energy Group plc website.

Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### Report of the Independent Auditors

We have audited the Group and parent Company financial statements on pages 20 to 63.

This report is made solely to the Company's members, as a body, in accordance with section 15 of the Companies Act 1982. 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 financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union ("EU") 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 Acts 1931 to 2004. 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 Director's Report includes that specific information presented in the Chairman and Chief Executive's statement that is cross referenced from the Business Review section of the Director's 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 the Directors' Report, Corporate Governance Statement, Remuneration Report and the Chairman and Chief Executive's 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, as applied in accordance with the provisions of the Companies Acts 1931 to 2004, of the state of the Group's affairs as at 31 December 2009 and of its loss for the period then ended;
- the parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Acts 1931 to 2004, of the state of the parent Company's affairs as at 31 December 2009;
- the financial statements have been properly prepared in accordance with the Companies Acts 1931 to 2004; and
- the information given in the Directors' Report is consistent with the financial statements.

Grant Thornton UK Audit LLP  
Registered Auditors  
Chartered Accountants  
Central Milton Keynes

30 April 2010

Statement of comprehensive income for the period ended 31 December 2009

	Note	3 month period ended 31 December 2009	Year ended 30 September 2009
		£'000	£'000
Research expenses		-	(360)
Administrative expenses:			
Other expenses	5	(1,177)	(4,249)
Impairment of property, plant & equipment	11	-	(3,543)
Impairment of intangible assets	9	-	(1,778)
Reversal of provision	17	-	337

Operating loss		(1,177)	(9,233)
Share of results of joint venture	18	(1)	(23)
Loss before interest		(1,178)	(9,616)
Finance income	3	2	119
Financial costs		(1)	-
Loss before tax		(1,177)	(9,497)
Tax	6	-	-
Loss for the financial period		(1,177)	(9,497)
Other comprehensive income			
Currency translation differences		(5)	12
Other comprehensive income for the period, net of tax		(5)	12
Total comprehensive income for the period		(1,182)	(9,485)
Loss attributable to:			
Owners of the parent		(1,170)	(9,497)
Minority interest		(7)	
		(1,177)	(9,497)
Total comprehensive income attributable to:			
Owners of the parent		(5)	12
Minority interest		-	-
		(5)	12
Loss per share			
Basic and diluted	7	(£0.18)	(£1.44)

#### Consolidated Statement of Changes in Equity for the period ended 31 December 2009

	Share capital	Share premium	Merger reserve	Share based payment reserve	Translati on reserve	Retained earnings	Total	Minority Interest	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£,000
At 1 October 2008	66	16,017	4,585	366	(3)	(8,215)	12,816	-	12,816
Share based	-	-	-	33	-	-	33	-	33

payment charge									
Transfer on lapse of share options	-	-	-	(262)	-	262	-	-	-
Transactions with owners	66	16,017	4,585	137	(3)	(7,953)	12,849	-	12,849
Loss for the year	-	-	-	-	-	(9,497)	(9,497)	-	(9,497)
Other comprehensive income:									
Exchange differences on translating foreign operations	-	-	-	-	12	-	12	-	12
At 30 September 2009	66	16,017	4,585	137	9	(17,450)	3,364	-	3,364
Share based payment charge	-	-	-	6	-	-	6	-	6
Transactions with owners	66	16,017	4,585	143	9	(17,450)	3,370		3,370
Loss for the period	-	-	-	-	-	(1,170)	(1,170)	(7)	(1,177)
Other comprehensive income:									
Exchange differences on translating foreign operations	-	-	-	-	(5)	-	(5)	-	(5)
At 31 December 2009	66	16,017	4,585	143	4	(18,620)	2,195	(7)	2,188

Company Statement of changes in Equity for the period ended 31 December 2009

	Share capital	Share premium	Merger reserve	Share based payment reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 2008	66	16,017	20,075	366	(738)	35,786
Share based payment charge	-	-	-	33	-	33
Transfer on lapse of share options	-	-	-	(262)	262	-
Transactions with owners	66	16,017	20,075	137	(476)	35,819
Loss for the year	-	-	-	-	(32,532)	(32,532)
At 30 September 2009	66	16,017	20,075	137	(33,008)	3,287
Share based payment charge	-	-	-	6	-	6
Transactions with owners	66	16,017	20,075	143	(33,008)	3,293
Loss for the period	-	-	-	-	(982)	(982)
At 31 December 2009	66	16,017	20,075	143	(33,990)	2,311

Statement of Financial Position at 31 December 2009

Note	Group December 2009 £'000	September 2009 £'000	Company December 2009 £'000
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Total assets	<u>3,053</u>	<u>3,896</u>	<u>2,809</u>	<u>3,530</u>
Liabilities				

	Note	Group 3 month period ended 31 December 2009 £'000	Year ended 30 September 2009 £'000	Company 3 month period ended 31 December 2009 £'000	Year ended 30 September 2009 £'000
Operating activities					
Net cash outflow from operations	26	(851)	(4,849)	(721)	(7,446)
Interest paid		(1)	-	-	-
Net cash outflow from operating activities		(852)	(4,849)	(721)	(7,446)
Investing activities					
Interest received		2	119	2	119
Purchase of intangible assets		-	(214)	-	-
Purchase of property, plant and equipment		(2)	(2,633)	-	-
Proceeds from sale of property, plant and equipment		143	-	-	-
Net cash inflow / (outflow) from investing activities		143	(2,728)	2	119
Net decrease in cash and cash equivalents		(709)	(7,577)	(719)	(7,327)
Cash and cash equivalents at beginning of year		3,384	10,946	3,143	10,470
Effect of foreign exchange rates		(5)	15	-	-
Cash and cash equivalents at end of year	14	2,670	3,384	2,424	3,143

## Notes to Financial Statements

### 1. Accounting policies

#### Basis of accounting

The consolidated and Company financial statements have been prepared in accordance with International Financial Reporting Standards and interpretations adopted by the European Union and as applied in accordance with the provisions of the Companies Acts 1931 to 2004 (IFRS).

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

#### Going Concern

As outlined in the post balance sheet events section of the Directors' Report, there was a reverse of Southbank into the Company on 20 January 2010. As part of that transaction the Company raised £4 million of new capital, repaid £3 million of borrowings in Southbank and secured committed bank borrowing facilities for two years. The Company's projections demonstrate that these facilities, together with the cash in the business and the cash generating ability of Hayward Tyler, Southbank's operating business, are adequate for its

needs. Accordingly, the financial statements have been prepared on the going concern basis.

The Company's ability to generate cash will depend on its future operating performance and ability to maintain a sufficient level of working capital, which includes receiving stage payments from customers on longer term manufacturing contracts. Additionally, it will also depend to some extent on general economic, competitive, market and other factors that may be beyond its control. Hayward Tyler operates in the power generation and energy sectors. The buoyancy in those markets together with Hayward Tyler's strong order book, improving margins in its manufacturing division and the ability of its services business to generate profits, provide confidence in the business's future performance.

#### Standards issued but not yet effective

At the date of authorisation of these financial statements the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

International Accounting Standards (IAS/IFRS)	Effective date – Annual periods beginning on or after
IFRS 9 Financial Instruments	1 January 2013
IAS 24 (Revised 2009) Related Party Disclosures	1 January 2011
Group Cash-settled Share-based Payment Transactions - Amendment to IFRS 2	1 January 2010
Improvements to IFRSs 2009	Various effective dates, earliest of which is 1 July 2009, but mostly 2010
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

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

In the current period the Group has adopted IAS 1 (Revised 2007) and IFRS 8 operating segments. IAS 1 (Revised 2007) is applicable from periods on or beginning 1st January 2009. There have been minimal changes to the accounts for this adoption. The main changes are the name changes of the primary statements and the need to disclose a statement of comprehensive income.

IAS 1 Presentation of Financial Statements (Revised 2007) requires presentation of a comparative statement of financial position at the beginning of the first comprehensive period in some circumstances. Management considers that this is not necessary in the current period as the 2008 statement of financial position is the same as that previously published.

IFRS 8 is applicable for periods on or beginning 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about the components' of the Group that are regularly reviewed by the chief executive to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such

segments. In previous periods the Group did not generate revenues therefore did not have to apply IAS 14 segmental reporting.

As it is not obliged to do so, the Company has not presented its income statement in these financial statements. The parent Company loss for the period to 31 December 2009 of £982,000 (30 September 2009: £32,532,000) is included within the Group loss for the financial period.

#### Basis of consolidation

The Consolidated financial statements incorporate the financial statements of Specialist Energy Group plc (formerly Nviro Cleantech plc) and all its subsidiaries made up to 31 December this period and 30 September in the prior year.

Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to gain benefit from its activities.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the business combination and the minority's share of changes in equity since the date of the combination. No minority interest in the losses in excess of the minority interest in the subsidiary's equity has been recognised within these financial statements as the minority does not have a binding obligation to make additional investment to cover the losses. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

#### Business Combinations

The Company's controlling interest in its directly held, wholly owned subsidiary, Nviro Cleantech Limited was acquired through a transaction under common control, as defined in IFRS3, Business Combinations. The Directors note that transactions under common control are outside the scope of IFRS 3 and that there is no guidance elsewhere in IFRS covering such transactions.

IAS 8, Accounting policies, Changes in Accounting Estimates and Errors contains guidance where a transaction falls outside the scope of IFRS. This requires, inter alia, that where IFRS does not contain guidance on a particular issue, the Directors may also consider the most recent pronouncements of other standard setting bodies that use a similar conceptual framework to develop accounting standards. In this regard it is noted that The United Kingdom Financial Reporting

Standard No. 6 (FRS 6) outlines the situation when there is a transaction under common control. The guidance within the standard allows for merger accounting to be the method of accounting used.

Having considered the requirements of IAS 8 and the guidance included within FRS 6, it is considered appropriate to use a form of accounting named 'pooling of interests' when dealing with the transaction in which the Group acquired its controlling interest in Nviro Cleantech Limited. Pooling of interests has therefore been used to account for the transaction.

#### Joint Ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control.

Jointly controlled entities are accounted for using the equity method. Investments in jointly controlled entities are carried in the balance sheet at the Group's share of the net assets of the joint venture, and the Group's share of profits or losses for each financial year are recognised in the consolidated income statement.

## Investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. Investments in subsidiaries and joint ventures are initially measured at cost, including transaction costs and are subsequently measured at cost less any impairment.

## Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment loss. They are depreciated over their estimated useful lives on the following annual bases:

Assets under construction	No depreciation until construction of the assets is completed
Leasehold Improvements	Over the length of the lease
Plant and machinery	3 to 10 years straight line
Computer Equipment	33.3% straight line

The gain or loss ensuing on the disposal or retirement of an asset is determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in the income statement.

## Licences

Licences are stated at cost less accumulated depreciation and any impairment loss and are depreciated over their estimated useful lives on the following annual bases:

Licences - over the licence period

## Impairment of Property, Plant and Equipment and Intangible Assets other than Goodwill

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets other than goodwill 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 the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired. 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. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, unless

the relevant asset is carried at a revalued amount, in which case the reversal of an impairment is treated as a revaluation increase.

#### Financial Instruments

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

#### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits held at call with banks.

#### Borrowings

Borrowing costs primarily comprise interest on the Group's borrowings. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits and the costs can be measured reliably. All other borrowing costs are expensed in the period in which they are incurred and reported within 'finance costs'.

#### Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

#### Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### Other receivables

Other receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired. Objective evidence of impairment could include, the payment of debts becoming significantly overdue. The receivables are categorised as loans and receivables in these financial statements.

#### Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method. They are categorised as other financial liabilities in these financial statements.

#### Operating loss

Operating loss is stated before, finance income, interests in joint ventures and taxation.

#### Leases

In accordance with IAS 17 Leases, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance leasing liability. Leases of land and buildings are classified separately and are split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is recognised initially.

Depreciation methods and useful lives for assets held under finance lease agreements correspond to those applied to comparable assets which are legally owned by the Group.

The corresponding finance leasing liability is reduced by lease payments, less finance charges, which are expensed as part of finance costs. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease. All other leases are treated as operating leases. Payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

#### Segmental Reporting

Operating segments are components of the entity about which separate financial statement information is available that is regularly reviewed by the chief operating decision maker (CODM) in deciding how to allocate resources and in assessing performance. The CODM in this case has been identified as the Board.

#### Research and Development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group's business development of its various clean technologies is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably;
- the product or process is technically and commercially feasible; and
- there is intent, and sufficient resources are available, to complete the development and to either sell or use the asset.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Internally-generated intangible assets will be amortised on a straight-line basis over their useful lives by reference to their sale and use. Amortisation has been included in administration expenses within 'depreciation and amortization charge'.

#### Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net accounting 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 reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is the tax expected to be payable or recoverable 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 recognised to the extent that it is probable that taxable profits will be available against which 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.

The carrying amount of deferred tax assets is reviewed at each reporting 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.

#### Foreign currencies

The consolidated financial statements are presented in pounds sterling which is the Company's functional and presentational currency.

#### Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). In the Group's financial statements, all assets, liabilities and transactions of the Group entities, with a functional currency other than the Pound Sterling (the Group's presentation currency) are translated into Pounds Sterling upon consolidation. The functional currencies of the entities in the Group have remained unchanged during the reporting period.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

#### Foreign subsidiaries

The assets and liabilities in the financial statements of foreign subsidiaries and related goodwill are translated at the rate of exchange ruling at the reporting date. Income and expenses are translated at the actual rate. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to the "Translation Reserve" in equity. On disposal of a foreign operation the cumulative translation differences are transferred to the income statement as part of the gain or loss on disposal.

#### Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the director's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

#### Share Based Payment

The Group has applied the requirements of IFRS 2 Share based payment. The Group issues equity settled share based payments to certain employees and third parties. Equity settled share based payments are measured at fair value at the date of the grant. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects on non-transferability, exercise restrictions and behavioural considerations.

#### Critical accounting judgements and key sources of estimation and uncertainty

In the process of applying the accounting policies of both the Company and the Group, as described above, management have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

#### Impairment of Development costs and Licences

The carrying value of development costs and licences in the Group's accounts is reliant upon the outcome of the reverse takeover of the Company by Southbank UK plc on 20 January 2010. The carrying value of these assets was significantly impaired in the prior period, an impairment charge of £1,778,000 being put through the financial statements in the year to September 2009. No impairment charge has been recognised in the period to December 2009. The Directors of Southbank were clear that their interest in the transaction and the concomitant fundraising was in obtaining new cash resources to support their existing business and not in Nviro's technologies and this is clearly explained in the Offer Document. No resources are to be allocated to the Nviro technologies after the transaction has completed.

#### Impairment of property, plant and equipment

As a consequence of the decision, based on currently prevailing economic conditions and on grounds of economic inviability, not to proceed at the CBT site in Cincinnati and the associated deferral of revenues, and also the reverse takeover of the Company by Southbank UK plc on 20 January 2010, (as outlined above), an impairment charge of £3,543,000 was booked against fixed assets under construction, leasehold improvements and plant and machinery across the Group's business units in the year to September 2009. No impairment charge has been recognised in the period to December 2009.

#### Impairment of intercompany receivables

The carrying value of intercompany receivables in the Company's accounts is reliant upon the probability that the Company's subsidiary undertakings will be in a position in the future to re-pay these balances. As outlined under Impairment of development costs and licences above, no new cash resources will be allocated to continue development of the Group's technologies, meaning that future revenues would not be forthcoming. The only post year end cash flows into the Group will stem from the proposed sale of various tangible and intangible assets to a third party. The total of intercompany receivables has therefore been written down to that level. The result of this is that the carrying values of intercompany balances have been impaired in the current year by £299,000 (September 2009: £11,900,000). This has no impact on the Group accounts.

## 2. Segmental Reporting

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result of the change in

standard the Group is now required to disclose segmental information (previously the Group did not generate revenue therefore did not disclose segmental analysis).

#### Operating segments

For management purposes, the Group is currently organised into two operating divisions – Vertus technology and Other technologies. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- Vertus technology – The research and development of the Vertus (clean fuel) technology.
- Other technologies – The research and development of the Group's remaining technologies being, the air laser technology, the air analysis technology and the MDF recycling technology.

Segment information for the Group's operating divisions is shown below:

December 2009	Vertus technology £'000	Other technologies £'000	Total £'000
Revenue	-	-	-
Result			
Adjusted EBITDA	(25)	(37)	(62)
Profit on disposal	47	-	47
Segment result	<u>22</u>	<u>(37)</u>	<u>(15)</u>
Central administration costs			(597)
Corporate transaction costs			(565)
Operating loss			<u>(1,177)</u>
Finance income			2
Finance costs			(1)
Share of results of joint venture			(1)
Loss before tax			<u><u>(1,177)</u></u>

Central administration costs includes all head office costs such as wages and salaries, Directors remuneration, legal fees and rent and rates.

September 2009	Vertus technology £'000	Other technologies £'000	Total £'000
Revenue	-	-	-
Result			
Adjusted EBITDA	(824)	(316)	(1,140)
Impairment of non current assets	(3,539)	(1,089)	(4,628)
Reversal of provision	-	337	337
Segment result	<u>(4,363)</u>	<u>(1,068)</u>	<u>(5,431)</u>
Central administration costs			(3,054)
Provision against current assets			(200)

Impairment of non current assets	(693)
Corporate transaction costs	(215)
Operating loss	(9,593)
Finance income	119
Share of results of joint venture	(23)
Loss before tax	(9,497)

Central administration costs includes all head office costs such as wages and salaries, Directors remuneration, legal fees and rent and rates.

#### Segment assets and liabilities

Segment assets	3 month period ended 31 December 2009 £'000	Year ended 30 September 2009 £'000
Vertus	375	444
Other	56	51
Total segment	431	495
Unallocated	2,622	3,401
Consolidated assets	3,053	3,896
Segment liabilities	3 month period ended 31 December 2009 £'000	Year ended 30 September 2009 £'000
Vertus	16	30
Other	56	56
Total segment	72	86
Unallocated	793	446
Consolidated liabilities	865	532

#### Other segmental information

	Depreciation and amortisation		Additions to non current assets	
	3 month period ended 31 December 2009 £'000	Year ended 30 September 2009 £'000	3 month period ended 31 December 2009 £'000	Year ended 30 September 2009 £'000
Vertus	-	-	-	2,798
Other	-	-	-	-

Total segment	-	-	-	2,798
Unallocated	2	48	2	49
	<u>2</u>	<u>48</u>	<u>2</u>	<u>2,847</u>

In addition to the depreciation and amortisation reported above, impairment losses of £Nil (September 2009: £5,321,000) were recognised in respect of property, plant & equipment, development assets and licenses. These impairment losses were attributable to the following reportable segments.

	3 month period ended 31 December 2009 £'000	Year ended 30 September 2009 £'000
Vertus	-	3,532
Other	-	1,089
Total segment	<u>-</u>	<u>4,621</u>
Unallocated	<u>-</u>	<u>700</u>
	<u>-</u>	<u>5,321</u>

#### Geographical information

The Group operates in two principal geographical areas the USA and other. There are no sales made by the group to external customers.

	Non current assets	
	3 month period ended 31 December 2009 £'000	Year ended 30 September 2009 £'000
USA	8	372
Other	2	10
	<u>10</u>	<u>382</u>

As there are no sales made either internally or externally by the Group, no information on customers has been disclosed.

#### 3. Finance Income

	3 month period ended 31 December 2009 £'000	Year ended 30 September 2009 £'000
Bank interest receivable	<u>2</u>	<u>119</u>

#### 4. Loss for the Financial Period

	3 month period ended 31 December 2009 £'000	Year ended 30 September 2009 £'000
Loss for the financial period is arrived at after charging:		
Net foreign exchange losses	-	29
Depreciation on owned assets	2	48
Amortisation expense	-	106
Research expense	-	360
Rentals payable under operating leases	25	110
Staff costs (see note 8)	372	1,744
Auditors' remuneration for audit services	10	75
Share based payment expense	6	33
(Profit) on the sale of fixed assets	(49)	-
Impairment loss recognised on property, plant and equipment	-	3,543
Impairment loss recognised on development assets	-	961
Impairment loss recognised on licences	-	817

The amortisation and depreciation charge of £2,000 (September 2009: £154,000) and the staff costs expense of £372,000 (September 2009: £1,427,000) are included within administrative expenses within the income statement.

Amounts payable to Grant Thornton UK LLP, (September 2009: Baker Tilly UK Audit LLP) and its related entities, in respect of both audit and non-audit services are set out below:

	3 month period ended 31 December 2009 £'000	Year ended 30 September 2009 £'000
Fees payable to the auditors and associates for the statutory audit of the company and consolidated accounts	10	35
Fees payable to the auditors and associates for other services:		
The audit of the Company's subsidiaries	-	40
Taxation services – Compliance services	-	15
Taxation services – Advisory services	-	13
Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or any of its associates	75	40
Other services	222	15
	307	158

The fees disclosed in 2009 represent the Directors' estimate of the fees payable for the audit for the period ended 31 December 2009.

## 5. Administrative Expenses

	3 month period ended 30 December 2009 £'000	Year ended 30 September 2009 £'000
Staff costs (see note 8)	372	1,744
Professional fees	742	1,362
Travelling expenses	31	377
Rent and premises expenses	42	145
Provision against other receivables	-	200
Depreciation and amortisation charge	2	154
(Profit) on disposal of fixed assets	(49)	-
Other costs	37	267
	1,177	4,249
	1,177	4,249

Operating profit is stated after charging professional fees of £742,000, which include £565,000 of transaction costs relating to the reverse of Southbank UK plc into the Company that completed on 20 January 2010.

## 6. Tax

	3 month period ended 31 December 2009 £'000	Year ended 30 September 2009 £'000
Current tax		
Corporation tax	-	-
Total current tax	-	-
Deferred tax	-	-
Total tax charge	-	-

The Company is subject to Isle of Man taxation at the rate of 0%.

The charge for the period can be reconciled to the loss per the income statement as follows:

3 month period ended 31 December 2009 £'000	Year ended 30 September 2009 £'000
--	--

Loss before tax	(1,177)	(9,497)
Tax at the UK corporation tax rate of 28% (September 2009: 28%)	<u>(330)</u>	<u>(2,659)</u>
Factors affecting charge for the year		
Expenses not deductible for tax purposes	-	1,241
Capital allowances for period in excess of depreciation	1	3
Tax losses not utilised	140	903
Losses not available for tax purposes	191	507
Other timing differences	-	5
Group tax charge	<u>-</u>	<u>-</u>

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. As the availability of future profits against which to utilise a deferred tax asset is uncertain, no asset has been recognised in the year. The unrecognised deferred tax asset at 31 December 2009 is £3,765,626 (September 2009: £3,601,199).

Due to the change in ownership of the Company on 19 January 2010, as outlined in note 30 to these financial statements, the status of the losses carried forward may be restricted if there is a major change in the nature and conduct of the loss making trade.

Losses not available for tax purposes mainly relate to losses incurred in jurisdictions with a nil% tax rate.

## 7. Loss per Share

Basic loss per share of £0.18 (September 2009: £1.44) is based on the loss for the financial period of £1,177,000 (September 2009: loss of £9,497,000) and on 6,609,319 ordinary shares (September 2009: 6,609,319 ordinary shares) being the weighted average number of shares in issue throughout the period. As there is a loss for the period, there is no difference between the basic and the diluted loss per share. There are 1,631,202 (September 2009: 1,631,202) share options in issue that could potentially dilute basic earnings per share in the future, but have not been included in the calculation of diluted earnings per share because they are anti dilutive for the periods presented.

The calculation of the weighted average number of shares takes into account the subdivision of the ordinary share capital that took place on 15 January 2010 as outlined in note 30.

## 8. Staff Costs

The average monthly number of employees, (including executive Directors) during the period was:

	Group	
	December 2009	September 2009
	Number	Number
Management and finance	3	5
Technical	6	9
Administration	1	4
	<hr/>	<hr/>
	10	18
	<hr/> <hr/>	<hr/> <hr/>

The costs incurred in respect of these employees were:

	Group	
	3 month period ended 31 December 2009	Year ended 30 September 2009
	£'000	£'000
Wages and salaries	345	1,589
Share based payments (see note 24)	6	33
Social security costs	21	122
	<hr/>	<hr/>
	372	1,744
	<hr/> <hr/>	<hr/> <hr/>

Further information regarding the remuneration of Directors is included within the Report of the Remuneration Committee on pages 14 to 16.

## 9. Intangible Assets

Group	Licence	Development costs	Total
	£'000	£'000	£'000
Cost			
At 1 October 2008	1,054	867	1,921
Additions	-	214	214
At 30 September 2009	1,054	1,081	2,135
Foreign exchange movement	-	9	9
Transferred to assets held for sale	(1,004)	(1,090)	(2,094)
At 31 December 2009	50	-	50
Amortisation			
At 1 October 2008	131	-	131
Charge for the year	106	-	106
Impairment charge	817	961	1,778
At 30 September 2009	1,054	961	2,015
Transferred to assets held for sale	(1,004)	(961)	(1,965)
At 31 December 2009	50	-	50
Net Book Value: 30 September 2008	923	867	1,790
Net Book Value: 30 September 2009	-	120	120
Net Book Value: 31 December 2009	-	-	-

An impairment charge of £Nil (September 2009: £1,778,000) has been identified in the period across the Group's intangible asset balances. No amortisation has been charged on development expenditure as the cash generating units to which the assets have been allocated are not yet revenue generating.

## 10. Investments

Company	Investment in subsidiary undertakings £'000
Cost	
At 1 October 2008	20,161
Additions	32
At 30 September 2009 and 31 December 2009	<u>20,193</u>
Provision for Impairment	
At 1 October 2008	-
Impairment in the year	20,193
At 30 September 2009 and 31 December 2009	<u>20,193</u>
Net Book Value: 30 September 2008	<u>20,161</u>
Net Book Value: at 30 September 2009 and 31 December 2009	<u><u>-</u></u>

The Company owns more than 20% of the following entities:

Name of Undertaking	Place of Incorporation	% Ownership / voting power	Principal Activity
Nviro Cleantech Limited	England & Wales	100	Administration
Laseair Limited	England & Wales	80	Development & exploitation of clean technologies
Microrelease Limited	England & Wales	80	Development & exploitation of clean technologies
Organotect Limited	United States	65	Development & exploitation of clean technologies
Nviro Cleantech Inc	United States	100	Administration
Vertus Technologies US LLC	United States	100	Development & exploitation of clean technologies
Vertus Technologies Industrial LLC	United States	100	Development & exploitation of clean technologies
Vertus Technologies Limited	Cayman Islands	100	Development & exploitation of clean technologies
Nviro Cleantech Limited	Cayman Islands	100	Holding Company

Balama Nviro Limited	British Virgin Islands	50	Holding Company
Balama Nviro Limited	Hong Kong	50	Development & exploitation of clean technologies

All companies are owned indirectly by Nviro Cleantech plc except for Nviro Cleantech Limited and the results for all have been included within the consolidation.

Investments in subsidiary undertakings were fully written down in the year to 30 September 2009.

#### 11. Property, Plant and Equipment

Group	Leasehold improvements £'000	Assets in the course of construction £'000	Plant & Machinery £'000	Computer Equipment £'000	Total £'000
Cost					
At 1 October 2008	46	1,141	53	6	1,246
Additions	38	2,584	1	10	2,633
At 30 September 2009	84	3,725	54	16	3,879
Additions	-	-	2	-	2
Disposal	-	(280)	-	-	(280)
Foreign exchange movement	2	(139)	-	-	(137)
Transferred to assets held for sale	-	(3,306)	-	-	(3,306)
At 31 December 2009	86	-	56	16	158
Depreciation					
At 1 October 2008	9	-	15	2	26
Charge for the year	27	-	17	4	48
Impairment charge	48	3,473	22	-	3,543

At 30 September 2009	84	3,473	54	6	3,617
Charge for the period	-	-	-	2	2
Impairment charge	-	(186)	-	-	(186)
Foreign exchange movement	2	(130)	-	-	(128)
Transferred to assets held for sale	-	(3,157)	-	-	(3,157)
At 31 December 2009	<u>86</u>	<u>-</u>	<u>54</u>	<u>8</u>	<u>148</u>
Net book value: 30 September 2008	<u>37</u>	<u>1,141</u>	<u>38</u>	<u>4</u>	<u>1,220</u>
Net book value: 30 September 2009	<u>-</u>	<u>252</u>	<u>-</u>	<u>10</u>	<u>262</u>
Net Book value: 31 December 2009	<u>-</u>	<u>-</u>	<u>2</u>	<u>8</u>	<u>10</u>

Full details of the impairment in the year to 30 September 2009 can be found in the financial statements for that period. The offer that was received for the Clean Fuel assets, including the related intellectual property, at that time is still in place. The Directors therefore believe that no further write down of property, plant and equipment and intangible assets relating to the Clean Fuel technology is necessary.

Company	Computer equipment £'000
Cost	
At 1 October 2008	2
Additions	-
At 30 September 2009 and 31 December 2009	<u>2</u>
Depreciation	
At 1 October 2008	1
Charge for the year	1
At 30 September 2009 and 31 December 2009	<u>2</u>
Net book value: 30 September 2008	<u>1</u>
Net book value: 30 September 2009 and 31 December 2009	<u>-</u>

## 12. Other Non Current Assets

The loan due from Group undertakings was fully impaired during the year ended September 2009. For full details refer to the year ended 31 September 2009 financial statements.

## 13. Receivables

	Group		Company	
	December 2009	September 2009	December 2009	September 2009
	£'000	£'000	£'000	£'000
Due within one year:				
Other receivables	251	282	-	-
Provision against other receivables	(200)	(200)	-	-
Prepayments and accrued income	44	48	15	17
Due from Group undertakings	-	-	370	370
	<u>95</u>	<u>130</u>	<u>385</u>	<u>387</u>

The Directors consider that the carrying amount of other receivables approximates to their fair value.

### Group

Although there is no specific repayment date attached to the amount, £200,000 (September 2009: £200,000) of other receivables are considered to be impaired and have hence been provided against. The Directors do not believe that this debt will be repaid to the Group due to a dispute with the debtor. There is no other movement in the allowance account for impairment. All of the Group's other receivables are denominated in sterling except for £27,166 (September 2009: £73,587) denominated in \$US.

### Company

All of the Company's other receivables are denominated in sterling at 31 December 2009 and 30 September 2009. There are no specific repayment terms attached to the amounts due from Group undertakings. An impairment of £299,299 (September 2009: £10,815,878) has been charged against the amount due from Group undertakings due to the reasons outlined in note 30.

## 14. Cash and Cash Equivalents

	Group December 2009 £'000	September 2009 £'000	Company December 2009 £'000	September 2009 £'000
Cash and cash equivalents per balance sheet	2,670	3,384	2,424	3,143

All of the Group's and Company's cash and cash equivalents at 31 December 2009 and 30 September 2009 are at floating interest rates except for £203,078 (September 2009: £474,483), which is held on deposit, accruing interest at 0.5% below the Bank of England base rate per annum.

All of the Group's cash and cash equivalents at 31 December 2009 are in sterling except for £116,200 (September 2009: £117,761) held in US Dollars. All of the Company's cash and cash equivalents at 31 December 2009 and 30 September 2009 are in sterling.

The Directors consider that the carrying amount of cash and cash equivalents approximates their fair value

#### 15. Disposal Group - assets held for sale

The board resolved to dispose of the tangible and intangible assets relating to the 'Vertus' operation taking place in the Ohio area. These operations, which are expected to be sold within 12 months, have been classified as a disposal group held for sale and presented separately in the balance sheet. Negotiations with several parties have taken place and the proceeds of the disposal are expected to either equal or exceed the book value of the related non-current assets and accordingly no impairment losses have been recognised on the classification of these assets as held for sale.

The major classes of assets comprising the amounts classified as held for sale are as follows.

	Period ended 31 December 2009 £'000
Development Costs	129
Assets in the course of construction	149
Total assets classified as held for sale	278

The non current assets are held within the 'Vertus technology' operating segment

#### 16. Trade and Other Payables

	Group December 2009 £'000	September 2009 £'000	Company December 2009 £'000	September 2009 £'000
Trade payables	251	130	199	32
Other payables	52	33	-	-
Accruals and deferred income	513	321	273	185
Due to Group undertakings	-	-	26	26
	<u>816</u>	<u>484</u>	<u>498</u>	<u>243</u>

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 28 days (September 2009: 25 days). The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

The Group and Company have financial risk management policies in place to ensure that all payables are paid within the credit timeframe and no interest has been charged by any suppliers as a result of late payment of invoices during the period.

#### 17. Provisions

	Group December 2009 £'000	September 2009 £'000	Company December 2009 £'000	September 2009 £'000
At 1 October 2009	-	337	-	-
Reduction in provisions during the period	-	(337)	-	-
At 31 December 2009	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The provision relating to a dispute with a supplier in existence at the beginning of the comparative period was reversed during the year to September 2009, after the completion of the legal case regarding the dispute. No monies were payable as a result of the settlement of the issue.

#### 18. Joint Venture Undertakings

The Group holds a 50 per cent investment in Balama Nviro Limited, a Company incorporated in the British Virgin Islands. Through this Company, it holds a 50 percent investment in a Company also named Balama Nviro Limited, a Company incorporated in Hong Kong. In both instances, the Group holds the ownership of 50 percent of the ordinary share capital of the entities. The principal activity of the joint venture is the development and exploitation of clean technologies.

At 31 December 2009 the joint ventures had no capital commitments or contingent liabilities. The results of the joint ventures for the period ended 31 December 2009 have not been audited.

A summary of the results of the joint ventures for the period ended 31 December 2009 is shown below:

Group share of results	2009 £'000
Revenue	-
Operating loss	(1)
Finance Income	-
Loss before tax	(1)
Tax	-
Loss after tax	(1)
	<hr/> <hr/>
Group share of net liabilities	2009 £'000
Non current assets	-
Current assets	1
Current liabilities	(50)
Share of net liabilities	(49)
	<hr/> <hr/>
At 1 October 2008	(22)
Share of loss	(23)
Exchange differences	(3)
At 1 October 2009	(48)
Share of loss	(1)
At 31 December 2009	(49)
	<hr/> <hr/>

## 19. Share Capital

	December 2009 £'000	September 2009 £'000
Authorised: 200,000,000 ordinary shares of 0.1p each	200	200
	<u>200</u>	<u>200</u>
Alotted, called up and fully paid: 66,093,190 ordinary shares of 0.1p each	66	66
	<u>66</u>	<u>66</u>

The Company has one class of ordinary shares which carry no right to fixed income.  
Share Options

No options over the ordinary share capital of the Company were granted to employees in the current period (September 2009: 308,000).

## 20. Share Premium Reserve

	Group December 2009 £'000	September 2009 £'000	Company December 2009 £'000	September 2009 £'000
At 30 September 2009 and 31 December 2009	16,017	16,017	16,017	16,017
	<u>16,017</u>	<u>16,017</u>	<u>16,017</u>	<u>16,017</u>

The share premium reserve comprises of the difference between the issue value of shares issued and the par value of those shares, less expenses connected to the issue of share capital.

## 21. Merger Reserve

Group	£'000
At 30 September 2009 and 31 December 2009	4,585
Company	<u>£'000</u>
At 30 September 2009 and 31 December 2009	<u>20,075</u>

On 3 July 2007, the Group entered into a share swap agreement whereby the shareholders of Nviro Cleantech Limited agreed to swap their interest in the shares of Nviro Cleantech Limited for shares in Nviro Cleantech plc (now Specialist Energy Group plc), a newly incorporated Company. The consideration for the share swap was the issue of 31,916,199 ordinary shares of £0.001 each. This transaction was accounted for as a group

reconstruction and consequently merger accounting has been adopted. In the Specialist Energy Group plc company accounts, £20,075,000 has been credited to the merger reserve being the difference between the fair value of the share capital issued and the share capital of Nviro Cleantech Limited. In the Group accounts, a total of £4,585,000 has been taken to the merger reserve, being the total of the share capital and share premium in Nviro Cleantech Limited.

## 22. Share Based Payment Reserve

Group and Company	December 2009 £'000	September 2009 £'000
At 1 October	137	366
Share based payment charge	6	33
Transfer to profit and loss reserve on lapse of share options	-	(262)
At 31 December / 30 September	<u>143</u>	<u>137</u>

The share based payment reserve of both the Group and the Company, comprises of the fair value of the share options issued by the Group that has been expensed.

## 23. Translation Reserve

Group	December 2009 £'000	September 2009 £'000
At 1 October	9	(3)
Exchange differences	(5)	12
At 31 December / 30 September	<u>4</u>	<u>9</u>

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations that do not have a Sterling functional currency. Exchange differences arising are classified as equity and transferred to the Group's translation reserve.

## 24. Retained Losses

Group	December 2009 £'000	September 2009 £'000
-------	---------------------------	----------------------------

At 1 October	(17,450)	(8,215)
Loss for the period	(1,170)	(9,497)
Transfer from share based payment reserve on lapse of options	-	262
At 31 December / 30 September	<u>(18,620)</u>	<u>(17,450)</u>
Company	December 2009 £'000	September 2009 £'000
At 1 October	(33,008)	(738)
Loss for the period	(981)	(32,532)
Transfer from share based payment reserve on lapse of options	-	262
At 31 December / 30 September	<u>(33,989)</u>	<u>(33,008)</u>

## 25. Share Based Payments

Details of the share options outstanding at the year end are as follows.

	December 2009		September 2009	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of year	1,631,202	£0.32	2,670,055	£0.38
Granted during period	-	-	308,000	£0.11
Lapsed during the period	-	-	(1,346,853)	£0.41
Outstanding at end of period	<u>1,631,202</u>	<u>£0.32</u>	<u>1,631,202</u>	<u>£0.32</u>
Exercisable at end of period	<u>1,477,202</u>	<u>£0.33</u>	<u>1,297,202</u>	<u>£0.33</u>

A share based payment charge has been calculated using the Black Scholes model to calculate the fair value of the share options. The inputs into the Black Scholes model are as follows;

	December 2009	September 2009
Weighted average share price	£0.32	£0.32
Weighted average exercise price	£0.32	£0.32
Expected volatility	38%	38%
Expected life	6 years 7 months	6 years 9 months
Risk free rate	1.23%	1.23%
Expected dividends	0.00%	0.00%

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The expected volatility percentage was calculated by reference to the share price of the Company over different periods from the listing of the Company to 31 December 2009. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The weighted average remaining contractual life of the options outstanding at 31 December 2009 was 6 years 7 months (September 2009: 6 years 9 months). The outstanding options can be exercised at prices ranging from £0.07 to £0.58 and can be exercised over a 5 to 10 year period.

The Group recognised total expenses related to equity settled share based payment transactions in the form of options of £6,240 (September 2009: £32,832). Of this total all related to employees including Executive Directors. The majority of the options in existence have no performance criteria.

## 26. Notes to the Cash Flow Statement

Group		Company	
3 month period ended	Year ended 30	3 month period ended	Year ended 30
31 December 2009	September 2009	31 December 2009	September 2009
£'000	£'000	£'000	£'000

Operating loss from continuing operations	(1,177)	(9,593)	(983)	(32,651)
Adjustments for:				
Depreciation of property, plant and equipment	2	48	-	1
Amortisation of intangible assets	-	106	-	-
Share based payment expense	6	33	6	2
Impairment of property, plant and equipment	-	3,543	-	-
Impairment of development costs and licence fees	-	1,778	-	-
Impairment of investments	-	-	-	20,193
Impairment of loan balances	-	-	299	11,900
Profit on disposal of fixed assets	(49)	-	-	-
Operating cash flows before movements in working capital	(1,218)	(4,085)	(678)	(555)
Changes in working capital:				
Decrease / (Increase) in trade and other receivables	35	15	(298)	(6,980)
Increase / (Decrease) in trade and other payables	332	(442)	255	89
Decrease in provisions	-	(337)	-	-
Net cash outflow from operations	(851)	(4,849)	(721)	(7,446)

## 27. Operating Lease Arrangements

	December 2009 £'000	September 2009 £'000
Minimum lease payments under operating leases recognised in the Income Statement for the period	25	110

At the reporting date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	December 2009 £'000	September 2009 £'000
Within one year	2	13

Operating lease payments represent rentals payable by the Group for office property. The various leases all expire within one year.

## 28. Related Party Transactions

Transactions between the Company's subsidiaries, that have been eliminated on consolidation and are not disclosed in this note. Transactions between the Company and its subsidiaries were as follows, (all amounts are unsecured):

Company	December 2009 £'000	September 2009 £'000
Amounts due from subsidiary undertakings (central funding) prior to the write off below	669	11,186
Provision against amounts due from subsidiary undertakings	(299)	(10,816)
Net amount due from subsidiary undertakings	<u>370</u>	<u>370</u>
Loan due from subsidiary undertakings due between two and five years prior to the write off below	-	1,085
Provision against amounts due from subsidiary undertakings	-	(1,085)
Net amount due from subsidiary undertakings	<u>-</u>	<u>-</u>
Amounts owed to subsidiary undertakings	<u>(26)</u>	<u>(26)</u>

### Group

Transactions with related parties who are not members of the Group:

Core Capital Holdings LLC and Inflect Technologies Limited are both related parties by virtue of their shareholding in the Company. During the period they provided consultancy services to the Group totalling £4,888 (September 2009: £132,739) and £nil (September 2009: £30,000) respectively. At 31 December 2009 the Group owed the companies £2,013 and £nil respectively (September 2009: £1,500 and £Nil respectively). The University of Glasgow is a related party by virtue of its shareholding in one of the Groups' subsidiaries. During the year, the University of Glasgow provided consultancy services to the Group totalling £nil (September 2009 £33,606). At 31 December 2009, the Group owed the Company £nil (September 2009: £Nil).

FIRA International Limited is also a related party by virtue of the shareholding of Chiltern Ventures Limited in one of the Company's subsidiaries. During the year, FIRA International Limited provided consultancy services to the Group totalling £nil (September 2009: £32,395). At 31 December 2009, the Group owed the Company £14,288 (September 2009: £14,288). None of these balances are secured.

Transactions with joint ventures:

During the year the Group recharged £Nil (September 2009: £Nil) of expenses to its joint venture undertaking, Balama Nviro Limited.

The remuneration of the Directors and other key management personnel of the Group are set out below.

	December 2009 £'000	September 2009 £'000
Short term employee benefits (including Non Executive Directors)	86	359
Compensation for loss of office	113	118
Share based payments	2	16
	<u>201</u>	<u>493</u>
	<u><u>201</u></u>	<u><u>493</u></u>
The remuneration paid to the highest paid Director is as follows:		
- Emoluments	87	130
	<u>87</u>	<u>130</u>
	<u><u>87</u></u>	<u><u>130</u></u>

The highest paid Director did not exercise any share options during the period or receive any shares under a long term incentive scheme.

There are no retirement benefits accruing to Directors. Further information about the remuneration of individual Directors is provided in the report of the remuneration committee.

## 29. Financial Instruments

### Group

The Group is exposed to the risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of the Group for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

### Capital risk management

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to stakeholders. The Group funds itself through equity financing and as at the balance sheet date, did not employ any debt financing.

The capital structure of the Group consists of equity, comprising issued capital, reserves and retained earnings.

The Group has no externally imposed capital requirements.

### Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to these financial statements.

### Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Cash at bank
- Trade and other payables

### Categories of financial instruments

At 31 December 2009, the Group held the following financial assets:

	December 2009 £'000	September 2009 £'000
Loans and other receivables	2,721	3,466
	<hr/>	<hr/>
	2,721	3,466
	<hr/> <hr/>	<hr/> <hr/>

The analysis of loans and receivables is shown in the table below:

Loans and receivables	December 2009 £'000	September 2009 £'000
Other receivables	51	82
Cash and cash equivalents	2,670	3,384
	<hr/>	<hr/>
	2,721	3,466
	<hr/> <hr/>	<hr/> <hr/>

There have been no gains or losses during the period, (September 2009: £Nil) on loans and receivables.

At 31 December 2009, the Group held the following financial liabilities:

Other financial liabilities	December 2009 £'000	September 2009 £'000
Trade and other payables	816	484
	<hr/>	<hr/>

### Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

### Foreign currency risk management

During the period, the Group had a number of overseas subsidiaries based in the Cayman Islands and the United States of America, (as outlined in note 10). The Group undertakes activities overseas, mostly in the United States and hence owns foreign currency denominated assets and liabilities. The Group also pays for invoices denominated in a foreign currency in the same currency as the invoice. The Group therefore does suffer from

a level of foreign currency risk. This risk is reduced by holding money in the currency that invoices are received in. The Directors currently believe that foreign currency risk is at an acceptable level.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at 31 December is as follows:

	Assets		Liabilities	
	December 2009	September 2009	December 2009	September 2009
	£'000	£'000	£'000	£'000
United States Dollar	119	129	19	21

#### Foreign currency risk sensitivity

As highlighted above, as at 31 December 2009, the Group had no significant exposure to foreign currency risk. No sensitivity analysis on changes between the value of sterling compared with foreign currencies has therefore been prepared.

#### Interest rate risk management

The Group has minimal exposure to interest rate risk. As outlined earlier, it has no exposure to debt financing and has no interest rate bearing liabilities. It is exposed to interest rate risk on its financial assets being its cash at bank balances. The interest rate receivable on these balances is either 0.50% below the Bank of England base rate or nil%. The Group gave careful consideration to which organisation it should use for its banking services and interest rates available was one aspect of the decision. The Directors currently believe that interest rate risk is at an acceptable level.

#### Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for all interest bearing financial assets at the reporting date. For floating rate assets, the analysis is prepared assuming the amount of the asset outstanding at the reporting date was outstanding for the whole period. A 0.5% increase or decrease is used when reporting interest rate risk internally to key management and represents management's assessment of the reasonable possible change in interest rates.

At 31 December 2009, if interest rates had been 0.50% higher / (lower) and all other variables were held constant, the Group's net loss would (decrease) / increase by £3,338 (September 2009: increase / (decrease) by £17,920). This is attributable to the Group's exposure to interest rates on its variable rate cash balances. There would be no impact on the Group's equity balances.

At 31 December 2009, the Group had £nil (September 2009: £Nil) of borrowings subject to variable rate interest.

#### Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises principally from the Group's cash balances, with further minimal risk arising due to other receivables. The Group gives careful consideration to which organisations it uses for banking services in order to minimise credit risk. As the Group is in the pre-revenue stage of its development, it has no customers and therefore no need for a credit check policy. Such a policy will be introduced as and when

required. Management considers the above measures to be sufficient to control the credit risk exposure.

The concentration of the Group's credit risk is considered by counterparty, geography and currency. The Group has a significant concentration of cash held on deposit with one large bank in the United Kingdom. At 31 December 2009, the concentration of credit risk held with that bank was £2,669,624 (September 2009: £3,383,890). There are no other significant concentrations of credit risk at the reporting date.

At 31 December 2009, the Group held no collateral (September 2009: Nil) as security against any financial asset. £200,000 of financial assets (September 2009: £200,000) have been provided against as outlined in note 13. There were no problems with the credit quality of any other financial asset in either period.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained. At both 31 December 2009 and 30 September 2009, no financial assets were past their due date. As a result, there has been no impairment of financial assets during the period other than the impairment of other receivables outlined above, that was impaired in the year to September 2009.

#### Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board manages liquidity risk by regularly reviewing the Group's gearing levels, cash flow projections and associated headroom and ensuring that excess banking facilities are available for future use. The Group maintains good relationships with its banks, all of whom are banks with high credit ratings and its cash requirements are anticipated via the budgetary process. At 31 December 2009, the Group had £2.67 million of cash reserves. Note 30 to these accounts gives details of post balance sheet events that effect the liquidity position of the Group, namely, the acquisition of Southbank UK plc.

#### Maturity of financial assets and liabilities

All of the Group's non derivative financial liabilities and its financial assets in both the period to 31 December 2009 and the year to 30 September 2009 are either payable or receivable within one year.

#### Company

The Company is exposed to the risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of the Company for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

#### Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders. The Company funds itself through equity financing and as at the balance sheet date, did not employ any debt financing. The capital structure of the Company consists of equity, comprising issued capital, reserves and retained earnings.

The Company has no externally imposed capital requirements.

#### Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are

recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to these financial statements.

#### Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Cash at bank
- Trade and other payables
- Other receivables

#### Categories of financial instruments

At 31 December 2009, the Company held the following financial assets:

Loans and receivables	December 2009 £'000	September 2009 £'000
Other receivables (including amounts due from Group undertakings)	370	370
Cash and cash equivalents	2,424	3,143
	<hr/>	<hr/>
	2,794	3,513
	<hr/>	<hr/>

There have been no gains or losses during the year, (September 2009: £Nil) on loans and receivables.

At 31 December 2009, the Company held the following financial liabilities:

Other financial liabilities	December 2009 £'000	September 2009 £'000
Trade and other payables (including amounts due to Group undertakings)	498	243
	<hr/>	<hr/>
	498	243
	<hr/>	<hr/>

#### Market risk

The Company has minimal assets and liabilities held in foreign currencies and does not trade in overseas markets. The Company therefore has minimal exposure to foreign exchange risk. The Company is exposed to interest rate risk on its cash at bank balances.

#### Interest rate risk management

The Company has minimal exposure to interest rate risk. As outlined above, it has no exposure to debt financing and has no interest rate bearing liabilities. It is exposed to interest rate risk on its financial assets being its cash at bank balances. The interest rate receivable on these balances is either 0.50% below the Bank of England base rate or nil%. The Company gave careful consideration to which organisation it should use for its banking services and interest rates available was one aspect of the decision. The Directors currently believe that interest rate risk is at an acceptable level.

The Company's exposures to interest rates on financial assets are detailed in the liquidity risk management section of this note.

#### Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for all interest bearing financial assets at the balance sheet date. For floating rate assets, the analysis is prepared assuming the amount of the liability outstanding at the balance sheet date was outstanding for the whole period. A 0.50% increase or decrease is used when reporting interest rate risk internally to key management and represents management's assessment of the reasonably possible change in interest rates.

At 31 December 2009, if interest rates had been 0.50% higher / (lower) and all other variables were held constant, the Company's net loss would (decrease) / increase by £3,030 (September 2009: increase / (decrease) by £15,716). This is attributable to the Company's exposure to interest rates on its variable rate cash balances. There would be no impact on the Company's equity balances.

At 31 December 2009, the Company had £Nil (September 2009: £Nil) of borrowings subject to variable rate interest.

#### Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises principally from the Company's cash balances and the balances due to it from other Group undertakings. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Management considers the above measures to be sufficient to control the credit risk exposure.

The concentration of the Company's credit risk is considered by counterparty, geography and currency. The Company has a significant concentration of cash held on deposit with one large bank in the United Kingdom. At 31 December 2009, the concentration of credit risk held with that bank was £2,423,736 (September 2009: £3,143,298).

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained. £299,299 (September 2009: £11,900,414) of financial assets have been impaired during the year, all of which related to amounts due from Group undertakings. No other financial assets are past their due date.

At 31 December 2009, the Company held no collateral (September 2009: Nil) as security against any financial asset. No financial assets (September 2009: £Nil) were past their due date and there were no problems with the credit quality of any financial asset in either year apart from the impairment outlined above.

#### Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board manages liquidity risk by regularly reviewing the Company's gearing levels, cash flow projections and associated headroom and ensuring that excess banking facilities are available for future use. The Company maintains good relationships with its banks, all of whom are banks with high credit ratings and its cash requirements are anticipated via the budgetary process. At 31 December 2009, the Company had £2.42 million of cash reserves. Note 30 to these accounts gives details of post balance sheet events that effect the liquidity position of the Company, namely, the acquisition of Southbank UK plc.

#### Maturity of financial assets and liabilities

All of the Company's non derivative financial liabilities for both the period ending 31 December 2009 and the year ending 30 September 2009 are due within one year. The maturity profile of the Company's financial assets is shown in the table below:

December 2009	Receivable in less than one year £'000	Receivable between 2-5 years £'000
Other receivables (including amounts due from Group undertakings)	370	-
Cash and cash equivalents	2,424	-
	<hr/>	<hr/>
	2,794	-
	<hr/> <hr/>	<hr/> <hr/>
September 2009	Receivable in less than one year £'000	Receivable between 2-5 years £'000
Other receivables (including amounts due from Group undertakings)	370	-
Cash and cash equivalents	3,143	-
	<hr/>	<hr/>
	3,513	-
	<hr/> <hr/>	<hr/> <hr/>

### 30. Post Balance Sheet Events

Subsequent to the period end the following events occurred:

On 15 January 2010, the Company undertook a share re-organisation. The existing share capital at that time of 66,093,190 ordinary shares of 0.1p each was sub-divided into 6,609,319 ordinary shares of 1p each.

On 19 January 2010, the Company changed its name to Specialist Energy Group plc.

On 19 January 2010, prior to the transaction outlined below, a total of 5,263,200 new ordinary shares of 1p each were issued at 76p per share, raising gross proceeds ("Issue Proceeds") of £4 million before expenses.

The Boards of the Company and Southbank reached agreement on the terms of a recommended offer ("the unconditional offer") to acquire the entire issued share capital of Southbank. Completion of the acquisition of Southbank took place on 20 January 2010.

Based on the placing price of 76p per Nviro share, post the share re-organisation outlined above, the entire issued and to be issued share capital of Southbank was valued at £10.05 million.

On 25 January 2010 £3m of the Issue Proceeds were used to repay borrowings of Redglade Investments Limited, a wholly owned subsidiary of Southbank.

Following the acquisition and upon re-admittance to AIM, the Company's issued ordinary share capital consisted of 19,957,265 ordinary shares of 1p each. This figure had risen to

24,453,300 by 15 March 2010, as additional shareholders of Southbank accepted the offer. This entitled the Company to acquire compulsorily, any remaining shares in Southbank, which the Company has proceeded to do and will lead to the shares in issue rising to 25,090,737.

The acquisition outlined above has been treated as a reverse acquisition for accounting purposes. The fair value of the assets and liabilities acquired are as follows:

Net assets acquired – Specialist Energy Group plc (formally Nviro Cleantech plc)	Book value and fair value
	£'000
Property, plant and equipment	10
Other receivables	95
Cash and cash equivalents	2,670
Disposal group – assets held for sale	278
Trade and other payables	(816)
Interests in joint ventures	(49)
	2,188
Goodwill	2,821
Total consideration	5,009

The book value of the net assets acquired was considered to represent fair value. The net assets acquired were deemed to be those in existence at 31 December 2009.

The consideration was satisfied by the issue of 100\* shares of the Company for every 7,149 shares of Southbank.

Total acquisition expenses of £780,000 were expensed across the periods both to 30 September 2009 and 31 December 2009.

As the acquisition occurred subsequent to the period end, there has been no more impact on the revenue of results of the period.

None of the goodwill is expected to be deductible for income tax purposes. Consideration as to whether any impairment of the goodwill is expected to be deductible for income tax purposes. Consideration as to whether any impairment of the goodwill figure is necessary will be taken in due course.

\*Post the share re-organisation.