Company Registration No. 5413008

# IPSO MANAGEMENT LIMITED

## Report and Financial Statements

## 30 April 2010

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# IPSO MANAGEMENT LIMITED

## REPORT AND FINANCIAL STATEMENTS 2010

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# IPSO MANAGEMENT LIMITED

## REPORT AND FINANCIAL STATEMENTS 2010

## OFFICERS AND PROFESSIONAL ADVISERS

### DIRECTORS

S D Hunt
P N Rodgers

### SECRETARY

J J Dreyer

### REGISTERED OFFICE

Elizabeth House
39 York Road
London SE1 7NQ

### AUDITORS

Deloitte LLP
Chartered Accountants and Statutory Auditors
Cambridge, United Kingdom

## DIRECTORS' REPORT

The directors present their report and the financial statements of the company for the year ended 30 April 2010

The directors' report has been prepared in accordance with the provision applicable to companies entitled to the small companies exemption

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the company during the year were the commercialisation of intellectual property and the provision of related advice and services The company operates principally in the United Kingdom

The results for the year show a loss of £761,411 (2009 - loss of £695,717) The directors consider these results as acceptable for the year

### GOING CONCERN

Although there is a material uncertainty over the company's ability to continue as a going concern, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis in preparing the annual financial statements

Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements

### DIVIDENDS

No dividend has been paid in respect of the year ended 30 April 2010 (2009 - nil)

### DIRECTORS OF THE COMPANY

The directors who served the company throughout the year and subsequently were as follows

S D Hunt
P N Rodgers
S N Haworth (resigned 8 October 2010)

### DIRECTORS' INDEMNITIES

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report

### CHARITABLE DONATIONS

During the year the company did not make any charitable or political donations

### AUDITORS

Each of the persons who is a director at the date of approval of this annual report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors and signed on its behalf by

J J Dreyer
Secretary

## 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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, 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

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IPSO MANAGEMENT LIMITED

We have audited the financial statements of IPSO Management Limited for the year ended 30 April 2010 which comprise the profit and loss account, the balance sheet and the related notes 1 to 17 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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 auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement, 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 (APB's) Ethical Standards for Auditors

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the 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

**Opinion on 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 April 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Emphasis of matter - Going concern**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern The company incurred a net loss of £761,411 during the year ended 30 April 2010 and, as of that date, the company's current liabilities exceeded its total assets by £2,744,046 These conditions, along with other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern

**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

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IPSO MANAGEMENT LIMITED (continued)

**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, or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report

**Stuart Henderson (Senior Statutory Auditor)**
**For and on behalf of Deloitte LLP**
Chartered Accountants and Statutory Auditors
Cambridge, United Kingdom

1 November 2010

IPSO MANAGEMENT LIMITED

## PROFIT AND LOSS ACCOUNT
## Year ended 30 April 2010

| | Note | 2010 £ | 2009 £ |
|---|---|---|---|
| **REVENUE** | 2 | 78,578 | 27,374 |
| **Administrative expenses** | | | |
| Share-based payment charges | 13 | (198,089) | (25,059) |
| Other | | (652,762) | (782,621) |
| | | (850,851) | (807,680) |
| **OPERATING LOSS** | 3 | (772,273) | (780,306) |
| Interest receivable and similar income | 5 | 10,211 | 85,156 |
| **LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION** | | (762,062) | (695,150) |
| Tax on loss on ordinary activities | 6 | 651 | (567) |
| **LOSS FOR THE FINANCIAL YEAR** | 14 | (761,411) | (695,717) |

All activities derive from continuing operations

The company has no recognised gains or losses other than the results for the current year and the preceding year as set out above

## BALANCE SHEET
## 30 April 2010

| | Note | 2010 £ | 2009 £ |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Tangible assets | 7 | 6,316 | 9,410 |
| Investments | 8 | 2,185,634 | 1,866,463 |
| | | 2,191,950 | 1,875,873 |
| **CURRENT ASSETS** | | | |
| Debtors | 9 | 223,715 | 156,252 |
| Cash on deposit | | - | 902,287 |
| Cash at bank and in hand | | 140,328 | 245,070 |
| | | 364,043 | 1,303,609 |
| **CREDITORS: amounts falling due within one year** | 10 | (5,300,039) | (5,161,466) |
| **NET CURRENT LIABILITIES** | | (4,935,996) | (3,857,857) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | (2,744,046) | (1,981,984) |
| **PROVISIONS FOR LIABILITIES** | | | |
| Deferred taxation | 11 | - | (651) |
| **NET LIABILITIES** | | (2,744,046) | (1,982,635) |
| **CAPITAL AND RESERVES** | | | |
| Called up share capital | 12 | 1,177 | 1,177 |
| Profit and loss account | 14 | (2,745,223) | (1,983,812) |
| **SHAREHOLDERS' DEFICIT** | 14 | (2,744,046) | (1,982,635) |

The financial statements of IPSO Management Limited, registered number 5413008, were approved by the Board of Directors and authorised for issue on 26 OCTOBER 2010

They were signed on its behalf by

S D Hunt

Director

# NOTES TO THE FINANCIAL STATEMENTS
## Year ended 30 April 2010

## 1. ACCOUNTING POLICIES

The principal accounting policies are summarised below They have all been applied consistently throughout the current year and the preceding year

**Accounting convention**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

**Going concern**

The directors have reviewed the going concern basis of preparation, in accordance with FRS 18 'Accounting policies'

IPSO Management Limited is reliant on IPSO Ventures plc, its immediate parent undertaking, being able to provide the financial support that will be required to enable IPSO Management Limited to continue to meet its liabilities as they fall due IPSO Ventures plc itself will need to either raise additional funding and/or realise gains from its investments, in order for it to continue as a going concern and, therefore, provide such funding The outcome of this is uncertain

The directors have reviewed the latest financial position of the company and prepared a cash flow forecast which they consider makes appropriate allowance for these uncertainties This shows that the company is expected to be cash generative for the foreseeable future

The company had net current liabilities of £4,935,996 at 30 April 2010, which included an amount of £5,243,771 owed to IPSO Ventures plc, the company's immediate and ultimate parent company However, the directors have received a letter of intent from the directors of IPSO Ventures plc that they will not seek repayment of the total amount owed to it, for a period of at least 12 months from the date of approval of these financial statements Furthermore, the directors have considered that this is consistent with the business model of the IPSO Ventures plc group

The directors therefore consider that, based upon the current level of activity, the company will be able to meet its liabilities as they fall due for the foreseeable future Accordingly, the directors have prepared these financial statements on the going concern basis

However, the above conditions and events facing the company give rise to material uncertainties which may cast significant doubt on the company's ability to continue as a going concern

The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern

**Group accounts**

IPSO Management Limited is exempt from the requirement to prepare consolidated financial statements on the grounds of its size The financial information represents information about IPSO Management Limited and not about its group IPSO Management Limited held two subsidiaries during the year, which have been consolidated in the consolidated financial statements of IPSO Ventures plc, the ultimate parent company

**Cash flow statement**

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is small

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes

# NOTES TO THE FINANCIAL STATEMENTS
## Year ended 30 April 2010

1. **ACCOUNTING POLICIES (continued)**

**Fixed assets**

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows

| | |
|---|---|
| Fixtures and fittings | 5 years on a straight line basis |
| Equipment | 3 years on a straight line basis |

**Investments**

Fixed asset investments are stated at cost, less any provision for permanent diminution in value

**Taxation**

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

**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

**Share-based payments**

The company issues equity-settled share-based payments to its directors and other contractors Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the directors' estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions

Fair value is measured using the Black Scholes model The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations

**Financial liabilities and equity**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities

# NOTES TO THE FINANCIAL STATEMENTS
## Year ended 30 April 2010

### 1 ACCOUNTING POLICIES (continued)

**Equity instruments**

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs

**Pensions**

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

**Leases**

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used

### 2. REVENUE

| | 2010 £ | 2009 £ |
|---|---|---|
| Provision of professional services | 78,578 | 27,374 |

All revenue is derived in the UK

### 3. OPERATING LOSS

| **Operating loss is stated after charging:** | 2010 £ | 2009 £ |
|---|---|---|
| Depreciation of owned fixed assets | 4,528 | 6,575 |
| Operating lease rentals - other | 27,593 | 64,069 |

| **The analysis of auditors' remuneration is as follows:** | 2010 £ | 2009 £ |
|---|---|---|
| Fees payable to the company's auditors for the audit of the company's annual accounts | 19,127 | 18,450 |
| Tax services | 2,400 | 4,400 |

## NOTES TO THE FINANCIAL STATEMENTS
## Year ended 30 April 2010

### 4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

**Staff costs**

| | 2010 £ | 2009 £ |
|---|---|---|
| Salaries | 381,612 | 471,879 |
| Social security costs | 48,537 | 50,803 |
| Other pension costs | 32,453 | 47,769 |
| Employee share option charge | 198,089 | 25,059 |
| | 660,691 | 595,510 |

The average monthly number of employees (including executive directors) employed by the company during the year was five, all of whom were involved in management and administration activities (2009 - five)

**Directors' remuneration:**

| | 2010 £ | 2009 £ |
|---|---|---|
| Emoluments | 249,500 | 240,000 |
| Sums paid to third parties in respect of directors' services | 20,000 | 60,000 |
| Company contributions to pension schemes | 21,000 | 35,500 |
| | 290,500 | 335,500 |

Retirement benefits are accruing to three (2009 - three) directors under money purchase schemes

**Remuneration of the highest paid director:**

| | 2010 £ | 2009 £ |
|---|---|---|
| Emoluments | 94,871 | 120,000 |
| Company contributions to personal pension plans | 7,000 | 12,000 |
| | 111,871 | 132,000 |

### 5. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2010 £ | 2009 £ |
|---|---|---|
| Interest receivable on bank deposits | 10,211 | 85,156 |

# NOTES TO THE FINANCIAL STATEMENTS
## Year ended 30 April 2010

### 6. TAX ON LOSS ON ORDINARY ACTIVITIES

**(a) Analysis of credit (charge) for the year:**

| | 2010 £ | 2009 £ |
|---|---|---|
| **Current tax** | | |
| United Kingdom corporation tax at 28% (2009 - 28%) | - | - |
| **Deferred tax** | | |
| Deferred tax credit (charge) current year | 651 | (567) |
| **Total tax on loss on ordinary activities** | 651 | (567) |

**(b) Factors affecting tax charge for the year**

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 28% (2009 - 28%) The actual tax charge for the current and the previous year differs from the standard rate for the reasons set out in the following reconciliation

| | 2010 £ | 2009 £ |
|---|---|---|
| Loss on ordinary activities before taxation | (762,062) | (695,150) |
| Tax on loss on ordinary activities at standard rate | (213,377) | (194,642) |
| **Factors affecting charge for the year** | | |
| Expenses not deductible for tax purposes | 57,553 | 9,077 |
| Capital allowances less than (in excess of) depreciation | 469 | (577) |
| Other timing differences | 4,760 | - |
| Tax losses carried forward | 150,595 | 186,142 |
| Total actual amount of current tax | - | - |

**c) Factors affecting tax charge for future years**

In June 2010 the UK Government announced that it would introduce legislation that would reduce the corporation tax rate to 27% with effect from 1 April 2011 This legislation was substantively enacted on 27 July 2010 The effective tax rate for the period to 30 April 2011 is expected to reduce accordingly

# NOTES TO THE FINANCIAL STATEMENTS
## Year ended 30 April 2010

### 7. TANGIBLE FIXED ASSETS

| | Fixtures and fittings £ | Equipment £ | Total £ |
|---|---|---|---|
| **Cost** | | | |
| At 1 May 2009 | 4,855 | 20,695 | 25,550 |
| Additions | - | 1,434 | 1,434 |
| At 30 April 2010 | 4,855 | 22,129 | 26,984 |
| **Depreciation** | | | |
| At 1 May 2009 | 753 | 15,387 | 16,140 |
| Charge for year | 971 | 3,557 | 4,528 |
| At 30 April 2010 | 1,724 | 18,944 | 20,668 |
| **Net book value** | | | |
| At 30 April 2010 | 3,131 | 3,185 | 6,316 |
| At 30 April 2009 | 4,102 | 5,308 | 9,410 |

### 8. INVESTMENTS

| | Subsidiaries £ | Associates £ | Other £ | Total £ |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 May 2009 | 676,002 | 1,098,994 | 91,467 | 1,866,463 |
| Additions | 294,171 | 25,000 | - | 319,171 |
| At 30 April 2010 | 970,173 | 1,123,994 | 91,467 | 2,185,634 |

During the year, the company invested a further £135,000 in Medermica Limited and £25,000 in Axilica Limited The company also invested £12,000 in IPSO Capital Limited In addition, the company invested £147,171 in IPSol Energy Limited, a newly incorporared subsidiary in the current year

# NOTES TO THE FINANCIAL STATEMENTS
## Year ended 30 April 2010

### 8. INVESTMENTS (continued)

At the end of the year the company owned a percentage of the issued ordinary share capital of the following companies, all of which are registered in England and Wales

| | Type of shares | Ownership % | Nature of business | Capital and reserves £ | Loss for the year £ |
|---|---|---|---|---|---|
| **Subsidiary undertakings** | | | | | |
| Medermica Limited | Ordinary | 75 | Research | (114,636) | (83,310) |
| IPSol Energy Limited (formerly IPSol Test Limited) | Ordinary | 82 | Service | (36,889) | (184,144) |
| **Associates** | | | | | |
| Axilica Limited | Ordinary | 45 | Research | 162,650 | (210,061) |
| Polyfect Solutions Limited | Ordinary | 35 | Research | 285,245 | (119,145) |
| Therakind Limited | Ordinary | 41 | Research | 217,188 | (260,444) |
| **Trade investments** | | | | | |
| WildKey Limited | Ordinary | 9 | Research | n/a | n/a |

### 9. DEBTORS

| | 2010 £ | 2009 £ |
|---|---|---|
| **Due within one year** | | |
| Amounts owed by group undertakings | 186,735 | 124,830 |
| VAT receivable | 729 | 3,219 |
| Other debtors | 25,531 | 17,325 |
| Prepayments | 10,720 | 10,878 |
| | 223,715 | 156,252 |

### 10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2010 £ | 2009 £ |
|---|---|---|
| Trade creditors | 10,747 | 15,919 |
| Amounts owed to group undertakings | 5,243,771 | 5,117,495 |
| Other creditors | 18,671 | 202 |
| Accruals | 26,850 | 27,850 |
| | 5,300,039 | 5,161,466 |

# NOTES TO THE FINANCIAL STATEMENTS
## Year ended 30 April 2010

### 11. PROVISIONS FOR LIABILITIES

| | Deferred taxation £ |
|---|---|
| At 1 May 2009 | (651) |
| Credit to profit and loss account | 651 |
| At 30 April 2010 | - |

| | Provided 2010 £ | Provided 2009 £ | Unprovided 2010 £ | Unprovided 2009 £ |
|---|---|---|---|---|
| Accelerated capital allowances | (181) | (651) | - | - |
| Other timing differences | - | - | (4,760) | - |
| Tax losses available | 181 | - | (675,264) | (527,650) |
| Provision for deferred tax | - | (651) | (680,024) | (527,650) |

The tax losses are recoverable against future trading profits from the same trades

### 12. CALLED UP SHARE CAPITAL

| | 2010 £ | 2009 £ |
|---|---|---|
| **Called up, allotted and fully paid** | | |
| 1,176,470 ordinary shares of £0 001 each | 1,177 | 1,177 |

### 13. SHARE-BASED PAYMENTS

The IPSO Ventures plc group has a share option scheme for certain employees of the company Options are exercisable at prices determined at the date of grant The vesting period is 3 years If the options remain unexercised after the exercise period, the options expire Options are forfeited if the employee leaves the company before the options vest

Details of the share options outstanding during the year are as follows

| | 2010 Number of share options | 2010 Weighted average exercise price | 2009 Number of share options | 2009 Weighted average exercise price |
|---|---|---|---|---|
| Outstanding at the beginning of the year | 257,000 | 19 6p | 164,692 | 30 6p |
| Granted in the year | 450,590 | 3 7p | 92,308 | - |
| Outstanding at the end of the year | 707,590 | 9 2p | 257,000 | 19 6p |

## NOTES TO THE FINANCIAL STATEMENTS
## Year ended 30 April 2010

### 13. SHARE-BASED PAYMENTS (continued)

In 2010, 120,000 options were granted on 6 November 2009 with an exercise price of £nil and 330,590 options were granted on 26 November 2009 with an exercise price of £0 05 The first option award will vest in 3 equal tranches over the 3 years and expire 10 years after the grant date The second option award will vest when performance conditions are satisfied The weighted average share price at the date of grant was 50 0p

In 2009, 92,308 options were granted on 18 November 2008 with an exercise price of £nil The first date of exercise is 32 months after the grant date and the final date of exercise is 5 years after the grant date The weighted average share price at the date of grant was 65 0p

The fair value of equity-settled share options granted is estimated as at the date of grant using a Black Scholes model, taking into account the terms and conditions upon which the options were granted The following table lists the inputs to the model

| | 2010 | 2009 |
|---|---|---|
| Weighted average share price (pence) | 50 | 65 |
| Weighted average exercise price (pence) | 3 7 | - |
| Expected share price volatility (%) | 30 | 30 |
| Expected life (years) | 2 | 3 |
| Risk-free interest rate (%) | 5 | 5 |
| Dividend yield (%) | - | - |
| Employee exit rate | - | - |

The expected life of the options is based on academic research and is not necessarily indicative of exercise patterns that may occur The expected volatility reflects the assumption that the comparator's volatility is indicative of future trends, which may also not necessarily be the actual outcome No other features of options granted were incorporated into the measurement of fair value

The company recognised total expenses of £198,089 (2009 - £25,059) related to equity-settled share-based payment transactions during the year

### 14. STATEMENT OF MOVEMENTS IN RESERVES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

| | Called up share capital £ | Profit and loss account £ | Total 2010 £ | Total 2009 £ |
|---|---|---|---|---|
| Balance at 1 May | 1,177 | (1,983,812) | (1,982,635) | (1,286,918) |
| Loss for the year | - | (761,411) | (761,411) | (695,717) |
| Balance at 30 April | 1,177 | (2,745,223) | (2,744,046) | (1,982,635) |

## NOTES TO THE FINANCIAL STATEMENTS
## Year ended 30 April 2010

### 15. FINANCIAL COMMITMENTS

At 30 Aprıl 2010 the company had aggregate annual commıtments under non-cancellable operatıng leases as set out below

| | 2010 £ | 2009 £ |
|---|---|---|
| Operatıng leases whıch expıre | | |
| Wıthın 1 year | 13,761 | 27,180 |
| Between 1 and 5 years | - | 4,530 |

Operatıng lease payments represent rentals payable by the company for certaın of ıts office propertıes Leases are negotıated for an average term of one year and rentals are fixed for an average of one year

### 16. RELATED PARTY TRANSACTIONS

Durıng the year, the company reımbursed an amount of £67,500 (2009 - £202,500) of reseach and development costs ıncurred by Medermıca Lımıted

At 30 Aprıl 2010, £148,490 (2009 - £11,643) was due from Medermıca Lımıted for expendıture ıncurred by the company on ıts behalf and outstandıng reımbursements

At 30 Aprıl 2010, £8,546 (2009 - £2,277) was due from Therakınd Lımıted for expendıture ıncurred by the company on ıts behalf

At 30 Aprıl 2010, £3,603 (2009 - £6,073) was due from Axılıca Lımıted for expendıture ıncurred by the company on ıts behalf

At 30 Aprıl 2010, £940 (2009 - £4,836) was due from Polyfect Solutıons Lımıted for expendıture ıncurred by the company on ıts behalf

### 17. ULTIMATE PARENT COMPANY

The ultımate and ımmedıate parent company and controllıng party ıs IPSO Ventures plc, a company regıstered ın England and Wales

IPSO Ventures plc ıs the parent company of the smallest and largest group of whıch the company ıs a member and for whıch group accounts are drawn up These accounts are avaılable to the publıc and may be obtaıned from the company's regıstered office

IPSO MANAGEMENT LIMITED

## ADDITIONAL INFORMATION

The additional information which comprise the detailed profit and loss account has been prepared from the accounting records of the company and does not form part of the audited statutory financial statements

## IPSO MANAGEMENT LIMITED

## DETAILED PROFIT AND LOSS ACCOUNT (UNAUDITED)
## Year ended 30 April 2010

| | 2010 £ | 2009 £ |
|---|---|---|
| **REVENUE** | 78,578 | 27,374 |
| **Administrative expenses** | | |
| Directors' salaries | (237,500) | (348,000) |
| Wages and salaries | (144,152) | (124,103) |
| Equity settled share-based payment charge | (198,089) | (25,059) |
| National insurance contributions | (48,537) | (50,803) |
| Pensions | (32,453) | (47,769) |
| Healthcare | (9,784) | (8,603) |
| Rent and rates | (38,961) | (64,069) |
| Insurance | (2,393) | (3,524) |
| Motor expenses | - | (250) |
| Travel and subsistence | (9,324) | (11,394) |
| Communications | (11,708) | (11,191) |
| Office expenses | (1,747) | (1,234) |
| Stationery and postage | (3,442) | (2,932) |
| Staff training | (384) | (150) |
| Subscriptions and conferences | (4,553) | (4,995) |
| Entertainment | (2,664) | (4,440) |
| Legal and professional fees | (36,047) | (37,448) |
| External consultants | (38,308) | (30,190) |
| Accountancy fees | (1,038) | (4,662) |
| Auditors' remuneration | (21,527) | (19,425) |
| Recruitment | (2,000) | - |
| Depreciation | (4,528) | (6,575) |
| Bank charges | (1,712) | (864) |
| | (850,851) | (807,680) |
| **OPERATING LOSS** | (772,273) | (780,306) |
| Bank interest receivable | 10,211 | 85,156 |
| **LOSS BEFORE TAX** | (762,062) | (695,150) |
| Taxation | 651 | (567) |
| **LOSS FOR THE YEAR** | (761,411) | (695,717) |