

**Company Registration Number 05454010**

**Verdes Management plc**

**Financial Statements**

**30th September 2011**

# Verdes Management plc

## Financial Statements

For the year ended 30th September 2011

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### Company Information

|                               |   |
|-------------------------------|---|
| Directors                     | M D Hosie (resigned 19 <sup>th</sup> July 2011)<br>R A H Webb<br>J Matthews<br>A E C Edmonstone (appointed 4 October 2010)<br>J C M Rubin (appointed 4 October 2010 & resigned 19 July 2011)<br>R M Phillips (appointed 9 May 2011 & resigned 7 March 2012) |
| Secretary                     | N W Narraway (resigned 15 February 2012)<br>T E Campbell (appointed 21 February 2012)   |
| Company Number                | 05454010  |
| Registered Office             | Durham House<br>1 Durham House Street<br>London<br>WC2N 6HG   |
| Auditors                      | Haines Watts Gatwick LLP<br>Chartered Accountants<br>& Statutory Auditor<br>Consort House<br>Consort Way<br>Horley<br>Surrey<br>RH6 7AF   |
| Bankers                       | Barclays Bank plc<br>Sussex and Gatwick Group<br>90-92 High Street<br>Crawley<br>West Sussex<br>RH10 1BP  |
| Nominated Advisers and Broker | W H Ireland Ltd<br>4 Colston Avenue<br>Bristol<br>BS1 4ST   |

# Verdes Management plc

## Financial Statements

For the year ended 30th September 2011

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| <b>Contents</b>                                  | <b>Pages</b> |
|--|--------------|
| Chairman's statement                             | 1 - 2        |
| CEO's statement                                  | 3 - 4        |
| The directors' report                            | 5 – 7        |
| Independent auditor's report to the shareholders | 8 – 9        |
| Income statement                                 | 10           |
| Balance sheet                                    | 11           |
| Cash flow statement                              | 12           |
| Statement of changes in equity                   | 13           |
| Notes to the financial statements                | 14 - 24      |

# Verdes Management plc

## Chairman's Statement

### For the year ended 30th September 2011

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Verdes Management plc, the specialist turnaround services provider, is pleased to announce its audited results for the twelve months to 30<sup>th</sup> September 2011. The Company has continued to make progress despite the challenging and competitive environment in which it operates. Verdes has built a strong management and research team, together with a very experienced advisory Panel, all of whom have the appropriate skills to help grow the business. We have successfully raised £1,467,000 new equity since late December 2010, with another £50,000 being raised after the financial year end. As mentioned in our placing document in September 2010, there had always been a need for the Company to raise additional monies to enable management to deliver on their objectives and to expand the business to a point where they can most efficiently identify and execute deals. In addition to the fundraising exercises the focus has been to consolidate Verdes' position and deliver mandates and I am delighted that this focus has led to our first two mandates as announced earlier this month.

Verdes was established to act as a turnaround advisory business offering services to stakeholders, as well as facilitating investment opportunities in companies in need of restructuring. The Company's objective is to target distressed and underperforming UK companies, mostly publically listed, worth between approximately £5 million - £100 million across a broad range of sectors, excluding natural resources. Verdes has a clear strategic approach to identifying potential opportunities and during the year has successfully sourced many such opportunities which management is now working towards converting to 'live' mandates.

The current volatility of the economic environment and the difficult trading conditions which many UK companies currently face continue to create an environment in which the Verdes' business model can be successful, although we are mindful that market instability means companies are reticent about making strategic decisions and the banks are much less flexible in their approach to funding options. Therefore, in order to secure mandates Verdes needs to increase brand awareness and presence in the market. We believe that an enhanced brand presence combined with a higher level of confidence in the market will assist in increasing our deal flow in the medium to long term. As such we are actively engaged in marketing our business to a large number of companies and intermediaries across our target sectors. During the last twelve months we have carried out a significant number of presentations to broking houses, lawyers and financial advisers and we are receiving referrals from the range of intermediaries to whom we have marketed. These endorsements confirm the attractiveness of Verdes' services and our belief that there is a need for our style of institutional activity. The Management team, led by Adam Webb, is continuing to examine a number of new business situations which it believes could deliver value enhancing transactions for the Company.

The audited results for the 12 months to 30 September 2011 for Verdes are revenues of £0 (2010: £0) and overheads of £651,246 (2010 credit: £40,689), resulting in a loss of £651,247 (2010 profit: £40,595) for the year. The main focus in this first complete year under the new business model has been to set up the team and build a quality brand to enable Verdes to deliver its business model. This has been done whilst keeping the overheads low giving us a healthy cash balance at the end of the year.

The Company is now well placed to grow and secure a regular pipeline of mandates. Verdes established an experienced advisory Panel in the first half of the year to play an active role in sourcing and helping with the execution of deals. I remain impressed with the energy, interest and input the Panel has provided Verdes. Alongside establishing our advisory Panel, we have also streamlined our Board structure, reducing overheads. We also have an experienced research team in place and a turnaround team which was established by our former non-executive director, Richard Phillips. Richard joined Verdes to bring his turnaround knowledge and contacts to the Company and during his time with Verdes provided introductions for us with a high number of contacts to work on operational

# **Verdes Management plc**

## **Chairman's Statement**

**For the year ended 30th September 2011**

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turnaround deals. We are very grateful to Richard for his insight and help during his time on our Board.

As announced on 23 March 2012, Verdes has secured its first two mandates. We are looking forward to working on these respective contracts and are confident that we will be able to deliver a positive outcome for the benefit of the businesses in question. Alongside current mandates we have further opportunities in the pipeline and expect to be able to update shareholders in the near future. We are also in the process of recruiting a new senior executive to work alongside Adam Webb to drive the volume of deals that Verdes can work on and will provide an update when this appointment has been made.

Verdes Management plc is still a young company but I believe it has built a solid platform for its next stage of growth. Given the valuable expertise of our Board, Panel and employees, Verdes is well placed to access and take advantage of the opportunities available in the current market and I look forward to updating shareholders on further progress in the coming months.



**John Matthews**

Chairman

Date: 27<sup>th</sup> March 2012

# Verdes Management plc

## CEO's Statement

### For the year ended 30th September 2011

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Reference has been made in the Chairman's Statement to a number of strategic and operational changes that have taken place since the launch of Verdes. I am very pleased with these changes and they have provided Verdes with a sound base to grow from and provide returns to shareholders.

In particular, I would like to highlight that the Board changes in the summer have proved to be very successful in streamlining the management team, reducing overheads and allowing us to bring in a full-time financial controller.

It is important for shareholders to have some understanding of the Verdes offering and business model so I would like to highlight our main strategies.

We discover potential transactions through our internal research, contacts or through referrals. There is always a significant lead time to any transaction due to the number of different stakeholders involved with a plc, be they directors, core shareholders or advisers that need to be approached and persuaded to support the proposed transaction. It is often the case that incumbent management are in denial of the problems they face and an introduction can give rise to some unexpected results and actions.

The plc is often, by implication, in something of a state of flux giving rise to related problems for its future existence. Verdes would usually seek to have its fees paid by the plc but this may not always be straightforward to achieve and, in some cases, Verdes may turn to shareholders or a 3<sup>rd</sup> party who wishes to get involved.

We are structured so that our overheads are kept tight and, accordingly, we seek relatively modest fees during any project. This also suits plc's that may be stretched financially. We seek to get our real return on the successful completion of any deal and this will take the form of cash, equity and/or carried interest. In view of this fee structure, Verdes can make a very satisfactory profit margin as deals conclude and, over time, assets will accrue onto our balance sheet.

The nature of our activity on behalf of plc's and their shareholders requires a very high level of tact and confidentiality. I am conscious that our shareholders have not received an abundance of news flow and we will do all we can to appraise shareholders of developments as and when we are able to.

We have, over the period, been involved with a large number of plc's with some falling by the way and others ending in administration, or other form of insolvency. I will set out briefly two projects we have committed significant resources and efforts to over the past year:

1. February 2011 - we became involved with AssetCo plc, a business providing support and services to the London Fire Brigade. The Company was experiencing a multitude of problems: financial and strategic. We won the backing of circa 50% of shareholders and at their request we spent several weeks devising a strategy, some of which was adopted by the plc. AssetCo continued to experience difficulties and although we were asked by some shareholders to become involved at a later date we decided not to commit further resource to a situation which had not resulted in any tangible reward for our efforts;
2. November 2011 - we became involved with a potential fund-raising and restructuring of Luminar Leisure plc, the quoted nightclub Group and had support from advisors to the plc. However, at the last moment, and with no real warning, one of the Banks decided to pull out of the financing and the plc went into administration.

# Verdes Management plc


## CEO's Statement

**For the year ended 30th September 2011**

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The UK economy still faces very uncertain times and it is a well-known fact that when economies begin to show signs of recovery from recession there are even more financial and strategic problems for companies due to fiercer markets. In addition, the very significant problems being faced by the mid-sized broking houses in the City can only throw up more corporate opportunities for Verdes. We were pleased to announce on the 23 March 2012 that we have successfully signed up our first mandates. We have others in very advanced stages and I look forward to announcing those in due course. I truly believe that once we have a few completed deals, the Verdes proposition will become cemented in the market place and the following deals will be easier to come by than we have experienced in our first financial year.

We are currently exploring various potential strategic options for the Company, and may pursue one of these in the next few months if it is deemed that this will provide higher returns to shareholders. We are also planning to put a proposal in place for new options to provide appropriate rewards to key executives in the team in accordance with market practice. We look forward to announcing further news when appropriate.



Adam Webb  
CEO

Date: 27<sup>th</sup> March 2012

# Verdes Management plc

## The Directors' Report

### For the year ended 30th September 2011

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The directors present their annual report and the audited financial statements of the company for the year ended 30 September 2011.

#### **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under 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 company and of the profit or loss of the company 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 that the financial statements comply with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

#### **Principal activities and business review**

The principal activity of the company during the year was that of a turnaround advisory business.

A review of the company's performance for the year ended 30th September 2011 and future developments are contained in the Chairman's statement.

#### **Results and dividends**

The trading results for the period and the company's financial position at the end of the period are shown in the attached financial statements.

The directors have not recommended a dividend.

#### **Key performance indicators**

The company made a loss for the year, after taxation, amounting to £651,247 (2010 - profit £40,595).



# Verdes Management plc

## The Directors' Report

For the year ended 30th September 2011

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### The directors and their interests

The directors who served the company during the period together with their beneficial interests, including family holdings, in the shares of the company were as follows:

|  | Class of share           | At 30<br>September 2011 | At 30<br>September 2010 |   |
|--|--------------------------|-------------------------|-------------------------|---|
| M D Hosie<br>(resigned 19 July 2011)                                 | Ordinary 0.1p shares     | 2,509,520               | 899,010                 |   |
|  | Deferred 6.5p shares     | 683,590                 | 683,590                 |   |
|  | Deferred 'B' 0.9p shares | 899,010                 | 899,010                 |   |
| R A H Webb   | Ordinary 0.1p shares     | 12,500,000              | 12,500,000              |   |
|  | Deferred 6.5p shares     | -                       | -                       |   |
|  | Deferred 'B' 0.9p shares | -                       | -                       |   |
| J Matthews   | Ordinary 0.1p shares     | 7,415,765               | 5,000,000               |   |
|  | Deferred 6.5p shares     | -                       | -                       |   |
|  | Deferred 'B' 0.9p shares | -                       | -                       |   |
| A E C Edmonstone<br>(appointed 4 October 2010)                       | Ordinary 0.1p shares     | 18,610,510              | 17,000,000              | * |
|  | Deferred 6.5p shares     | -                       | -                       |   |
|  | Deferred 'B' 0.9p shares | -                       | -                       |   |
| J C M Rubin<br>(appointed 4 October 2010 &<br>resigned 19 July 2011) | Ordinary 0.1p shares     | 11,610,510              | 10,000,000              | * |
|  | Deferred 6.5p shares     | -                       | -                       |   |
|  | Deferred 'B' 0.9p shares | -                       | -                       |   |
| R M Phillips<br>(appointed 9 May 2011 &<br>resigned 7 March 2012)    | Ordinary 0.1p shares     | 1,250,000               | 1,250,000               | * |
|  | Deferred 6.5p shares     | -                       | -                       |   |
|  | Deferred 'B' 0.9p shares | -                       | -                       |   |

\* = held on date of appointment

The above interests in company share capital include partly paid ordinary £0.001 shares which are one tenth paid and carry one vote per share and carry a right to dividends. These are held as follows:

M D Hosie – 1,610,510 shares (included above)  
J Matthews – 2,415,765 shares (included above)  
A E C Edmonstone - 1,610,510 shares (included above)  
J M Rubin - 1,610,510 shares (included above)

The directors' interests in share options of the company include R A H Webb who has options to buy 9,663,003 shares at an exercise price of 1 pence per share (granted 12 April 2011).

On 28 September 2010, the company granted warrants to subscribe for ordinary shares as follows:

R A H Webb - 2,500,000 shares  
J W Matthews - 1,000,000 shares  
A E C Edmonstone - 3,400,000 shares  
J C M Rubin - 2,000,000 shares

The warrants enable the holder to subscribe for ordinary shares of 0.1p at 0.3p per share. Any warrants that are not exercised by 27 September 2013 will lapse. None of the above warrants were exercised in the period to 30 September 2011 or since the year end.

# Verdes Management plc

## The Directors' Report

For the year ended 30th September 2011

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### Financial risk management objectives and policies

The company's activities expose it to some financial risks. The company monitors these risks but does not consider it necessary to use any derivative financial instruments to hedge these risks.

#### *Credit risk*

The company monitors credit risk closely and considers that its current policies of credit checks meets its objectives of managing exposure to credit risk.

The company has no significant concentrations of credit risk. Amounts shown in the balance sheet best represent the maximum credit risk exposure in the event other parties fail to perform their obligations under financial instruments.

#### *Liquidity risk*

The company's policy throughout the year has been to ensure continuity of funding. In order that this is achieved, the company maintains close control over future cash flows and regularly review medium and long-term finance against those future cash flows.

### Policy on the payment of creditors

The company's current policy concerning the payment of trade payables is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

Trade payables of the company at the year end as a proportion of amounts invoiced by suppliers during the year represent 11 days (2010: 103 days).

### Provision of information to Auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

### Auditors

On 1 July 2011 the auditors CLB Gatwick LLP changed their name to Haines Watts Gatwick LLP. The auditors, Haines Watts Gatwick LLP, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

.....  
**R A H Webb**  
Director



Date: 27<sup>th</sup> March 2012

# **Verdes Management plc**

## **Independent Auditor's Report to the Shareholders**

### **For the year ended 30th September 2011**

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We have audited the financial statements of Verdes Management plc for the year ended 30th September 2011 which comprise the principle accounting policies, the income statement, the balance sheet, the cash flow statement, the statement of changes in equity and notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the directors' responsibilities statement set out in the Directors' Report, 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 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 Ethical Standards for Auditors.

#### **Scope of the audit**

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 company'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 Directors' 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 the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2011 and of its profit/loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# Verdes Management plc

## Independent Auditor's Report to the Shareholders

For the year ended 30th September 2011

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### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Consort House  
Consort Way  
Horley  
Surrey  
RH6 7AF

J C Pannett (Senior Statutory Auditor)  
For and of behalf of  
HAINES WATTS GATWICK LLP  
Chartered Accountants  
& Statutory Auditor

Date: 27<sup>th</sup> March 2012

# Verdes Management plc

## Income Statement

For the year ended 30th September 2011

|  | Note | 30 Sep 11               | 30 Sep 10       |
|--|------|-------------------------|-----------------|
|  |      | £                       | £               |
| Administrative expenses:   |      |                         |                 |
| Exceptional  | 7    | -                       | 64,316          |
| Normal   |      | <u>(651,246)</u>        | <u>(23,627)</u> |
| <b>Operating profit/(loss)</b>   | 2    | <b>(651,246)</b>        | 40,689          |
| Finance income   | 6    | 16                      | -               |
| Finance costs  | 6    | (17)                    | (94)            |
| <b>Profit/(Loss) on ordinary activities before taxation</b>  |      | <b><u>(651,247)</u></b> | <u>40,595</u>   |
| Income tax expense   | 8    | -                       | -               |
| <b>Profit/(Loss) for the financial year attributable to equity holders of the company</b>                                      |      | <b><u>(651,247)</u></b> | <u>40,595</u>   |
| <b>Earnings per share for profit/(loss) attributable to the equity holders of the company (pence) on continuing activities</b> |      |                         |                 |
| Basic  | 9    | <u>(0.23)</u>           | <u>0.06</u>     |
| Diluted  | 9    | <u>(0.23)</u>           | <u>0.06</u>     |

The company has no recognised gains or losses other than the results for the period as set out above.

All amounts relate to continuing operations.

Notes 1 to 18 form part of these financial statements.

# Verdes Management plc – Registered Number - 05454010

## Balance Sheet

30th September 2011

|   | Note | 30 Sep 11<br>£        | 30 Sep 10<br>£        |
|---|------|-----------------------|-----------------------|
| <b>Assets</b>   |      |                       |                       |
| <b>Non-current assets</b>   |      |                       |                       |
| Property, plant and equipment   | 10   | 7,702                 | 9,714                 |
| Investments   | 11   | 500                   | -                     |
|   |      | <u>8,202</u>          | <u>9,714</u>          |
| <b>Current assets</b>   |      |                       |                       |
| Trade and other receivables   | 12   | 13,922                | 15,973                |
| Cash and cash equivalents   |      | 786,297               | 126,593               |
|   |      | <u>800,219</u>        | <u>142,566</u>        |
| <b>Total assets</b>   |      | <u><u>808,421</u></u> | <u><u>152,280</u></u> |
| <b>Liabilities and Equity</b>   |      |                       |                       |
| <b>Current liabilities</b>  |      |                       |                       |
| Trade and other payables  | 13   | 34,856                | 118,323               |
| <b>Total liabilities</b>  |      | <u>34,856</u>         | <u>118,323</u>        |
| <b>Equity</b>   |      |                       |                       |
| <b>Capital and reserves attributable to equity holders of the company</b> |      |                       |                       |
| Called-up equity share capital  | 16   | 3,121,396             | 2,886,921             |
| Share premium account   |      | 2,049,842             | 893,462               |
| Accumulated losses  |      | (4,397,673)           | (3,746,426)           |
| <b>Total Equity</b>   |      | <u>773,565</u>        | <u>33,957</u>         |
| <b>Total Liabilities and Equity</b>                                       |      | <u><u>808,421</u></u> | <u><u>152,280</u></u> |

These financial statements were approved and authorised for issue by the board and were signed on its behalf by:



.....  
**R A H Webb**  
Director

Date: 27<sup>th</sup> March 2012

Notes 1 to 18 form part of these financial statements.

## Verdes Management plc

### Cash Flow Statement

For the year ended 30th September 2011

|   | Note      | 30 Sep 11<br>£          | 30 Sep 10<br>£   |
|---|-----------|-------------------------|------------------|
| <b>Net cash used in operating activities</b>                            | <b>17</b> | <b>(729,934)</b>        | (96,244)         |
| <b>Net cash from investing activities</b>                               |           |                         |                  |
| Purchases of property, plant and equipment                              |           | (715)                   | (9,712)          |
| Purchases of listed investments   |           | (500)                   | -                |
| Interest received   |           | 16                      | -                |
| Interest paid   |           | (17)                    | (94)             |
| <b>Net cash flow before financing activities</b>                        |           | <u><b>(731,150)</b></u> | <u>(106,050)</u> |
| <b>Net cash from financing activities</b>                               |           |                         |                  |
| Net proceeds from issue of equity shares                                |           | <b>1,390,854</b>        | 233,790          |
| <b>Net (decrease)/increase in cash, cash equivalents and overdrafts</b> |           | <u><b>659,704</b></u>   | <u>127,740</u>   |
| <b>Cash, cash equivalents and overdrafts at beginning of year</b>       |           | <b>126,593</b>          | 1,147            |
| <b>Cash, cash equivalents and overdrafts at end of year</b>             |           | <u><b>786,297</b></u>   | <u>126,593</u>   |

Notes 1 to 18 form part of these financial statements.

## Verdes Management plc

### Statement of Changes in Equity

For the year ended 30th September 2011

|                                 | Share<br>Capital        | Share<br>Premium        | Retained<br>Earnings      | Total Equity          |
|---------------------------------|-------------------------|-------------------------|---------------------------|-----------------------|
|                                 | £                       | £                       | £                         | £                     |
| Balance at 1/10/09              | <b>2,803,119</b>        | <b>743,474</b>          | <b>(3,787,021)</b>        | <b>(240,428)</b>      |
| Issue of ordinary shares        | <b>83,802</b>           | <b>184,988</b>          | -                         | <b>268,790</b>        |
| Share issue costs               | -                       | <b>(35,000)</b>         | -                         | <b>(35,000)</b>       |
| Profit/(Loss) for the<br>period | -                       | -                       | <b>40,595</b>             | <b>40,595</b>         |
| Balance at 1/10/10              | <b>2,886,921</b>        | <b>893,462</b>          | <b>(3,746,426)</b>        | <b>33,957</b>         |
| Profit/(Loss) for the<br>period | -                       | -                       | <b>(651,247)</b>          | <b>(651,247)</b>      |
| Issue of ordinary shares        | <b>234,475</b>          | <b>1,239,773</b>        | -                         | <b>1,474,248</b>      |
| Share issue costs               | -                       | <b>(83,393)</b>         | -                         | <b>(83,393)</b>       |
| At 30/09/11                     | <b><u>3,121,396</u></b> | <b><u>2,049,842</u></b> | <b><u>(4,397,673)</u></b> | <b><u>773,565</u></b> |

Notes 1 to 18 form part of these financial statements.



# Verdes Management plc

## Notes to the Financial Statements

For the year ended 30th September 2011

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### 1. Accounting policies

#### Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union and as applied in accordance with the provisions of Companies Act 2006.

#### Standards and interpretations effective in the current period

The following IFRS’s which are effective for the first time have been applied in these financial statements. Where adoption is material their effect is detailed below:

- IFRS 3: Business Combinations has had no impact on these financial statements;
- IAS 24 Related party disclosures (Revised) has had no impact on these financial statements;
- IAS 27: Consolidated and separate financial statements has had no impact on these financial statements;
- Amendments to IAS 39: Eligible hedged items has had no impact on these financial statements;
- Amendments to IFRS 1: First time adoption of IFRS: Severe hyperinflation and removal of fixed dates for first time adopters has had no impact on these financial statements;
- Amendment to IFRS 2 Group cash-settled share-based payment transactions has had no impact on these financial statements;
- Amendments to IFRS 7 Financial instruments: Disclosures: Transfers of financial assets has had no impact on these financial statements;
- Amendment to IAS 32 Classification of rights issues has had no impact on these financial statements;
- Improvements to IFRS (Issued May 2008) has had no impact on these financial statements;
- Improvements to IFRS (Issued April 2009) has had no impact on these financial statements;
- IFRIC 15 Agreements for the construction of real estate has had no impact on these financial statements;
- IFRIC 16 Hedges of a net investment in a foreign operation has had no impact on these financial statements;
- IFRIC 17 Distribution of non-cash assets to owners has had no impact on these financial statements;
- IFRIC 18 Transfer of assets from customers has had no impact on these financial statements;
- and
- IFRIC 19 Extinguishing financial liabilities with equity instruments has had no impact on these financial statements.

#### New standards and interpretations

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

- IFRS 9 Financial instruments (Effective for periods commencing on or after 1 January 2013);
- Amendments to IAS 12: Income taxes: Deferred tax: Recovery of underlying assets (Effective for periods commencing on or after 1 December 2012);
- IFRS 11 Joint arrangements (Effective for periods commencing on or after 1 January 2013);
- IFRS 12 Disclosure of interests in other entities (Effective for periods commencing on or after 1 January 2013);

# Verdes Management plc

## Notes to the Financial Statements

### For the year ended 30th September 2011

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- IAS 28 (Revised) Investments in associates and joint ventures (Effective for periods commencing on or after 1 January 2013);
- IAS 27 (Revised) Separate financial statements (Effective for periods commencing on or after 1 January 2013);
- IFRS 10 Consolidated financial statements (Effective for periods commencing on or after 1 January 2013); and
- IFRS 13 Fair value measurement (Effective for periods commencing on or after 1 January 2013).

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the company. The company does not intend to apply any of these pronouncements early.

#### Revenue

Revenue is recognised by the company in respect of services supplied during the year, exclusive of Value Added Tax. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- Management ongoing fees are recognised when the services are rendered.
- Success fees are only recognised when all contractual obligations which determine success are satisfied.

#### Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any provision for impairment in value.

#### Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

- |                             |   |                   |
|-----------------------------|---|-------------------|
| Fixtures, fittings & equip. | - | 25% straight line |
| Motor Vehicles              | - | 25% straight line |

#### Investments

Investments held as fixed assets are shown at cost less provision for impairment.

#### Pensions

Contributions to personal pension plans are recognised as an expense when employees have rendered service entitling them to the contributions.

# Verdes Management plc

## Notes to the Financial Statements

For the year ended 30th September 2011

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### Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the financial statements with their respective tax bases. In addition, tax losses available to be carried forward as well as other income tax credits to the company are assessed for recognition as deferred tax assets. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised only to the extent that the directors consider that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### *Investments*

All investments are initially recorded at cost, being the fair value of the consideration given and including acquisition costs associated with the investment.

#### *Trade and other receivables*

Trade receivables and other receivables are recognised and carried forward at invoice amounts less provisions for any doubtful debts. Bad debts are written off when identified.

#### *Cash and cash equivalents*

Cash and cash equivalents are included in the balance sheet at cost. Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

## 2. Loss on ordinary activities before taxation

Loss before taxation is stated after charging:

|   | <b>30 Sep 11</b> | 30 Sep 10 |
|---|------------------|-----------|
|   | £                | £         |
| Depreciation of owned property, plant and equipment | <u>2,427</u>     | <u>-</u>  |

# Verdes Management plc

## Notes to the Financial Statements

For the year ended 30th September 2011

### 3. Auditors' remuneration

|  | 30 Sep 11<br>£ | 30 Sep 10<br>£ |
|--|----------------|----------------|
| Fees payable to the company's auditor for the audit of the company's annual accounts | 8,000          | 9,500          |
| Fees payable to the company's auditor in respect of:                                 |                |                |
| Other services relating to taxation  | 1,000          | 1,000          |
| All other services   | <u>1,750</u>   | <u>1,500</u>   |

### 4. Particulars of employees

Employee costs, including directors' remuneration, were as follows:

|                       | 30 Sep 11<br>£ | 30 Sep 10<br>£ |
|-----------------------|----------------|----------------|
| Wages and salaries    | 315,176        | 12,319         |
| Social security costs | 30,796         | 1,080          |
| Other pension costs   | 13,543         | -              |
|                       | <u>359,515</u> | <u>13,399</u>  |

The average number of staff employed by the company (including directors) during the financial period amounted to:

|                            | 30 Sep 11<br>No. | 30 Sep 10<br>No. |
|----------------------------|------------------|------------------|
| Number of management staff | <u>5</u>         | <u>3</u>         |

### 5. Directors' Remuneration

The directors' aggregate emoluments in respect of qualifying services were:

|                       | 30 Sep 11<br>£ | 30 Sep 10<br>£ |
|-----------------------|----------------|----------------|
| Emoluments receivable | <u>252,530</u> | <u>10,417</u>  |

| 2011             | Wages & salaries<br>£ | Pension & other benefits<br>£ | Fees<br>£     | Total<br>£     |
|------------------|-----------------------|-------------------------------|---------------|----------------|
| A E C Edmonstone | 20,000                | -                             | -             | 20,000         |
| M D Hosie        | -                     | -                             | 31,015        | 31,015         |
| J Matthews       | 23,333                | -                             | -             | 23,333         |
| R M Phillips     | -                     | -                             | 18,000        | 18,000         |
| J Rubin          | -                     | -                             | 18,037        | 18,037         |
| R A H Webb       | 125,000               | 17,145                        | -             | 142,145        |
|                  | <u>168,333</u>        | <u>17,145</u>                 | <u>67,052</u> | <u>252,530</u> |

# Verdes Management plc

## Notes to the Financial Statements

For the year ended 30th September 2011

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### 5. Directors' Remuneration (*continued*)

| 2010       | Wages<br>and<br>salaries | Pension<br>& other<br>benefits | Fees<br>£ | Total<br>£    |
|------------|--------------------------|--------------------------------|-----------|---------------|
| R A H Webb | <u>10,417</u>            | <u>-</u>                       | <u>-</u>  | <u>10,417</u> |

The highest paid director received remuneration of £142,145 (2010 - £10,417).

During the year retirement benefits were accruing to 1 director (2010 - NIL) in respect of defined contribution pension schemes.

### 6. Finance income and costs

|   | 30 Sep 11<br>£ | 30 Sep 10<br>£ |
|---|----------------|----------------|
| <b>Finance income</b>                       |                |                |
| Interest income on short term bank deposits | <u>16</u>      | <u>-</u>       |
| <b>Finance costs</b>                        |                |                |
| Interest payable on bank overdrafts         | <u>17</u>      | <u>94</u>      |

### 7. Exceptional administrative expenses

|  | 30 Sep 11<br>£ | 30 Sep 10<br>£  |
|--|----------------|-----------------|
| Write down of amounts due from group companies | -              | 12,017          |
| Cancellation of amounts due to Directors       | <u>-</u>       | <u>(76,333)</u> |
|  | <u>-</u>       | <u>(64,316)</u> |

As part of the sale of subsidiaries on 28 September 2010 all amounts owed from such companies (£12,017 per above) were written down to £nil.

In addition, during 2010, following the company re-structuring, M D Hosie and R F Davies waived earlier amounts owed to them (for Director services) of £40,333 & £36,000 respectively.

### 8. Income tax expense

The company has traded at a profit for the previous period although had losses brought forward, therefore no provision for taxation was considered necessary.

#### Deferred Tax

At the period end the unutilized tax losses carried forward of the company are £1,150,669 (2010: £511,985). A deferred tax asset has not been recognised in respect of these losses in view of the uncertainty as to whether these losses are available for set off against future profits. The deferred tax asset that is not recognised in the financial statements in relation to losses carried forward of the company amounts to £230,131 (2010: £107,518).

# Verdes Management plc

## Notes to the Financial Statements

### For the year ended 30th September 2011

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#### 8. Income tax expense (continued)

##### Factors affecting current income tax charge

The tax assessed on the loss on ordinary activities for the period is higher than (2010 – lower than) the standard rate of corporation tax in the UK of 20.5% (2010 – 21%).

|   | <b>30 Sep 11</b>      | 30 Sep 10     |
|---|-----------------------|---------------|
|   | £                     | £             |
| Profit/(Loss) on ordinary activities before taxation              | <u>(651,247)</u>      | <u>40,595</u> |
| Profit/(loss) on ordinary activities by rate of tax               | <b>(133,506)</b>      | 8,525         |
| Expenses not deductible for tax purposes                          | <b>2,447</b>          | 3,007         |
| Capital allowances for period in deficit/(excess) of depreciation | <b>132</b>            | -             |
| Utilisation of brought forward losses                             | -                     | (11,532)      |
| Credit for tax loss not utilised in the accounts                  | <u><b>130,927</b></u> | <u>-</u>      |
| Total current tax   | <u>-</u>              | <u>-</u>      |

#### 9. Earnings per share

The basic earnings per ordinary share is calculated by dividing profit/loss for the year attributable to equity holders of the company less non-equity dividends and other appropriations in respect of non-equity shares by the weighted average number of equity shares in issue during the year.

The diluted earnings per ordinary share is calculated by dividing profit/loss for the year less non-equity dividends and other appropriations in respect of non-equity shares by the weighted average number of equity shares outstanding during the year (after adjusting both figures for the effect of dilutive potential ordinary shares).

The calculation of basic and diluted earnings per ordinary share is based upon the following data:

| <b>Earnings</b>  | <b>30 Sep 11</b>          | 30 Sep 10         |
|--|---------------------------|-------------------|
|  | £                         | £                 |
| Earnings/(loss) for the purposes of basic earnings per share                     | <u>(651,247)</u>          | <u>40,595</u>     |
| Earnings/(loss) for the purposes of diluted earnings per share                   | <u>(651,247)</u>          | <u>40,595</u>     |
| <b>Number of shares</b>  | <b>30 Sep 11</b>          | 30 Sep 10         |
|  | No.                       | No.               |
| Basic weighted average number of shares  | <u><b>281,802,743</b></u> | <u>66,674,107</u> |
| Dilutive potential ordinary shares:  |                           |                   |
| Adjustment to average number of shares due to share options                      | <u>-</u>                  | <u>-</u>          |
| Weighted average number of shares for the purposes of diluted earnings per share | <u><b>281,802,743</b></u> | <u>66,674,107</u> |

# Verdes Management plc

## Notes to the Financial Statements

For the year ended 30th September 2011

### 10. Property, plant and equipment

| 30 <sup>th</sup> September 2011              | Short<br>Leasehold<br>Property<br>£ | Fixtures,<br>fittings &<br>equipment | Motor<br>Vehicles<br>£ | Total<br>£    |
|--|-------------------------------------|--------------------------------------|------------------------|---------------|
| <b>Cost</b>                                  |                                     |                                      |                        |               |
| At 1 October 2010                            | -                                   | 1,469                                | 8,245                  | 9,714         |
| Additions                                    | -                                   | 715                                  | -                      | 715           |
| On disposal                                  | -                                   | (300)                                | -                      | (300)         |
| <b>At 30 September 2011</b>                  | <u>-</u>                            | <u>1,884</u>                         | <u>8,245</u>           | <u>10,129</u> |
| <b>Depreciation</b>                          |                                     |                                      |                        |               |
| At 1 October 2010                            | -                                   | -                                    | -                      | -             |
| Charge for the period                        | -                                   | 366                                  | 2,061                  | 2,427         |
| <b>At 30 September 2011</b>                  | <u>-</u>                            | <u>366</u>                           | <u>2,061</u>           | <u>2,427</u>  |
| <b>Net book amount<br/>30 September 2011</b> | <u>-</u>                            | <u>1,518</u>                         | <u>6,184</u>           | <u>7,702</u>  |
| 30 <sup>th</sup> September 2010              | Leasehold<br>Property<br>£          | Fixtures,<br>fittings &<br>equipment | Motor<br>Vehicles<br>£ | Total<br>£    |
| <b>Cost</b>                                  |                                     |                                      |                        |               |
| At 1 October 2009                            | 8,394                               | -                                    | -                      | 8,394         |
| Additions                                    | -                                   | 1,469                                | 8,245                  | 9,714         |
| On disposal of subsidiaries                  | (8,394)                             | -                                    | -                      | (8,394)       |
| <b>At 30 September 2010</b>                  | <u>-</u>                            | <u>1,469</u>                         | <u>8,245</u>           | <u>9,714</u>  |
| <b>Depreciation</b>                          |                                     |                                      |                        |               |
| At 1 October 2009                            | 4,632                               | -                                    | -                      | 4,632         |
| Charge for the period                        | -                                   | -                                    | -                      | -             |
| On disposal of subsidiaries                  | (4,632)                             | -                                    | -                      | (4,632)       |
| <b>At 30 September 2010</b>                  | <u>-</u>                            | <u>-</u>                             | <u>-</u>               | <u>-</u>      |
| <b>Net book amount<br/>30 September 2010</b> | <u>-</u>                            | <u>1,469</u>                         | <u>8,245</u>           | <u>9,714</u>  |

# Verdes Management plc

## Notes to the Financial Statements

For the year ended 30th September 2011

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### 11. Investments

| <b>30<sup>th</sup> September 2011</b>    | <b>Listed<br/>investments<br/>£</b> |
|--|-------------------------------------|
| <b>Cost</b>                              |                                     |
| At 1 October 2010                        | -                                   |
| Additions                                | <u>500</u>                          |
| <b>At 30 September 2011</b>              | <u>500</u>                          |
| <br>                                     |                                     |
| <b>Net book amount 30 September 2011</b> | <u>500</u>                          |
| <br>                                     |                                     |
| Net book amount 30 September 2010        | <u><u>500</u></u>                   |

#### Listed investments

The fair value of the listed investments at 30 September 2011 was £230 (2010 - £N/A).

### 12. Trade and other receivables

|                                | <b>30 Sep 11</b>     | 30 Sep 10     |
|--------------------------------|----------------------|---------------|
|                                | £                    | £             |
| Other receivables              | <b>4,922</b>         | 666           |
| Prepayments and accrued income | <u>9,000</u>         | <u>15,307</u> |
|                                | <u><b>13,922</b></u> | <u>15,973</u> |

### 13. Trade and other payables

|                                 | <b>30 Sep 11</b>     | 30 Sep 10      |
|---------------------------------|----------------------|----------------|
|                                 | £                    | £              |
| Trade payables                  | <b>12,136</b>        | 35,202         |
| Social security and other taxes | <b>12,760</b>        | 1,384          |
| Other payables                  | <b>1,460</b>         | 69,998         |
| Accruals and deferred income    | <u>8,500</u>         | <u>11,739</u>  |
|                                 | <u><b>34,856</b></u> | <u>118,323</u> |



# Verdes Management plc

## Notes to the Financial Statements

For the year ended 30th September 2011

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### 14. Related party transactions

Details of transactions between the company and other related parties are disclosed below.

During the period the company was charged £18,037 (2010: £nil) by J C M Rubin for directors' services. No balance remains payable to J C M Rubin at the year end.

During the period the company was charged £18,000 (2010: £nil) for directors' services by Prepcare LLP, a limited liability partnership of which R M Phillips is a designated member. At the period end an amount of £8,266 (2010: £nil) was payable to Prepcare LLP and is included within trade creditors.

During the period the company was charged £33,485 (2010: £nil) by Kerr Douglas Limited, a company under the control of M D Hosie. This cost is made up of £31,015 (2010: £nil) in respect of director's services, £1,418 (2010: £nil) in respect of bookkeeping services provided by M D Hosie's wife, and £1,052 (2010: £nil) in respect of disbursed travel costs. In the prior year, M D Hosie agreed to waive £40,333 in regard to amounts owing to Kerr Douglas Limited for directors' services (in earlier years). At the period end a VAT inclusive amount of £63 (2010: £3,340) was payable to Kerr Douglas Limited and is included within trade creditors.

### 15. Share options

The directors are interested in the following options to subscribe for ordinary shares pursuant to the directors' share option agreement:

| <b>R A H Webb</b>   | <b>30 Sep 11<br/>No.</b> | <b>30 Sep 10<br/>No.</b> |
|---|--------------------------|--------------------------|
| Enterprise Management Incentive scheme – granted 12/04/2011 | <b><u>9,663,003</u></b>  | <u>-</u>                 |

The Options are exercisable at a price of £0.01 per £0.001 ordinary share and may be exercised in whole or in part during the period commencing 12 April 2014 to 11 April 2021 subject to achievement of the vesting conditions as established by the Remuneration Committee. No options were exercised in the period. The open market value of the company's shares at the balance sheet date is less than the option price and therefore, R A H Webb is not deemed to have received any share based payment.

# Verdes Management plc

## Notes to the Financial Statements

For the year ended 30th September 2011

### 16. Share capital

#### Authorised share capital:

|   | 30 Sep 11<br>£    | 30 Sep 10<br>£    |
|---|-------------------|-------------------|
| 785,908,000 Ordinary shares of £0.001 each    | 7,859,080         | 7,859,080         |
| 66,214,920 Deferred 'B' shares of £0.009 each | 595,934           | 595,934           |
| 32,938,000 Deferred shares of £0.065 each     | 2,140,970         | 2,140,970         |
|   | <u>10,595,984</u> | <u>10,595,984</u> |

#### Allotted, called up and fully paid:

|                                    | 30 Sep 11<br>No.   | 30 Sep 11<br>£   | 30 Sep 10<br>No.   | 30 Sep 10<br>£   |
|------------------------------------|--------------------|------------------|--------------------|------------------|
| Ordinary shares of £0.001 each     | 383,766,772        | 383,767          | 150,016,609        | 150,017          |
| Deferred 'B' shares of £0.009 each | 66,214,920         | 595,934          | 66,214,920         | 595,934          |
| Deferred shares of £0.065 each     | 32,938,000         | 2,140,970        | 32,938,000         | 2,140,970        |
|                                    | <u>482,919,692</u> | <u>3,120,671</u> | <u>249,169,529</u> | <u>2,886,921</u> |

#### Allotted, called up and partly paid:

|                                | 30 Sep 11<br>No. | 30 Sep 11<br>£ | 30 Sep 10<br>No. | 30 Sep 10<br>£ |
|--------------------------------|------------------|----------------|------------------|----------------|
| Ordinary shares of £0.001 each | 7,247,295        | 725            | -                | -              |

The fully paid ordinary £0.001 shares carry one vote per share and carry a right to dividends.

The fully paid deferred 'B' shares (£0.009 each) do not carry any votes (other than in a class meeting of the B deferred shares) and have no right to a dividend.

The fully paid deferred shares (£0.065 each) do not carry any votes (other than in a class meeting of the £0.065 deferred shares) and have no right to a dividend.

The partly paid ordinary £0.001 shares carry one vote per share and carry a right to dividends. On liquidation of the company, the shareholder acknowledges that the liquidator may require them to pay the balance subscription on any share which has not been paid.

On 22 December 2010, 6,666,666 ordinary shares of 0.1p each were issued at a price of 0.75p per share which were fully paid.

On 24 December 2010, 333,333 ordinary shares of 0.1p each were issued at a price of 0.3p per share which were fully paid. This issue was in relation to warrants being exercised.

# Verdes Management plc

## Notes to the Financial Statements

### For the year ended 30th September 2011

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On 18 January 2011, 30,000,000 ordinary shares of 0.1p each were issued at a price of 0.75p per share which were fully paid.

On 26 January 2011, 132,233,333 ordinary shares of 0.1p each were issued at a price of 0.75p per share which were fully paid.

On 10 February 2011, 1,583,500 ordinary shares of 0.1p each were issued at a price of 0.3p per share which were fully paid. This issue was in relation to warrants being exercised.

On 23 February 2011, 1,266,666 ordinary shares of 0.1p each were issued at a price of 0.75p per share which were fully paid.

On 22 September 2011, 61,666,667 ordinary shares of 0.1p each were issued at a price of 0.3p per share which were fully paid.

Since the year end the Company has issued a further 16,666,667 ordinary shares for a total consideration of £50,000.

#### 17. Cash generated/used by operations

|   | 30 Sep 11<br>£   | 30 Sep 10<br>£  |
|---|------------------|-----------------|
| Profit/(Loss) before taxation                     | (651,247)        | 40,595          |
| Investment income                                 | (16)             | -               |
| Interest payable                                  | 17               | 94              |
| Loss on disposal of property, plant and equipment | 300              | 3,760           |
| Depreciation                                      | 2,427            | -               |
| Decrease/(increase) in receivables                | 2,051            | 17,308          |
| (Decrease)/increase in payables                   | (83,466)         | (158,001)       |
| Net cash used by operations                       | <u>(729,934)</u> | <u>(96,244)</u> |

#### 18. Going Concern

In common with other businesses in its sector, the Company's results of operations involve a number of risks and uncertainties including, but not limited to, current volatility of the economic environment, developments in strategic relationships and dependence on key individuals or customers. These factors could affect the Company's future operating results and cause actual results to vary materially from expectations.

Verdes has however built a strong management and research team, together with a very experienced Advisory Panel, all of whom have the appropriate skills to help grow the business. Verdes was pleased to announce its first mandates on the 23 March 2012 and the Director's believe the Company is now well placed to grow and secure a regular pipeline of mandates.

In the opinion of the Director's, the Company will have sufficient funds to enable it to continue to trade for at least 12 months from the date of signing the financial statements.

The Company has no material non-monetary assets or liabilities. In the event that the Going Concern basis no longer applies, no material adjustments to the balance sheet at 30 September 2011 will be required.