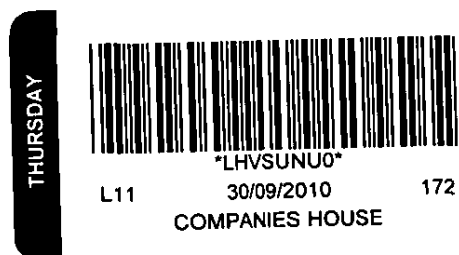


QuantaSol Limited

Company Registration No: 05882326

ABBREVIATED ACCOUNTS

For the year ended 31 December 2009



QUANTASOL LIMITED

COMPANY INFORMATION

Directors: I Jenks
C Shannon
P Vickery
K Barnham
S Mahon
R Bahns
P Holbeche

Company Number: 05882326

Registered Office: 14 Kingsmill Business Park
Chapel Mill Road
Kingston upon Thames
Surrey KT1 3GZ

Auditors: Grant Thornton UK LLP
Churchill House
Chalvey Road East
Slough
Berkshire SL1 2LS

QUANTASOL LIMITED

INDEPENDENT AUDITORS' REPORT TO QUANTASOL LIMITED UNDER SECTION 449 OF THE COMPANIES ACT 2006 (CONTINUED)

We have examined the abbreviated accounts set out on pages 3 to 8, together with the financial statements of Quantasol Limited for the year ended 31 December 2009 prepared under section 396 of the Companies Act 2006

This report is made solely to the company, in accordance with Section 449 of the Companies Act 2006. Our work has been undertaken so that we might state to the company those matters we are required to state to them in a special 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, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 444 of the Companies Act 2006. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with the regulations made under that section and to report our opinion to you.

We conducted our work in accordance with Bulletin 2008/4 issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts are properly prepared.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 444(3) of the Companies Act 2006, and the abbreviated accounts have been properly prepared in accordance with the regulations under that section.

Grant Thornton UK LLP

Paul Creasey
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Slough

28 September 2010

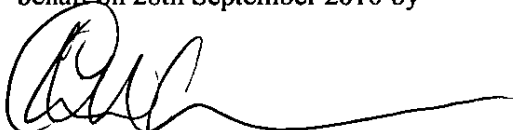
QUANTASOL LIMITED

BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	£	2009 £	£	2008 £
Fixed assets					
Intangible fixed assets			-		139,053
Tangible fixed assets	2		80,445		94,161
Fixed asset investments			<u>1</u>		<u>1</u>
			80,446		233,215
Current assets					
Debtors		66,762		214,453	
Cash at bank		1,681,628		316,367	
		<u>1,748,390</u>		<u>530,820</u>	
Creditors: amounts falling due within one year	3	(2,080,685)		(1,506,873)	
Net current assets/(liabilities)			<u>(332,295)</u>		<u>(976,053)</u>
Total assets less current liabilities			<u>(251,849)</u>		<u>(742,838)</u>
Creditors: amounts falling due after more than one year	4		4,138,301		1,343,761
Capital and reserves					
Ordinary shares	5	1,042		1,000	
Investment in own shares		(15)		(51)	
Profit and loss account		<u>(4,391,177)</u>		<u>(2,087,548)</u>	
Shareholders' deficit			<u>(4,390,150)</u>		<u>(2,086,599)</u>
Capital, reserves and long term funding			<u>(251,849)</u>		<u>(742,838)</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28th September 2010 by



C Shannon
Director

The accompanying notes form part of these financial statements

QUANTASOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1. Accounting policies

1.1. Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements have been prepared on the going concern basis

On 2nd September 2010 the Company obtained £2.0m additional funding by way of convertible loans from existing investors. Of that amount £1.0m has been received with a further £1.0m due by 31st January 2011 subject to achieving certain milestones. Based on current cash flow projections this gives certainty of funding through to July 2011.

The directors have concluded that given the technical progress that has been made and the success of securing new funding, the going concern basis of accounting continues to be the most appropriate.

1.2. Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts. Turnover is recognised at the point at which the customer takes ownership of the stock item and the company's obligation to deliver the product has been fulfilled.

1.3. Intangible fixed assets and amortisation

Intangible fixed assets are stated at cost less accumulated amortisation and provisions for impairment.

Intangible fixed assets are amortised over their useful economic life in line with the recognition of the revenue that they generate.

1.4. Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant and machinery	- 3 years straight line
Office equipment	- 3 years straight line
Fixtures, fittings and equipment	- 3 years straight line

1.5. Investments

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

QUANTASOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1.6. Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if 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 assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1.7. 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 profit and loss account

1.8. Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way, unless the directors are satisfied as to the technical, commercial and financial viability of the project to which it relates. In this situation the expenditure is deferred and amortised over the period in which the company is expected to receive the benefit

1.9. Employee benefit trust

In accordance with Urgent Issues Task Force (UITF) Abstract 32 "Employee Benefit Trusts and other intermediate payment arrangements", the company includes the assets and liabilities of the employee benefit trust within its balance sheet. In the event of the winding up of the company, neither the shareholders nor the creditors would be entitled to the assets of the employee benefit trust

Investments in own shares held in connection with the company's employee benefit trust are deducted from the shareholders' funds in accordance with FRS 25 Financial Instruments Disclosure and Presentation" until such time as they vest unconditionally to participating employees

QUANTASOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1.10. Government grants

Grants from the government are recognised at their fair value when there is a reasonable assurance that the grant will be received and the company will comply with all attached conditions

Government grants relating to costs are deferred and recognised in the profit and loss account over the period necessary to match them with the costs that they are intended to compensate

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income profit and loss account on a straight-line basis over the expected lives of the related assets

1.11. 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

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, these financial statements are classified as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited directly to equity

2. Tangible fixed assets

	Plant and Machinery £	Furniture and fittings £	Office equipment £	Total £
Cost				
At 1 January 2009	32,890	57,490	17,474	107,854
Additions	11,734	-	12,523	24,257
At 31 December 2009	44,624	57,490	29,997	132,111
Depreciation				
As at 1 January 2009	3,444	7,283	2,966	13,693
Charge for the year	11,308	18,563	8,102	37,973
At 31 December 2009	14,752	25,846	11,068	51,666
Net book value				
At 31 December 2009	29,872	31,644	18,929	80,445
At 31 December 2008	29,446	50,207	14,508	94,161

QUANTASOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

3. Creditors: amounts falling due within one year

	2009	2008
	£	£
Trade creditors	260,464	398,739
Corporation tax	-	2,175
Social security and other taxes	12,984	12,025
Loans	1,500,000	909,244
Other creditors	49,201	-
Accruals	258,036	184,690
	<u>2,080,685</u>	<u>1,506,873</u>

During the year the company issued £300,000 of additional loan notes which together with the opening balance were repaid after £800,000 plus accumulated interest was converted at £5.00 per share into convertible participating redeemable preference shares. The company then issued a further £1.5m convertible loan during the year. Interest arises on this convertible loan at 15% p.a.

4. Creditors: amounts falling due after more than one year

	2009	2008
	£	£
Shares classified as financial liabilities	4,138,301	1,294,561
Accruals and deferred income	-	49,200
	<u>4,138,301</u>	<u>1,343,761</u>
Shares classified as financial liabilities		
Convertible participating preference shares	6,747	928
Share premium	4,279,861	1,369,072
Costs associated with the issue of the preference shares	(148,308)	(75,439)
	<u>4,138,301</u>	<u>1,294,561</u>

Creditors include amounts wholly repayable within 5 years as follows -

	2009	2008
	£	£
Repayable other than by instalments	<u>4,286,609</u>	<u>1,370,000</u>

The terms attaching to the convertible participating redeemable preference shares of £0.01 each are, as follows

- Each preference shareholder has the same voting rights as each ordinary shareholder. On a poll, each preference shareholder holding one or more preference shares is entitled to exercise the number of votes which he would have been entitled to exercise if all the preference shares held by him had been converted into ordinary shares immediately before the holding of the general meeting at the then applicable conversion rate.

QUANTASOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

- The ordinary shares and the preference shares rank *par passu* in all respects as to income as if all the preference shares in issue had been converted into ordinary shares at the then applicable conversion rate
- The shares rank above the ordinary shares on winding up and the shareholders have a right to receive the full original issue price of the shares in preference to any payments being made to the ordinary shareholders. The balance of any asset remaining once the preference shareholders have had their capital returned is distributed amongst the holders of the preference shares and the ordinary shares (*par passu* as if the same constituted one class of share) *pro rata* according to the number of shares held by each shareholder, such number to be calculated as if all the preference shares in issue had been converted into ordinary shares at the then applicable conversion rate
- If at 31 May 2012, no sale or listing of the company has occurred any holder of preference shares may, thereafter, give notice to the company requiring that all or some of his shares shall be redeemed on a specified date at an amount per preference share equal to the aggregate of the original issue price of that share and an additional amount that equals any accrued dividends and interest of 10% *p a* from the date of issue to the date of redemption
- Any holder of preference shares shall be entitled to require conversion of their entire holding of preference shares into ordinary shares at any time at the applicable conversion rate, being that for each preference share, one ordinary share will be received in return. The exception to this is that, upon a listing, all of the preference shares shall, immediately prior to admission, automatically convert into ordinary shares. The number of ordinary shares into which the preference shares so convert is such number as gives the same proportion of the total number of ordinary shares after such conversion as the proportion of the cash payable to all shareholders which the preference shareholders would have received on a sale

5. Share capital

	2009 £	2008 £
Authorised share capital		
674,722 (2008 92,843) Participating redeemable preference shares of 1p each	6,747	928
1,000,000 Ordinary shares of 1p each	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid		
Shares classified as financial liabilities		
674,722 (2008 92,843) Participating redeemable preference shares of 1p each	<u>6,747</u>	<u>928</u>
Equity shares:		
104,249 (2008 100,000) Ordinary shares of 1p each	<u>1,042</u>	<u>1,000</u>