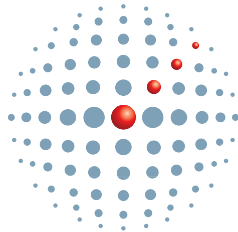

camco
clean energy

Camco Clean Energy plc

Directors' report and financial statements
Jersey registered 92432
31 December 2012

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Chairman’s report

Phase II of the EU Emissions Trading Scheme (“EU-ETS”) drew to a pained close in 2012. When Camco was admitted to AIM in 2006 it was with a small portfolio of projects for which it would provide the necessary technical expertise to enable them to deliver into this scheme. These projects promised to be a cheaper way for European utilities to meet their emissions targets, allowing them to offset against reductions in emerging markets under the UN Clean Development Mechanism (“CDM”). The other end of the bargain was that this brought these markets new emission reduction technologies and solutions. The Camco that entered 2013 has expanded well beyond this initial focus on CDM projects to provide a wide variety of services and products all targeted at reducing emissions and producing clean energy. Our change of name to Camco Clean Energy plc reflects this. It is no secret that the speed of this change was forced by the collapse of the market created by the EU-ETS, CDM and around which the Company was built.

And yet, stepping back from the immediate disappointment, one sees that in its aim of attracting investment and developing projects in those regions most in need of resources and most in need of change, the CDM programme has been a resounding success. It has achieved what would have been impossible with public and non-profit funding. Camco’s partners in China, South East Asia and Russia have been leaders within their regions. The result has been techniques and technologies we helped introduce becoming industry standards in sectors ranging from cement to coal mining to power. Similarly the EU-ETS was revolutionary in introducing a price on emissions to change the behaviour of organisations. This represents a quantum leap in disseminating processes to reduce emissions and creating new businesses to tackle what is a global problem.

However, as great as this success is, it has been met with a failure of equal proportions. So what hasn’t worked? The key fault in these systems has been an inability to adequately constrain supply and stimulate demand. Scarcity is an essential economic attribute without which prices tend towards zero and so a market fails. Global recession and the deepening of the Eurozone crisis have resulted in lower emissions through lower economic output and not through the intended efficiency improvements. Despite this allowances under the EU-ETS continue to be issued well in excess of trending emissions in Europe, thus eroding demand. Whilst Phase II allowances are trading at record lows, the market for Certified Emission Reduction units (“CERs”) generated under the CDM has fared even worse because of a further fault in the bridge between the two systems: import limits of CERs into the EU-ETS are proportional to emissions and have been far too low to accommodate the supply.

The reason why these systems stalled is due to the policymakers who failed to maintain the adequate balance of supply and demand required to create a functional carbon price that acts both as a deterrent to emitters and an incentive to investors. As a consequence private market participants, including our own shareholders, have been subject to a complete market collapse and loss of investment.

Design faults are to be expected in any new system, it is unfortunate they still await correction here. What is most promising for future schemes is that the key concerns at the outset of the EU-ETS and the CDM were the environmental integrity of projects and ability to implement them, the application of technology, the impact on long-term emissions in both Europe and emerging markets, and the ability to corral private sector finance. In all these respects they have exceeded well beyond expectations.

Chairman's report (continued)

As one door closes, another opens, and when I look to California where the compliance market commenced at the start of 2013, it is with the hope that grave lessons have been learned. Certainly the setting of a floor price on allowances and rigorous restrictions on eligible protocols for producing offsets are steps in the right direction. Camco has already established itself here as a market leader and will now seek to monetise valuable contracts. Nevertheless our new clean energy project business will provide returns based on stable long-term annuities, from gas and electricity power purchase agreements that are not reliant on what have proved so far to be extremely volatile and unpredictable offset markets. This will give the Company a more secure future whilst broadening the positive impact we can have on emissions.

Jeffrey Kenna
Chairman
26 June 2013

Chief executive officer's report

The external market collapse of the CER price by 96% in 2012 has dominated Camco's financial performance for the year, eliminating revenue from what had been our core business. Despite this the Company continued to service its clients and deliver value wherever possible, maintaining its reputation and relationships. We successfully submitted all our clients' CDM projects as scheduled before the year-end EU deadline and the majority have now passed through the UN bottleneck and are registered. Should the market revive itself this will provide our clients and the Company with good value.

The last couple of years have been turbulent times for project developers with the carbon market collapsing in two broad stages. The first from mid-2011 through to early 2012 led to a CER price that stabilised in the range of €3-€5 amid expectations of policy reform. To address this the Company restructured the majority of its portfolio of carbon projects from fixed price contracts, with a weighted average purchase price of greater than €8, to commission based contracts. (Fixed price contracts were entered into at historic market price levels of €15–€25 and were a regulatory necessity at the time.) In 2012 Camco was one of only a handful of companies that successfully restructured the majority of its contracts into a sustainable cash generative portfolio.

Given this commercial success and the operational success of registering our projects, 2012 feels very much a story of what might have been. After a brief period of relative stability, the final stage of the collapse commenced and saw the price approach zero towards the end of 2012 as reforms stagnated and sentiment evaporated. With the costs of bringing CERs to market in excess of their sales revenue, we took further action and reached new agreements with our clients to hibernate projects until such time as they may prove economic to deliver again.

However, restructuring the portfolio was not the only measure taken during the first stage of the collapse. The need to diversify away from a reliance on the CDM market was already apparent then and we acted early to develop alternative sources of revenue that would leverage our existing skills and resources. This transition of the business model has required creating new products and services, entering new markets, and heavily reducing operating costs. Thorough selection criteria have been applied to build a pipeline of projects with the right profile of scalability and returns for the Company. Many businesses have proved incapable of such a transformational change with their core activity disappearing so rapidly. To address the issues that have arisen in our contracts and operations as a result of the collapse in the carbon price whilst creating a new business has been a herculean task.

Although a write-down of the carbon business again overshadows our results and our investment in projects will take time to deliver, I am very proud of what the team at Camco has achieved in the past year for the future benefit of the Company and its staff, clients and shareholders. The story of the carbon market this year was all too similar to the last but our position is now very different to what it was at the end of 2011. First and foremost, the foundations laid back then to establish the clean energy business have been firmly built upon and projects are now ready to commence. Secondly, we have now moved to hibernate our CDM business to avoid further downside. Thirdly, we are making very good progress in our cost reduction programme, the full benefits of which will be seen in 2014. Most carbon developers have not been able to diversify fast enough to build sustainable businesses and face a very difficult future. With what the Company has achieved in 2012 and the post balance sheet events in 2013, it is now in a strong position to return to growth and rebuild shareholder value.

Operational Review

I present the major operational highlights of 2012 below:

- Our 4.5 MW dairy biogas project in Idaho is now fully operational, delivered ahead of schedule and under budget and cash generative. This project is 100% owned by Camco.

- We have further developed our pipeline of similar biogas projects in North America ready for phased deployment starting in 2013. The development of these was delayed due to company funding constraints impacted by the collapse in carbon revenues, but finance is now in place to deploy our next project.

- We have retained a leading position in the US carbon market with projects across the key protocols of dairy biogas, Ozone Depleting Substances ("ODS") and forestry.

- In Africa we have further expanded our activities in clean energy project development, putting together local teams and partnerships to build a pipeline of projects for development in 2013.

- Our African consulting operation has continued to deliver high quality work accelerating the growth of distributed renewable energy in Africa and providing us with an excellent base from which to develop new projects.

- In China and London our teams have delivered significant value by protecting the company and our partners' best interests during the collapse of the carbon market. This work has and will continue to be critical for the survival of the company.

- Camco South East Asia ("CSEA"), a joint venture, commenced construction of the Havys project, the largest Palm Oil Biogas project in Southeast Asia, which provided good value for our post balance sheet sale for $6 million.

- Renewable Energy Dynamics Holdings Ltd ("REDT"), a joint venture, flow battery business has successfully piloted its first vanadium redox demonstration system and is at the commercialisation phase. Energy storage is essential for the success of renewable energy and as a low cost long duration recyclable solution. REDT has great potential both for sale to third parties also and integrated in our new projects.

I would personally like to thank all our staff for their dedicated efforts to ensure the survival, success and growth of Camco Clean Energy as well as our clients and shareholders for their strong support through this transition period.

Outlook

We will steadfastly pursue the development of our clean energy project business in North America and Africa. This was constrained by financial resources in the early part of 2013 but following the sale of CSEA we have started to implement our plans.

The first half of 2013 continued to be tough for our CDM carbon business as we continued with the hibernation programme as swiftly as possible whilst protecting the Company and our clients. In the USA we are poised to deliver our first offset projects into the Californian scheme with a focus on securing value and hedging price risk.

The Company is well positioned in Africa with local teams, six offices and 25 years' regional experience enabling it to play a major part in the clean energy revolution currently underway across the continent. In 2012 Africa had the fastest growing renewable sector in the world and rapidly rising energy demand – coupled with poor energy security and a weak grid infrastructure this creates an ideal landscape for our projects to make a difference.

In North America the Company has built a strong development and operations team over the past few years to position itself as the leading biogas developer. With a high profile success in our Idaho project we have the credibility in the market with partners and financiers to now deploy the project pipeline.

Our team have the skills, experience and track record to deliver success. In the absence of CDM carbon revenues the Company now is fully focused on generating sustainable cash returns from our diversified activities as quickly as possible.

Scott McGregor
Chief Executive Officer
26 June 2013

Chief financial officer's report

In our 2011 results, we noted a significant fair value adjustment and capitalised cost write-down at the year end to reflect the carbon price reduction for floating or unsold carbon contracts. This was due to a substantial fall in carbon prices during the second half of 2011 which had significantly decreased the fair value of contracts held in accrued income and the Carbon Development Contract ("CDC") assets work in progress on the balance sheet at the year end.

During the first half of 2012 the carbon price remained comparatively stable compared to the close of 2011 and at the time of releasing our 2012 interim results we were able to report a Discounted Gross Cash Flow amount of €39.4 million for the CER portfolio based on the carbon price forward curve as at 30 June 2012.

However, as has been widely publicised, in the second half of 2012 the carbon price suffered an almost complete collapse to the extent that the spot CER price had fallen 96% from €4.13 at the end of 2011 to €0.18 at the end of 2012 and as at the end of May 2013 is no longer exchange traded. Whilst the futures prices historically trade above these levels, these prices have also suffered with the December 2013 delivery price having fallen from €5.00 at the end of 2011 (based on the newest December 2013 contract) to €0.39 at the end of 2012 and €0.28 as at the end of May 2013.

At such low prices, for a significant number of contracts it is not economic for the projects to produce the carbon credits when taking into account costs such as verification and the Director's believe there is significant uncertainty as to whether a viable market will exist to monetise the Company's remaining portfolio in the future.

The Directors have therefore taken the view that they cannot reliably recognise value for carbon credits in the balance sheet at the year-end and have therefore taken the decision to write off the majority of outstanding positive balances.

Overall Group result

The impact of the write-off in carbon balance has led to the Group reporting an overall loss for the year of €23.3 million from continuing operations (2011: €29.6 million loss).

Revenue for the year (before Carbon price fair value adjustment) was €15.9 million (2011: €10.2 million). Of this amount, €10.8 million can be attributed to Carbon activities (including one material transaction amounting to revenue of €5.8 million) (2011: €8.5 million) and €5.1 million can be attributed to Project activities (2011: €1.7 million). The negative carbon price fair value adjustment was €9.2 million (2011: €21.7 million downward).

Administrative costs in the year were €12.4 million (2011: €11.8 million). These costs include personnel costs of €6.3 million (2011: €7.3 million) but this excludes any such costs capitalised as carbon project costs (€0.4 million in 2012 and €1.6 million in 2011) in accordance with recognised accounting treatment and which are subsequently booked as a cost of sale to the income statement as revenue on the relevant project falls due to be recognised. Including such capitalised costs, total personnel costs fell €2.2 million to €6.7 million in 2012 from €8.9 million in 2011. Other items within administrative costs included an increase in depreciation to €0.6 million (2011: €0.3 million) as the US Biogas started to be depreciated in the second half of the year, an impairment of €0.5 million on project equipment, a small increase in professional costs to €1.7 million (2011: €1.3 million) and a small reduction in travel, marketing and general office costs to €2.0 million (2011: €2.2 million).

At the year end, the board impaired historic development costs and other carrying values of €2.5 million (2011: €1.6 million).

Throughout the year, the Group focused on reducing cash operating expenditure, this process accelerated during the last three months of the year and into 2013 as it became clear that net

cash flow being generated by the carbon business was likely to fall to negligible levels as a result of the carbon price reduction. This process continues into 2013 and the Board are confident of achieving a significant reduction in cash operating expenditure in 2013 although a full period impact of these reductions will only be seen in the 2014 financial year.

The projects segment achieved success with one of the largest biogas projects in North America commencing operation in early 2012 and reaching the required power output in July onwards to benefit from the power rate set out in its power purchase agreement with the local utility and therefore generate meaningful revenue. This asset contributed €1.3 million in revenue during 2012 (2011: Nil)

At the beginning of 2012, the Company sold its UK Advisory business to focus on its core segments. The initial consideration anticipated of £3.25 million was reduced towards the end of the year by £0.44 million as a result of an adjustment to reflect the carrying value of net assets disposed.

Carbon segment

The Group recognises revenue based on the fair value of the carbon credits to be received from contracts, once the development work on these projects is completed by the Group and the project is deemed “CDC operational”, typically meaning as a minimum they are fully commissioned and registered with the relevant regulatory body. CDC operational projects are only a proportion of Camco’s carbon portfolio; projects still in the development phase where the Company has secured the rights to receive future revenue streams are not recognised in revenue. For further details refer to the Group accounting policies which have been applied consistently as outlined in Note 1 of the accounts.

Accrued income is recognised for CDC operational projects. The balance contains:

- Accrued income for contracts with fixed sale prices
- Accrued income for contracts with floating sales prices or that are unsold

Accrued income on floating and unsold contracts is re-valued at each balance sheet date according to carbon market prices.

However, as stated above the CER carbon price fell significantly during the latter half of 2012 to the extent that the CER spot price had fallen 96% based on the closing price on 31 December 2012 compared to 31 December 2011. The CER forward curve had also fallen very significantly over the period.

The Directors have therefore taken the view that CER carbon market is no longer liquid and revenue cannot be reliably measured and as a result not recognised value for carbon credits in the balance sheet at the year end and have therefore taken the decision to write off the majority of outstanding balances.

As a result, the benefit of the successful work to submit the majority of projects for registration prior to the end of 2012 to ensure eligibility for Phase III of the EU ETS and provide cash flows through to 2020 is not seen in these results as no value has been attributed to this work.

The following table sets out the value of the net carbon balances as at 2012 and for the 2011 and 2010 prior years and the effect between years as those balances have been reduced following falls in the carbon price.

	2012 €'000	Change (2012–2011) €'000	2011 €'000	Change (2011–2010) €'000	2010 €'000
Accrued Income	516	(15,423)	15,939	(24,968)	40,907
Intangible Assets – carbon in specie	313	(331)	644	(1,386)	2,030
Work in Progress – Carbon Development Contracts	–	(3,199)	3,199	(2,854)	6,053
Other accruals – CDC accruals	(3,175)	4,493	(7,668)	1,539	(9,207)
Payment on account received	(2,550)	3,876	(6,426)	3,774	(10,200)
Total	**(4,896)**	**(10,584)**	**5,688**	**(23,895)**	**29,583**

As at the end of 2012, the Carbon business had an effective net liability position of €4.9 million having reduced from a positive value of €5.7 million in 2011 and €29.6 million in 2010. This therefore reduces the carrying value of carbon by €10.6 million in 2012 and by €23.9 million in 2011. The Directors continue to work diligently to reduce the net liability position.

In addition, a number of fixed price carbon purchase agreements are held in various entities across the Group. With the significant decline in the carbon price over the last 18 months, these fixed price contracts result in a current potential un-provided exposure across the Group of €20.7 million. This exposure, which is being experienced across the industry, arises where entities are required to purchase carbon credits under fixed price purchase agreements at a price that is higher than the current market price at which those entities can sell the carbon credits.

The potential exposure quoted assumes no revenue from carbon credits sales. Along with other companies in the market the Group has been actively working with counterparties to resolve these contracts at terms that are mutually beneficial to both parties; some discussions are ongoing and uncertainties remain on the terms to be agreed. Since 31 December 2011 the Group has successfully resolved 93 of its 107 fixed price contracts.

These resolved contracts had a potential exposure to the Group of €71.8 million; 14 contracts remain to be agreed. The directors consider they have made adequate provision in these accounts for the costs that are likely to be borne, however at this stage there can be no certainty that further costs may not arise.

Projects segment

As referred to earlier, the US biogas asset started generating meaningful revenue at the beginning of July 2012 when as planned it reached the required power output. Revenue for the year from this asset totalled $1.7 million (€1.3 million), the majority of which was earned solely in the second half of the year. It should be noted that we do expect to see seasonality in the revenue going forward with the second half of the year benefiting from the higher prices set out in the power purchase agreement. Operation and maintenance expenses for the year were $0.8 million (€0.6 million) and depreciation expense was $0.5 million (€0.4 million) the majority of which was booked in the second half of the year.

As at the end of 2012, the assets and liabilities associated with the US biogas assets were: property, plant and equipment of $19.6 million (€14.9 million), deferred income of $6.3 million (€4.8 million) relating to the grant of $6.4 million (€5.2 million) received during the year and which is now being amortised over the life of the asset, and secured loans of $15.3 million (€11.6 million).

Other activities within Projects includes clean energy project development activities as well as the consulting operations in Africa and non-carbon related US operations.

Cash and cash equivalents

At 31 December 2012, the Group had cash and cash equivalents of €11.1 million (2011: €14.4 million) with unsecured loans of €4.0 million (2011: €3.9 million). Adjusting for certain other items in 2011 (as set out below) gives an adjusted net cash position at the year-end of €7.1 million (2011: €8.0 million) as follows:

	2012 €'000	2011 €'000
Cash and cash equivalents	**11,087**	14,369
Less cash restricted for sole use in construction of biogas project in North America	**–**	(2,231)
Less unsecured loans	**(4,000)**	(3,858)
Less bank overdraft (discontinued operations)	**–**	(232)
Adjusted net cash	**7,087**	8,048

The adjusted net cash position includes cash held in a debt reserve in relation to the US Biogas project loan of €1.03 million (2011: €0.95 million) which is not available to the Group for general working capital purposes. It does not include net cash held by Camco South East Asia Limited ("CSEA") which Camco accounts for as a joint venture.

The key movements in cash during 2012 were: carbon receivables on deliveries in 2012 (inflow €26.7 million), carbon payables on deliveries in 2012 (outflow €14.5 million), working capital prepayments for carbon (outflow €3.2 million), operating expenditure for continuing operations (outflow €9.4 million), proceeds from the sale of the advisory business (inflow €3.9 million), loan proceeds (inflow €0.6 million), loan repayment (outflow €5.1 million) in relation to US biogas project, grant receipt (inflow €5.2 million) and capex items (outflow €1.1 million). The cash reduction from recurring operating activities was €6.3 million in the year.

On 7 May 2013 the Group sold its entire 60.1% interest in Camco South East Asia Limited for consideration of $6.01 million in cash. The Group's interest in Camco South East Asia Limited had a book value of $6.01 million as at 31 December 2012.

On 13 May 2013 the Group announced that is has agreed to issue 18,449,073 new ordinary shares to Payar Investments Ltd (a subsidiary of Khazanah Nasional Berhad ("Khazanah")) at 1.138 cents per share (1.183 pence) raising €254,875 (£218,252).

Jonathan Marren
Chief Financial Officer
26 June 2013

Director’s report

The Directors present their Directors’ report and financial statements for the year ended 31 December 2012 (the “year”).

Tax and company status

Camco Clean Energy plc (the “Company”) is a public company admitted to AIM, a market operated by London Stock Exchange plc (“AIM”).The Company changed its name from Camco International Limited on 5 November 2012. The Company is incorporated in Jersey under the Companies (Jersey) Law 1991 as a registered public company and regulated by the Jersey Financial Services Commission (“JFSC”). Effective 1 January 2009, Jersey’s tax regime changed, the effect of this is limited to the change of status from exempt to liable to Jersey income tax at 0%. The Company will apply for and expects to be granted this status for future years.

Principal activities

The principal activity of the Company and its subsidiaries (together the “Group”) is to identify and develop emission reduction and clean energy projects.

Business Review

The Business review of the Group can be found in the consolidated financial statements and Annual Report and Accounts of the Company for the year to 31 December 2012, prepared in accordance with the Companies (Jersey) Law 1991 and the AIM Rules of the London Stock Exchange; in the Chairman’s review on pages 3 and 4; the Chief Executive Officer’s review on pages 5 to 7; and the Financial review on pages 8 to 11 which are incorporated in this report by reference. The Annual Report also provides a description of the principal risks and uncertainties facing the Company as well as the risk management objectives and policies that are in place to assist in mitigating the potential impact. Details of the Company’s financial risks can be found in Note 22 on page 56 to these financial statements.

Results and Dividends

The audited accounts for the Group for the year ended 31 December 2012 are set out on pages 24 to 29. The Group loss for the year after taxation was €23.7 million (2011: €29.3 million loss). The Board does not recommend the payment of a dividend for the year.

The Directors

Details of the Directors who served during the year are as follows:

- Scott McGregor Chief Executive Officer
- Jonathan Marren Chief Financial Officer (appointed 09/07/2012)
- Yariv Cohen Executive Director (resigned 26/01/2012)
- Jeffrey Kenna Non-executive Chairman
- Michael Farrow Non-executive
- Dr Herta von Stiegel Non-executive (resigned 31/12/2012)
- Paolo Pietrogrande Non-executive (resigned 29/11/2012)
- Zainul Rahim bin Mohd Zain Non-executive (appointed 03/01/2012)

Directors' Liability Insurance and Indemnities

The Company maintains liability insurance for the Directors and officers of all Group companies. The policy does not provide cover in the event that a Director or officer is proved to have acted fraudulently or dishonestly. Indemnities are in force under which the Company has agreed to indemnify the Directors to the extent permitted by applicable law and the Company's articles of association in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities as Directors of the Company or any of its subsidiaries.

Directors' interests

Details of Directors' interests in the Company's shares are shown in Note 29.

Share Capital

The issued share capital of the Company at 31 December 2012 was €1,896,780.93 comprised of 189,678,093 ordinary shares of €0.01.

On 13 May 2013, Camco Clean Energy plc ("Camco Clean Energy" or the "Company") issued 18,449,073 new ordinary shares ("Share Issue") to Payar Investments Ltd (a wholly owned subsidiary of Khazanah Nasional Berhad ("Khazanah")). The Company's issued share capital, after the Share Issue; consists of 208,127,166 ordinary shares of €0.01 each with voting rights. There were no shares held in treasury.

Substantial shareholdings

As at 31 May 2013, the following shareholders own more than 3% of the issued share capital of the Company:

	% of issued share capital	Number of shares
Payar Investments Ltd (subsidiary of Khazanah Nasional Berhad)	29.90	62,229,986
Henderson Global Investors	6.68	13,912,378
Clearworld Energy Limited	6.62	13,775,125
Winterflood Securities Limited	5.21	10,836,360
Greenergy International Limited	4.06	8,449,359
TD Waterhouse, stockbroker	3.31	6,884,204
Hargreaves Lansdown, stockbroker	3.24	6,753,443

Political and charitable contributions

The Group has made no political or charitable contributions during the year (2011: €Nil).

Corporate governance

The Directors are committed to a high standard of corporate governance for which they are accountable to stakeholders and particularly shareholders. The Group applies, having regard to its size and nature, and so far as it considers practical and appropriate, the principles contained in Part 1 of the Combined Code appended to the Listing Rules published by the UK Listing Authority. The Company continues to monitor developments in the area of corporate governance.

The Board

The Board is ultimately responsible for the effectiveness of the Group’s system of internal control. The roles and responsibilities of the Board and senior management are clearly defined and regularly reviewed. The Board includes an appropriate balance of executive and non-executive Directors and meets formally four times a year and on such other occasions as required by the demands of the business. It is supplied with information by senior management in a timely and accurate manner, appropriate to enable it to discharge its duties of reviewing and approving the Company’s strategy, budgets, major items of capital expenditure and acquisitions.

The roles of the Chairman and the Chief Executive Officer

The division of responsibilities between Chairman of the Board and the Chief Executive Officer is clearly defined. Their responsibilities are outlined below.

The Chairman

The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman has no involvement in the day-to-day business of the Group. The Chairman facilitates the effective contribution of non-executive Directors and manages constructive relations between non-executive and executive Directors. The Chairman ensures that regular reports from the Company’s brokers are circulated to the non-executive Directors to enable non-executive Directors to remain aware of shareholders’ views. The Chairman ensures effective communication with the Company’s shareholders.

The Chief Executive Officer

The Chief Executive Officer has direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group. The Chief Executive Officer has formed a Management Committee to enable him to carry out the responsibilities delegated to him by the Board. The Management Committee comprises all executive Directors and senior managers from each business region. The Management Committee meet on a regular basis to consider operational matters and implement the Group’s strategy.

The Board’s Committees

The Board has formally established three committees in accordance with the Combined Code to provide oversight to support the proper governance of the Company, these are outlined below.

The Audit Committee

The Audit Committee comprises Michael Farrow (Chairman), Zainul Rahim bin Mohd Zain and Jeffrey Kenna who are all non-executive Directors.

The Committee is responsible for the following functions recommended by the Combined Code including:

- Review of the annual financial statements and interim reports prior to approval, focusing on changes in accounting policies and practices, major judgemental areas, significant audit adjustments, going concern and compliance with accounting standards, Stock Exchange and legal requirements;
- Receiving and considering reports on internal financial controls, including reports from the auditors and report their findings to the Board;

- Considering the appointment of the auditors and their remuneration including reviewing and monitoring of independence and objectivity;
- Meeting with the auditors to discuss the scope of the audit, issues arising from their work and any matters the auditors wish to raise;
- Developing and implementing policy on the engagement of the external auditor to supply non-audit services;
- Review of the Group's corporate review procedures and any statement on internal control prior to endorsement by the Board;

The Remuneration Committee

The Remuneration Committee comprises Zainul Rahim bin Mohd Zain (Chairman), Jeffrey Kenna and Michael Farrow, who are all non-executive Directors.

The Committee has the following key duties:

- Reviewing and recommending the emoluments, pension entitlements and other benefits of the executive Directors and as appropriate other senior executives; and
- Reviewing the operation of share option schemes and Long Term Incentive Plans and the granting of such options.

The Nomination Committee

The Nomination Committee comprises Jeffrey Kenna (Chairman), Michael Farrow and Zainul Rahim bin Mohd Zain who are all non-executive Directors.

The Committee is responsible for considering all potential appointments to the Board and to make suitable proposals to the Board in relation to potential appointments.

The Company Secretary

The Company secretary is Consortia Partnership Limited, a Jersey-based limited liability company regulated by the Jersey Financial Services Commission. Michael Farrow is a Director of this company.

Relations with shareholders

The Company provides shareholders and stakeholders with relevant information in a timely and balanced manner. We understand and respect the rights of shareholders, will convene Annual General Meetings in full consideration of these rights, and encourage full participation of both institutional and private investors.

Internal control

The Audit Committee is responsible on behalf of the Board for the Group's system of internal control and has taken into account the relevant provisions of the Combined Code in formulating the systems and procedures in operation by the Group. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and provide only reasonable and not absolute assurance against material misstatement or loss. The Board is aware of the need to conduct regular risk assessments to identify any deficiencies in the controls currently operating over all aspects of the Group. The Board will conduct a formal risk assessment on an annual basis but will also report by exception on any material changes during the year.

Risk assessment

In determining what constitutes a sound system of internal control the Board considers:

- The nature and extent of the risks regarded as acceptable for the Company to bear within its particular business;
- The threat of such risks becoming reality;
- The Company’s ability to reduce the incidence and impact on business if the risk crystallises;
- The costs and benefits resulting from operating relevant controls; and
- Recommendations from the Audit Committee as part of its overall responsibility for risk.

Policies

Through the regular meetings of the Board and the schedule of matters reserved for the Board’s committees, the Board aims to maintain full and effective control over appropriate strategic, financial, operational and compliance issues. The Board has put in place an organisational structure with clearly defined lines of responsibility and delegation of authority. For each financial year, the Board considers and approves a strategic plan and financial budget. In addition, there are established procedures and processes for planning and controlling expenditure and making investments.

Processes

The Group utilises the following broad processes in order to further mitigate any risks it faces.

- Review of monthly management accounts with comparison of actual performance against budget; and consideration of the outturn for the year;
- Monthly reconciliation of all control accounts;
- Approval by the Board is required for major investments outside the budget; and
- Segregation of duties between relevant functions and departments;

Going concern

The Group’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Financial Review. The financial position of the Group, its cash flows and liquidity position are described in the same review. In addition, Notes 22 to 23 to the financial statements includes the Group’s objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposures to credit risk and liquidity risk.

The Group has sufficient financial resources together with long-term relationships with a number of customers across different geographic areas and industries. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

The Directors are satisfied that the Group has adequate resources to continue to operate for the foreseeable future. For this reason, they consider it appropriate for the financial statements to be prepared on a going concern basis.

Disclosure of information to auditor

Each of the Directors confirms that: (a) so far as they are aware, there is no relevant audit information of which the Group's auditor is unaware; and (b) they have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of such information.

Auditor

Our auditor, KPMG Audit Plc is currently in the process of transferring to KPMG LLP. The Board has therefore decided to put KPMG LLP forward to be appointed as auditors as a resolution concerning their appointment will be put to the forthcoming AGM of the Company

By Order of the Board

Michael Farrow
Consortia Partnership Limited
Company Secretary

Registered Office:
Channel House
Green Street
St Helier
JE2 4UH

26 June 2013

Report of the remuneration committee

Composition and terms of reference

The Remuneration Committee was established on admission to AIM on 25 April 2006 and comprises only independent non-executive Directors. Its members during the year were Paolo Pietrogrande (Chairman), Dr Herta von Stiegel and Michael Farrow. On 12 December 2012 Zainul Rahim bin Mohd Zain was appointed as Chairman of the Committee, Jeffrey Kenna was also appointed to the Committee while members Herta von Stiegel and Paolo Pietrogrande resigned from the Committee. The Committee's terms of reference take into account the provisions of the Combined Code on corporate governance for smaller companies and ensure that processes designed to retain and remunerate the executive Directors and management are consistent with current best practice.

Directors' remuneration policy

Non-executive Directors

The Company's policy for non-executive Directors (including the Chairman) is to pay fees which are competitive with fees paid by other similar AIM listed companies of commensurate size and growth prospects. Non-executives are not currently eligible for bonuses, share options, long-term incentives, pensions or performance related remuneration.

Executive Directors

The Company's policy for executive Directors is to provide remuneration and other benefits sufficient to attract, retain and motivate executives of the calibre required. Total remuneration includes salary, performance related bonuses, share options and long-term incentives. Bonuses are provided at the discretion of the Remuneration Committee and are performance related. Share options and long-term incentives are provided to motivate and retain executive Director's services.

Directors' remuneration during the year

	2012 Salaries and fees €'000	2012 Performance bonus €'000	2012 Pension contribution €'000	2012 Total €'000
Executive Directors				
Scott McGregor	**254**	**–**	**5**	**259**
Jonathan Marren (appointed 09/07/12)	**92**	**–**	**5**	**97**
Yariv Cohen (resigned 26/01/12)	**46**	**–**	**1**	**47**
Non-executive Directors				
Jeffrey Kenna	**74**	**–**	**–**	**74**
Michael Farrow	**41**	**–**	**–**	**41**
Dr Herta von Stiegel (resigned 31/12/12)	**41**	**–**	**–**	**41**
Paolo Pietrogrande (resigned 29/11/12)	**40**	**–**	**–**	**40**
Zainul Rahim bin Mohd Zain (appointed 03/01/12)	**37**	**–**	**–**	**37**
Total	**625**	**–**	**11**	**636**

	2011 Salaries and fees €'000	2011 Performance bonus €'000	2011 Pension contribution €'000	2011 Total €'000
Executive Directors				
Scott McGregor	244	–	6	250
Yariv Cohen (resigned 26/01/12)	278	72	5	355
Non-executive Directors				
		–	–	
Jeffrey Kenna	72	–	–	72
Michael Farrow	42	–	–	42
Dr Herta von Stiegel	39	–	–	39
Paolo Pietrogrande	42	–	–	42
Total	717	72	11	800

Defined contribution retirement benefit plan

The Group operates a defined contribution retirement benefit plan for qualifying Directors and employees. The assets of this plan are held separately from those of the Group. The only obligation of the Group is to make the contributions.

Long-Term Incentive Plan (the "LTIP")

The Board has approved the LTIP under which Directors and employees are entitled to equity-settled payment following vesting years after 31 December 2011 and 2012 and upon certain market and non-market performance conditions being met for reporting years ending 31 December 2011 and 2012.

The purpose of the LTIP is to incentivise Directors and employees to ensure profit and share price performance targets are met over the vesting year. The LTIP will align Director's objectives with those of the shareholders.

The LTIP will vest at different levels depending on the Company's share price performance as compared with comparator groups and industry comparables over the vesting year. The comparator groups consist of a basket of SmallCap companies at the grant date (adjusted for mergers, demergers and delistings during the performance year) and a basket of companies in the same sector. The Company's percentage rank is its rank in a comparator group divided by the number of companies in the group at the end of the performance year expressed as a percentage.

The LTIP will vest at differing levels at the discretion of the Remuneration Committee depending on the achievement of profit targets and performance as compared with comparator groups over the vesting year.

Report of the remuneration committee (continued)

	At 31 December 2011 Share awards outstanding Number	Granted Number	Forfeited Number	Vested Number	At 31 December 2012 Share awards outstanding Number	Price payable (per share) €
Scott McGregor	3,500,000	–	(2,000,000)	–	**1,500,000**	0.01
Jonathan Marren	–	–	–	–	**–**	–
Yariv Cohen*	3,500,000	–	(3,000,000)	(500,000)	**–**	–
Total	7,000,000	–	(5,000,000)	(500,000)	**1,500,000**	

* Resigned 26/01/12.

The Company's share price at the end of the year was €0.026 (2011: €0.06). The highest share price in the year was €0.099 (2011: €0.23) and the lowest €0.026 (2011: €0.06). LTIP awards are scheduled to vest annually after audited results for each of 2011 and 2012 financial year results are confirmed.

The share-based payment charge booked in these financial statements for Scott McGregor is €500 (2011: €20,857, including Yariv Cohen).

As part of Camco's existing Long Term Incentive Plan, Scott McGregor and Yariv Cohen were each awarded 2,000,000 share options during 2011 at nominal value which were capable of vesting until 30 September 2012 should certain future share price and operational performance targets set by the board be met. These conditions were not met by 30 September 2012 and therefore the options lapsed. Yariv Cohen stepped down from the Board during 2012 and 3,000,000 of his options have lapsed as a result.

Directors' service contracts

Non-executive Directors, including the Chairman, hold office under the Company's Articles of Association and do not have service contracts. The Chairman is entitled to 6 months' notice prior to termination of his appointment. The other non-executive Directors are entitled to 3 months' notice prior to termination of their appointment. Following these notice periods there is no further entitlement to compensation or other benefits.

The Group's policy is that executive Directors' notice periods should not exceed one year. Scott McGregor and Jonathan Marren have employment contracts with the Group dated 16 March 2006 and 9 July 2012 respectively and are terminable with 3 months' notice given by the Group or employee. There are no provisions for compensation for early termination of these contracts, with the exception of change of role in the event of a merger or acquisition.

Audit

The tables above compromise part of the audited financial statements.

By Order of the Board

Zainul Rahim bin Mohd Zain

Remuneration Committee Chairman

26 June 2013

Statement of directors' responsibilities in respect of the annual report and the financial statements

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

Company law requires the Directors to prepare group financial statements for each financial year. As required by the AIM Rules for Companies of London Stock Exchange Plc, they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under Jersey Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of its profit or loss for that period.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its financial statements comply with the Companies (Jersey) Law 1991. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors have decided to prepare voluntarily a Directors' Remuneration Report in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made under the Companies Act 2006, as if those requirements were to apply to the Group. The Directors have also decided to prepare voluntarily a Corporate Governance Statement as if the Group was required to comply with the Listing Rules and the Disclosure Rules and Transparency Rules of the Financial Services Authority in relation to those matters.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report

To the members of Camco Clean Energy plc

We have audited the Group financial statements (the "financial statements") of Camco Clean Energy plc for the year ended 31 December 2012 which comprise the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flow and related Notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

In addition to our audit of the financial statements, the directors have engaged us to audit the information in the Directors' Remuneration Report that is described as having been audited, which the directors have decided to prepare as if the company were required to comply with the requirements of Schedule 8 to the Companies Act 2006 The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410).

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991 and as per the paragraph above, in respect of the separate opinion in relation to the Directors' Remuneration Report and reporting on corporate governance, on terms that have been agreed. 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 as per the paragraph above, in respect of the separate opinion in relation to the Directors' Remuneration Report, those matters that we have agreed to state to them in our 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 auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- the financial statements give a true and fair view of the state of the group's affairs as at 31 December 2012 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;

- the financial statements have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Opinion on other matters under the terms of our engagement

In our opinion:

- the part of the Directors' Remuneration Report which we were engaged to audit has been properly prepared in accordance with Schedule 8 to the Companies Act 2006 The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as if those requirements were to apply to the company;

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company; or
- returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Mike Woodward (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc,
Chartered Accountants and Recognised Auditor

8 Salisbury Square
London
EC4Y 8BB

26 June 2013

Notes:

- The maintenance and integrity of the www.camcocleanenergy.com website is the responsibility of the directors; the work carried out by auditors does not involve consideration of these matters and accordingly, KPMG Audit Plc accepts no responsibility for any changes that may have occurred to the financial statements or our audit report since 26 June 2013. KPMG Audit Plc has carried out no procedures of any nature subsequent to 26 June 2013 which in any way extends this date.

- Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The directors shall remain responsible for establishing and controlling the process for doing so, and for ensuring that the financial statements are complete and unaltered in any way.

Consolidated statement of financial position
At 31 December 2012

	Notes	2012 €'000	2011 €'000
Non-current assets			
Property, plant and equipment	13	**16,558**	15,988
Goodwill	14	**–**	433
Intangible assets – carbon in specie	14	**313**	644
Investments in associates and joint ventures	15	**7,181**	13,152
Other investments	16	**3**	3
Deferred tax assets	11	**22**	132
		24,077	30,352
Current assets			
Work in progress – carbon development contracts	17	**–**	3,199
Prepayments and accrued income	18	**1,318**	16,844
Trade and other receivables	19	**1,184**	4,387
Cash and cash equivalents	20	**11,087**	14,369
Assets held for sale	10	**–**	4,620
		13,589	43,419
Total assets		**37,666**	73,771
Current liabilities			
Loans and borrowings	24	**(4,764)**	(4,138)
Trade and other payables	21	**(12,462)**	(19,381)
Tax payable		**(173)**	(322)
Liabilities held for sale	10	**–**	(1,891)
		(17,399)	(25,732)
Non-current liabilities			
Loans and borrowings	24	**(10,797)**	(15,360)
		(10,797)	(15,360)
Total liabilities		**(28,196)**	(41,092)
Net assets		**9,470**	32,679
Equity attributable to equity holders of the parent			
Share capital	25	**1,897**	1,892
Share premium		**75,565**	75,542
Share-based payment reserve		**301**	559
Retained earnings		**(68,583)**	(44,916)
Translation reserve		**304**	(155)
Own shares		**(14)**	(243)
Total equity		**9,470**	32,679

These financial statements were approved and authorised for issue by the board of directors on 26 June 2013 and were signed on its behalf by:

Michael Farrow
Director
Company Registration Number 92432

Consolidated statement of comprehensive income

For the year ended 31 December 2012

	Notes	**2012 €'000**	2011 €'000
Continuing operations			
Revenue:			
Earned in the year	3	**15,883**	10,195
Carbon price fair value adjustment	3	**(9,219)**	(21,654)
Revenue		**6,664**	(11,459)
Cost of sales		**(6,478)**	(4,638)
Gross profit/(loss)		**186**	(16,097)
Other income – net gain on disposal of investment	4	**3**	578
Administrative expenses	5	**(12,356)**	(11,800)
Impairment of Investment in associates and joint ventures	5	**(3,118)**	–
Impairment of Goodwill	5	**(433)**	–
Restructuring charges	5	**(116)**	(236)
Impairment of development costs	5	**(2,500)**	(1,556)
Impairment of receivables	5	**(1,206)**	–
Results from operating activities		**(19,540)**	(29,111)
Financial income	9	**76**	2,217
Financial expenses	9	**(1,184)**	(1,749)
Net financing (expense)/income		**(1,108)**	468
Share of loss of equity-accounted investees		**(2,573)**	(670)
Loss before tax		**(23,221)**	(29,313)
Income tax (expense)	11	**(107)**	(328)
Loss from continuing operations		**(23,328)**	(29,641)
Discontinued operation			
(Loss)/profit from discontinued operation (net of tax)	10	**(339)**	370
Loss for the year		**(23,667)**	(29,271)
Other comprehensive income			
Exchange differences on translation of foreign operations		**(247)**	735
Reclassification from cumulative exchange reserve arising on disposal of subsidiaries		**706**	–
Total comprehensive income for the year		**(23,208)**	(28,536)
Loss for the year attributable to:			
Equity holders of the parent		**(23,667)**	(29,271)
Loss for the year		**(23,667)**	(29,271)
Total comprehensive income for the year attributable to:			
Equity holders of the parent		**(23,208)**	(28,536)
Total comprehensive income for the year		**(23,208)**	(28,536)
Basic loss per share in € cents			
From continuing operations	12	**(12.34)**	(15.85)
From continuing and discontinued operations	12	**(12.52)**	(15.65)
Diluted loss per share in € cents			
From continuing operations	12	**(12.34)**	(15.85)
From continuing and discontinued operations	12	**(12.52)**	(15.65)

Consolidated statement of changes in equity

For year ended 31 December 2012

	Note	2012 Share capital €'000	2012 Share premium €'000	2012 Share-based payment reserve €'000	2012 Retained earnings €'000	2012 Translation reserve €'000	2012 Own shares €'000	2012 Total equity attributable to shareholders of the Company €'000	2012 Non-controlling interest €'000	2012 Total equity €'000
Balance as at 1 January 2012		**1,892**	**75,542**	**559**	**(44,916)**	**(155)**	**(243)**	**32,679**	**–**	**32,679**
Total comprehensive income for the year										
Loss for the year		**–**	**–**	**–**	**(23,667)**	**–**	**–**	**(23,667)**	**–**	**(23,667)**
Other comprehensive income										
Reclassification from cumulative exchange reserve arising on disposal of subsidiaries		**–**	**–**	**–**	**–**	**706**	**–**	**706**	**–**	**706**
Foreign currency transaction differences		**–**	**–**	**–**	**–**	**(247)**	**–**	**(247)**	**–**	**(247)**
Total comprehensive income for the year		**–**	**–**	**–**	**(23,667)**	**459**	**–**	**(23,208)**	**–**	**(23,208)**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Share-based payments	**7**	**–**	**–**	**(1)**	**–**	**–**	**–**	**(1)**	**–**	**(1)**
Issuance of shares		**5**	**23**	**–**	**–**	**–**	**(28)**	**–**	**–**	**–**
Own shares		**–**	**–**	**(257)**	**–**	**–**	**257**	**–**	**–**	**–**
Total contributions by and distributions to owners		**5**	**23**	**(258)**	**–**	**–**	**229**	**(1)**	**–**	**(1)**
Changes in ownership interests in subsidiaries that do not result in a loss of control										
Acquisition & settlement of non-controlling interest		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total changes in ownership interests in subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total transactions with owners		**5**	**23**	**(258)**	**–**	**–**	**229**	**(1)**	**–**	**(1)**
Balance at 31 December 2012		**1,897**	**75,565**	**301**	**(68,583)**	**304**	**(14)**	**9,470**	**–**	**9,470**

Consolidated statement of changes in equity

for year ended 31 December 2011

	Note	2011 Share capital €'000	2011 Share premium €'000	2011 Share-based payment reserve €'000	2011 Retained earnings €'000	2011 Translation reserve €'000	2011 Own shares €'000	2011 Total equity attributable to shareholders of the Company €'000	2011 Non-controlling interest €'000	2011 Total equity €'000
Balance as at 1 January 2011		1,856	74,861	1,173	(15,645)	(890)	(161)	61,194	–	61,194
Total comprehensive income for the year										
Loss for the year		–	–	–	(29,271)	–	–	(29,271)	–	(29,271)
Other comprehensive income										
Foreign currency transaction differences		–	–	–	–	735	–	735	–	735
Total comprehensive income for the year		–	–	–	(29,271)	735	–	(28,536)	–	(28,536)
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Share-based payments	7	–	–	21	–	–	–	21	–	21
Issuance of shares		36	681	–	–	–	(717)	–	–	–
Own shares		–	–	(635)	–	–	635	–	–	–
Total contributions by and distributions to owners		36	681	(614)	–	–	(82)	21	–	21
Changes in ownership interests in subsidiaries that do not result in a loss of control										
Acquisition & settlement of non-controlling interest		–	–	–	–	–	–	–	–	–
Total changes in ownership interests in subsidiaries		–	–	–	–	–	–	–	–	–
Total transactions with owners		36	681	(614)	–	–	(82)	21	–	21
Balance at 31 December 2011		1,892	75,542	559	(44,916)	(155)	(243)	32,679	–	32,679

Consolidated statement of cash flow

for year ended 31 December 2012

	Notes	**2012 €'000**	2011 €'000
Cash flows from operating activities			
Cash absorbed by operations	a	**(6,309)**	(3,732)
Income tax paid		**(125)**	(50)
Net cash outflow from operating activities		**(6,434)**	(3,782)
Cash flows from investing activities			
Disposal of discontinued operations, net of cash disposed of		**3,979**	–
Proceed from sales of investments		**36**	1,314
Acquisition of property, plant and equipment	13	**(1,113)**	(14,327)
Net cash inflow/ (outflow) from investing activities		**2,902**	(13,013)
Cash flows from financing activities			
Proceeds from the issue of share capital		**28**	36
Proceeds from new loan		**603**	19,227
Proceeds from Capital Grants		**5,170**	–
Repayment of borrowings		**(5,080)**	–
Interest paid		**(537)**	(98)
Payment of finance lease liabilities		**–**	(23)
Net cash inflow from financing activities		**184**	19,142
Net (decrease)/ increase in net cash and cash equivalents		**(3,348)**	2,347
Net cash and cash equivalents at 1 January		**14,270**	11,907
Effect of foreign exchange rate fluctuations on cash held		**165**	16
Net cash and cash equivalents at 31 December	20	**11,087**	14,270

(a) *Cash flows from operating activities*

Loss for the period		**(23,667)**	(29,271)
Adjustments for:			
Depreciation		**616**	313
Impairment of project plant and equipment		**528**	–
Amortisation of deferred income		**(111)**	–
Amortisation of intangible assets		**–**	337
Impairment of investments in associates and joint ventures		**3,118**	–
Carbon price fair value adjustment		**9,219**	21,654
Impairment loss on CDC assets		**3,203**	1,968
Impairment of Goodwill		**433**	–
Impairment of receivables		**1,206**	–
Share of loss of equity accounted investees		**2,573**	670
Loss on sale of discontinued operation, net of tax		**339**	–
Gain on increase of control from associate to JV		**–**	(1,704)
Gain on sale of investment		**(3)**	(578)
Share-based payment transactions		**1**	117
Income tax expense		**107**	13
Finance cost		**1,161**	918
Finance income		**(76)**	(513)
Foreign exchange loss on translation		**23**	733
Interest received		**45**	50
Interest paid		**(1)**	(10)
Impairment loss on development costs		**2,109**	1,556
Operating cash inflow/(outflow) before movements in working capital		**823**	(3,747)

	Notes	**2012 €'000**	2011 €'000
Changes in working capital			
Decrease in work in progress -CDC assets		**–**	886
Decrease in intangible assets		**331**	1,386
Decrease in prepayments		**522**	2,056
Decrease/(increase) in trade and other receivables		**1,236**	(1,106)
Change in CDC accruals and CDC accrued income		**(2,710)**	1,971
Decrease in accrued income-Non CDC		**120**	307
Decrease in trade and other payables-Non CDC		**(6,631)**	(5,497)
Increase in tax provision		**–**	12
Cash generated by operations		**(6,309)**	(3,732)

1. Accounting policies

Camco Clean Energy plc (the "Company") is a public company incorporated in Jersey under the Companies (Jersey) Law 1991. The Company changed its name from Camco International Limited on 5 November 2012. The address of its registered office is Channel House, Green Street, St Helier, Jersey JE2 4UH. The consolidated financial statements of the Company for the year ended 31 December 2012 comprise of the Company, its subsidiaries and associates and jointly controlled entities (together the "Group"). The Company is admitted to the AIM, a market operated by London Stock Exchange Plc.

A. Statement of compliance

These consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union ("adopted IFRS").

These consolidated financial statements have been prepared in accordance with and in compliance with the Companies (Jersey) Law 1991 an amendment to which means separate parent company financial statements are now not required.

These consolidated financial statements were approved by the Board on 26 June 2013.

B. Basis of preparation

The financial statements are presented in Euros, the functional currency of the Company, rounded to the nearest thousand Euros.

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. The most significant techniques for estimation are described in the accounting policies below and Note 30.

The accounting policies set out below have been applied consistently in the year and presented in these consolidated financial statements. The accounting policies have been consistently applied across all Group entities for the purposes of producing these consolidated financial statements.

The financial statements have been prepared on the historical cost basis and on a going concern basis.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Financial Review. The financial position of the Group, its cash flows and liquidity position are described in the same review. In addition, Notes 22 and 23 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposures to credit risk and liquidity risk.

The Group has sufficient financial resources together with long-term relationships with a number of customers across different geographical areas and industries. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

The Directors are satisfied that the Group has adequate resources to continue to operate for the foreseeable future. For this reason, they consider it appropriate for the financial statements to be prepared on a going concern basis.

Basis of consolidation

Subsidiaries Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

Associates and jointly controlled entities Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 per cent. of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Associates and jointly controlled entities are accounted for using the equity method and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Business Combinations

The Group adopted IFRS 3 Business Combinations (2008) and IAS 27 Consolidated and Separate Financial Statements (2008) for all business combinations occurring in the financial year starting 1 January 2009. All business combinations occurring on or after 1 January 2009 are accounted for by applying the acquisition method.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which

control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

The Group adopted IFRS 3 Business Combinations (2008) and IAS 27 Consolidated and Separate Financial Statements (2008) for acquisitions of non-controlling interests occurring in the financial year starting 1 January 2009. The Group also applied IAS 27 (2008) for the disposal and acquisition of non-controlling interests that do not result in loss of control.

Acquisitions and disposals of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions. Previously, goodwill was recognised arising on the acquisition of a non-controlling interest in a subsidiary; and that represented the excess of the cost of the additional investment over the fair value of the interest in the net assets acquired at the date of exchange. The change in accounting policy was applied prospectively and had no material impact on earnings per share.

The Group applied IAS 27 (2008) in accounting for transactions which result in the loss of control of subsidiaries. Under the accounting policy transactions that result in loss of control are accounted for by derecognising the previously consolidated assets and liabilities of the subsidiary and the carrying amount of any non-controlling interests in the former subsidiary and recognising the retained investment at its fair value at the date when control is lost and any consideration received. The resulting difference, including any related gains or losses previously recognised in other comprehensive income that qualify to be recycled to profit or loss, is recognised in profit or loss as a gain or loss on the disposal.

C. *Accounting for Carbon Development Contracts ("CDCs")*

The Group enters into CDCs with clients from which carbon credits are received. Carbon credits under the Kyoto Protocol, also known as Certified Emission Reductions ("CERs") or Emission Reduction Units ("ERUs") are generated through the highly regulated Carbon Development Mechanism ("CDM") and Joint Implementation ("JI") processes respectively. These follow a number of steps including the approval of the project methodology and monitoring procedures, project design, project approval by the Designated National Authority ("DNA"), project validation by a Designated Operational Entity or equivalent ("DOE"), project acceptance by the host country, registration, verification and certification by a DOE. Verification of carbon credit production normally takes place at least once a year during the crediting period. The Group works with the client at all stages of the process using proprietary knowledge and experience to negotiate this complex process. Carbon credits are also generated outside the Kyoto Protocol under voluntary or regional emission reduction schemes.

Revenue recognition on CDC consultancy services

The Group derives revenue from the provision of consultancy services to carbon project clients under CDCs. The Group receives payment for the services by either cash commission or non-cash carbon credit. Revenue from CDCs is only recognised once the Group's services to secure the production of carbon credits are significantly complete and receipt of the consideration, be it cash or carbon credits, can be forecast reliably. Revenue is recognised once a CDC is registered by a DOE (where payment is due to Camco irrespective of a CDC's registration this criteria will not apply) and Camco has provided significantly all of its services.

The timing of revenue collection is uncertain as carbon credits may be generated over subsequent years as they are issued. The amount and timing of commission or carbon credits to be received may be dependent upon the number of carbon credits received by the

customers, which is determined by assessing the specific technical, contract and economic risks identified on the project.

Revenue is recognised at the fair value of the consideration receivable from the contracts, at which point accrued income is recognised. If a CDC will result in a probable net outflow of economic benefit from the Group then this amount will be recognised in accrued expenses. The fair value is the estimated net value of the carbon credits to be received, which is dependent upon the expected number to be delivered and the intrinsic value. If the expected number or value of the carbon credits subsequently changes an adjustment is made to the accrued income balance with an associated credit or debit taken to revenue. The unwinding of any financing element of accrued income is recognised as finance income or expense.

The CDCs are scheduled to deliver of carbon credits under Clean Development Mechanism and other regional schemes until at least 2020. The Group and Company has taken advantage of the own use exemption in relation to carbon credits and as such does not account for the contract under IAS 39 and 32.

Treatment of CDC costs

CDC costs are presented under current assets as work in progress. CDCs acquired by the Group are recorded initially at cost (or fair value if through business combination).

Subsequently, the directly attributable costs are added to the carrying amount of CDCs. These costs are only carried forward to the extent that they are expected to be recouped through the successful completion of the contracts. The costs comprise consultancy fees, license costs, technical work and directly attributable administrative costs. All other costs are expensed as incurred. CDC costs carried as work in progress are stated at the lower of cost and net realisable value.

Once the revenue recognition criteria on these contracts are met the CDC costs incurred on them are expensed in full. Accrued income is derecognised when cash is received either as commission or in respect of sales of carbon credits or rights to carbon credits receivable under the CDC consultancy contracts.

D. Revenue recognition on other consultancy services

Advisory revenue from consultancy services provided is recognised in the income statement in proportion to the stage of completion of the consultancy contract. The stage of completion is assessed by reference to the overall contract value.

Project revenue consists of development fees, management service fees and revenue derived directly from projects where Camco holds an ownership interest.

E. Goodwill

Subsidiary Acquisition since 1 January 2009 the Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

Acquisitions prior to 1 January 2009 For acquisitions prior to 1 January 2009, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Acquisitions of non-controlling interests Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Subsequent measurement Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

F. Intangible assets

Research and development Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Other intangible assets Other intangible assets are considered to have a finite life and are stated at cost less accumulated amortisation. Amortisation is charged to the income statement on a straight line basis over the expected life of the asset.

Subsequent expenditure Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Carbon in specie The Group has a number of carbon credit registry accounts used to receive carbon credits from its projects. These carbon credits are either transferred to buyers under existing sales contracts or, in the case of in specie consideration to the Group, sold for cash. Carbon credits held at the balance sheet date are recognised as an intangible asset and valued at the relevant market price or contract price.

G. *Property, plant and equipment*

Computer and office equipment Computer and office equipment is held at historical cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight line basis over the estimated useful life of three years.

Leasehold improvements Leasehold improvements are held at historical cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight line basis over the remaining life of the lease.

Construction in Progress items are held at historical cost and are depreciated from the date the asset is completed and ready for use.

Project plant and equipment Project plant and equipment is held at historical cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight line basis over the estimated useful life of the asset.

H. *Investments in subsidiaries*

Investments in subsidiaries are carried at cost less provision for impairment.

I. *Impairment*

The carrying amounts of the Group’s property, plant and equipment, goodwill and other intangibles are reviewed at least annually to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated. For assets that have an indefinite useful life the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in the income statement. The recoverable amount is the greater of the fair value less cost to sell and the value in use. Value in use is calculated as the present value of estimated future cash flows discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

An impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the

recoverable amount, only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation and amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill on acquisition is not reversed.

J. Non-current assets held for sale and discontinued operations

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent remeasurement although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Company's accounting policies. Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

K. Foreign exchange

Foreign currency transactions Transactions in currencies different from the functional currency of the Group entity entering into the transaction are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rate at the date of transaction.

L. Available-for-sale financial assets

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

M. Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the cash flow statement, cash and cash equivalents comprise cash and short-term deposits as

defined above and other short-term highly liquid investments that are readily convertible into cash and are subject to insignificant risk of changes in value, net of bank overdrafts.

N. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to a business combinations, or items recognised directly in equity, or in comprehensive income.

Current tax is the expected tax payable or recoverable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to the tax payable in respect of previous years.

O. Employee benefits

Long-Term Incentive Plan

The Group enters into arrangements that are equity-settled share-based payments with certain employees (including Directors) under a Long-Term Incentive Plan. These are measured at fair value at the date of grant, which is then recognised in the income statement on a straight line basis over the vesting year, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of an appropriate model (Black-Scholes). In valuing equity-settled transactions, no account is taken of any vesting conditions, other than market conditions linked to the price of the shares of the Company. The charge is adjusted at each balance sheet date to reflect the actual number of shares expected to vest based on non-market performance conditions such as Group profit targets and employment service conditions. The movement in cumulative charges since the previous balance sheet is recognised in the income statement, with a corresponding entry in equity.

Where the Company grants share based payment awards over its own shares to employees of its subsidiaries it recognises the corresponding movement directly in equity and recharges in the full the share based payment charge to the relevant subsidiary.

Defined contribution pension scheme

In the UK, the Group operates two defined contribution retirement benefit plans for qualifying employees. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

P. Own shares held by the Employee Benefit Trust ("EBT")

Transactions of the Company-sponsored EBT are treated as being those of the Company and are therefore reflected in the parent company and Group financial statements. In particular, the EBT's purchases of shares in the Company are debited directly to equity.

Q. Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be

allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets corporate expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

R. Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

S. Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

T. Government Grant

In August 2012, a federal grant was received from the United States in connection with a project asset. The grant was recognised as deferred income at fair value as there was reasonable assurance that all conditions associated with the grant would be complied with. The revenue is then recognised in the profit and loss as project revenue on a systematic basis over the useful life of the asset.

The grant is reimbursable to the United States Department of Treasury if the asset is disposed of to a disqualified person or ceases to qualify as a specified energy project within five years from the date the property is placed in service.

U. Leased assets

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

V. Finance income and expense

Finance income comprises interest income on surplus funds, unwinding of the discount on provisions and accrued costs. Interest income is recognised as it accrues in profit or loss using the effective interest method.

Finance expenses comprise interest expense on borrowings, finance leases and unwinding of the discount on provisions and accrued costs. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses arising from a group of similar transactions are reported on a net basis.

W. Derivative financial instruments

The Group recognises derivatives financial instruments initially at fair value with attributable transaction costs recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value. When a derivative financial instrument is held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

X. Non-derivative financial liabilities

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, trade and other payables and payments on account. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Y. New accounting standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations endorsed by the EU are not yet effective for the year ended 31 December 2012, and have not been applied in preparing these consolidated financial statements:

- IFRS 9 Financial Instruments: (effective periods beginning on or after 1 January 2013): This standard is expected to result in additional disclosure in the consolidated financial statements.

- IFRS 10 Consolidated Financial Statements: This standard is expected to result in additional disclosure in the consolidated financial statements.

- IFRS 12 Disclosure of Interests in Other Entities: (effective periods beginning on or after 1 January 2013): The application will result in additional disclosure in the consolidated financial statements.

- IFRS 13 Fair Value Measurement: (effective periods beginning on or after 1 January 2013): The application will result in additional disclosure in the consolidated financial statements.

- IAS 19 Employee Benefits (amended 2011): (effective periods beginning on or after 1 January 2013): The application will result in additional disclosure in the consolidated financial statements.

- IAS 28 Investments in Associates and Joint Ventures (2011): (effective periods beginning on or after 1 January 2013): The application will result in additional disclosure in the consolidated financial statements.

2. Segmental reporting

Operating segments

The Group comprises of the following main reporting segments:

1. **Carbon: *The Carbon Project Development*** teams provide CDC consultancy services on carbon asset development, commercialisation and portfolio management.

2. **Projects: *The Clean Energy Project Development*** teams collaborate with industry, project developers, equipment providers and investor groups to create emissions-to-energy projects and maximise sustainable energy production across a range of industries; including agricultural methane, industrial energy efficiency, coal mine methane, municipal solid waste, biomass and landfill gas. The teams also provide consultancy services with respect to the clean energy sector.

Inter segment transactions are carried out at arm's length.

Group also views its business geographically: EMEA (including Europe, Middle East, Africa and Russia), ASIA (China and South East Asia), and USA (mainly North America).

Operating segments

	Carbon		Projects		Eliminations		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000
Revenue	**10,752**	8,544	**5,131**	1,651	**–**	–	**15,883**	10,195
Re-measurement of past revenue estimates	**(9,219)**	(21,654)	**–**	–		**–**	**(9,219)**	(21,654)
Inter-segment revenue	**–**	–	**–**	1,572	**–**	(1,572)	**–**	–
Total segment revenue	**1,533**	(13,110)	**5,131**	3,223	**–**	(1,572)	**6,664**	(11,459)
Segment gross margin	**(2,607)**	(17,985)	**2,793**	1,888		–	**186**	(16,097)
Other income-gain on sale of investment		–	**3**	578	**–**	–	**3**	578
Segment administrative expenses	**(3,542)**	(5,242)	**(5,379)**	(3,224)			**(8,921)**	(8,467)
Segment result	**(6,149)**	(23,227)	**(2,583)**	(758)	**–**	–	**(8,732)**	(23,986)
Unallocated expenses	**–**	–	**–**	–			**(3,434)**	(3,216)
Share-based payments	**–**	–	**–**	–			**(1)**	(117)
Restructuring charges	**–**	–	**–**	–			**(116)**	(236)
Impairment of investment	**–**	–	**(3,118)**	–			**(3,118)**	–
Impairment of goodwill	**(288)**	–	**(145)**	–			**(433)**	–
Impairment of development costs	**(391)**	–	**(2,109)**	(1,556)			**(2,500)**	(1,556)
Impairment of receivables	–	–	**–**	–			**(1,206)**	–
Results from operating activities							**(19,540)**	(29,111)
Finance income							**76**	2,217
Finance expense							**(1,184)**	(1,749)
Share of loss of equity accounted investees							**(2,573)**	(670)
Taxation							**(107)**	(328)
(Loss)/profit from discontinued operation (net of income tax)							**(339)**	370
Loss for the year							**(23,667)**	(29,271)
Segment assets	**1,123**	26,985	**25,044**	27,177	**–**	–	**26,167**	54,162
Other investments	**–**	–	**3**	3	**–**	–	**3**	3
Unallocated assets							**11,496**	14,986
Assets held for sale							**–**	4,620
Total assets	**1,123**	26,985	**25,047**	27,180			**37,666**	73,771
Segment liabilities	**(9,662)**	(20,911)	**(16,921)**	(17,090)	**–**	–	**(26,582)**	(38,001)
Unallocated liabilities							**(1,614)**	(1,200)
Liabilities held for sale							**–**	(1,891)
Total liabilities	**(9,662)**	(20,911)	**(16,921)**	(17,090)			**(28,196)**	(41,092)
Capital expenditure	**74**	120	**1,645**	15,435	**–**	–	**1,719**	15,555
Depreciation	**136**	158	**482**	127	**–**	–	**618**	285
Impairment losses on intangible assets and property, plant and equipment	**–**	–	**528**	–		–	**528**	–

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of its customers, segment assets are based on the geographical location of the asset.

Geographical information

Revenue by geographical region of projects:

	2012 €'000	2011 €'000
EMEA	**892**	(1,615)
ASIA	**4,530**	(11,121)
USA	**1,242**	1,277
Total revenue	**6,664**	(11,459)

Revenue by domicile of Group entity that owns the projects:

	2012 €'000	2011 €'000
EMEA	**4,295**	(12,983)
ASIA	**140**	191
USA	**2,229**	1,333
Total revenue	**6,664**	(11,459)

The Group derives carbon revenue from the provision of consultancy services to carbon clients under CDCs. With respect to this carbon revenue, the geographic analysis has been prepared based on the geographic location of the project that will generate the carbon credits. This location is not the geographic location of the carbon credit buyer and not necessarily where the services were performed.

Non-current assets by geographical region:

	2012 €'000	2011 €'000
EMEA	**2,862**	4,049
ASIA	**4,568**	10,320
USA	**16,647**	15,983
Non-current assets	**24,077**	30,352

3. Revenue

By reporting segments:

	2012 €'000	2011 €'000
Carbon	**10,752**	8,544
Carbon price fair value adjustment	**(9,219)**	(21,654)
Projects	**5,131**	1,651
Total revenue	**6,664**	(11,459)

Due to the carbon price fall in 2012 the accrued income balance was reduced by €9.2 million (2011: €21.7 million) for floating price and unsold contracts; see Note 18 for further details.

4. Other income

Other Income – Net Gain on Disposal of Investment

In November 2012, the Group disposed of its investment in Hekai Ventures for cash consideration of €36,000.

In December 2011, the Group disposed of its investment in Renewable Energy Partnerships Limited to whom the Group had provided a loan, for the cash consideration of €1,286,000.

Investing and divesting is considered to be part of the operational strategy of the projects segment of the business.

	2012	2011
	€'000	€'000
Disposal proceeds	**36**	1,286
Net investment disposed of	**(33)**	(708)
Net gain on disposal of investment	**3**	578

5. Expenses and auditor's remuneration

Included in comprehensive income are the following:

	2012	2011
	€'000	€'000
Depreciation of property, plant and equipment – owned assets**	**618**	306
Depreciation of property, plant and equipment – leased assets*	**–**	7
Impairment loss of project plant and equipment (see Note 13)	**528**	–
Share-based payments	**1**	117
Impairment of investment (see Note 15)	**3,118**	–
Impairment of goodwill (see Note 14)	**433**	–
Impairment of development costs	**2,500**	1,556
Impairment of receivables (see Note 23)	**1,206**	–
Other expenses – restructuring charges	**116**	236

* Depreciation for leased assets is for discontinued operations in 2011.

** Depreciation for owned assets in 2011 includes a charge of €21,000 for discontinued operations.

Services provided by the Group's auditor:

During the year the Group obtained the following services from the Company's auditor, KPMG Audit Plc:

	2012	2011
	€'000	€'000
Audit of these financial statements	**115**	174
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**29**	32
Non-audit services	**3**	11
Total services	**147**	217

Non-audit services These services are those that could be provided by a number of firms. Work is only allocated to the auditors if it is regarded by the Audit Committee that it does not impact the independence of the audit firm.

6. Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	Number of employees	
	2012	2011
Carbon	**46**	65
Advisory (Discontinued Operation)	**–**	57
Projects	**59**	41
Group	**22**	19
	127	182

The aggregate payroll costs of continuing operations (excluding Advisory) were as follows:

	2012	2011
	€'000	€'000
Wages and salaries*	**5,615**	6,319
Share-based payments (see Note 7)	**1**	117
Social security costs	**621**	663
Contributions to defined contribution plans	**93**	183
	6,330	7,282

Wages and salaries shown above include salaries paid in the year and bonuses relating to the year. These costs are charged within administration expenses.

* Included within wages and salaries is €13,000 of redundancy payments (2011:€162,000).

7 Share-based payments

During the year, the Group operated a share-based incentive plan for its employees called the Long-Term Incentive Plan (the "LTIP"). In addition to the LTIP, Re-fuel Technology Limited has also operated a management share-based incentive plan. The charge for these schemes is as follows:

	2012	2011
	€'000	€'000
Long-Term Incentive Plan	**1**	21
Other incentive share options	**–**	96
	1	117

Long-Term Incentive Plan

The Board has approved the LTIP under which Directors and employees are entitled to equity-settled payment following vesting years after 31 December 2011 and 2012 and upon certain market and non-market performance conditions being met for the reporting years ending 31 December 2012 and 2013.

Purpose The purpose of the LTIP is to incentivise Directors and employees to ensure profit and share price performance targets are met over the vesting years. The LTIP will align management's objectives with those of the shareholders.

Market-based performance condition The LTIP will vest at different levels depending on the Company's share price performance as compared with comparator group over the vesting year. The comparator group consists of a basket of SmallCap companies at the grant date (adjusted for mergers, demergers and delistings during the performance year). The Company's percentage rank is its rank in a comparator group divided by the number of companies in the group at the end of the performance year expressed as a percentage.

Non market performance conditions The LTIP will vest at differing levels depending on the achievement of profit targets over the vesting years. The employee or Director must remain employed by the Group throughout the entire vesting year in order to remain entitled to LTIP shares.

The LTIP options are valued by multiplying the market price of the Company's ordinary shares at date of grant with a number of weighting factors that reflect the expected outcome given the criteria set out in the performance conditions. The market-based performance condition uses the Company's and comparator group's historic share price data to predict the most likely future percentage rank. The market-based performance condition is not updated at each valuation date. The non market-based performance conditions (profit and service) use management's forecasts to estimate the likely outcome under the LTIP rules. The non market-based weighting factors are updated at each valuation date to include all relevant actual information.

	2012 Number of options	2011 Number of options
Outstanding at the beginning of the year	**7,000,000**	7,069,435
Granted during the year	**–**	4,000,000
Forfeited during the year	**(5,000,000)**	(509,595)
Vested during the year	**(500,000)**	(3,559,840)
Outstanding at the end of the year	**1,500,000**	7,000,000
Exercisable at the end of the year	**251,463**	1,145,463

	2012	2011
Weighted average share price at grant (€ cents)	**19.4**	19.4
Weighted average fair value of option (€ cents)	**2.2**	2.2
Exercise price (€ cents)	**1.0**	1.0
Weighted average life at grant (years)	**3.1**	2.6

The options outstanding at the end of the year have a remaining contractual life ranging from 0 to 2 years.

8. Retirement obligations

Defined contribution plans In the UK, the Group operates two defined contribution retirement benefit plan for qualifying employees. The assets of this plan are held separately from those of the Group. The only obligation of the Group is to make the contributions.

The total expense recognised in income statement is €93,000 (2011: €281,000), which represents the contributions paid to the plan. There were no outstanding payments due to the plan at the balance sheet date.

9. Net finance income

	2012 €'000	2011 €'000
Finance income		
Interest on bank deposits	**45**	47
Unwinding of discount on accrued revenue	**3**	466
Foreign exchange movements – unrealised	**28**	–
Other income – fair value gain*	**–**	1,704
	76	2,217
Finance expense		
Unwinding of discount on accrued costs	**–**	(164)
Interest on overdraft and borrowings	**(811)**	(159)
Interest on finance lease creditor	**–**	(17)
Other interest – payable arising on payment on account	**(352)**	(676)
Foreign exchange movements – unrealised	**–**	(185)
Foreign exchange movements – realised	**(21)**	(548)
	(1,184)	(1,749)
Net finance (expense)/income	**(1,108)**	468

* Other Income – Gain on obtaining joint control.

On 9 February 2011, the group acquired further control in Renewable Energy Dynamics Holdings Ltd (REDH) due to call options lapsing as detailed in Note 15. This resulted in a fair value uplift in 2011 with REDH becoming a Joint Venture having been accounted for as an associate previously.

	2012 €'000	2011 €'000
Fair value of investment	**–**	2,785
Net investment held	**–**	(1,081)
Fair value uplift on obtaining joint control	**–**	1,704

10. Non-current assets held for sale and discontinued operations

On 15 January 2012, the Company sold its entire UK advisory division, consisting of Camco Advisory Services Limited (UK) and its subsidiaries. In November 2011 the Company was committed to a plan to sell this division due to streamlining its focus on core geographical and business areas. The related assets and liabilities were classified as held for sale at 31 December 2011. No re-measurement gain or loss has been recognised as the disposal group's carrying value is lower than its fair value less costs to sell.

Camco Advisory Services Limited (UK) was sold for a total maximum consideration of £4.5 million comprising an initial £3.25 million paid on closing (which was subject to a completion accounts procedure, which resulted in a reduction of €542,000 post year end) and up to £1.25 million over the next two years through an earn-out structure.

	2012 €'000	2011 €'000
Results of discontinued operations		
Revenue	**203**	6,965
Expenses	**(167)**	(6,910)
Results from operating activities	**36**	55
Tax credit on profit	**–**	315
Profit for the year	**36**	370
Loss on sale of discontinued operation	**(375)**	–
(Loss)/profit for the year from discontinued operations	**(339)**	370
Basic earnings per share in € cents	**(0.18)**	(0.20)
Diluted earnings per share in € cents	**(0.18)**	(0.20)
Cash flows used in discontinued operations		
Net cash used in operating activities	**(111)**	(303)
Net cash used in investing activities	**–**	(30)
Net cash from financing activities	**–**	1
Net cash used in discontinued operations	**(111)**	(332)

	2012 €'000
Effect of disposal on the financial position of the Group:	
Property, plant and equipment	**(36)**
Goodwill	**(1,526)**
Intangible asset	**(114)**
Trade and other receivables	**(1,739)**
Prepayments and accrued income	**(918)**
Cash and cash equivalents	**(132)**
Deferred tax asset	**(256)**
Trade and other payables	**1,558**
Corporation tax payable	**57**
Deferred tax liability	**32**
Loans and borrowings	**244**
Net assets	**(2,830)**
Completion accounts adjustment*	**(542)**
Cumulative exchange reserve arising on disposal of subsidiaries	**(706)**
Net identifiable assets	**(4,078)**
Consideration received, satisfied in cash	**3,879**
Transaction costs	**(176)**
Net cash inflow	**3,703**

* Subsequent to 2012 year end, the Group settled the completion account adjustment with the buyer of UK advisory business.

11. Taxation

Recognised in the income statement

	2012 €'000	2011 €'000
Current tax expense:		
Jersey corporation tax	**–**	–
Foreign tax	**55**	179
Adjustments recognised in the current year in relation to the current tax of prior years	**(58)**	29
	(3)	208
Deferred tax expense:		
Movement in deferred tax asset in current year	**110**	(195)
Total income tax for continued and discontinued operations	**107**	13
Tax income for discontinued operations	**–**	315
Total income tax in the income statement	**107**	328

The tax charge for the period is different to the 0% rate (2011: 0%) of corporation tax in Jersey and the differences are explained below:

Reconciliation of effective tax rate

	2012 €'000	2011 €'000
Loss before tax	**(23,221)**	(29,313)
Loss before tax multiplied by 0% rate of corporation tax in Jersey (2012: 0%)	**–**	–
Effects of:		
Effect of different tax rates of subsidiaries operating in other jurisdictions	**105**	749
Non-deductible expenses	**(176)**	(450)
Change in temporary timing differences	**76**	–
Deferred tax not recognised	**160**	–
Adjustments recognised in the current year in relation to prior years	**(58)**	29
Total income tax charge in the income statement	**107**	328

The Company is liable to Jersey income tax at 0%. The Company will apply for and expects to be granted Jersey tax status for future years.

The Company's subsidiaries carry on business in other tax regimes where the corporation tax rate is not zero. At 31 December 2012, the Group had UK tax losses carried forward for utilisation in future periods for continuing operations amounting to €1,161,000 (2011: €163,000). Within subsidiaries where future profits are expected to arise deferred tax assets have been recognised. However, in other subsidiaries, due to the uncertainty as to the timing and extent of future profits no deferred tax assets have been recognised in respect of these tax losses carried forward.

Deferred tax

Deferred tax assets, liabilities and movements in the period are shown as follows:

	2012 €'000	2011 €'000
Deferred tax asset at 1 January	**132**	192
Foreign exchange movement	**7**	11
Current year charge	**(117)**	185
Deferred tax asset classified within assets held for sale	**–**	(256)
Deferred tax asset 31 December	**22**	132

Deferred tax asset/(liabilities) compromises of:

	2012 €'000	2011 €'000
Share options	**12**	92
Accelerated Capital Allowances	**10**	36
Pensions	**–**	4
Net Deferred tax asset 31 December	**22**	132

	2012 €'000	2011 €'000
Deferred tax liability at 1 January	**–**	(126)
Utilised in the period	**–**	94
Deferred tax liability on discontinued operations	**–**	32
Deferred tax liability 31 December	**–**	–

12. Loss per share

Loss per share attributable to equity holders of the Company is calculated as follows:

	2012 € cents per share	2011 € cents per share
Basic loss per share		
From continuing operations	**(12.34)**	(15.85)
From continuing and discontinued operations	**(12.52)**	(15.65)
Diluted loss per share		
From continuing operations	**(12.34)**	(15.85)
From continuing and discontinued operations	**(12.52)**	(15.65)

	€'000	€'000
Loss used in calculation of basic and diluted loss per share		
From continuing operations	**(23,328)**	(29,641)
From continuing and discontinued operations	**(23,667)**	(29,271)
Weighted average number of shares used in calculation		
Basic	**189,018,078**	186,990,087
Diluted	**189,018,078**	186,990,087

Weighted average number of shares used in calculation – basic

	2012 Number	2011 Number
Number in issue at 1 January	**189,178,093**	185,618,253
Effect of own shares held	**(1,427,655)**	(3,460,610)
Effect of share options exercised	**985,448**	1,890,754
Effect of shares issued in the year	**282,192**	2,941,690
Weighted average number of basic shares at 31 December	**189,018,078**	186,990,087

Weighted average number of shares used in calculation – diluted

	2012 Number	2011 Number
Number in issue at 1 January	**189,178,093**	185,618,253
Effect of own shares held	**(1,427,655)**	(3,460,610)
Effect of share options exercised	**985,448**	1,890,754
Effect of shares issued in the year	**282,192**	2,941,690
Weighted average number of diluted shares at 31 December	**189,018,078**	186,990,087

13. Property, plant and equipment

Computer and office equipment

	2012 €'000	2011 €'000
Cost at 1 January	**1,266**	2,311
Additions	**48**	187
Effect of movements in foreign exchange	**(2)**	43
Reclassification to assets held for sale	**–**	(1,275)
Cost at 31 December	**1,312**	1,266
Accumulated depreciation at 1 January	**(833)**	(1,789)
Charge for the year	**(195)**	(243)
Effect of movements in foreign exchange	**1**	(49)
Reclassification to assets held for sale	**–**	1,248
Accumulated depreciation at 31 December	**(1,027)**	(833)
Net book value at 1 January	**433**	522
Net book value at 31 December	**285**	433

Leasehold improvements

	2012 €'000	2011 €'000
Cost at 1 January	**578**	589
Additions	**106**	–
Disposals	**–**	(5)
Effect of movements in foreign exchange	**4**	14
Reclassification to assets held for sale	**–**	(20)
Cost at 31 December	**688**	578
Accumulated depreciation at 1 January	**(439)**	(371)
Charge for the year	**(61)**	(70)
Disposals	**–**	5
Effect of movements in foreign exchange	**(4)**	(14)
Reclassification to assets held for sale	**–**	11
Accumulated depreciation at 31 December	**(504)**	(439)
Net book value at 1 January	**139**	218
Net book value at 31 December	**184**	139

Construction in Progress

	2012 €'000	2011 €'000
Cost at 1 January	**15,416**	–
Additions	**1,593**	15,416
Transfers	**(15,255)**	
Effect of movements in foreign exchange	**(2)**	–
Cost at 31 December	**1,752**	15,416
Accumulated depreciation and impairment losses at 1 January	**–**	–
Impairment Loss	**(528)**	–
Accumulated depreciation and impairment losses at 31 December	**(528)**	–
Net book value at 1 January	**15,416**	–
Net book value at 31 December	**1,224**	15,416

Construction in progress ("CIP") The Group has invested in a dairy biogas project in North America which is designed to produce biogas from cow manure which fuels the generation of renewable electricity. In 2011 CIP was classified as two biogas project assets. The US Biogas project became fully operational in 2012 and was transferred to Project Plant and Equipment.

The amount of the US Biogas project borrowing costs capitalised during the period was €607,000 (2011: €450,000).

The remaining CIP is in relation to project equipment purchased in 2011 at a cost of €1,774,000. During 2012, the project equipment was tested for impairment based on its market value. The carrying value of the engines was greater than their market value and therefore an impairment charge of €528,000 has been recognised in 2012.

Project plant and equipment

	2012 €'000	2011 €'000
Cost at 1 January		
Transfers	**15,255**	
Effect of movements in foreign exchange	**(27)**	–
Cost at 31 December	**15,228**	–
Accumulated depreciation at 1 January	**–**	–
Charge for the year	**(362)**	–
Effect of movements in foreign exchange	**(1)**	
Accumulated depreciation at 31 December	**(363)**	–
Net book value at 1 January	**–**	–
Net book value at 31 December	**14,865**	–

Total property, plant and equipment

	2012 €'000	2011 €'000
Cost at 1 January	**17,260**	2,900
Additions	**1,747**	15,603
Disposals	**–**	(5)
Effect of movements in foreign exchange	**(27)**	57
Reclassification to assets held for sale	**–**	(1,295)
Cost at 31 December	**18,980**	17,260
Accumulated depreciation and impairment losses at 1 January	**(1,272)**	(2,160)
Charge for the year	**(618)**	(313)
Disposals	**–**	5
Impairment loss	**(528)**	–
Effect of movements in foreign exchange	**(4)**	(63)
Reclassification to assets held for sale	**–**	1,259
Accumulated depreciation and impairment losses at 31 December	**(2,422)**	(1,272)
Net book value at 1 January	**15,988**	740
Net book value at 31 December	**16,558**	15,988

Finance leases The Group leased equipment under a number of finance lease agreements. At 31 December 2012 the net carrying amount of leased computer and office equipment was €Nil (2011: €2,750).

14. Intangible Assets

Goodwill

	2012 €'000 Goodwill	2011 €'000 Goodwill
Cost at 1 January	**12,093**	14,052
Reclassified to assets held for sale	**–**	(1,959)
Cost at 31 December	**12,093**	12,093
Amortisation and impairment losses at 1 January	**(11,660)**	(12,093)
Impairment loss	**(433)**	
Reclassified to assets held for sale	**–**	433
Accumulated amortisation & impairment losses at 31 December	**(12,093)**	(11,660)
Net book value at 1 January	**433**	1,959
Net book value at 31 December	**–**	433

As at 31 December 2011, the NBV of goodwill of €433,000 related to ClearWorld Energy Ventures Ltd (see Related Parties Note 27). This value was expected to be realised through the contribution from carbon and other project work. However, due to current carbon market conditions this is now deemed too uncertain to materialise and therefore an impairment charge has been taken in the current year for €433,000.

Carbon in specie

At 31 December 2012 the Group held carbon credits with a market value of €313,000 (2011: €644,000) in its registry accounts.

15. Investments in Associates and Joint Ventures

Investments in Associates and Joint ventures held on Balance Sheet are as follows;

	CSEA* €'000	AG Power LLC €'000	REDH €'000	Other €'000	Total €'000
Balance at 1 January 2012	9,853	567	2,689	43	13,152
Share of loss	(1,989)	(556)	(28)	–	(2,573)
Disposals	–	–	–	(33)	(33)
Impairment	(3,118)	–	–	–	(3,118)
Foreign exchange movement	(198)	(11)	(28)	(10)	(247)
Balance as 31 December 2012	**4,548**	**–**	**2,633**	**–**	**7,181**

* Subsequent to 31 December 2012, the Group's holding in CSEA was sold to Khazanah as disclosed in Note 31.

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group.

2012	**Investment**	**Holding**	**Total assets €'000**	**Total liabilities €'000**	**Net assets €'000**	**Revenue €'000**	**Expenses €'000**	**Profit/ (loss) €'000**
CSEA	**Joint Venture**	**60.1%**	**20,237**	**(7,554)**	**12,683**	**4**	**(3,312)**	**(3,308)**
AG Power LLC	**Joint Venture**	**40%**	**935**	**–**	**935**	**–**	**(1,517)**	**(1,517)**
ESD Biomass Ltd	**Joint Venture**	**50%**	**–**	**(83)**	**(83)**	**–**	**–**	**–**
REDH	**Joint Venture**	**53.8%**	**3,172**	**(985)**	**2,187**	**–**	**(52)**	**(52)**

2011	Investment	Holding	Total assets €'000	Total liabilities €'000	Net assets €'000	Revenue €'000	Expenses €'000	Profit/ (loss) €'000
CSEA	Joint Venture	60.1%	23,537	(7,143)	16,394	198	(1,352)	(1,154)
AG Power LLC	Joint Venture	40%	1,775	(1,735)	40	675	(635)	40
ESD Biomass Ltd	Joint Venture	50%	–	(83)	(83)	–	–	–
REDH	Joint Venture	53.8%	2,759	(513)	2,246	–	(112)	(112)

The Group has made no provisions in respect of ESD Biomass Ltd and AG Power LLC as there is no constructive or legal obligation for the Group to settle any future liabilities on their behalf investments which have nil or net liabilities hence are not recognised in these financial statements.

16. Other investments

	2012 €'000	2011 €'000
Fair value at 1 January	**3**	236
Foreign exchange movements	**–**	5
Disposal	**–**	(238)
Fair value at 31 December	**3**	3
Share of loss at 1 January	**–**	–
Share of loss at 31 December	**–**	–
Net book value at 1 January	**3**	236
Net book value at 31 December	**3**	3

The available for sale investments held at 31 December 2012 are listed below. The investments are recorded at fair value.

	Holdings	**2012 €'000**	2011 €'000
Energy Mixx AG	**0.02%**	**3**	3
Fair value at 31 December		**3**	3

17. Work in progress

	2012 €'000	2011 €'000
Carbon development contracts	**–**	3,199
	–	3,199

18. Prepayments and accrued income

	2012 €'000	2011 €'000
Prepayments	**230**	722
Accrued income – CDC accruals*	**516**	15,939
Accrued income – other	**572**	183
	1,318	16,844

* Accrued income represents the Group's best estimate of the value of carbon credits to be received.

The reduction in "Accrued Income-CDC Accruals" above reflects €9.2 million (2011: €21.7 million) reduction in respect of adjustments made as a result of the fall in carbon price for floating price or unsold contracts (calculated at the average price during December 2012 and December 2011 respectively) together with movements on this balance which relate to carbon credits being delivered and sold or earned in the period.

The policy of the Group is to recognise revenue based on the fair value of the carbon credits to be received from contracts, once the development work on these projects is completed by the Group and the project is deemed "CDC operational", typically meaning as a minimum they are fully commissioned and registered with the relevant regulatory body.

Accrued income is recognised for CDC operational projects. The balance contains:

- Accrued income for contracts with fixed sale prices
- Accrued income for contracts with floating sales prices or that are unsold

Accrued income on floating and unsold contracts is re-valued at each balance sheet date according to carbon market prices.

During the latter half of 2012, the carbon market prices dropped significantly. The lack of liquidity in the carbon market and the volatility of the CER price resulted in the prices trading well below the cost of delivery on floating contracts. Therefore, management have taken the decision to hibernate these floating price and unsold contracts and therefore no value has been accrued for them.

19. Trade and other receivables

	2012 €'000	2011 €'000
Trade receivables	**701**	1,856
Other receivables	**483**	2,531
	1,184	4,387

20. Cash and cash equivalents

	2012 €'000	2011 €'000
Cash on deposit	**10,057**	11,165
Cash held for restricted use*	**1,030**	3,337
Cash and cash equivalents	**11,087**	14,502
Bank overdrafts used for cash management purposes (Note 24)**	**–**	(232)
Cash and cash equivalents in the cash flow statement**	**11,087**	14,270

* Included within cash and cash equivalents is 1) a debt reserve balance of €1,030,000 (2011: €946,000) and 2) €Nil (2011: €2,231,000) provided by the lender for sole use in the construction of the biogas project in North America.

** Includes cash from discontinued operations as disclosed in Note 10.

21. Trade and other payables

	2012 €'000	2011 €'000
Trade payables and non CDC accruals	**1,839**	4,807
Other accruals – CDC accruals	**3,175**	7,668
Payment on account received	**2,550**	6,426
Deferred income*	**4,898**	480
	12,462	19,381

* The majority of the deferred income balance is the Government Grant of $6.4 million (€5.2 million) received during the year in relation to the US Biogas asset and which is now being amortized over the life of the asset.

22. Financial risk management

The Group Financial Risk Management framework addresses the following key risks:

Market risk The carbon market is subject to political and regulatory risk on a national, regional and global basis.

The consequence of the interaction of these frameworks and regulation is that the market price for carbon credits has been significantly affected by demand and supply considerations which have led to large fluctuations in market prices. The Group does not actively manage this risk however it does seek to lock in contract certainty with fixed or floor price when beneficial opportunities arise. Due to the lack of liquidity in the carbon market, the Group have only recognised accrued income on contracts where the carbon price is locked in.

Price risk The Group manages the carbon price risk exposure where it can through forward sales of credits it is due to receive.

Credit risk The Group's exposure to credit risk arises from the Group's receivables from customers. The Group has implemented a credit scoring process using an external credit scoring organisation for all new customers (and existing customers of a certain size) that highlights credit risk and aids the prevention of bad debt. Credit risk is analysed further in Note 23.

Liquidity risk Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach is to maintain sufficient funds on call to meet these requirements as they fall due with the rest of cash on term deposit in the relevant currencies as set out below. Liquidity risk is analysed further in Note 23.

Foreign exchange risk The Group is exposed to foreign exchange risk on sales, purchases and cash when transactions denominated in a currency other than the functional currency of the Group which is the Euro. The currency exposure on cash held is set out below:

Cash and cash equivalents

	Euro €'000	Sterling €'000	US Dollar €'000	Chinese Yuan €'000	South Africa €'000	Other €'000	Total €'000
Balances at 31 December 2012	**7,826**	**1,226**	**1,789**	**167**	**66**	**13**	**11,087**
Balances at 31 December 2011	8,333	1,885	3,669	275	58	50	14,270

The Group also faces exposure on other assets and liabilities such as intercompany debt and investments. The majority of this exposure is to the USD and GBP exchange rate. At the balance sheet date, a 5% movement, either positive or negative, in these rates would result in a €159,000 and €144,000 unrealised income statement gain or loss, respectively.

Interest rate risk The Group has €11.6m (2011: €15.6m) of borrowing in form of a secured loan and unsecured loan of €4.0m (2011: €4m including overdraft of €0.2m) over which interest is charged. Excluding overdraft in 2011, all loans have a fixed rate interest charge in 2012 and 2011. Secured loans are secured against the assets and operations of the Biogas Project in the US (AgPower Jerome LLC). The Directors consider interest rate risk to be immaterial due to the fixed nature of the interest rate on the loans themselves. The majority of the Group's cash is deposited at a competitive money market rate based on LIBOR.

Fair value of financial assets and liabilities The Directors are of the view that there is no material difference between the carrying values and fair values of the Group's financial assets and liabilities.

Capital Management The Group's capital is solely equity. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. From time to time the Group purchases its own shares on the market primarily to be used for issuing shares under the Group's share option programme. The Group does not have a defined share buy-back plan or dividend policy. The Group is not subject to any externally imposed capital adequacy maintenance requirements.

23. Financial Instruments

Credit risk

The Directors consider that the carrying value of certain financial assets represents the maximum credit exposure. The maximum exposure to credit risk is as follows:

	2012	2011
	€'000	€'000
Trade and other receivables	**1,184**	4,387
Cash on deposit	**11,087**	14,502
	12,271	18,889

The maximum exposure to credit risk for trade and other receivables by geographic region is as follows:

	2012	2011
	€'000	€'000
EMEA	**503**	1,952
ASIA	**184**	561
USA	**497**	1,874
	1,184	4,387

The aging of trade and other receivables at the balance sheet date was:

	2012 €'000	2011 €'000
Current	**376**	454
Past due under 30 days	**130**	187
Past due between 31 and 120 days	**353**	295
Past due between 121 and 1 year	**70**	2,380
Past due more than 1 year	**255**	1,071
	1,184	4,387

Impairment losses

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	2012 €'000	2011 €'000
Balance at 1 January	**–**	(36)
Impairment loss recognised	**1,206**	–
Reclassified to discontinued operations	**–**	36
Balance at 31 December	**1,206**	–

Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities including estimated interest payments and excluding the impact netting agreements for both continuing and discontinued operations:

Non-derivative financial instruments

	Carrying 2012 €'000	Contractual 2012 €'000	1 year or less 2012 €'000	1–2 years 2012 €'000	2–3 years 2012 €'000	3–4 years 2012 €'000	More than 4 years 2012 €'000
Finance lease liabilities*	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Secured loans	**11,279**	**(11,253)**	**(456)**	**(480)**	**(515)**	**(551)**	**(9,251)**
Unsecured Loans	**4,282**	**(4,282)**	**(4,282)**	**–**	**–**	**–**	**–**
Non CDC trade and other payables	**1,839**	**(1,839)**	**(1,839)**	**–**	**–**	**–**	**–**
CDC Accruals	**3,175**	**(3,175)**	**(3,175)**	**–**	**–**	**–**	**–**

Non-derivative financial instruments

	Carrying 2011 €'000	Contrac-tual 2011 €'000	1 year or less 2011 €'000	1–2 years 2011 €'000	2–3 years 2011 €'000	3–4 years 2011 €'000	More than 4 years 2011 €'000
Finance lease liabilities	12	(12)	(7)	(5)	–	–	–
Secured loans	15,640	(16,555)	(315)	(1,261)	(6,233)	(1,261)	(7,485)
Unsecured loans	3,858	(3,858)	(3,858)	–	–	–	–
Bank overdraft	232	(232)	(232)	–	–	–	–
Non CDC trade and other payables	4,807	(4,807)	(4,807)	–	–	–	–
CDC Accruals	7,668	(7,668)	(7,668)	–	–	–	–

* This relates to discontinued operations, for discontinued operations information please refer to Note 10.

There are no derivative financial instruments. The Group has taken advantage of the own use exemption in relation to carbon credits.

24. Loans and borrowings

	Currency	**Nominal Rate**	**Maturity**	**2012 €'000**	2011 €'000
Non-current liabilities					
Finance lease liabilities*	GBP	Various	2013	**–**	5
Secured loans**	USD	Various	2018	**10,797**	15,360
				10,797	15,365
Current liabilities				**€'000**	€'000
Secured bank overdraft*	GBP	Base+2.5%	2013	**–**	232
Unsecured loans	EUR	Various	2013	**4,000**	3,858
Secured loans**	USD	Various	2013	**760**	280
Other liabilities*	GBP	Various	2013	**4**	7
				4,764	4,377

* In 2011, this balance related to discontinued operations. For discontinued operations information please refer to Note 10.

** The loans of €480,000 current and €10,797,000 non-current are secured against the assets and operations of the biogas project in US (AgPower Jerome LLC). The remaining loan of €280,000 current is secured against project equipment.

25. Issued share capital and reserves

	Number 2012 €'000	2012 €'000	Number 2011 €'000	2011 €'000
Authorised				
Ordinary shares of €0.01	**1,250,000**	**12,500**	1,250,000	12,500
Issued and fully paid				
All ordinary shares of €0.01 (all classified in shareholders' funds)				
Issued on 1 January	**189,179**	**1,892**	185,619	1,856
Issued for share-based payments in the year	**500**	**5**	3,560	36
Issued at 31 December	**189,679**	**1,897**	189,179	1,892

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. During the year the Company issued 500,000 ordinary shares with a value of €5,000, these shares were transferred to employees to satisfy share-based payments.

Share-based payment reserve

The share-based payment reserve comprises of the equity component of the Company's share-based payments charges.

Translation reserve

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

Own shares

The reserve for the Group and Company's own shares comprises of the cost of the Company's shares held by the Group.

26. Financial commitments

At the end of the reporting period, the Group's future minimum lease payments under operating leases were as follows:

Operating lease commitments

	2012 €'000	2011 €'000
Less than one year	**328**	472
Between 1 year and 5 years	**263**	202
	591	674

The leases relate to rent for properties within the Group, and the lease of a printer.

27. Related parties

The Group has various related parties stemming from relationships with founding shareholders, a related business partner and key management personnel.

Shareholders and related business partners

The founding shareholders who continue to hold a significant interest in the Company and who have provided services to the Group are ClearWorld Energy Limited ("CWE") and the shareholders of KWI Consulting AG ("KWI"). KWI has provided accountancy services to the Group. The amounts charged to administration expenses in respect of these services are shown in the table below.

The Group's related business partner is Consortia Partnership Limited ("Consortia") who has been appointed Company Secretary. Michael Farrow, a non-executive Director of the Company, is a Director of Consortia. Consortia also provide accounting services to the Company. The amounts charged to administration expenses in respect of these services are shown in the table below.

Joseph Wildburger is a shareholder of Camco GmbH and has provided strategic advice to the Board of Camco Clean Energy plc.

Mike Ashburn is a director of CWE (shareholder) and was a director of Camco South East Asia Ltd (joint venture) until 1 August 2012.

Income statement

	2012 **€'000**	2011 €'000
Administrative expenses:		
Mike Ashburn	**27**	30
ClearWorld Energy Limited	**–**	–
Consortia Partnership Limited	**83**	117
KWI Consulting AG	**–**	1
Joseph Wildburger	**–**	3

Balance sheet

	2012 **€'000**	2011 €'000
Trade and other payables:		
ClearWorld Energy Limited	**–**	–
Consortia Partnership Limited	**2**	–
KWI Consulting AG	**5**	5

Key management personnel

The Group's key management personnel comprise the Board of Directors whose emoluments are shown in the Report of the Remuneration Committee. Directors' interests in the shares of the Company are disclosed in Note 29.

Equity accounted investees and joint ventures

The net amounts receivable/(payable) from equity accounted investees and joint ventures is €92,753 (2011: €1,727,291). No amounts are receivable or payable to other joint venture participants.

28. Group entities

Significant subsidiaries

Each of the following subsidiary undertaking is included in the consolidated accounts of the Group:

Investment	Country of Incorporation	Principal activity	Ownership 2012	2011
Camco Services (UK) Limited	England & Wales	Support Services	**100%**	100%
CI Camco (Cyprus) Limited	Cyprus	Holding company	**100%**	100%
Carbon Asset Management International GmbH	Austria	Business Services	**100%**	100%
Camco (Mauritius) Limited	Mauritius	Holding company	**100%**	100%
Camco Ventures (China) Ltd	British Virgin Island	Holding company	**100%**	100%
Camco Holdings UK Limited	England & Wales	Holding company	**100%**	100%
Camco Carbon Credits Limited	Jersey	Carbon contractor	**100%**	100%
Camco Carbon Russia Limited	Jersey	Carbon contractor	**100%**	100%
Camco Carbon Pool Limited	Jersey	Carbon contractor	**100%**	100%
Camco Credit Pool Limited	Jersey	Carbon contractor	**100%**	100%
Camco Sales Limited	England & Wales	Carbon Sales	**100%**	100%
Camco Voluntary Credits Limited	Jersey	Carbon contractor	**100%**	100%
Camco Ventures (Hong Kong) Limited	Hong Kong	Carbon contractor	**100%**	100%
Camco Yangquan Limited	Jersey	Carbon contractor	**100%**	100%
Camco Luxembourg S.ar.l	Luxembourg	Dissolved	**100%**	100%
Camco Huajin Carbon Limited	Jersey	Carbon contractor	**100%**	100%
Camco Xiyang Carbon Limited	Jersey	Carbon contractor	**100%**	100%
Camco Offsets LLC	USA	Carbon contractor	**100%**	100%
Camco Carbon Int. Ltd	Jersey	Carbon contractor	**100%**	100%
Camco Carbon Ltd	Jersey	Carbon contractor	**100%**	100%
Camco Carbon Africa Ltd	Jersey	Carbon contractor	**100%**	–
Camco I Ltd	Jersey	Carbon contractor	**100%**	–
Camco II Ltd	Jersey	Carbon contractor	**100%**	–
Indirect subsidiary undertakings				
Camco Russia Branch	Russia	Non-trading	**100%**	100%
Camco International Carbon Assets Information Consulting (Beijing) Co. Ltd.	The People's Republic of China	Business Services	**100%**	100%
Camco Asset Management Company (Proprietary) Limited	Republic of South Africa	Business services	**100%**	100%
Camco Advisory Services Limited	England & Wales	Disposed	**0%**	100%
Camco Ventures Limited	England & Wales	Research&Consultancy	**100%**	100%
ESD Carbon Services Limited	England & Wales	Dormant Company	**100%**	100%
ESD Carbon Systems Limited	England & Wales	Disposed	**0%**	100%
EPES Limited	England & Wales	Disposed	**0%**	85%
Re-Fuel Technology Limited	England & Wales	Energy Storage Research & Development	**71%**	71%
Camco International Group, Inc.	United States of America	Business services	**100%**	100%
Camco Environmental Services Limited	England & Wales	Disposed	**0%**	100%
Camco Advisory Services (Kenya) Limited	Kenya	Consultancy	**100%**	100%

Investment	Country of Incorporation	Principal activity	Ownership 2012	2011
Camco Advisory Services (Tanzania) Limited	Tanzania	Consultancy	**100%**	100%
Camco International Limited	England & Wales	Dormant	**100%**	100%
Edinburgh Centre for Carbon Management Ltd	England & Wales	Disposed	**0%**	100%
Camco Advisory Services (Hong Kong) Limited	Hong Kong	Holding company & Consultancy	**100%**	100%
Camco Advisory Services (Beijing) Limited	China	Research&Consultancy	**100%**	100%
AG Power Jerome LLC	United States of America	AG Methane project development	**100%**	100%
AG Power Visalia LLC	United States of America	AG Methane project development	**100%**	100%
AgPower Hico LLC	United States of America	Clean Energy Development	**100%**	100%
AgPower Royal City	United States of America	Dissolved	**0%**	100%
AgPower Iroquois LLC	United States of America	Clean Energy Development	**100%**	100%
AgPower Boardman LLC	United States of America	Dissolved	**0%**	100%
AgPower Tulare LLC	United States of America	Clean Energy Development	**100%**	100%
AgPower Wendell LLC	United States of America	Clean Energy Development	**100%**	100%
AgPower FP I LLC	United States of America	Clean Energy Development	**100%**	100%
AgPower FP II LLC	United States of America	Clean Energy Development	**100%**	100%
AgPower FP III LLC	United States of America	Clean Energy Development	**100%**	100%
AgPower FP IV LLC	United States of America	Clean Energy Development	**100%**	100%
AgPower FP V LLC	United States of America	Clean Energy Development	**100%**	100%
AgPower FP VI LLC	United States of America	Clean Energy Development	**100%**	100%
AgInvestors I LLC	United States of America	Clean Energy Development	**100%**	100%

29. Directors' share interests

	Number 2012	2011
Executive Directors		
Scott McGregor	**1,587,746**	1,587,746
Jonathan Marren (appointed 09/07/12)	**–**	–
Yariv Cohen (resigned 26/01/12)	**974,425**	974,425
Non-executive Directors		
Jeffrey Kenna	**2,216,602**	2,216,602
Michael Farrow	**81,158**	81,158
Paolo Pietrogrande (resigned 29/11/2012)	**–**	–
Zainul Rahim bin Mohd Zain (appointed 03/01/2012)	**–**	–
Dr Herta von Stiegel (resigned 31/12/12)	**81,239**	81,239

The beneficial interests of the Directors in the ordinary share capital of the Company are shown above. In addition, certain of the executive Directors have conditional rights to acquire shares arising from awards granted under the Long-Term Incentive Plan. These awards are detailed in the Report of the Remuneration Committee on pages 18 to 20.

30. Accounting estimates and judgements

Below is a discussion of the key assumptions concerning the future and key sources of estimation or uncertainty at the balance sheet date that may cause material adjustment to the carrying amounts of assets or liabilities within the next financial year.

Recoverability of work in progress CDCs

The Group policy is to perform regular realisable value reviews to ensure the carrying amount of CDCs is not above net realisable value. The net realisable value is determined by discounting the expected revenue from CDCs to identify the net present value of each specific contract. Contracts are defined as project or projects collectively under one legal contract (Carbon Asset Development Agreement ("CADA") or Emission Reduction Purchase Agreement (ERPA)). Each contract is considered an individual cash generating unit ("CGU").

The key assumptions made in this calculation relate to amount and timing of cash flows (project development risk and price risk, see Note 22).

Investments in associates and joint ventures

Certain investments held have been classified as joint ventures despite the Group shareholding. The reasons for this are outlined in Note 15.

Initial allocation of CDC cost on acquisition of projects

The CDC purchase cost has been determined by first allocating the acquisition price to the fair value of the likely CDCs with the remaining value classified as a customer relationship intangible asset and then goodwill on acquisition. CDC purchases were generally for multiple contracts at varying degrees of completion ranging from those in the advanced stages of the development process to those considered pipeline projects. The CDC purchase cost has been allocated to individual projects. For the purposes of this exercise the Directors have only allocated purchase cost to CDCs that were considered 100% certain to progress to signed CDC status. This assumption excludes pipeline projects from the initial allocation. The allocation was made pro rata based on the Directors' valuation of these projects at date of acquisition.

The initial impact of this policy is that more of the total purchase cost has been attributed to fewer CDCs and weighted heavily towards some of those. However, these CDCs are more certain to provide future profits. This policy directly affects the amount and timing of future write-downs in the event that a CDC fails to deliver the forecast carbon credit revenue.

Capitalisation of project costs under development

Carbon projects that the Group has contracted and are under development, incur certain costs. These direct costs are capitalised as CDC costs work in progress. These capitalised costs are expensed once the project revenue is recognised. However, due to the significant fall in the CER carbon price, all remaining CDC costs work in progress were expensed in the year.

Fair value of consideration receivable under CDCs

Revenue is recognised from the provision of consultancy services to clients. Consideration receivable is a non cash consideration success fee contract in the form of commission share or receipt of carbon credits. The key assumptions made in this calculation relate to the amount and timing of cash flows (project development risk and price risk, see Note 22).

However, due to the significant fall in the CER carbon price, the Directors have therefore taken the view that CER carbon market is no longer liquid and revenue cannot be reliably measured and as a result not recognised value for carbon credits in the balance sheet at the year end and have therefore taken the decision to write off all outstanding balance other than in certain limited circumstances.

The project development risk is managed by the Group's internal control systems to forecast and maximise delivery of carbon credits. The forecast production of carbon credits is adjusted for specific technical, counterparty and economic risks identified on the project. The Group has considered the enforceability of CDC's, considering operational facts and commercial considerations and includes in its accounts the Director's best estimate of the amounts required for contract restructuring. Given the current market price of carbon, and the nature of the Group's contracts, the Group in recognising the fair value of consideration receivable has considered the ability to convert the contract into cash and include consideration of regulatory risk and liquidity. The carbon credit price used in the calculation is a contracted sales price.

Future service costs

On determination of the fair value of consideration receivable under CDCs an estimate is made of any future service costs related to the revenue and an accrual recognised. The future service costs comprise the minimal verification and monitoring costs associated with ensuring that the carbon credits produced by the projects are issued and Camco receives consideration. These costs do not represent any significant services to be provided under the CDCs as almost all services are provided prior to revenue recognition.

Impairment testing for cash generating units containing goodwill

For the purpose of impairment testing, the net book value of goodwill allocated to each of the acquisitions has been allocated to cash generating units is as follows:

		CGUs		**Total**
	Carbon	**Advisory**	**Projects**	**2012**
	€'000	**€'000**	**€'000**	**€'000**
2012				
Camco Holdings (UK) Limited	**–**	**–**	**–**	**–**
Camco Environmental Solutions Limited	**–**	**–**	**–**	**–**
ClearWorld Energy Ventures Limited	**–**	**–**	**–**	**–**
	–	**–**	**–**	**–**

		CGUs		Total
	Carbon	Advisory	Projects	2011
	€'000	€'000	€'000	€'000
2011				
Camco Holdings (UK) Limited	–	1,203	–	1,203
Camco Environmental Solutions Limited	–	323	–	323
Reclassified to held for sale (Note 10)	–	(1,526)	–	(1,526)
ClearWorld Energy Ventures Limited	288	–	145	433
	288	–	145	433

The Directors have carried out their impairment review based on current and future business plans for each CGU. The business plans are considered to be an appropriate basis on which to consider whether goodwill is impaired.

Value in use has been determined by discounting future cash flows generated from the continuing use of the CGU and has been based on the following key assumptions:

- For ClearWorld Energy Ventures Limited, value is not expected to be realised through contribution to the Carbon and Projects CGUs, specifically the origination of carbon projects

and placement of managed funds into carbon projects. To this end, the goodwill has been tested against the NPV of specific projects and investment plans expected to occur in 2013 and beyond, hence impaired to Nil. Sensitivities for discount rate (2.5% variance) and CGU growth rates (5% variance) have been considered and would not cause the carrying amount to exceed its recoverable amount.

31. Contingent Liabilities

A number of fixed price carbon purchase agreements are held in various entities across the Group. With the significant decline in the carbon price over the last 18 months, these fixed price contracts result in a current potential un-provided exposure across the Group of €20.7 million. This exposure, which is being experienced across the industry, arises where entities are required to purchase carbon credits under fixed price purchase agreements at a price that is higher than the current market price at which those entities can sell the carbon credits.

The potential exposure quoted assumes no revenue from carbon credits sales. Along with other companies in the market the Group has been actively working with counterparties to resolve these contracts at terms that are mutually beneficial to both parties; some discussions are ongoing and uncertainties remain on the terms to be agreed. Since 31 December 2011 the Group has successfully resolved 93 of its 107 fixed price contracts.

These resolved contracts had a potential exposure to the Group of €71.8 million; 14 contracts remain to be agreed. The directors consider they have made adequate provision in these accounts for the costs that are likely to be borne, however at this stage there can be no certainty that further costs may not arise.

32. Post Balance Sheet Event

On 7 May 2013 the Group sold its entire 60.1% interest in Camco South East Asia Limited for consideration of $6.01 million in cash. The Group's interest in Camco South East Asia Limited had a book value of $6.01 million.

On 13 May 2012 the Group announced that is has agreed to issue 18,449,073 new ordinary shares to Payar Investments Ltd (a subsidiary of Khazanah Nasional Berhad ("Khazanah")) at 1.138 cents per share (1.183 pence) raising €254,875 (£218,252).