

Company Registration Number 05454010

Verdes Management plc (formerly X-Phonics plc)

Financial Statements

30th September 2010

Verdes Management plc (formerly X-Phonics plc)

Financial Statements

For the year ended 30th September 2010

Company Information

Directors	M D Hosie R F Davies (resigned 28 th September 2010) J I McLaughlin (resigned 28 th September 2010) R A H Webb (appointed 28 th September 2010) J Matthews (appointed 28 th September 2010)
Secretary	M D Hosie
Company Number	05454010
Registered Office	Durham House 1 Durham House Street London WC2N 6HG
Auditors	CLB Gatwick LLP Chartered Accountants & Statutory Auditor Consort House Consort Way Horley Surrey RH6 7AF
Bankers	Barclays Bank plc Sussex and Gatwick Group 90-92 High Street Crawley West Sussex RH10 1BP
Nominated Advisers and Broker	W H Ireland Ltd 4 Colston Avenue Bristol BS1 4ST

Verdes Management plc (formerly X-Phonics plc)

Financial Statements

For the year ended 30th September 2010

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Verdes Management plc (formerly X-Phonics plc)

Chairman's Statement

For the year ended 30th September 2010

I am pleased to present the audited results for the 12 months to 30 September 2010 for Verdes Management plc (“Verdes” or “The Company”), previously named X-Phonics plc. The change of name, approved at a General Meeting of the Company on 27 September 2010, followed the investment into the Company by Verdes Management Limited and represented a strategic change in the direction of the business. As such, the financials contained within this set of results relate in the main to the business activities of X-Phonics plc over the 12 months prior to the change of name and strategic direction.

Because of the change in strategy and discontinuance of the music businesses there are no continuing revenues. There is an exceptional credit to continuing administrative expenses of £76,333 (2009: £nil) resulting from the cancelation of amounts due to directors of the company.

Revenues of £78,324 (2009: £94,066) were generated from the discontinued businesses and after cost of sales and overheads of £82,086 (2009: £77,128) and a gain on disposal of the music businesses of £105,393 (2009: £nil), a profit of £101,631 (2009: £16,938) was made for the year.

Verdes Management plc has been established to act as a turnaround advisory business offering services to stakeholders, as well as facilitating investment opportunities in companies in need of restructuring. Verdes has a clear strategic approach to identifying potential opportunities. The Company’s intention is to target distressed and underperforming UK companies, mostly publically listed, worth between approximately £50 million - £250 million across a broad range of sectors, excluding natural resources.

The Company has made good progress over the past five months. We have successfully raised £1,276,250 of new equity since late December 2010. As mentioned in our placing document last September, there had always been a need for the Company to raise additional monies. These new funds enable the Company to focus on its key objectives and provide the necessary capital to expand the business to a point where it can most efficiently identify and execute deals. Whilst the Company is not ruling out a fund raising at an unspecified future date, Verdes is sufficiently capitalised to meet all needs for the foreseeable future. I am delighted to welcome the new shareholders to our register and we appreciate the continued support of the existing owners of our shares.

As a fledgling company we have been under resourced to date. I am pleased to report that Verdes is in the process of selectively recruiting personnel in order to increase our resource and improve our chances of success in securing appropriate mandates.

A further, major milestone in the development of the Company was the recent announcement of the establishment of the Panel. The Panel comprises a number of individuals with an extensive range of key skill sets and City experience, who share the vision and values of Verdes. The Panel’s primary remit is to assist in sourcing and executing business opportunities and, moreover, their combined expertise is expected to enhance the success of Verdes’ future projects. The Company will continue to source deal opportunities independently from the Panel. Although only recently established I have been impressed with the energy, interest and input the Panel has provided Verdes.

Verdes Management plc (formerly X-Phonics plc)

Chairman's Statement

For the year ended 30th September 2010

The current volatility of the economic environment and the difficult trading conditions which many UK companies currently face continues to create an environment in which the Verdes' business model can thrive. This opinion is reinforced by the large number of discussions we have held with individuals and companies from a broad spectrum of the financial sector. We are receiving referrals from a number of city houses, lawyers and financial advisers. This confirms the need for institutional activity and therefore the attractiveness of Verdes' services. The Management team, led by Adam Webb, is continuing to examine a number of new business situations which it believes could prove to be significant value enhancing transactions for the Company. However whilst many opportunities exist it is of paramount importance that Verdes becomes involved in projects that we are able to execute successfully. At this early stage of our development we want to build up a successful track record of rescuing businesses and helping their fortunes to turnaround.

As an example of our activity to date, in November 2010 Verdes led a consortium seeking to acquire the assets, from administration, of a quoted small hotel chain located in the East of England. The proposal we submitted included a credible business plan to improve the specification of the properties and over-haul the food offering by hiring chefs of renown thus greatly enhancing the experience for guests. The restructured group was intended as a vehicle with which to add on further units with a view to an exit strategy of three to five years. Unfortunately on this occasion our consortium lost out to another bidder.

I would like to thank my fellow Directors, employees and advisers of the Company for all of their hard work over the past five months. Verdes Management plc is still a young company but I believe it has built a solid platform from which to move forward onto the next stage of growth. Given the strength of our balance sheet, as well as 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

28th February 2011

Verdes Management plc (formerly X-Phonics plc)

The Directors' Report

For the year ended 30th September 2010

The directors present their annual report and the audited financial statements of the group for the year ended 30 September 2010.

Principal activities and business review

The principal activity of the company during the year was as holding company for X-Phonics Music Limited and other subsidiaries. On 28 September 2010, the company disposed of its subsidiaries and since that date its principal activity has been that of turnaround advisory business.

The principal activity of the group during the year was management of music artistes and writing and publishing songs.

A review of the group's performance for the year ended 30th September 2010 and future developments are contained in the Chairman's statement.

The Company changed its name to Verdes Management plc from X-Phonics plc on 27 September 2010 following a restructuring of the business.

Results and dividends

The trading results for the period and the group'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 Group made a profit of £154,234 for the year ended 30 September 2010 (2009: loss of £98,349).

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 September 2010	At 30 September 2009
M D Hosie	Ordinary 0.1p shares	899,010	899,010
	Deferred 6.5p shares	683,590	683,590
	Deferred 'B' 0.9p shares	899,010	-
R F Davies (resigned 28 September 2010)	Ordinary 0.1p shares	10,825,765	825,765
	Deferred 6.5p shares	661,265	661,265
	Deferred 'B' 0.9p shares	825,765	-
J I McLaughlin (resigned 28 September 2010)	Ordinary 0.1p shares	8,234,500	8,234,500
	Deferred 6.5p shares	-	-
	Deferred 'B' 0.9p shares	8,234,500	-
R A H Webb (appointed 28 September 2010)	Ordinary 0.1p shares	12,500,000	-
	Deferred 6.5p shares	-	-
	Deferred 'B' 0.9p shares	-	-
J Matthews (appointed 28 September 2010)	Ordinary 0.1p shares	5,000,000	-
	Deferred 6.5p shares	-	-
	Deferred 'B' 0.9p shares	-	-

The interests in the Company's share capital shown above for M D Hosie and J I McLaughlin include their wives shares. The share options in which the Directors had an interest were cancelled in the year by written agreement. No share options remain outstanding as at the year end.

Verdes Management plc (formerly X-Phonics plc)

The Directors' Report

For the year ended 30th September 2010

On 28 September 2010, R A H Webb and J Matthews were granted warrants to subscribe for ordinary shares amounting to 2,500,000 and 1,000,000 respectively. The warrants enable the holder to subscribe for ordinary shares of 0.1p at 0.3p per share. No warrants were exercised in the period to 30 September 2010.

Financial risk management objectives and policies

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

Credit risk

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

The group 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 group's policy throughout the year has been to ensure continuity of funding. In order that this is achieved, the group 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 group's current policy concerning the payment of trade creditors 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 group's contractual and other legal obligations.

Trade Creditors of the Group at the year end as a proportion of amounts invoiced by suppliers during the year represent 103 days (2009: 87 days).

Directors' responsibilities

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 group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and separate parent Company financial statements under UK GAAP. The group financial statements are required to give a true and fair view of the state of affairs of the group for that period. In preparing those 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 group financial statements comply with IFRSs as adopted by the European Union; &
- prepare the group financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

Verdes Management plc (formerly X-Phonics plc)

The Directors' Report

For the year ended 30th September 2010

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the group's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Auditor

The Board intends to review the appointment of the auditor for the ensuing year and following that review the Board will make a proposal at the Annual General Meeting in accordance with section 489 of the Companies Act 2006.

Signed by order of the directors

M D Hosie
Company Secretary

Approved by the directors on 28th February 2011

Verdes Management plc (formerly X-Phonics plc)

Independent Auditor's Report to the Shareholders

For the year ended 30th September 2010

We have audited the group financial statements ("the financial statements") of Verdes Management plc (formerly X-Phonics plc) for the year ended 30th September 2010 which comprise the principle accounting policies, the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement and the consolidated statement of changes in equity and notes 1 to 22. 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.

We have reported separately on the parent company financial statements of Verdes Management plc (formerly X-Phonics plc) for the year ended 30th September 2010.

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 group financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the group 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 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.

Opinion on the financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2010 and of its profit 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 group financial statements are prepared is consistent with the group financial statements.

Verdes Management plc (formerly X-Phonics plc)

Independent Auditor's Report to the Shareholders

For the year ended 30th September 2010

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required 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 groups's 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

28th February 2011

M R Neve (Senior Statutory Auditor)
For and of behalf of
CLB GATWICK LLP
Chartered Accountants
& Statutory Auditor

Verdes Management plc (formerly X-Phonics plc)

Consolidated Group Income Statement

For the year ended 30th September 2010

	Note	30 Sep 10	30 Sep 09
		£	£
Continuing operations			
Revenue		-	-
Cost of sales		-	-
		<hr/>	<hr/>
Gross Profit/(loss)		-	-
Administrative expenses:			
Exceptional	4	76,333	-
Normal		(23,636)	(115,228)
		<hr/>	<hr/>
Operating profit/(loss)	2	52,697	(115,228)
Finance income	8	-	47
Finance costs	8	(94)	(106)
		<hr/>	<hr/>
Profit/(Loss) on ordinary activities before taxation		52,603	(115,287)
Income tax expense	9	-	-
		<hr/>	<hr/>
Profit/(Loss) for the financial year from continuing operations		52,603	(115,287)
Discontinued operations			
Profit/(Loss) for the financial year from discontinued operations	5	101,631	16,938
		<hr/>	<hr/>
Attributable to equity holders of the company		154,234	(98,349)
Earnings per share for profit/(loss) attributable to the equity holders of the company (pence)			
Basic	10	0.23	(0.15)
Diluted	10	0.23	(0.15)

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

Notes 1 to 19 form part of these financial statements.

Verdes Management plc (formerly X-Phonics plc) – Registered Number - 05454010

Group Balance Sheet

30th September 2010

	Note	30 Sep 10 £	30 Sep 09 £
Assets			
Non-current assets			
Property, plant and equipment	12	9,714	17,460
		<u>9,714</u>	<u>17,460</u>
Current assets			
Trade and other receivables	13	15,973	49,328
Cash and cash equivalents		126,593	7,457
		<u>142,566</u>	<u>56,785</u>
Total assets		<u><u>152,280</u></u>	<u><u>74,245</u></u>
Liabilities and Equity			
Current liabilities			
Trade and other payables	14	118,323	427,164
Financial liabilities – borrowings – bank overdrafts		-	1,148
Total liabilities		<u>118,323</u>	<u>428,312</u>
Equity			
Capital and reserves attributable to equity holders of the company			
Called-up equity share capital	17	2,886,921	2,803,119
Share premium account		893,462	743,474
Merger reserve		-	(738,578)
Accumulated losses		(3,746,426)	(3,162,082)
Total Equity		<u>33,957</u>	<u>(354,067)</u>
Total Liabilities and Equity		<u><u>152,280</u></u>	<u><u>74,245</u></u>

These financial statements were approved by the directors on 28th February 2011 and are signed on their behalf by:

M D Hosie

Notes 1 to 19 form part of these financial statements.

Verdes Management plc (formerly X-Phonics plc)

Consolidated Group Cash Flow Statement

For the year ended 30th September 2010

	Note	30 Sep 10 £	30 Sep 09 £
Net cash used in operating activities	18	(98,272)	2,233
Net cash from investing activities			
Purchases of property, plant and equipment		(9,712)	-
Interest received		-	47
Interest paid		(543)	(546)
Proceeds from disposal of business		4	-
Net cash flow before financing activities		(108,523)	1,734
Net cash from financing activities			
Net proceeds from issue of equity shares		233,790	-
Borrowings drawn/(eliminated)		(4,983)	(1,784)
Net (decrease)/increase in cash, cash equivalents and overdrafts		120,284	(50)
Cash, cash equivalents and overdrafts at beginning of year		6,309	6,359
Cash, cash equivalents and overdrafts at end of year		126,593	6,309

Notes 1 to 19 form part of these financial statements.

Verdes Management plc (formerly X-Phonics plc)

Consolidated Group Statement of Changes in Equity

For the year ended 30th September 2010

	Share Capital	Share Premium	Merger Reserve	Retained Earnings	Total Equity
	£	£	£	£	£
Balance at 1/10/08	2,803,119	743,474	(738,578)	(3,053,733)	(255,718)
Loss for the period	-	-	-	(98,349)	(98,349)
Balance at 1/10/09	2,803,119	743,474	(738,578)	(3,162,082)	(354,067)
Profit/(Loss) for the period	-	-	-	154,234	154,234
Issue of ordinary shares	83,802	184,988	-	-	268,790
Share issue costs	-	(35,000)	-	-	(35,000)
Elimination of merger reserve on disposal of subsidiary	-	-	735,578	(738,578)	-
At 30/09/10	<u>2,886,921</u>	<u>893,462</u>	<u>-</u>	<u>(3,746,426)</u>	<u>33,957</u>

Notes 1 to 19 form part of these financial statements.

Verdes Management plc (formerly X-Phonics plc)

Notes to the Financial Statements

For the year ended 30th September 2010

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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. Verdes Management plc (formerly X-Phonics plc) was incorporated on 17 May 2005 and on 1 July 2005 the company acquired the entire share capital of X-Phonics Music Limited by way of a share for share exchange. As the shareholders were the same before and after this transaction, the share for share exchange qualifies as a common control transaction and falls outside the scope of IFRS 3, Business Combinations. No goodwill has been recorded and the difference between the parent company’s cost of investment and X-Phonics Music Limited’s share capital and share premium has historically been presented as a merger reserve within equity on consolidation. On 28 September 2010, the company disposed of X-Phonics Music Limited and as a result the merger reserve has been eliminated on consolidation at 30 September 2010.

Revenue

Revenue comprises amounts recognised by the group in respect of goods and services supplied, exclusive of VAT and trade discounts.

Advances to artistes

Advances to artistes and expenses incurred supporting new acts are assessed and the value of the un-recouped portion to be included in debtors is determined by the prospects of future recoupement, based on past sales performance, current popularity and projected sales.

In the period ended 30th September 2010 (2009: £nil), no such carry forward of expenditure was considered appropriate.

Music publishing and record royalties and record producer services

Music publishing and record royalties are accounted for on a notified earnings basis, with any advances, if any, carried forward until the end of the relevant contract period. Royalties received for record producer services are accounted for on a cash basis. Royalties payable are expensed on an accruals basis except that music publishing advances are carried forward and recognised as an asset, where such advances relate to proven artistes or songwriters and where it is estimated that sufficient future royalties will be recouped against those advances.

Verdes Management plc (formerly X-Phonics plc)

Notes to the Financial Statements

For the year ended 30th September 2010

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is allocated on acquisition to cash-generating units that are anticipated to benefit from the combination. Goodwill is not amortised but is reviewed annually for impairment. Impairment is determined by assessing the recoverable amount of a cash-generating unit to which the goodwill relates. This estimate of recoverable amount is performed at each balance sheet date. The estimate of recoverable amount requires significant judgement, and is based on a number of factors such as the near-term business outlook for the cash-generating unit, including both its operating profit and operating cash flow performance. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

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:

Leasehold Property	-	over the period of the lease
Fixtures & Fittings	-	20% straight line
Motor Vehicles	-	25% straight line
Equipment	-	20% straight line

Leasing and Hire purchase agreements

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible non-current assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in liabilities net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the income statement so as to produce a constant periodic rate of charge on the net obligation outstanding in each period. Assets held under hire purchase agreements are capitalised and disclosed under tangible non-current assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the income statement on a straight line basis.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Verdes Management plc (formerly X-Phonics plc)

Notes to the Financial Statements

For the year ended 30th September 2010

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 consolidated 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 group 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.

Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange gains and losses are recognised in the income statement.

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.

Verdes Management plc (formerly X-Phonics plc)

Notes to the Financial Statements

For the year ended 30th September 2010

2. Loss on ordinary activities before taxation

Loss before taxation is stated after charging:

	30 Sep 10	30 Sep 09
	£	£
Depreciation of owned property, plant and equipment	12,622	16,399
Depreciation of assets held under hire purchase agreements	-	2,923
Operating lease costs:		
Land and buildings	39,246	39,246

3. Auditors' remuneration

	30 Sep 10	30 Sep 09
	£	£
Fees payable to the company's auditor for the audit of the company's annual accounts	5,000	3,000
Fees payable to the company's auditor in respect of:		
Auditing of the accounts of subsidiaries of the company	5,000	6,000
Other services relating to taxation	1,000	1,000
All other services	1,500	1,500

4. Exceptional administrative expenses

	30 Sep 10	30 Sep 09
	£	£
Cancelation of amounts due to Directors	76,333	-

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

Verdes Management plc (formerly X-Phonics plc)

Notes to the Financial Statements

For the year ended 30th September 2010

5. Discontinued operations

On 28 September 2010, the company disposed of 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 proceeds of sale were £1 for each company however owing to the net liability position of the subsidiaries at the date of disposal, a gain has been recognised on this disposal. The disposal of the music business is consistent with the Company's policy to focus on its new turnaround business service from 28 September 2010. Details of the assets and liabilities disposed of are displayed below in this note.

The combined results of the discontinued operations (the music business) included in the income statement are set out below. The comparative profit and cash flows from discontinued operations have been represented to include those operations classified as discontinued in the current period.

Profit for the year from discontinued operations	30 Sep 10	30 Sep 09
	£	£
Revenue	78,324	94,066
Cost of sales	(8,965)	(37,194)
Administration expenses	(72,672)	(39,494)
Finance costs	(449)	(440)
Profit before tax	(3,762)	16,938
Attributable income tax expense	-	-
	(3,762)	16,938
Gain on disposal of operation	105,393	-
Profit for the year from discontinued operations	101,631	16,938
Cash flows from discontinued operations	30 Sep 10	30 Sep 09
	£	£
Net cash flows from operating activities	(1,354)	3,287
Net cash flows from investing activities	(4,211)	(394)
Net cash flows from financing activities	(1,784)	(1,784)
Net cash flows	(7,349)	1,109
Book value of net assets sold	30 Sep 10	30 Sep 09
	£	£
<u>Non current assets</u>		
Property, plant and equipment	4,838	-
<u>Current assets</u>		
Cash and cash equivalents	110	-
Trade and other receivables	43,702	-
<u>Current liabilities</u>		
Trade and other payables	(154,039)	-
Net assets disposed of	(105,389)	-

Verdes Management plc (formerly X-Phonics plc)

Notes to the Financial Statements

For the year ended 30th September 2010

6. Particulars of employees

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

	30 Sep 10 No.	30 Sep 09 No.
Number of management staff	<u>3</u>	<u>3</u>

The aggregate remuneration costs of the above were:

	30 Sep 10 £	30 Sep 09 £
Wages and salaries	10,579	-
Social security costs	<u>1,340</u>	<u>1,891</u>
	<u>11,919</u>	<u>1,891</u>

7. Directors' emoluments

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

	30 Sep 10 £	30 Sep 09 £
Emoluments receivable	<u>10,416</u>	<u>7,333</u>

8. Finance income and costs

	30 Sep 10 £	30 Sep 09 £
Finance income		
Interest income on short term bank deposits	<u>-</u>	<u>47</u>
Finance costs		
Interest payable on bank overdrafts	<u>94</u>	<u>106</u>

Verdes Management plc (formerly X-Phonics plc)

Notes to the Financial Statements

For the year ended 30th September 2010

9. Income tax expense

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

Deferred Tax

At the period end the unutilized tax losses carried forward of the company are £511,992 (2009: £566,906). A deferred tax asset has not been recognised in respect of these losses in view of the uncertainty as to the level of future taxable profits. The deferred tax asset that is not recognised in the financial statements in relation to losses carried forward of the company amounts to £107,518 (2009: £119,050).

Factors affecting current income tax charge

The tax assessed on the loss on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 21% (2009 – 21%).

	30 Sep 10	30 Sep 09
	£	£
Profit/(Loss) on ordinary activities before taxation	<u>154,234</u>	<u>(98,349)</u>
Profit/(loss) on ordinary activities by rate of tax	32,389	(20,653)
Expenses not deductible for tax purposes	488	89
Capital allowances for period in deficit/(excess) of depreciation	743	1,673
Impairment charge on goodwill	-	-
Disposal of subsidiaries	(22,132)	-
Utilisation of brought forward losses	(13,061)	-
Credit for tax loss not utilised in the accounts	<u>1,573</u>	<u>18,891</u>
Total current tax	<u>-</u>	<u>-</u>

Verdes Management plc (formerly X-Phonics plc)

Notes to the Financial Statements

For the year ended 30th September 2010

10. 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:

Earnings	30 Sep 10	30 Sep 09
	£	£
Earnings/(loss) for the purposes of basic earnings per share	<u>154,234</u>	<u>(98,349)</u>
Earnings/(loss) for the purposes of diluted earnings per share	<u>154,234</u>	<u>(98,349)</u>
Number of shares	30 Sep 10	30 Sep 09
	No.	No.
Basic weighted average number of shares	<u>66,674,107</u>	<u>66,214,920</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>66,674,107</u>	<u>66,214,920</u>

Verdes Management plc (formerly X-Phonics plc)

Notes to the Financial Statements

For the year ended 30th September 2010

11. Property, plant and equipment

30 th September 2010	Leasehold Property £	Furniture, fittings and equipment £	Motor Vehicles £	Equipment £	Total £
Cost					
At 1 October 09	22,056	4,929	11,693	142,237	180,915
Additions	-	1,467	8,245	-	9,712
On disposal of subsidiaries	(22,056)	(4,929)	(11,693)	(142,237)	(180,915)
At 30 September 10	-	1,467	8,245	-	9,712
Depreciation					
At 1 October 09	18,294	4,730	8,526	131,905	163,455
Charge for the period	1,679	96	2,923	7,924	12,622
On disposal of subsidiaries	(19,973)	(4,826)	(11,449)	(139,829)	(176,077)
At 30 September 10	-	-	-	-	-
Net book amount 30 September 10	-	1,467	8,245	-	9,714
30th September 2009					
Cost					
At 1 October 08	22,056	4,929	30,688	142,237	199,910
Additions	-	-	-	-	-
Disposals	-	-	(18,995)	-	(18,995)
At 30 September 09	22,056	4,929	11,693	142,237	180,915
Depreciation					
At 1 October 08	16,615	3,882	24,598	118,033	163,128
Charge for the period	1,679	848	2,923	13,872	19,322
On disposals	-	-	(18,995)	-	(18,995)
At 30 September 09	18,294	4,730	8,526	131,905	163,455
Net book amount 30 September 09	3,762	199	3,167	10,332	17,460
Hire purchase agreements					

Included within the net book amount of £9,714 is £nil (2009 - £3,167) relating to assets held under hire purchase agreements.

Verdes Management plc (formerly X-Phonics plc)

Notes to the Financial Statements

For the year ended 30th September 2010

12. Trade and other receivables

	30 Sep 10	30 Sep 09
	£	£
Trade receivables	-	13,222
VAT recoverable	666	6,168
Other receivables	-	17,575
Prepayments and accrued income	15,307	12,363
	<u>15,973</u>	<u>49,328</u>

13. Trade and other payables

	30 Sep 10	30 Sep 09
	£	£
Trade payables	35,202	50,130
Hire purchase agreements	-	4,983
Social security and other taxes	1,384	280
Net wages	6,140	-
Other payables	63,852	263,316
Accruals and deferred income	11,745	108,455
	<u>118,323</u>	<u>427,164</u>

14. Obligations under finance leases

Future commitments under hire purchase agreements are as follows:

	30 Sep 10	30 Sep 09
	£	£
No later than 1 year	-	4,983

15. Related party transactions

Transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and other related parties are disclosed below.

During the period group companies were charged £nil (2009: £19,408) by Kerr Douglas Limited, a company under the control of M D Hosie. This cost is made up of £nil (2009: £7,333) in respect of director's services, and £nil (2009: £12,075) in respect of bookkeeping services provided by M D Hosie's wife. During the 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 £3,340 (2009: £75,380) was payable to Kerr Douglas Limited and is included within trade and other payables.

During the year R F Davies agreed to waive £36,000 in regard to amounts owing to him for directors' services (in earlier years). At the period end a VAT inclusive amount of £nil (2009: £37,103) was payable to R F Davies and is included within other payables. During the year, R F Davies also agreed to waive loan balances payable to him by the group of £26,703. At the period end an amount of £nil (2009: £66,703) is repayable to R F Davies and is included within trade and other payables.

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Notes to the Financial Statements

For the year ended 30th September 2010

During the year, R A H Webb provided a £10,000 loan to the Company which is included within trade and other payables at the year end.

16. Share capital

Authorised share capital:

	30 Sep 10 £	30 Sep 09 £
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	-
32,938,000 Deferred shares of £0.065 each	<u>2,140,970</u>	<u>2,140,970</u>
	<u>10,595,984</u>	<u>10,000,050</u>

Allotted, called up and fully paid:

	30 Sep 10 No.	30 Sep 10 £	30 Sep 09 No.	30 Sep 09 £
Ordinary shares of £0.001 each	150,016,609	150,017	662,149,000	662,149
Deferred 'B' shares of £0.009 each	66,214,920	595,934	-	-
Deferred shares of £0.065 each	<u>32,938,000</u>	<u>2,140,970</u>	<u>32,938,000</u>	<u>2,140,970</u>
	<u>249,169,529</u>	<u>2,886,921</u>	<u>99,152,920</u>	<u>2,803,119</u>

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 and have no right to a dividend.

On 27 September 2010 the Company's share capital was consolidated whereby each of the then existing 66,214,920 issued ordinary shares of 1p each was subdivided into one ordinary share of 0.1p and one 'B' deferred share of 0.9p.

On 28 September 2010, 41,416,666 ordinary shares of 0.1p each were issued at a price of 0.3p per share which were fully paid.

On 28 September 2010, 29,885,023 ordinary shares of 0.1p each were issued at a price of 0.4p per share which were fully paid.

On 28 September 2010, 12,500,000 ordinary shares of 0.1p each were issued at a price of 0.2p per share which were fully paid.

Since the year end the Company has issued a further 172,083,498 ordinary shares for a total consideration of £1,282,000.

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Notes to the Financial Statements

For the year ended 30th September 2010

17. Cash generated/used by operations

	30 Sep 10	30 Sep 09
	£	£
Profit/(Loss) before taxation	154,234	(98,349)
Investment income	-	(47)
Interest payable	106	109
Interest element of hire purchase	437	437
Loss on disposal of property, plant and equipment	4,836	-
Taxation in income statement	-	1,257
Depreciation	12,622	19,322
Decrease/(increase) in receivables	33,352	33,675
(Decrease)/increase in payables	(303,859)	45,829
Net cash used by operations	<u>(98,272)</u>	<u>2,233</u>

18. Subsidiary undertakings

Details of the Company's subsidiaries in the year were as follows:

	Country of incorporation	Holding	Shares held £	Nature of business £
X-Phonics Music Limited	England and Wales	Ordinary shares	100%	Services in the Music industry
X-Phonics Music Publishing Limited	England and Wales	Ordinary shares	100%	Songwriting and publishing
White Noise Music Limited	England and Wales	Ordinary shares	100%	Services in the Music industry
X-Phonics Records Limited	England and Wales	Ordinary shares	100%	Recently dissolved
X-Phonics Productions Limited	England and Wales	Ordinary shares	100%	Dormant

All subsidiaries were disposed of on 28 September 2010 and no longer form part of the group.