

Verdes Management PLC (“Verdes” or the “Company”)

Interim Statement for the period ended 31st March 2011

CHAIRMAN’S STATEMENT

I present the financial statements for the six months to 31st March 2011.

Verdes has continued to build on the foundations established at the time of the Company’s strategic change in business direction, and as we highlighted at the time of the preliminary results for the year to 30th September 2010, the Company has undertaken a selective recruitment drive to ensure it is fully equipped to take advantage of market opportunities. At the Board level, Richard Phillips has been appointed a non-executive director. He brings a great deal of relevant and successful experience in rescue and turnaround situations and has already made a significant positive impact on Verdes’ turnaround offering.

We have also made further hires at management level to enable Verdes to strengthen its research and business practices. Set alongside the Advisory Panel that was established earlier this year and the turnaround team more recently assembled, I believe we now have a team in place that can drive Verdes forward.

The Company has been marketing its services to numerous intermediaries and following several potential transaction opportunities, including as announced on 30th March, working alongside a number of independent shareholders in AssetCo plc, the AIM listed fire and rescue business. Progress was made in discussions with various stakeholders regarding the future of AssetCo plc, but as the project developed, it became clear that the situation was no longer compatible with Verdes’ stated strategy of creating value for its shareholders and so the relationship was terminated. It was disappointing not to progress further with this opportunity. However, the Company has generated a significant number of new leads, working contacts with UK institutions and opportunities as a result of the work with AssetCo plc. We expect to be able to provide further updates on these in the future.

During the period, we maintained our focus on efficient management of working capital. Administrative expenses for the 6 months ended 31st March 2011 were £285,311 (2010:

£33,546) which is a result of the increase in headcount and resources. During the period we raised £1,237,001 net from the issue of equity shares. At 31st March 2011 we had cash resources of £996,665 and no debt. The loss attributable to shareholders for the period was £285,295.

The Company remains active in terms of pursuing and working on situations in the turnaround sector. The Board is aware that the lack of news flow can at times be frustrating but we continue to work to generate value for shareholders and I would like to pass on the Board's thanks for their support over the past six months. We believe that the business model is sound. The Group has a robust balance sheet and sufficient working capital to execute our business plan.

John Matthews

Chairman

13th June 2010

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Verdes Management plc
Consolidated Income Statement for six months ended 31st March 2011

	Note	6 months ended 31 March 2011 (unaudited) £	6 months ended 31 March 2010 (unaudited) £	Year ended 30 September 2010 (audited) £
Revenue		-	-	-
Cost of Sales		-	-	-
Gross Profit		-	-	-
Administrative expenses				
Exceptional	4.	-	-	76,333
Normal		(285,311)	(33,546)	(23,636)
Operating Profit/(Loss)		(285,311)	(33,546)	52,697
Finance income		16	-	-
Finance costs		-	-	(94)
Loss on ordinary activities before taxation		(285,295)	(33,546)	52,603
Income tax expense		-	-	-
Profit/(Loss) for the period from continuing operations		(285,295)	(33,546)	52,603
Discontinued operations				
Profit/(Loss) for the period from discontinued operations		-	17,260	101,631
Profit/(loss) attributable to shareholders of the company		(285,295)	(16,286)	154,234
Profit/(Loss) per share attributable to the equity holders of the company:				
Basic profit/(loss) per ordinary share	5.	(0.15 pence)	(0.03 pence)	0.08 pence
Diluted profit/(loss) per ordinary share	5.	(0.15 pence)	(0.03 pence)	0.08 pence

Verdes Management plc
Consolidated Balance Sheet as at 31st March 2011

	31 March 2011	31 March 2010	30 September 2010
	(unaudited)	(unaudited)	(audited)
	£	£	£
Assets			
Non-current assets			
Property, plant and equipment	8,951	8,158	9,714
	<u>8,951</u>	<u>8,158</u>	<u>9,714</u>
Current assets			
Trade and other receivables	29,861	54,382	15,973
Cash and cash equivalents	996,665	2,451	126,593
	<u>1,026,526</u>	<u>56,833</u>	<u>142,566</u>
Total assets	<u><u>1,035,477</u></u>	<u><u>64,991</u></u>	<u><u>152,280</u></u>
Liabilities and Equity			
Current liabilities			
Trade and other payables	49,814	431,257	118,323
Obligations under finance lease	-	4,091	-
Total liabilities	<u>49,814</u>	<u>435,348</u>	<u>118,323</u>
Equity			
Called-up equity share capital	3,059,004	2,803,119	2,886,921
Share premium account	1,958,380	743,474	893,462
Merger reserve	-	(738,578)	-
Retained earnings	(4,031,721)	(3,178,372)	(3,746,426)
Total Equity	<u>985,663</u>	<u>(370,357)</u>	<u>33,957</u>
Total Liabilities and Equity	<u><u>1,035,477</u></u>	<u><u>64,991</u></u>	<u><u>152,280</u></u>

Verdes Management plc
Consolidated Statement of Changes in Equity as at 31st March 2011

	Share Capital	Share Premium	Merger Reserve	Retained Earnings	Total Equity
	£	£	£	£	£
Balance at 1 October 2009	2,803,119	743,474	(738,578)	(3,162,087)	(354,072)
Loss for period	-	-	-	(16,285)	(16,285)
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At 31 March 2010	2,803,119	743,474	(738,578)	(3,178,372)	(370,357)
Issue of shares	83,802	184,988	-	-	268,790
Share issue costs	-	(35,000)	-	-	(35,000)
Elimination of merger reserve on disposal of subsidiary	-	-	738,578	(738,578)	-
Profit/(Loss) for period	-	-	-	170,524	170,524
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At 30 September 2010	2,886,921	893,462	-	(3,746,426)	33,957
Issue of shares	172,083	1,109,918			1,282,001
Share issue costs		(45,000)			(45,000)
Loss for period	-	-	-	(285,295)	(285,295)
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At 31 March 2011	<u>3,059,004</u>	<u>1,958,380</u>	<u>-</u>	<u>(4,031,721)</u>	<u>985,663</u>

Verdes Management plc
Consolidated Cash Flow Statement for six months ended 31st March 2011

	6 months ended 31 March 2011 (unaudited) £	6 months ended 31 March 2010 (unaudited) £	Year ended 30 September 2010 (audited) £
Net cash (outflow)/inflow from operating activities	(366,531)	(2,749)	(98,272)
Investing activities			
Purchases of property, plant and equipment	(414)	-	(9,712)
Interest paid	-	(218)	(543)
Interest received	16	-	-
Proceeds from disposal of business	-	-	4
Net cash flow before financing activities	<u>(366,929)</u>	<u>(2,967)</u>	<u>(108,523)</u>
Financing activities			
Net proceeds from issue of equity shares	1,237,001	-	233,790
Capital element of finance leases repaid	-	(891)	(4,983)
Net cash used in financing activities	<u>1,237,001</u>	<u>(891)</u>	<u>228,807</u>
Net (decrease)/increase in cash and cash equivalents	870,072	(3,858)	120,284
Opening net cash and cash equivalents	126,593	6,309	6,309
Closing net cash and cash equivalents	<u>996,665</u>	<u>2,451</u>	<u>126,593</u>
Reconciliation of operating loss to net cash outflow/inflow from operating activities	6 months ended 31 March 2011 £	6 months ended 31 March 2010 £	Year ended 30 September 2010 £
Operating Profit/(Loss) from continuing activities	(285,311)	(33,546)	52,697
Operating Profit/(Loss) from discontinued activities	-	17,479	(3,313)
Loss on disposal of property	-	-	4,836
Depreciation	1,177	9,301	12,622
Gain on disposal of subsidiaries	-	-	105,393
Operating cash flows before	<u>(284,134)</u>	<u>(6,766)</u>	<u>172,235</u>

movements in working capital			
Decrease/(increase) in receivables	(13,888)	(5,054)	33,352
Increase/(decrease) in payables	(68,509)	9,071	(303,859)
Net movement in working capital	(82,397)	4,017	(270,507)
Net movement in cash flow	(366,531)	2,749	(98,272)
Income taxes paid	-	-	-
Net cash (outflow)/inflow from operating activities	(366,531)	2,749	(98,272)

Notes to the unaudited financial statements

1. Basis of preparation

The financial information included in this report does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The consolidated interim financial statements for the six months ended 31 March 2011 have been prepared under applicable International Financial Reporting Standards adopted by the European Union (“IFRS”).

The financial information for the period ended 30 September 2010 has been extracted from the statutory accounts for that period. The auditors’ report on the full statutory accounts for the period ended 30 September 2010 was unqualified and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006. The financial information for the six months ended 31 March 2010 and 31 March 2011 has not been audited.

2. Principal Accounting Policies

The principal accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 September 2010 and are those expected to be applied for the year ended 30 September 2011.

3. Discontinued operations

On 28 September 2010, the company discontinued its music business and operations by way of a disposal of its subsidiary companies X-Phonics Music Limited, X-Phonics Music Publishing Limited, X-Phonics Productions Limited and White Noise Music Limited.

The combined results of the discontinued operations (the music business) included in the income statement are set out below.

Profit for the year from discontinued operations	6 months ended 31 March 2011 £	6 months ended 31 March 2010 £	Year ended 30 September 2010 £
Revenue	-	34,364	78,324
Cost of sales	-	-	(8,965)
Administration expenses	-	(16,886)	(72,672)
Finance costs	-	(218)	(449)
Profit/(loss) before tax	-	17,260	(3,762)
Attributable income tax expense	-	-	-
Gain on disposal of operation	-	-	105,393
Profit for the year from discontinued operations	-	17,260	101,631

4. Exceptional administrative expenses

	6 months ended 31 March 2011 £	6 months ended 31 March 2010 £	Year ended 30 September 2010 £
Cancelation of amounts due to Directors	-	-	76,333

During the previous year, as part of the group re-structuring, the Directors M D Hosie and R F Davies agreed to waive previous amounts owed to them by the company (for Director services) of £40,333 and £36,000 respectively.

5. Earnings per Share

The earnings per ordinary share have been calculated on the ordinary activities after taxation of -£285,295 (31 March 2010: -£16,286, 30 September 2010: £154,234) using the weighted average number of ordinary shares in issue during the period being 186,512,742 (31 March 2010: 66,214,920, 30 September 2010: 66,674,107). The weighted average number of diluted ordinary shares in issue during the period was 186,512,742 (31 March 2010: 66,214,920, 30 September 2010: 66,674,107).