

Nviro Cleantech
Report and Accounts 2008



Contents

Directors, Advisors and Officers	2
Highlights	3
Chairman's and Chief Executive's Statement	5
Directors' Biographies	10
Directors' Report	12
Corporate Governance Statement	16
Report of the Remuneration Committee	18
Statement of Directors' Responsibilities	21
Report of the Independent Auditors	22
Consolidated Income Statement	24
Consolidated and Company Statements of Changes in Equity	25
Consolidated and Company Balance Sheets	27
Consolidated and Company Cash Flow Statements	29
Notes to the Financial Statements	30

Directors, Advisers & Officers

Directors:

Libby Cooper
Andrew Cosentino
Christopher Every
Philip Hollobone
James Dickson Leach
Mustapha Omar
Peter Rugg*
Duncan Sedgwick

Company Secretary:

David P Craine FCA

Registered Office:

Burleigh Manor
Peel Road
Douglas
Isle Of Man, IM1 5EP

Company Number:

116537C

Nominated Advisor:

Grant Thornton Corporate Finance
Grant Thornton House
Melton Street
Euston Square
London, NW1 2EP

Nominated Broker:

Fairfax I.S. PLC
46 Berkeley Square
Mayfair, London
W1J 5AT

Registered Auditors:

Baker Tilly Bennett Roy LLC
Chapter House, Upper Church Steet
Douglas, Isle of Man, IM1 1EA

Accountants:

Whale Rock Limited
53 Friern Mount Drive
Whetstone
London, N20 9DJ

Bankers:

HSBC
Vitrum
St Johns Innovation Park
Cambridge
Cambridgeshire
CB4 ODS

* Resigned 6th January 2009

Financial Highlights

Strong net cash balance of £10.95m at year end (2007: £5.9m)

Pre-revenue company with a reduced loss before tax of £3.17m (£4.19m in 2007)

Operational Highlights



I Clean Fuel

- Won contract for first Vertus US coal treatment site with Cincinnati Bulk Terminals (CBT). Permits necessary to commence production have been issued, and construction of the facility is now well underway and is due for completion in early 2009.
- Chinese Joint Venture agreement signed with Shenyang Coal Trading Group for three coal treatment projects in China.
- Initiated development programme for a lignite-biomass plant in India with China Light and Power India Private Ltd (CLP).
- By implementing an opportunistic procurement policy we have been able to acquire significant components of clean fuel systems for further facilities which we expect to be installing next year, thereby conserving the Group's cash in the medium term.

I Recycling

- Conducted successful Microrelease trials with one of Europe's largest MDF manufacturers to produce MDF board with up to 20% recycled wood fibre.
- Successfully trialled this product within a sustainable fit-out and refurbishment programme for a major UK high-street grocery retailer.
- Customer satisfaction has led to requests for further material for inclusion in shop fittings within the high-street grocer's flagship UK eco-store, which is currently under construction.

I Air Treatment

- Has developed working prototypes for both Laseair and Organotect, which have reached an inflection point in value on their path to market.



Chairman's & Chief Executive's review

It gives us great pleasure to present Nviro Cleantech plc's results for the twelve-month period ended 30 September 2008, and to report on the Group's progress to date.

Strategy

The Group is increasingly focusing most of its resources on the commercialisation of Vertus, and the production and treatment of both coal and biomass-based fuels. This strategy is based on the Directors' belief that clean fuels offer tremendous global growth prospects, and is underpinned by the contract success already achieved in the United States, as well as strong interest in our processes from numerous other potential customers in the power generation and industrial energy sectors.

The Board believes that Microrelease's real value will be crystallised following the construction of its first industrial plant. In order to conserve our capital and management resources and leverage the value

of the intellectual property (IP) we have created, we anticipate that this plant will be co-funded by one or more industry partners.

The two air treatment technologies, Laseair and Organotect, have produced working prototypes and are both nearing an inflection point in their development where Nviro will be able to consider a range of options to begin to realise value from these investments. This may take the form of sale, license, or a combination of both with partners in the relevant markets.

The Management is cognisant of the difficult economic conditions and has assessed the potential impact on the Group. Hence we are focusing the delivery of both our capital and human resources on the highest priority areas for the future success of the company.

Vertus sign 25 year agreement with Cincinnati Bulk Terminals LLC

Review of businesses



The most significant development in the financial period was the announcement of our contract with Cincinnati Bulk Terminals LLC (CBT) for a 25-year agreement to treat fuels for industrial customers in the Cincinnati tri-state region. The construction phase for our Vertus plant at CBT is now progressing towards completion with the core of the equipment, the six-foot diameter rotary kiln, being fitted out at a sub-contractor's facility nearby.

Moreover, the necessary major permits and authorisations to commence production have been granted. Engineering and ground works are in progress at CBT, where our Vertus plant is located. We believe that our installation will be completed in early 2009, with revenue from our coal pre-treatment process following on shortly after commissioning. Once our first industrial scale Vertus production unit is in full operation it will act as a powerful tool in the conversion of interest in our fuels enhancement process into additional orders from potential customers, whether that be for coal or biomass.

We have established a North American fuel-testing and development facility near the CBT site, which centres on a specially configured, small, six-inch diameter kiln that facilitates the testing of sample materials and enables plant specifications to be refined for potential Vertus customers.

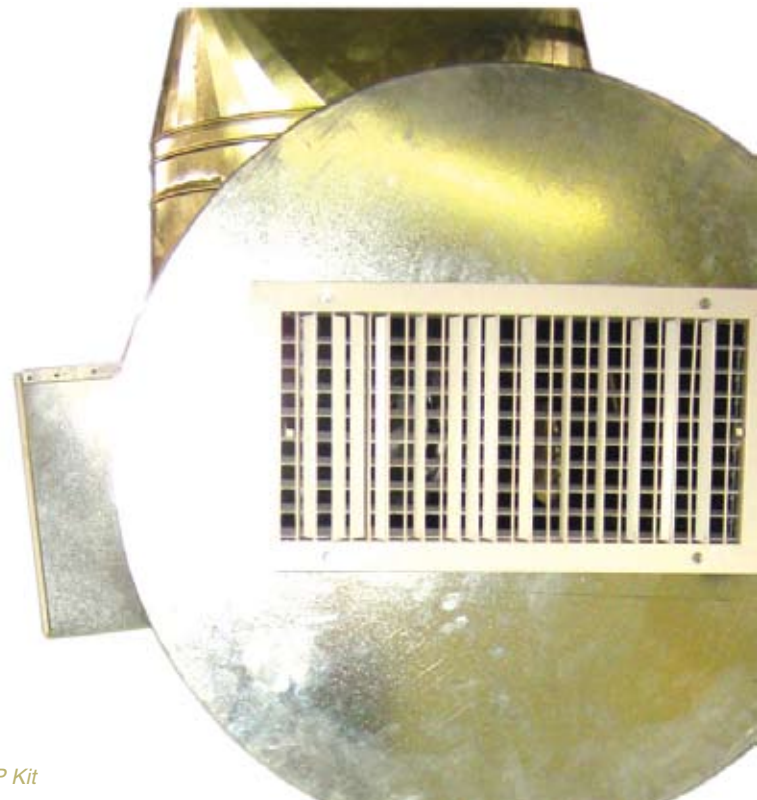


Energy development plant in Cincinnati, US

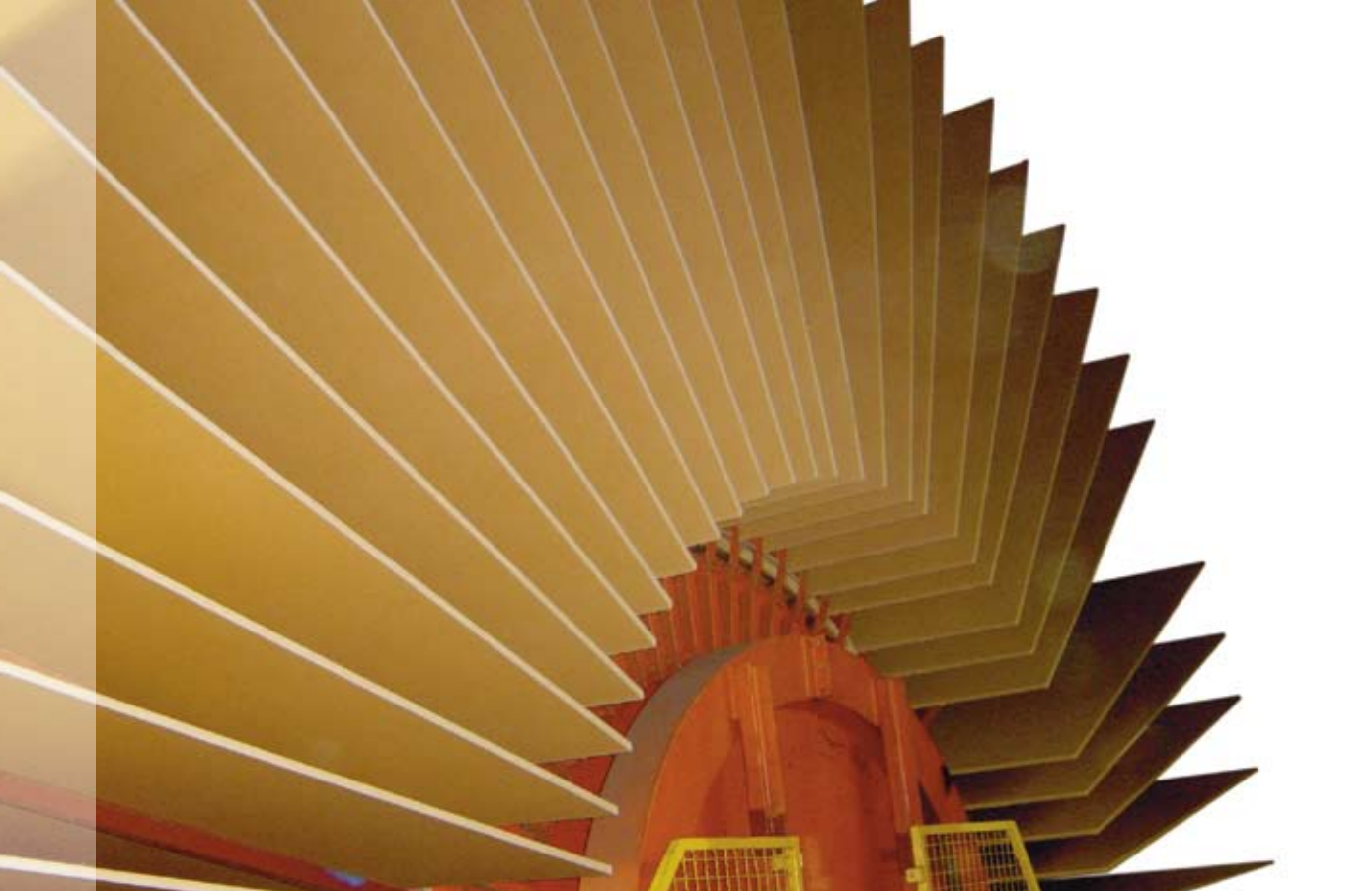
In India the Group initiated a development programme with CLP Power India Private Ltd. to install a combined lignite and biomass plant, and in China our joint venture, Balama Nviro, entered into a fuel evaluation and testing agreement with Shenyang Coal Trading Group (SCTG).

While these projects are under development the Group is also building a prospect base that includes numerous biomass fuel treatment opportunities. There has been a recent rapid increase in global demand for such fuels for use in power generation. Demand for these biomass-derived fuels is driven by legislation and stringent requirements to comply with CO² emission levels under various climate change initiatives around the world. The particular advantages which Nviro can offer include the preparation of a biomass-derived fuel that readily blends with existing solid fuels such as coal, and has sufficient stability to be transported or stored. Nviro believes that the preparation of high-efficiency biomass fuels for use in power generation is an important growth area. The Group expects biomass opportunities to boost revenues and also provide the benefit of requiring lower capital expenditure relative to coal focused projects.

In order to support the increasing Vertus workload, we have added key individuals to our team in business development, project management and engineering. The acquisition of specialist skills in the clean fuel team is likely to continue during 2009.



RTP Kit



Star Turner



Microrelease has been progressing well with successful trials conducted with one of Europe's largest MDF producers during the period, where ten tonnes of MDF board incorporating up to 20% of our recycled wood fibre were manufactured.

The resulting product met the performance criteria of this leading MDF board producer. Moreover, this product was successfully trialled within a sustainable fit-out and refurbishment programme for a major UK high-street grocery retailer. The high-street grocer has subsequently requested further material for inclusion in shop fittings within the organisation's flagship UK eco-store, which is currently under construction.

The enthusiastic response to the proven Microrelease technology has led us to explore the possibility of entering into a partnership arrangement with industry players to co-fund the construction of future commercial, industrial-scale units.

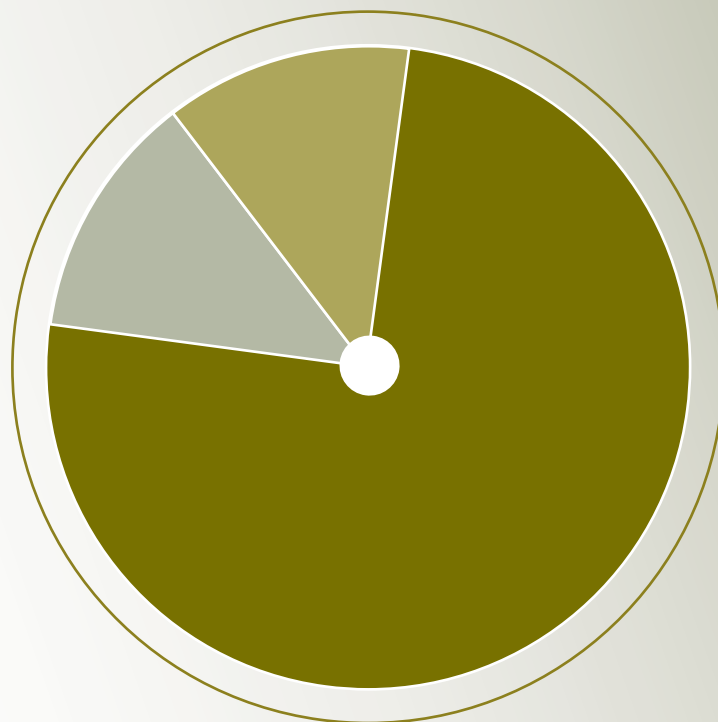
Air treatments™

Organotect & Laseair

The Group is pleased with the development of working prototypes for these air treatment and detection technologies.

Both have now reached an inflection point in terms of value, and we believe that, in line with our stated objectives at the time of our IPO last year, it is now the right time to explore a range of strategies which would best allow us to realise the value we created in the IP in these technologies.

Breakdown for the use of £9.5m net proceeds



Financial review

The group successfully raised £10m (before expenses) from a placing in July 2008. As was indicated at the time, approximately 80% of the proceeds are expected to be invested in the fuels enhancement business and the Vertus operation.

Over the twelve months ended 30 September 2008, Nviro recorded a reduced pre-tax loss of £3.17m (£4.19m in 2007), which is broadly in line with the Directors' expectations. Cash outflow from operations was £2.65m, reflecting the loss for the period. Net cash at 30 September 2008 was £10.95m. This robust cash position reflects tight cost control and it is the Directors' intention to seek project financing for forthcoming Vertus projects, once our initial CBT facility is revenue generating.

Outlook

Vertus has met with widespread interest from both coal and biomass fuel users since we launched our marketing campaign last year, culminating in

the award of a contract in the US, and agreements in China and India. The Group will now focus its efforts on transitioning this business into revenue generation. We anticipate that a co-funded Microrelease wood fibre recycling plant will be established in 2009 with an industry partner.

Duncan Sedgwick
Non Executive Interim Chairman

Chris Every
Chief Executive Officer

Directors' Biographies

Duncan Sedgwick, Non Executive Interim Chairman

Duncan is a proven leader in the energy sector. In November 2008 he joined Secure Electrans as CEO. This company is seeking to join together energy metering, energy display information and payment methodologies both for energy services as well as internet purchases by the use of patent protected new technology. Prior to that he was the CEO of the Energy Retail Association (ERA) in the United Kingdom. He helped to build the association from the ground up, becoming a key spokesman for the sector in time of unprecedented price rises. He has delivered major operational performance improvements in the areas of selling, customer transfer and billing within member organisations. Prior to his role with the ERA, Duncan held various positions within PowerGen, the largest UK power utility. As Director of Business Transformation, he led company-wide change programmes to reduce operating costs and improve productivity. Prior to this role, he was the Retail Director – Residential Markets where Duncan was responsible for the £1bn consumer business. While in this role he led unprecedented growth in utility consumers, repositioned the brand and company, as well as overhauled the IT infrastructure to provide for efficient and stable growth.

Christopher Every, Chief Executive

Chris comes from a background in sales and marketing to Board level management and new technology development in engineered and technical products, for companies including Wiggins Teape Paper, Courtauld International Marine Paints, National Starch, and Williams Holdings. He moved from corporate management to consulting twenty years ago and has worked with major organisations including Michelin, Powergen, TXU Energy and national and local government. He also has extensive experience in building new businesses, including Enhance Biotech Inc. and Brimac Ltd. Most recently, Chris has served as the CEO of Enhance Biotech Inc. a biotech start-up, and is an active board member for Brimac Ltd, an environmental business focused on the manufacture and application of carbon for filtration in the sugar refining and water treatment fields.

Dr Mustapha Omar, Commercial Director

Mustapha has extensive experience in capital markets, primarily in the field of investment analysis, and latterly in corporate broking. Prior to his role with Fairfax Equities as Head of Research, he served 10 years at Collins Stewart, where he was one of the original 18 partners and was also Head of Research. His City career commenced at Williams de Broe in 1989 where he was an analyst covering the Capital Goods sector. However in early 2000 Mustapha switched his sector coverage to embrace the Technology and Telecoms sectors. He has four years industrial experience as a Senior Research Scientist with Taylor Woodrow and IDM Electronics. Mustapha has a First Class degree in Mechanical Engineering with Mathematics, a PhD in Materials Science, and is the author of five scientific publications in international journals.

Libby Cooper, Non Executive Director

Libby is an experienced corporate lawyer, with a unique focus in waste management and environmental law. She is currently European Legal Counsel with Golder Associates, a global consultancy that specialises in ground engineering and environmental sciences, where she is responsible for advising the European operations on all legal matters affecting the business. Previously, she has been a leading member of Clarkslegal's environmental law practice advising both government and private sector clients in a range of areas including creation of environmental compliance strategies, development of renewable energy projects, and implementation of regional waste management programmes. Prior to that she led the legal team in SITA UK Ltd providing all legal services to this leading waste management company.

Andrew Cosentino, Non Executive Director

Andrew Cosentino is a Yale graduate with over 25 years of experience in corporate mergers and acquisitions and capitalisation of companies through public and private equity and debt financings from seed stage financing through to post-IPO financings. During that time, Andrew also acquired experience in corporate and securities law in legal practice. He was a partner in the New York office of several major US law firms. Andrew has worked on over 500 transactions for a variety of public and private company clients, ranging from early stage companies to mature industry leaders, as well as investment banking firms and funds, based in the United States, Europe, Latin America and the Far East. He has counselled enterprises focused on diverse businesses including high technology, biotechnology, clean technology, software, financial institutions and investment banking, communications and media, consulting, consumer products marketing and distribution, manufacturing, speciality retailing, transportation and transportation services and mining.

Philip Hollobone, Non Executive Director

Philip is both the Member of Parliament for the Kettering Constituency and a member of Kettering Borough Council. Before being elected to Parliament in 2005, Philip spent most of his working career as an utility industry analyst with respectively, Williams de Broë, Panmure Gordon and Société General examining the performance of UK and European water, gas and electricity companies. Philip served over eight years in the Territorial Army, latterly as a paratrooper. He was educated at Oxford University, where he studied Modern History and Economics.

James SD Leach, Non Executive Director

J S D Leach spent most of his career in Hong Kong working with the Kadoorie Family. During this time he was involved with many privately held operations, including the Kadoorie family's associated publicly held corporations, (CLP) Holdings, Hong Kong and Shanghai Hotels, and Tai Ping Carpets. He was associated, from the inception, with CLP's international operations in Thailand, India and Australia. He retired in 2006 but remains on the board of China Construction Bank (Asia) – formerly known as Bank of America (Asia). In the early 1980s he ran a Venture Capital company which invested in oilfield manufacturing equipment and construction materials. He is currently a director of Inventure Chemicals and LightPower Canada.

Directors' Report

The Directors present their report on the affairs of the Company and the Group, together with the audited financial statements, for the year ended 30 September 2008.

Principal activities

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

Business review and future developments

Nviro Cleantech 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 year ended 30 September 2008 and of the position of the Group at the end of the year. The information that fulfills these requirements can be found within the Chairman's & Chief Executive's statement on pages 5 to 9 which are incorporated into this report by reference. These sections also include details of expected future developments in the business of the Group.

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 year, 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 30 September 2008, there is no indication that the technical feasibility of any project is in jeopardy.

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 long term performance. The factors discussed below 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 IPR to finance, develop and commercialise its technologies. The business of the Group would be adversely affected if the IPR 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 trades 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. 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 year to September 2008 the Group had no interest bearing financial liabilities.

Results and dividend

The results of the Group for the year ended 30 September 2008 are set out on page 24. The Directors are unable to recommend the payment of a dividend for the year.

Related party transactions

Details of related party transactions are given in note 26 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 30 September 2008 were equivalent to 42 days purchases, (2007: 36 days) based on the actual year end balance.

Research and Development

Details of research and development activities undertaken by the Group during the year, can be found in the Chairman's and Chief Executive's Statement on pages 5 to 9.

Directors

Biographical details of the Directors are set out on pages 10 to 11 and details of their remuneration are set out on pages 18 to 20.

Directors' Report continued

Directors' Interest

The beneficial interests of the current Directors and their families at 30 September 2008 in the ordinary share capital of the Company were as follows:

	30 September 2008		30 September 2007	
	Ordinary shares	Share options	Ordinary shares	Share options
Christopher Every	2,000,000	250,000	2,000,000	250,000
Mustapha Omar	88,147	611,853	88,147	611,853
Philip Hollobone	-	70,000	-	70,000
Libby Cooper	-	70,000	-	70,000
James Dickson Leach	208,891	100,000	208,891	100,000
Duncan Sedgwick	-	70,000	-	70,000
Andrew Cosentino	-	70,000	-	70,000

Further details of the Directors' share options are provided in the Report of the Remuneration Committee pages 18 to 20.

Substantial shareholdings

At 30 December 2008 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:

	Number of ordinary shares	Percentage of issued ordinary share capital
Pershing Nominees Limited	5,735,000	8.68%
Harewood Nominees Limited	4,561,770	6.90%
State Street Nominees Limited	4,444,500	6.72%
BNY (OCS) Nominees Limited	3,768,778	5.70%
BBHISL Nominees Limited	3,739,900	5.66%
The Bank of New York (Nominees) Limited	3,142,352	4.76%
Chase Nominees Limited	3,004,762	4.55%
Roy Nominees Limited	2,834,884	4.29%
BNY (OCS) Nominees Limited	2,783,500	4.21%
Stargas Nominees Limited	2,681,651	4.06%
BNY Mellon Nominees Limited	2,175,000	3.29%
Christopher Every	2,000,000	3.03%

%'s 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 year.

Directors Indemnities

There are no 3rd party indemnity provisions for the benefit of the directors in force either during the year or at the date of this report.

Annual General Meeting

The resolutions to be proposed at the forthcoming Annual General Meeting on 26 March 2009, are set out in the formal notice of the meeting.

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Auditors

Our auditors, formally Baker Tilly Bennett Roy LLC, have changed their name to Baker Tilly Isle of Man LLC on 1 December 2009, and have expressed their willingness to continue in office as auditors in accordance with section 12(2) of the Companies Act 1982 and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Going Concern

As at the end of September 2008, the group had cash reserves of £10.95 million and £8.0 million at 31 December 2008. Based on current projections of group expenditure this amount would be fully utilised by the end of the current financial year. The group currently has a loan facility available to it of £1.5 million which based on current projections would therefore be utilised from that date. It is anticipated that cash flow will start to be generated from revenue operations in the first half of 2009. Additionally, a review of capital and revenue expenditure is underway to identify and effect further cost savings and also to identify opportunities to raise further funding in the UK or the US, including project finance, leasing, supplier finance, development grants, debt or equity, thus enabling the group to continue as a going concern for 12 months from the date of signing of these financial statements.

By order of the Board



Director
28th January 2009

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 30 September 2008, 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 year, the board comprised the non-executive chairman, the four remaining non-executive directors and the three executive directors. Brief biographies are on pages 10 to 11 and demonstrate a range of relevant experience at a senior level. 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 comprised of the Non-Executive Directors, Philip Hollobone, (Chairman), James Dickson Leach, (Accountant), 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 comprises 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 Accountants 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 form part of the responsibilities of the Group's finance function.

AIM Compliance Committee

An AIM Compliance Committee has been established which consists of Christopher Every, Andrew Cosentino and James Dickson Leach. 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.nvirocleantech.com on which all press releases are posted and which also contains the report and accounts. The Annual Report contains extensive information about the Group's activities and the Annual General Meeting is to be held at Burleigh Manor, Peel Road, Douglas, Isle of Man, IM1 5EP on 26 March 2009.

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

The Remuneration Committee comprises 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. No director received any benefits in kind during the year or contributions into any pension scheme. All Executive Director's service contracts 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 20.

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 over. 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.

Report of the Remuneration Committee continued

Directors' Remuneration

The elements of remuneration received by each Director in respect of the year ended 30 September 2008 were as follows:

	Fees and salaries £	Total 2008 £	Fees and salaries £	Total 2007 £
Executive				
Christopher Every	230,000	230,000	110,000	110,000
Peter Rugg	100,000	100,000	33,332	33,332
Mustapha Omar	100,000	100,000	58,333	58,333
	430,000	430,000	201,665	201,665
Non-Executive				
James Leach	20,700	20,700	15,525	15,525
Libby Cooper	18,000	18,000	13,500	13,500
Phillip Hollobone	18,000	18,000	13,500	13,500
Duncan Sedgwick	18,000	18,000	13,500	13,500
Andrew Cosentino	18,000	18,000	-	-
	92,700	92,700	56,025	56,025
	522,700	522,700	257,690	257,690

Mustapha Omar was appointed a director on 1 March 2007 hence the remuneration for the prior year shown above is for a 7 month period.

James Dickson Leach, Libby Cooper, Phillip Hollobone and Duncan Sedgwick were all appointed directors on 11 December 2006 hence their remuneration for the prior year is for a 9 month period.

Of the amounts paid to Christopher Every, James Dickson Leach and Duncan Sedgwick above, totals of £Nil, £20,700 and £18,000 (2007: £55,000, £15,525 and £13,500 respectively) were paid as consultancy fees.

Peter Rugg received £Nil (2007: £26,346), from Inflect Technologies Limited, (a shareholder of Nviro Cleantech plc) for his services as a director of Nviro Cleantech plc.

Amounts paid to Chris Every in 2008 included a payment of £120,000 for consultancy work in starting the Company for which Mr Every had not previously been paid.

Report of the Remuneration Committee continued

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company, granted to or held by the directors. Details of the options granted during the year are as follows;

Name of director	At 1 October 2007	Granted in year	Exercised/ Lapsed	Date granted	At 30 September 2008	Exercise Price	Exercisable
Christopher Every	83,334	-	-	15.07.06	83,334	£0.10	until 14/07/16
	83,333	-	-	15.07.06	83,333	£0.10	31/12/07 - 14/07/16
	83,333	-	-	15.07.06	83,333	£0.10	31/12/08 - 14/07/16
Peter Rugg	66,666	-	-	15.07.06	66,666	£0.10	until 14/07/16
	66,667	-	-	15.07.06	66,667	£0.10	31/12/07 - 14/07/16
	66,667	-	-	15.07.06	66,667	£0.10	31/12/08 - 14/07/16
Mustapha Omar	232,558	-	-	27.02.07	232,558	£0.43	until 26/02/17
	126,431	-	-	26.06.07	126,431	£0.51	06/08/07 - 25/06/17
	126,431	-	-	26.06.07	126,431	£0.51	31/12/07 - 25/06/17
	126,433	-	-	26.06.07	126,433	£0.51	31/12/08 - 25/06/17
Philip Hollobone	30,000	-	-	27.12.06	30,000	£0.43	until 26/12/16
	20,000	-	-	27.12.06	20,000	£0.43	31/12/07 - 26/12/16
	20,000	-	-	27.12.06	20,000	£0.43	31/12/08 - 26/12/16
Libby Cooper	30,000	-	-	27.12.06	30,000	£0.43	until 26/12/16
	20,000	-	-	27.12.06	20,000	£0.43	31/12/07 - 26/12/16
	20,000	-	-	27.12.06	20,000	£0.43	31/12/08 - 26/12/16
James Leach	40,000	-	-	27.12.06	40,000	£0.43	until 26/12/16
	30,000	-	-	27.12.06	30,000	£0.43	31/12/07 - 26/12/16
	20,000	-	-	27.12.06	30,000	£0.43	31/12/08 - 26/12/16
Duncan Sedgwick	30,000	-	-	27.12.06	30,000	£0.43	until 26/12/16
	20,000	-	-	27.12.06	20,000	£0.43	31/12/07 - 26/12/16
	20,000	-	-	27.12.06	20,000	£0.43	31/12/08 - 26/12/16
Andrew Cosentino	30,000	-	-	26.09.07	30,000	£0.58	until 25/09/17
	20,000	-	-	26.09.07	20,000	£0.58	31/12/08 - 25/09/17
	20,000	-	-	26.09.07	20,000	£0.58	31/12/09 - 25/09/17

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 30 September 2008 was 32p, and the range during the year, was 32p to 60.88p. Further details on the share options are given in note 23 to these financial statements.

This Report was approved by the Board of Directors on 28th January 2009 and signed on its behalf by:



Duncan Sedgwick
Remuneration Committee Chairman

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 year. 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 Nviro Cleantech 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 24 to 56.

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's 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 30 September 2008 and of its loss for the year 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 30 September 2008;
- 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.

Emphasis of Matter - Going Concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the uncertainty as to the generation of cash flows from revenue operations and the company's ability to raise further additional funding as required. In view of the significance of this uncertainty we consider that it should be drawn to your attention.

Baker Tilly Isle of Man LLC
2A Lord Street
Douglas
Isle of Man
IM99 1HP
28th January 2009

Consolidated Income Statement for the year ended 30 September 2008

	Note	Year ended 30 September 2008 £'000	Year ended 30 September 2007 £'000
Research expenses		(329)	(2,124)
Administrative expenses	4	(3,108)	(2,111)
Operating loss		(3,437)	(4,235)
Share of results of joint venture	16	(19)	-
Loss before interest		(3,456)	(4,235)
Finance income	2	283	40
Loss before tax		(3,173)	(4,195)
Tax	5	-	-
Loss for the financial year		(3,173)	(4,195)
Basic and diluted loss per share	6	(6.44)p	(13.81)p

No minority interest in the losses has been recognised within these financial statements as the minority does not have a binding obligation to make additional investment to cover the losses. The loss is therefore wholly attributable to the equity holders of the parent.

All results in the current and preceding financial year derive from continuing operations.

Consolidated Statement of Changes in Equity for the year ended 30 September 2008

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share based payment reserve £'000	Translation reserve £'000	Retained Earnings £'000	Total Equity £'000
At 1 October 2006	21	-	-	14	19	(857)	(803)
Loss for the Year	-	-	-	-	-	(4,195)	(4,195)
Foreign currency translation	-	-	-	-	(19)	-	(19)
Total recognised income and expense	-	-	-	-	(19)	(4,195)	(4,214)
Issue of Share capital, (net of issue expenses)	12	6,582	-	-	-	-	6,594
Issue of share capital	11	-	4,585	-	-	-	4,596
Share based payment charge	-	-	-	272	-	-	272
At 30 September 2007	44	6,582	4,585	286	-	(5,052)	6,445
Loss for the year	-	-	-	-	-	(3,173)	(3,173)
Foreign currency translation	-	-	-	-	(3)	-	(3)
Total recognised income and expense	-	-	-	-	(3)	(3,173)	(3,176)
Transfer on exercise of share options	-	-	-	(10)	-	10	-
Issue of Share capital, (net of issue expenses)	22	9,435	-	-	-	-	9,457
Share based payment charge	-	-	-	90	-	-	90
At 30 September 2008	66	16,017	4,585	366	(3)	(8,215)	12,816

All income and expenses are attributable to the shareholders of the parent company. None is attributable to the minority interest.

Company Statement of Changes in Equity for the year ended 30 September 2008

	Share capital £'000	Share premium £'000	Merger Reserve £'000	Share based payment reserve £'000	Retained Earnings £'000	Total Equity £'000
At Incorporation	-	-	-	-	-	-
Loss for the year	-	-	-	-	(598)	(598)
Total recognised income and expense	-	-	-	-	(598)	(598)
Issue of share capital, (net of issue expences)	12	6,582	-	-	-	6,594
Issue of share capital	32	-	20,075	-	-	20,107
Share based payment charge	-	-	-	286	-	286
At 30 September 2007	44	6,582	20,075	286	(598)	26,389
Loss for the year	-	-	-	-	(150)	(150)
Total recognised income and expense	-	-	-	-	(150)	(150)
Transfer on exercise of share options	-	-	-	(10)	10	-
Issue of share capital, (net of issue expences)	22	9,435	-	-	-	9,457
Share based payment charge	-	-	-	90	-	90
At 30 September 2008	66	16,017	20,075	366	(738)	35,786

Consolidated and Company Balance Sheets at 30 September 2008

	Note	Group		Company	
		2008 £'000	2007 £'000	2008 £'000	2007 £'000
Assets					
Non-current assets					
Licence	8	923	1,028	-	-
Development costs	8	867	-	-	-
Investment in subsidiaries	9	-	-	20,161	20,201
Property, plant and equipment	10	1,220	35	1	2
Due from group undertakings	11	-	-	1,085	1,085
Total non-current assets		3,010	1,063	21,247	21,288
Current assets					
Other receivables	12	145	385	4,223	431
Cash and cash equivalents	13	10,946	5,962	10,470	5,718
Total current assets		11,091	6,347	14,693	6,149
Total assets		14,101	7,410	35,940	27,437
Liabilities					
Current liabilities					
Trade and other payables	14	(926)	(598)	(154)	(1,048)
Borrowings	15	-	(30)	-	-
Provisions		(337)	(337)	-	-
Total current liabilities		(1,263)	(965)	(154)	(1,048)
Non current liabilities					
Interests in joint ventures	16	(22)	-	-	-
Total non current liabilities		(22)	-	-	-
Total liabilities		(1,285)	(965)	(154)	(1,048)
Net assets		12,816	6,445	35,786	26,389

Consolidated and Company Balance Sheets at 30 September 2008 continued

	Note	Group		Company	
		2008 £'000	2007 £'000	2008 £'000	2007 £'000
Equity					
Share capital	17	66	44	66	44
Share premium reserve	18	16,017	6,582	16,017	6,582
Merger reserve	19	4,585	4,585	20,075	20,075
Share based payment reserve	20	366	286	366	286
Translation reserve	21	(3)	-	-	-
Retained losses	22	(8,215)	(5,052)	(738)	(598)
Equity attributable to equity holders of the parent		12,816	6,445	35,786	26,389
Minority Interest	29	-	-		
Total Equity		12,816	12,816		

These financial statements were approved by the Board of Directors and authorised for issue on 28th January 2009

Signed on behalf of the Board of Directors



Director
Christopher Every



Director
Duncan Sedgwick

Consolidated and Company Cash Flow Statements for the year ended 30 September 2008

	Note	Group		Company	
		Year ended 30 September 2008 £'000	Year ended 30 September 2007 £'000	Year ended 30 September 2008 £'000	16 months ended 30 September 2007 £'000
Operating activities					
Net cash (outflow) from operations	24	(2,649)	(4,165)	(4,988)	(914)
Interest paid		-	-	-	-
Tax paid		-	-	-	-
Net cash (outflow) from operating activities		(2,649)	(4,165)	(4,988)	(914)
Investing activities					
Interest received		283	40	283	40
Purchase of intangible assets		(867)	(1,054)	-	-
Purchase of property, plant and equipment		(1,210)	(36)	-	(2)
Net cash (outflow) / inflow from investing activities		(1,794)	(1,050)	283	38
Financing activities					
Proceeds on issue of shares		10,005	12,362	10,005	7,500
Costs on issue of shares		(548)	(1,215)	(548)	(906)
Net cash inflow from financing activities		9,457	11,147	9,457	6,594
Net increase in cash and cash equivalents		5,014	5,932	4,752	5,718
Cash and cash equivalents at beginning of year		5,932	-	5,718	-
Cash and cash equivalents at end of year	13	10,946	5,932	10,470	5,718

Notes to the Financial Statements

1. Accounting Policies

Basis of accounting

The Group 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).

In the current year, the Group has adopted IFRS 7 Financial Instruments: disclosures along with a complementary amendment to IAS 1, Presentation of financial statements - Capital disclosures, which is effective for annual reporting periods beginning on or after 1 January 2007. IFRS 7 introduces new disclosures to improve information reported in relation to financial instruments. It requires the disclosure of qualitative and quantitative information about exposures to risks arising from financial instruments including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity to market risk.

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

Going Concern

As at the end of September 2008, the group had cash reserves of £10.95 million and £8.0 million at 31 December 2008. Based on current projections of group expenditure this amount would be fully utilised by the end of the current financial year. The group currently has a loan facility available to it of £1.5 million which based on current projections would therefore be utilised from that date. It is anticipated that cash flow will start to be generated from revenue operations in the first half of 2009. Additionally, a review of capital and revenue expenditure is underway to identify and effect further cost savings and also to identify opportunities to raise further funding in the UK or the US, including project finance, leasing, supplier finance, development grants, debt or equity, thus enabling the group to continue as a going concern for 12 months from the date of signing of these financial statements.

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 1	First-time adoption of International Financial Reporting Standards – Amendment relating to cost of an investment on first-time adoption	1 July 2009
IFRS 2	Share Based Payment – Amendment relating to vesting conditions and cancellations	1 January 2009
IFRS 3	Business Combinations – Comprehensive revision on applying the acquisition method	1 July 2009
IFRS 7 & IAS 39	Financial instruments: Disclosures - reclassification of financial assets	1 January 2009
IFRS 8	Operating Segments	1 January 2009
IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 14	IAS 19 – The limit on a Defined Benefit Asset Minimum Funding Requirements and their interaction	1 January 2008
IFRIC 15	Agreements for the Construction of Real Estate	1 January 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
IFRIC 17	Distributions of non cash assets to owner	1 July 2009
IAS 1	Presentation of Financial Statements – Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	1 January 2009
IAS 1	Presentation of Financial Statements – Amendments resulting from May 2008 annual improvements to IFRS's and other amendments	1 January 2009
IAS 23	Borrowing costs – Comprehensive revision to prohibit immediate expensing	1 January 2009
IAS 27	Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS 3	1 July 2009
IAS 28	Investments in Associates - Consequential amendments arising from amendments to IFRS 3	1 July 2009
IAS 31	Interests in Joint Ventures – Consequential amendments arising from amendments to IFRS 3	1 July 2009
IAS 31	Interests in Joint Ventures – Amendments resulting from May 2008 annual improvements to IFRS's	1 January 2009
IAS 32	Financial Instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation	1 January 2009
IAS 36	Impairment of Assets – Amendments resulting from May 2008 annual improvements to IFRS	1 January 2009
IAS 39	Financial Instruments: Recognition and Measurement – Amendments resulting from May 2008 annual improvements to IFRS and other amendments	1 January 2009
IAS 39	Financial Instruments: Recognition and Measurement – Amendments for eligible hedged items	1 July 2009

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

As it is not obliged to do so, the company has not presented its income statement in these financial statements. The Group loss for the year includes a loss after tax of £150,868 (2007: £597,456) which is dealt with in the accounts of the Company.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Nviro Cleantech plc and all its subsidiaries made up to 30 September each 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 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 contain guidance where a transaction falls outside the scope of IFRS. This guidance is covered in Paragraphs 10-12 of IAS 8, Accounting policies, Changes in Accounting Estimates and Errors. 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 joint ventures 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.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised

as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss.

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, and are initially measured at cost, including transaction costs.

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 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 Group's balance sheet when the Group has become a party to the contractual priorities of the instrument.

Cash and cash equivalents

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

Borrowings

All borrowing costs are recognised in the income statement over the term of the instrument using an effective rate of interest.

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.

Trade receivables

Trade 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 disclosed 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 disclosed as other financial liabilities in these financial statements.

Operating loss

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

Leases

All leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

Segmental Reporting

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

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
- 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.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is 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 balance sheet 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 tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates, (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company and the presentational currency for the consolidated financial statements.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into sterling at exchange rates prevailing on the balance sheet date. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of. Income and expense items are translated at the average exchange rates for the period.

Transactions in currencies other than the functional currency are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on retranslation are included in the income statement.

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 balance sheet 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.

2. Finance Income

	Year ended 30 September 2008 £'000	Year ended 30 September 2007 £'000
Bank interest receivable	283	40

3. Loss For The Financial Year

	Year ended 30 September 2008 £'000	Year ended 30 September 2007 £'000
Loss for the financial year is arrived at after charging:		
Net foreign exchange losses	70	1
Depreciation on owned assets	25	1
Amortisation expense	105	26
Research expense	329	2,124
Rentals payable under operating leases	29	29
Staff costs	1,006	195
Auditors' remuneration for audit services	75	75
Share based payment expense	90	316

The amortisation and depreciation charge of £130,000 (2007: £27,000) and the staff costs expense of £1,006,000 (2007: £195,000) are included within administrative expenses within the income statement.

Amounts payable to Baker Tilly Isle of Man LLC and its related entities, in respect of both audit and non-audit services are set out below:

	Year ended 30 September 2008 £'000	Year ended 30 September 2007 £'000
Fees Payable to the auditors and associates for the statutory audit of the parent and consolidated accounts	35	35
Fees Payable to the auditors and associates for other services:		
The audit of the company's subsidiaries	40	40
Taxation services - Compliance services	16	15
Taxation services - Advisory services	21	-
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	-	155
	112	245

Baker Tilly Bennett Roy LLC were appointed as auditors in February 2008 and the fees disclosed in 2008 represent the directors' estimate of the fees payable for the audit for the year ended 30 September 2008.

4. Administrative Expenses

	Year ended 30 September 2008 £'000	Year ended 30 September 2007 £'000
Staff costs	1,006	195
Professional fees	1,174	991
Travelling expenses	336	72
Rent and premises expenses	34	164
Other costs	558	689
	3,108	2,111

5. Tax

	Year ended 30 September 2008 £'000	Year ended 30 September 2007 £'000
Current tax		
Corporation tax	-	-
Adjustment in respect of prior years	-	-
Total current tax	-	-
Deferred tax	-	-
Adjustment in respect of prior years	-	-
Total tax charge	-	-

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

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

	Year ended 30 September 2008 £'000	Year ended 30 September 2007 £'000
Loss before tax	(3,173)	(4,195)
Tax at the UK corporation tax rate of 29% (2007:30%)	(920)	(1,259)
Factors affecting charge for the year		
Expenses not deductible for tax purposes	7	438
Capital allowances for period in excess of depreciation	-	63
Tax loss utilised	819	798
Timing differences not recognised for deferred tax purposes	(136)	-
Losses not available for tax	230	-
Other timing differences	-	(40)
Group tax charge	-	-

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 30 September 2008 is £2,795,567 (2007: £909,000).

6. Loss per share

Basic loss per share of 6.44p (2007: 13.81p) is based on the loss for the financial year of £3,173,000 (2007: loss of £4,195,000) and on 49,298,469 ordinary shares (2007: 30,371,435 ordinary shares) being the weighted average number of shares in issue throughout the year. As there is a loss for the year, there is no difference between the basic and the diluted loss per share. There are 2,670,055 (2007: 2,560,055) 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.

7. Staff Costs

The average monthly number of employees, (including executive directors) during the year was:

	Group	
	2008 Number	2007 Number
Management and finance	4	3
Technical	5	-
Administration	2	-
	11	3

The costs incurred in respect of these employees were:

	Group	
	Year ended 30 September 2008 £'000	16 months ended 30 September 2007 £'000
Wages and salaries	1,006	195
Share based payments (see note 23)	90	271
Social security costs	115	50
	1,211	516

Further information regarding the remuneration of directors is included within the Report of the Remuneration Committee on pages 18 to 20.

8. Intangible Assets

	License fees £'000	Development costs £'000	Total £'000
Group Cost			
At 1 October 2006	-	-	-
Additions	1,054	-	1,054
At 30 September 2007	1,054	-	1,054
Additions	-	867	867
At 30 September 2008	1,054	867	1,921
Amortisation			
At 1 October 2006	-	-	-
Charge for the year	26	-	26
At 30 September 2007	26	-	26
Charge for the year	105	-	105
At 30 September 2008	131	-	131
Net Book Value: 1 October 2006	-	-	-
Net Book Value: 30 September 2007	1,028	-	1,028
Net Book Value: 30 September 2008	923	867	1,790

No impairment in Intangible assets has been identified in the year (2007: £Nil). 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.

9. Investments

	Investment in subsidiary undertakings £'000
Company	
Cost	
Upon Incorporation	-
Additions	20,201
At 30 September 2007	20,201
Adjustment in the year	(40)
At 30 September 2007	20,161
Provision for Impairment	
At Incorporation, 30 September 2007 and 2008	-
Net Book Value: 30 September 2007	20,201
Net Book Value: at 30 September 2008	20,161

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

Name of Undertaking	Place of Incorporation	% Ownership / voting power	Principle Activity
Nviro Cleantech Limited	England & Wales	100	Administration
Stillclear Environmental Limited*	England & Wales	100	Development & exploitation of clean technologies
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.

*This company was liquidated 12 December 2008.

An impairment review has been undertaken on the value of the company's investment in its subsidiary undertakings. The future revenues and profits of each business segment have been calculated on a discounted basis for a five year period. On this basis, no provision for impairment has been recognised.

10. Property, Plant and Equipment

	Leashold improvements £'000	Assets in the course of construction £'000	Plant & Machinery £'000	Computer Equipment £'000	Total £'000
Group					
Cost					
At 1 October 2006	-	-	-	-	-
Additions	-	-	33	3	36
At 30 September 2007	-	-	33	3	36
Additions	46	1,141	20	3	1,210
At 30 September 2008	46	1,141	53	6	1,246
Depreciation					
At 1 October 2006	-	-	-	-	-
Charge for the Year	-	-	1	-	1
At 30 September 2007	-	-	1	-	1
Charge for the year	9	-	14	2	25
At 30 September 2008	9	-	15	2	26
Net book value: 1 October 2006	-	-	-	-	-
Net book value: At 30 September 2007	-	-	32	3	35
Net book value: At 30 September 2008	37	1,141	38	4	1,220

10. Property Plant and Equipment

	Computer Equipment £'000
Company	
Cost	
At Incorporation	-
Additions	2
At 30 September 2007	2
Additions	-
At 30 September 2008	2
Depreciation	
At Incorporation	-
Charge for the period	-
At 30 September 2007	-
Charge for the year	1
At 30 September 2008	1
Net book value: At Incorporation	-
Net book value: At 30 September 2007	2
Net book value: At 30 September 2008	1

11. Other Non Current Asset

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Due from group undertakings	-	-	1,085	1,085

The loan due from group undertakings is repayable between 2 and 5 years and is interest free and unsecured.

12. Other Receivables

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Due within one year:				
Other receivables	61	372	-	127
Prepayments and accrued income	84	13	21	11
Due from Group undertakings	-	-	4,202	293
	145	385	4,223	431

The directors consider that the carrying amount of other receivables approximates to their fair value. No other receivables are past their due settlement date and no impairment has been deemed necessary during the year, (2007: £Nil). All of the groups other receivables are denominated in sterling except for £102,981 (2007:£16,712) denominated in \$US. All of the Company's other receivables are denominated in sterling at 30 September 2008 and 2007. There are no specific repayment terms attached to the amounts due from Group undertakings.

13. Cash and Cash Equivalents

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Cash and cash equivalents per balance sheet	10,946	5,962	10,470	5,718
Bank overdrafts	-	(30)	-	-
Cash and cash equivalents per cash flow statement	10,946	5,932	10,470	5,718

All of the Groups cash and cash equivalents at 30 September 2008 and 2007 are at floating interest rates except for £200,000 (2007: £200,000), which is held on deposit, accruing interest at 0.75% below the Bank of England base rate per annum. All of the Company's cash and cash equivalents at 30 September 2008 and 2007 are at floating interest rates.

All of the Groups cash and cash equivalents at 30 September 2008 are in sterling except for £201,741 (2007: £39,000) held in \$US. All of the Company's cash and cash equivalents at 30 September 2008 and 2007 are in sterling.

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

14. Trade and Other Payables

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Trade payables	504	242	19	20
Other payables	41	218	-	18
Accruals and deferred income	381	138	108	102
Due to group undertakings	-	-	27	908
	926	598	154	1,048

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 42 days (2007: 36 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 year.

15. Borrowings

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Bank overdrafts	-	30	-	-

The bank overdraft is repayable on demand.

16. 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% investment in Balama Nviro Limited, a company incorporated in Hong Kong. In both instances, the Group holds the ownership of 50% of the ordinary share capital of the entities. The principal activity of the joint venture is the development and exploitation of clean technologies.

At 30 September 2008 the joint venture had no capital commitments or contingent liabilities. The results of the joint venture for the period ended 30 September 2008 have not been audited.

A summary of the results of the joint ventures for the year ended 30 September 2008 is shown below;

	2008 £'000
Group share of results	
Revenue	-
Operating loss	(19)
Finance income	-
Loss before tax	(19)
Tax	-
Loss after tax	(19)

	2008 £'000
Group share of net liabilities	
Non Current assets	-
Current assets	1
Current liabilities	(23)
Share of net liabilities	(22)

17. Share Capital

	2008 £'000	2007 £'000
Authorised		
200,000,000 (2007: 100,000,000) ordinary shares of 0.1p each	200	100
	200	100
Allotted, called up and fully paid:		
As at 1 October 2007	44	21
Issues during the year	22	23
As at 30 September 2008	66	44

On 27 March 2008 the authorised share capital of the Company was increased by £100,000 being 100,000,000 ordinary shares of 0.1p each.

On 13 June 2008, 50,000 ordinary shares of 0.1p each were issued due to an exercise of share options. On 2 July 2008, there was a secondary placing of 22,222,223 ordinary shares of 0.1p each, on the AIM. The shares were issued at 45p per share.

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

Share Options

A total of 160,000 (2007: 1,860,055) options over the ordinary share capital of the company were granted to a number of employees and third parties during the course of the year as follows,

Grant date	Number of options		Exercise price	Exercise period
07/02/08	160,000	employees	£0.47	40,000 exercisable immediately upon grant until 06/02/18
				40,000 exercisable between 01/01/09 – 31/12/18
				40,000 exercisable between 01/01/10 – 31/12/19
				40,000 exercisable between 01/01/11 – 31/12/20

18. Share Premium Reserve

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
At 1 October 2007	6,582	-	6,582	-
Issue of share capital	9,983	7,488	9,983	7,488
Expenses connected to issue of share capital	(548)	(906)	(548)	(906)
At 30 September 2008	16,017	6,582	16,017	6,582

19. Merger Reserve

	£'000
Group	
At 30 September 2007 and 2008	4,585

	£'000
Company	
At 30 September 2007 and 2008	20,075

On 3 July 2007, the Group entered into a share swap agreement whereby the shareholding of Nviro Cleantech Limited agreed to swap their interest in the shares of Nviro Cleantech Limited for shares in Nviro Cleantech 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.

20. Share Based Payment Reserve

	2008 £'000	2007 £'000
Group		
At 1 October 2007	286	14
Share based payment charge	90	272
Transfer to profit and loss reserve on exercise of share options	(10)	-
At 30 September 2008	366	286

	2008 £'000	2007 £'000
Company		
At 1 October 2007	286	-
Share based payment charge	90	286
Transfer to profit and loss reserve on exercise of share options	(10)	-
At 30 September 2008	366	286

21. Translation Reserve

	2008 £'000	2007 £'000
Group		
At 1 October 2007	-	19
Exchange difference	(3)	(19)
30 September 2008	(3)	-

22. Retained Losses

	2008 £'000	2007 £'000
Group		
At 1 October 2007	(5,052)	(857)
Loss for the year	(3,173)	(4,195)
Transfer from share based payment reserve on exercise of options	10	-
30 September 2008	(8,215)	(5,052)

	2008 £'000	2007 £'000
Company		
At 1 October 2007	(598)	-
Loss for the year	(150)	(598)
Transfer from share based payment reserve on exercise of options	10	-
30 September 2007	(738)	(598)

23. Share Based Payments

As outlined in note 17, the group granted share options to various employees and third parties during the year. Details of the share options outstanding during the year are as follows.

	2008		2007	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of year	2,560,055	£0.37	800,000	£0.10
Granted during year	160,000	£0.47	1,860,055	£0.48
Exercised during the year	(50,000)	£0.10	-	-
Cancelled during year	-	-	(100,000)	£0.10
Outstanding at end of year	2,670,055	£0.38	2,560,055	£0.37
Exercisable at end of year	1,940,122	£0.38	1,950,122	£0.37

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;

	2008	2007
Weighted average share price	£0.38	£0.37
Weighted average exercise price	£0.38	£0.37
Expected volatility	36.0%	18.73%
Expected life (years)	9 years 0 months	9 years 9 months
Risk free rate	5.25%	6.00%
Expected dividends	0.00%	0.00%

The expected volatility percentage was calculated by reference to the share price of the Company over a 61 week period from the listing of the Company to 30 September 2008. 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 30 September 2008 was 8 years 11 months (2007: 8 years 10 months). The outstanding options can be exercised at prices ranging from £0.10 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 £90,030 (2007: £271,205). Of this total, all related to employees including executive directors, (2007: £206,191). An expense of £Nil (2007: £44,955) was also recognised as a result of the issue of shares in consideration for the provision of consultancy services. The fair value of the services provided was calculated according to the value of the shares at the time of grant. The total share based payment expense recognised in the accounts is therefore £90,030 (2007: £316,160). The majority of the options in existence have no performance criteria.

24. Notes To The Cash Flow Statement

	Group		Company	
	Year ended 30 September 2008 £'000	Year ended 30 September 2007 £'000	Year ended 30 September 2008 £'000	16 months ended 30 September 2007 £'000
	Operating loss	(3,437)	(4,235)	(434)
Adjustments for:				
Depreciation of property, plant and equipment	25	1	1	-
Amortisation of intangible assets	105	26	-	-
Share based payment expense	90	316	90	158
Operating cashflows before movements in working capital	(3,217)	(3,892)	(343)	(342)
Changes in working capital:				
(Increase) / decrease in trade and other receivables	240	(385)	(3,973)	(1,516)
(Decrease) / Increase in trade and other payables	328	112	(672)	944
Net cash (outflow) from operations	(2,649)	(4,165)	(4,988)	(914)

25. Operating Lease Arrangements

	2008 £'000	2007 £'000
Minimum lease payments under operating leases recognised in the Income Statement for the year	29	29

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

	2008 £'000	2007 £'000
Within one year	7	3
Between one and two years	15	-
Between two and five years	143	-
	165	3

Operating lease payments represent rentals payable by the Group for office property. The various leases expire at the end of April 2009, December 2009 and November 2010.

26. Related Party Transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the company and its subsidiaries were as follows:

	2008 £'000	2007 £'000
Company		
Amounts due from subsidiary undertakings (central funding)	4,256	293
Loan due from subsidiary undertakings due in five years	-	1,085
Loan due from subsidiary undertakings due between two and five years	1,085	-
Amounts owed to subsidiary undertakings	(27)	(908)

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 year they provided consultancy services to the Group totalling £164,280 (2007: £105,601) and £82,500 (2007: £135,000) respectively. At 30 September 2008 the Group owed the companies £13,529 and £23,500 respectively (2007: £3,332 and £10,000 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 £282,845 (2007 £:111,474). At 30 September 2008, the Group owed the company £Nil (2007: £63,271). FIRA International Limited is also a related party by virtue of the shareholding of Chiltern Ventures Limited in one of Nviro Cleantech plc's subsidiaries. During the year, FIRA International Limited provided consultancy services to the Group totalling £138,300 (2007: £60,593). At 30 September 2008, the Group owed the company £Nil (2007: £25,329). Huntfield Investments Limited are a related party by virtue of their shareholding in the Company. During the year, they provide consultancy services to the Group totalling, £Nil (2007: £174,000). At 30 September 2008 a balance of £Nil (2007: £Nil) was outstanding.

Transactions with joint ventures:

During the year the Group recharged £21,390 (2007: £Nil) of expenses to its joint venture undertaking, Balama Nviro Limited.

The remuneration of the directors and other key management personnel of the Group is set out below.

	2008 £'000	2007 £'000
Short term employee benefits (including non executive directors)	683	280
Share based payments	54	212
	737	492
The remuneration paid to the highest paid director is as follows:		
- Emoluments	230	55
- Fees	-	55
	230	110

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.

27. 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 30 September 2008, the Group held the following financial assets:

	2008	2007
	£'000	£'000
Loans and other receivables		
Other receivables	61	372
Cash and cash equivalents	10,946	5,962
	11,007	6,334

There have been no gains or losses during the year, (2007: £Nil) on loans and receivables.

At 30 September 2008, the Group held the following financial liabilities:

	2008	2007
	£'000	£'000
Other financial liabilities		
Bank loans and overdrafts	-	30
Trade and other payables	544	460
	544	490

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 year, the group had a number of overseas subsidiaries based in the Cayman Islands and the United States of America, (as outlined in note 9). The Group trades 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 30 September 2008 is as follows:

	Assets		Liabilities	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
United States Dollar	202	39	370	-
Euro	-	-	-	18
	202	39	370	18

Foreign currency risk sensitivity

As highlighted above, as at 30 September 2008, 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 0.75% below the Bank of England base rate. 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 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 year. 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 30 September 2008, if interest rates had been 0.50% higher or (lower) and all other variables were held constant, the Group's net loss would increase / (decrease) by £53,730 (2007: increase / (decrease) by £29,660). 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 30 September 2008, the Group had £Nil (2007: £30,000) 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 30 September 2008, the concentration of credit risk held with that bank was £10,745,968 (2007: £5,762,791). There are no other significant concentrations of credit risk at the balance sheet date.

At 30 September 2008, the Group held no collateral (2007: Nil) as security against any financial asset. No financial assets (2007: £Nil) were past their due date and there were no problems with the credit quality of any financial asset in either year.

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 30 September 2008 and 30 September 2007, no financial assets were past their due date. As a result, there has been no impairment of financial assets during the year.

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 30 September 2008, the Group had £10.95 million of cash reserves. In a worst case scenario, from November 2009 onwards, the Group may need to rely on a £1.5million funding facility that is has in place.

Maturity of financial assets and liabilities

All of the Group's non derivative financial liabilities and its financial assets in both the year to 30 September 2008 and the year to 30 September 2007 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 30 September 2008, the Company held the following financial assets:

	2008 £'000	2007 £'000
Loans and receivables		
Other receivables (including amounts due from group undertakings)	5,287	1,505
Cash and cash equivalents	10,470	5,718
	15,757	7,223

There have been no gains or losses during the year, (2007: £Nil) on loans and receivables.

At 30 September 2008, the Company held the following financial liabilities:

	2008 £'000	2007 £'000
Other financial receivables		
Trade and other payables (including amounts due to group undertakings)	45	946
	45	976

Market risk

The Company has extremely 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 0.75% below the Bank of England base rate. 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 year. 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 30 September 2008, if interest rates had been 0.50% higher or (lower) and all other variables were held constant, the Company's net loss would increase / (decrease) by £52,350 (2007: increase / (decrease) by £28,590). 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 30 September 2008, the Company had £Nil (2007: £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 30 September 2008, the concentration of credit risk held with that bank was £10,469,871 (2007: £5,718,495). Other concentrations of credit risk are with a number of the Company's subsidiary undertakings. At 30 September 2008 the Company was owed £4,256,039 (2007: £292,707) by group undertakings all of which is denominated in Sterling. £2,244,791 (2007: £166,563) is due from undertakings based in the United States, £120,681 (2007: £120,681) from undertakings in the Cayman Islands and £1,890,567 (2007: £5,463) from undertakings in the United Kingdom.

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. At both 30 September 2008 and 30 September 2007, no financial assets were past their due date. As a result, there has been no impairment of financial assets during the year.

At 30 September 2008, the Company held no collateral (2007: Nil) as security against any financial asset. No financial assets (2007: £Nil) were past their due date and there were no problems with the credit quality of any financial asset in either year.

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 group'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 30 September 2008, the Company had £10.47 million of cash reserves. In a worst case scenario, from November 2009 onwards, the Company may need to rely on a £1.5million funding facility that is has in place.

Maturity of financial assets and liabilities

All of the Company's non derivative financial liabilities for both the years ending 30 September 2008 and 2007 are due within one year. The maturity profile of the Company's financial assets is shown in the table below:

	Receivable in less than one year £'000	Receivable between 2-5 years £'000
2008		
Other receivables (including amounts due from group undertakings)	4,202	1,085
Cash and cash equivalents	10,470	-
	14,672	1,085

	Receivable in less than one year £'000	Receivable in 5 years £'000
2007		
Other receivables (including amounts due from group undertakings)	420	1,085
Cash and cash equivalents	5,718	-
	6,138	1,085

28. 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 in note 1, management have made the following judgements that have the most significant effect on the amounts recognised in the financial statements

Impairment of Investments

Determining whether the investment in the company accounts has been impaired involves the calculation of discounted cash flows to establish future revenue and profitability of the Group. This has been calculated on a five year basis for each business unit of the group. The outcome of this is that no impairment is required.

Share based payment

Management have made numerous judgements regarding the calculation of the share based payment expense in the accounts, including, the expected volatility of the company's shares, the share price to be used in the calculation and the most appropriate risk free rate to use. In making these judgments, management considered the share price volatility of the company and current interest rates. The actual figures used in the calculation are shown in note 23.

Development costs

In the Group financial statements, a total of £867,000 has been capitalised as development expenditure at 30 September 2008. The key judgment that needed consideration from management was when to begin capitalising costs as the Group's various projects moved from the research phase into the development phase. Management considered that all of the criteria set out in the relevant IFRS that must be met in order to classify project spend as development, had been met for all of the Group's projects. If the criteria had not been met, then the spend would have been classified as research expenses.

No other material judgements have been made by management that could have a significant effect on the amounts recognised in the financial statements.

29. Minority Interest

Equity attributable to the minority interest is £Nil at both 30 September 2008 and 30 September 2007, as the minority does not have a binding obligation to make additional investment to cover the losses of the Group. There are net liabilities in the relevant companies.

30. Contingent Liability

As at the date of signing these financial statements, the Group is in dispute with a supplier regarding the amount of monies due to them by the Group. There is a significant difference in perception between the two parties valuations of how much monies are due. The directors believe that sufficient liabilities have been included within these financial statements to cover all monies that may become due.

31. Capital Commitments

At 30 September 2008, the Group had committed itself to future expenditure on capital contracts to the value of \$1,550,000 (£861,000), (2007:£Nil).



www.nvirocleantech.com

London Office
18 Hanover Square,
London,
W1S 1HX
Tel: +44 (0)20 3178 7100

info@nvirocleantech.com

New York Office
445 Park Avenue,
10th Floor,
New York, NY 10022
Tel: +1 212 541 3866