

# CarbonDesk Group PLC

REPORT AND ACCOUNTS  
FOR THE YEAR ENDED 30 APRIL 2010



# CarbonDesk Group PLC

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# CarbonDesk Group PLC

## COMPANY INFORMATION

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<b>Directors</b>	B L Allan (Chairman) D Edelman P J Holmes B E Stacey Lord A T St John
<b>Secretary</b>	Aldermay Secretaries Limited
<b>Registered office</b>	4 Chiswell Street London EC1Y 4UP
<b>Registered number</b>	05778750 (England & Wales)
<b>Corporate Adviser</b>	Alexander David Securities Limited 10 Finsbury Square London EC2A 1AD
<b>Solicitors</b>	Dundas & Wilson LLP North West Wing, Bush House Aldwych London WC2B 4EZ
<b>Auditors</b>	Additions Accountants Ltd Queen Insurance Buildings 7 Queen Avenue Liverpool L2 4TZ
<b>Registrars</b>	Share Registrars Ltd Suite E, First Floor Lion & Lamb Yard Farnham Surrey GU9 7LL

# CarbonDesk Group PLC

## CHAIRMAN'S STATEMENT

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The company is pleased to announce the results for the first full year of trading for the year ended April 2010.

The Group has shown a pleasing profit before tax of £1,134,238 for its first full year, this exceeded our forecast by £286,112. Results in the second half were slightly lower than the first half as volumes on the spot market decreased considerably due to a non favourable Copenhagen summit and continued economic uncertainty. Fully diluted earnings per share were 6.74 p

I welcome Lord St John of Bletso to the board of CarbonDesk and thank him for the valuable input he has already given since his appointment on the 24<sup>th</sup> of September 2009. Anthony has extensive experience in carbon emissions and sustainable forestry projects.

Since my last report the Company has reached some pivotal milestones, it has been formally approved by the Financial Services Authority and is now licensed to trade derivatives on the European Climate Exchange. The company has a staff complement of fourteen and has secured a very favourable five year lease at 4 Chiswell Street, London which will adequately service our future expansion plans.

During the year we invested in a 33.3% stake of Greyhound Energy markets and expect that the results from this group will add to earnings in the second half of this year. The company is currently looking at possible acquisitions that would augment and diversify our earnings going forward. We note with interest the acquisition by Intercontinental Exchange, Inc of Climate Exchange PLC which clearly highlights the opportunities in the sector we operate.

Your company is confident that if political developments within the Global Carbon and Climate change markets continue we will be able to achieve our targets for this year.

Brad Allan  
Chairman

# CarbonDesk Group PLC

## DIRECTORS' REPORT

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The Directors present their report and the financial statements of CarbonDesk Group PLC for the year ended 30 April 2010. The comparative year is the year ended 30 April 2009.

### Principal Activities and Review of the Business

The Company is a holding company of CarbonDesk Limited an independent broker in the carbon credit market.

The information that fulfils the requirements of the business review, including details of the 2010 results, is included in the Chairman's Statement.

### Strategy and future developments

There has been an increased level of interest in carbon trading over the last year and North American and European governments have re-iterated their commitment to emissions controls notwithstanding the recessionary environment.

The Group's core strategy is to focus on delivering a high quality of service to clients. This entails giving clients a personalised service delivered by experienced individuals. The Board intends to avoid taking any principal positions in carbon credits or derivatives thereof so as to enable clear, unbiased advice to be given to clients.

### Results and Dividends

The Group statement of comprehensive income is set out on page 9 and shows the profit for the year. The Directors do not recommend the payment of a dividend for the year (2009: £ Nil).

### Directors

The following Directors have held office during the year:

B L Allan	- appointed 14 June 2009
D A A Bates	- resigned 21 September 2009
D Edelman	- appointed 11 June 2009
P J Holmes	
B E Stacey	
Lord A T St John	- appointed 24 September 2009

### Directors' interests

The Directors interests in the share capital of the Company were as follows:

	30 April 2010 Ordinary shares of 5p	30 April 2009 Ordinary shares 5p
B L Allan	285,000	-
D A A Bates	-	-
D Edelman	262,500	-
P J Holmes	575,020	550,020
B E Stacey	2,408,777	1,205,594
Lord A T St John	25,000	-

Details of options and warrants held by the Directors are set out in Note 4.

There have been no changes in Directors' interests between the end of the period under review and the date of this report.

# CarbonDesk Group PLC

## DIRECTORS' REPORT

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### Third party indemnity provision for directors

The Company currently has in place, and has done for the financial year, Directors and Officers Liability insurance for the benefit of all directors of the Company.

### Political and Charitable Donations

During the year, the Group made no political or charitable contributions (2009: £Nil).

### Substantial Shareholdings

Other than the interests of the Directors disclosed above and save as disclosed below, the Directors are not aware of any other individual interest or group of interests held by persons acting together which, at the date of this report, exceeds 3% of the company's issued share capital.

	Ordinary Shares of 5p each	Percentage of issued share capital
Yew Tree Investments Limited	1,000,000	11.88%
Astoncraft Limited	472,900	5.62%
Bayside Securities Limited	400,000	4.75%
Wield Golf Limited	350,000	4.16%
Tarek El Babir	300,000	3.56%

### Fair Value Estimation

The Directors consider that the carrying amount of the Group's financial assets and liabilities approximate to their realisable value at each balance sheet date and that such value equates to their fair value.

### Supplier payment policy

Whilst there is no formal code or standard, it is Group policy to settle terms of payment with creditors when agreeing the terms of each transaction and to abide by the creditors' terms of payment. There are no creditors subject to special arrangements outside of suppliers' terms and conditions. At 30 April 2010 the number of creditors' days in respect of trade creditors was 80 days (2009: 32 days).

### Corporate Governance

The Company is listed on the PLUS Market and is therefore not required to comply with the provisions of the Combined Code. It is intended to establish governance procedures and policies that the Board consider appropriate to the nature and size of the Group's projects develop.

### Going Concern

On the basis of current financial projections and facilities available to the Group and after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in business for the foreseeable future. The Company currently has no borrowings and to date has benefited from capital injections from the issue of equity and convertible loan notes. Whilst there is no commitment from shareholders to provide further funding the company expects there to be additional funding in this manner if required in the future. For this reason they have adopted the going concern basis in preparing the financial statements.

### Financial Instruments

The risk exposure of the Group and how the Group addresses these are set out on page 24 of the financial statements.

# CarbonDesk Group PLC

## DIRECTORS' REPORT

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### **Internal Financial Control and Risk Management**

The Directors are responsible for the Group's system of internal financial control and also for identifying the major business risks faced by the Group. The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss. In fulfilling these responsibilities, the Board has reviewed the effectiveness of the system of internal financial control. The Directors have established procedures for planning, budgeting and for monitoring, on a regular basis, the performance of the Group and for determining the appropriate course of action to manage any major business risks. The Board has considered the need for an internal audit function but has decided the size of the Group does not justify it at present. However it will keep the decision under annual review.

### **Risk Review**

The Group is exposed to a number of business risks. The risk appetite of the Group is determined by the Board. Monitoring of risks applicable to the business is delegated to the Risk Committee whose principal function is to identify and evaluate the key risk areas of the business and ensure those risks can be managed at a level acceptable to the Board.

In common with other businesses operating in a regulated financial services environment, and to a greater or lesser extent other business sectors, the Group has identified the following as the key risks and their mitigation:

- **Counterparty credit risk**

Counterparty credit risk refers to the risk that a third party will default on its contractual obligations resulting in financial loss to the Group.

Third party receivables consist of a number of customers and credit evaluation is performed on their trading history and financial condition. The Group does not have any significant credit risk exposure to any single third party or any group of third parties having similar characteristics.

- **Loss of staff**

Staff are a key asset in the businesses and retaining the services of key staff is essential to ongoing revenue generation and development of the businesses. All Directors are shareholders in the business with longstanding commitment to its prosperity.

- **Operational risk**

There is a whole range of operational risks including reputation risks and the Group seeks to mitigate operational risk to acceptable residual levels, in accordance with its risk appetite policy, by maintenance of its control environment, which is managed through the Group's operational risk management framework. The Group's controls include disciplines of segregation of duties when authorising and processing transactions, reconciliations and cross-checks. Responsibility for specific controls is allocated to members of staff with appropriate seniority and experience.

### **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 consolidated financial statements and the parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period.

# CarbonDesk Group PLC

## DIRECTORS' REPORT

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### **Directors' Responsibilities (continued)**

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, subject to any material departures disclosed and explained in the financial statements;
- prepare the Group and Company financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and enable them to ensure that the financial statements of the Company and the Group comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Directors' statement pursuant to the Disclosure and Transparency Rules**

Each of the directors, whose names are listed on page 1 confirm that, to the best of each person's knowledge and belief:

- the financial statements, prepared in accordance with IFRSs and adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit / (loss) of the Company and the Group; and
- the Directors' report contained in the annual report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

### **Statement as to Disclosure of Information to Auditors**

The Directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

### **Auditors**

Additions Accountants Limited have expressed their willingness to remain in office as auditors of the Company.

On behalf of the board

Brett Stacey  
Director

25 June 2010

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CARBONDESK GROUP PLC

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We have audited the financial statements (the 'financial statements') of CarbonDesk Group PLC for the year ended 30 April 2010, which comprise the Group Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group and Company Statements of Changes in Equity, the Group and Company Cash Flow Statements and the related notes. 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 and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on pages 5 and 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

### **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 the financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 April 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

### **Opinion on other matters 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.

**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 Parent Company 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.

**Maxine Desse** (Senior Statutory Auditor)

For and on behalf of Additions  
Statutory Auditor  
Liverpool

25 June 2010

# CarbonDesk Group PLC

## GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 APRIL 2010

	Notes	2010 £	2009 £
<b>Revenue – continuing operations</b>	1	3,762,428	47,981
Cost of sales		(141,605)	-
<b>Gross profit</b>		<u>3,620,823</u>	<u>47,981</u>
Administrative expenses		(2,480,298)	(186,205)
		<u>1,140,525</u>	<u>(138,224)</u>
Exceptional items	5	-	110,270
<b>Profit /( loss) from operations – ongoing – acquisitions</b>		<u>1,140,525</u>	<u>50,024</u>
		-	(77,978)
	2	1,140,525	(27,954)
Finance charges (net)	6	(6,287)	10,142
<b>Profit /( loss) before taxation</b>		<u>1,134,238</u>	<u>(17,812)</u>
Income tax expense	7	(337,712)	-
<b>Profit /( loss) for the period attributable to equity holders of the company</b>		<u>796,526</u>	<u>(17,812)</u>
<b>Earnings per ordinary share - Basic</b>	8	10.77p	(0.75)p
- Diluted	8	6.74p	(0.75)p

The Group's total comprehensive income is the same as its reported profits /(losses) for the above periods

The accompanying notes form an integral part of these financial statements

# CarbonDesk Group PLC

## STATEMENTS OF FINANCIAL POSITION AT 30 APRIL 2010

	Notes	Group		Company	
		2010	2009	2010	2009
		£	£	£	£
<b>Non current assets</b>					
Property, plant and equipment	9	176,042	9,488	-	-
Intangible assets	10	2,893,913	1,187,493	-	-
Investments in subsidiaries	11	-	-	2,830,354	1,261,458
Investments in associates	12	33	-	33	-
		<u>3,069,988</u>	<u>1,196,981</u>	<u>2,830,387</u>	<u>1,261,458</u>
<b>Current assets</b>					
Trade and other receivables	13	640,318	58,691	6,288	4,899
Cash and cash equivalents	14	1,889,255	937,249	6,742	18,048
		<u>2,529,573</u>	<u>995,940</u>	<u>13,030</u>	<u>22,947</u>
<b>Total assets</b>		<u>5,599,561</u>	<u>2,192,921</u>	<u>2,843,417</u>	<u>1,284,405</u>
<b>Equity and liabilities</b>					
<b>Share capital and reserves</b>					
Called up share capital	18	420,891	353,865	420,891	353,865
Share premium account		259,836	252,969	259,836	252,969
Merger reserve	19	239,233	67,780	239,233	67,780
Equity reserve	19	2,229,843	755,000	2,229,843	755,000
Retained earnings		605,645	(271,186)	(546,893)	(193,210)
<b>Total equity attributable to equity holders of the company</b>		<u>3,755,448</u>	<u>1,158,428</u>	<u>2,602,910</u>	<u>1,236,404</u>
<b>Current liabilities</b>					
Trade and other payables	15	1,844,113	1,034,493	240,507	48,001
<b>Total equity and liabilities</b>		<u>5,599,561</u>	<u>2,192,921</u>	<u>2,843,417</u>	<u>1,284,405</u>

Approved and authorised for issue by the board of Directors on 25 June 2010 and signed on its behalf by:

Brett Stacey Director

The accompanying notes form an integral part of these financial statements

# CarbonDesk Group PLC

## GROUP STATEMENT OF CHANGES IN EQUITY AT 30 APRIL 2010

	Share capital	Share premium	Merger reserve	Equity reserve	Retained earnings	Total
	£	£	£	£	£	£
<b>Balance at 30 April 2008</b>	62,502	52,307	-	-	(253,374)	(138,565)
<b>Comprehensive income</b>						
Net loss for the year	-	-	-	-	(17,812)	(17,812)
<b>Transactions with owners</b>						
Issue of share capital	291,363	-	-	-	-	291,363
Premium on issue of share capital	-	223,583	67,780	-	-	291,363
Cost of share issue	-	(22,921)	-	-	-	(22,921)
Contingent consideration on acquisition of subsidiary	-	-	-	755,000	-	755,000
	<u>291,363</u>	<u>200,662</u>	<u>67,780</u>	<u>755,000</u>	<u>-</u>	<u>1,314,805</u>
<b>Balance at 30 April 2009</b>	353,865	252,969	67,780	755,000	(271,186)	1,158,428
<b>Comprehensive income</b>						
Net profit for the year	-	-	-	-	796,526	796,526
<b>Transactions with owners</b>						
Issue of share capital	67,026	-	-	-	-	67,026
Premium on issue of share capital	-	6,867	171,453	-	-	178,320
Revaluation of contingent consideration	-	-	-	1,474,843	-	1,474,843
Share-based payments	-	-	-	-	80,305	80,305
	<u>67,026</u>	<u>6,867</u>	<u>171,453</u>	<u>1,474,843</u>	<u>80,305</u>	<u>1,800,494</u>
<b>Balance at 30 April 2010</b>	<u>420,891</u>	<u>259,836</u>	<u>239,233</u>	<u>2,229,843</u>	<u>605,645</u>	<u>3,755,448</u>

The accompanying notes form part of these financial statements

# CarbonDesk Group PLC

## COMPANY STATEMENT OF CHANGES IN EQUITY AT 30 APRIL 2010

	Share capital	Share premium	Merger reserve	Equity reserve	Retained earnings	Total
	£	£	£	£	£	£
<b>Balance at 30 April 2008</b>	62,502	52,307	-	-	(253,374)	(138,565)
<b>Comprehensive income</b>						
Net profit for the year	-	-	-	-	60,164	60,164
<b>Transactions with owners</b>						
Issue of share capital	291,363	-	-	-	-	291,363
Premium on issue of share capital	-	223,583	67,780	-	-	291,363
Cost of share issue	-	(22,921)	-	-	-	(22,921)
Contingent consideration on acquisition of subsidiary	-	-	-	755,000	-	755,000
	<u>291,363</u>	<u>200,662</u>	<u>67,780</u>	<u>755,000</u>	<u>-</u>	<u>1,314,805</u>
<b>Balance at 30 April 2009</b>	353,865	252,969	67,780	755,000	(193,210)	1,236,404
<b>Comprehensive income</b>						
Net loss for the year	-	-	-	-	(433,988)	(433,988)
<b>Transactions with owners</b>						
Issue of share capital	67,026	-	-	-	-	67,026
Premium on issue of share capital	-	6,867	171,453	-	-	178,320
Revaluation of contingent consideration	-	-	-	1,474,843	-	1,474,843
Share based payments	-	-	-	-	80,305	80,305
	<u>67,026</u>	<u>6,867</u>	<u>171,453</u>	<u>1,474,843</u>	<u>80,305</u>	<u>1,800,494</u>
<b>Balance at 30 April 2010</b>	<u>420,891</u>	<u>259,836</u>	<u>239,233</u>	<u>2,229,843</u>	<u>(546,893)</u>	<u>2,602,910</u>

The accompanying notes form part of these financial statements

# CarbonDesk Group PLC

## CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

	Notes	Group		Company	
		2010 £	2009 £	2010 £	2009 £
<b>Cash flow from operations</b>					
Profit / (loss) for the year		1,140,525	(27,954)	(434,170)	50,022
Adjustments for:					
Depreciation		27,336	435	-	-
Foreign exchange difference		70,059	1,286	-	-
Non cash movements relating to exceptional items		-	(67,584)	-	(67,584)
Share-based payments		80,305	15,000	30,155	15,000
Finance charges (net)		(6,287)	4,642	183	4,642
		<u>1,311,938</u>	<u>(74,175)</u>	<u>(403,832)</u>	<u>2,080</u>
Movements in working capital:					
(Increase)/ decrease in receivables		(231,575)	(33,763)	(1,389)	(3,920)
Increase /(decrease) in payables		476,473	817,554	(19,741)	(120,200)
		<u>1,556,836</u>	<u>709,616</u>	<u>(424,962)</u>	<u>(122,040)</u>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(193,890)	4,631	-	-
Acquisition of subsidiary undertaking	11	36	277,437	36	183,225
Acquisition of associated undertakings	12	(33)	-	(33)	-
Movements in loans to/(from) related parties		(354,618)	-	399,919	187,674
		<u>(548,505)</u>	<u>(282,068)</u>	<u>399,922</u>	<u>(370,899)</u>
<b>Cash flows from financing activities</b>					
Proceeds from conversion of warrants	18	13,734	-	13,734	-
Proceeds of share issue		-	386,750	-	386,750
Issue costs		-	(22,921)	-	(22,921)
		<u>13,734</u>	<u>363,829</u>	<u>13,734</u>	<u>363,829</u>
<b>Net increase /(decrease) in cash and cash equivalents</b>					
		<u>1,022,065</u>	<u>791,377</u>	<u>(11,306)</u>	<u>(129,110)</u>
Cash and cash equivalents at the beginning of financial period		937,249	147,158	18,048	147,158
Effects of foreign exchange on cash and cash equivalents held in foreign currencies		(70,059)	(1,286)	-	-
		<u>1,889,255</u>	<u>937,249</u>	<u>6,742</u>	<u>18,048</u>
<b>Cash and cash equivalents at the end of financial period</b>	14	<u>1,889,255</u>	<u>937,249</u>	<u>6,742</u>	<u>18,048</u>

The accompanying notes form part of these financial statements

# CarbonDesk Group PLC

## ACCOUNTING POLICIES

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### 1 General information

CarbonDesk Group PLC is a public limited company incorporated and domiciled in England and Wales.

The address of the registered office is 4 Chiswell Street, London EC1Y 4UP and the registered number of the Company is 05778750.

The principal activities of the Company are set out in the Directors' Report.

#### Companies in the consolidated financial statements

The subsidiary undertakings included within the consolidation are as follows:

Subsidiary undertakings:	Class of holding	Proportion directly held	Nature of business	Country of incorporation
CarbonDesk Limited	Ordinary	100%	Independent carbon credit broker	UK
CarbonDesk Mauritius Limited	Ordinary	100%	Dormant	Mauritius

### 2 Summary of significant accounting policies

#### Basis of preparation

These consolidated financial statements present the financial record for the year ended 30 April 2010 of CarbonDesk Group PLC and its subsidiary undertakings. The subsidiary undertakings included within the financial statements are shown above.

The consolidated financial statements of CarbonDesk Group PLC have been prepared in accordance with the EU adopted International Financial Reporting Standards ('IFRSs') and IFRSs adopted by the EU, and with International Financial Reporting Interpretation Committee ('IFRIC') interpretations and in line with those provisions of the Companies Acts 2006 as applicable to companies reporting under IFRSs.

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention modified to include goodwill measured at fair value.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

#### Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form a basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

# CarbonDesk Group PLC

## ACCOUNTING POLICIES

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The Directors consider that the most significant areas of accounting estimate are as follows:

- Impairment testing of goodwill and other intangible assets
- The deferred consideration arising on acquisitions, where such consideration is dependent upon current and forecast performance, has been estimated based on management accounts and forecasts, discussions with the management teams of the relevant businesses and the Directors' own assessment of likely trading performance over the relevant period for the purposes of the deferred consideration.
- The likelihood that deferred tax assets can be realised.

The Directors believe that the most significant areas where judgements are made are:

- Contingent consideration. In determining the fair value of equity settled contingent consideration and the related charge to goodwill the Company makes assumptions about future events and market conditions. In particular, judgement must be made as to the likely number of shares that will be issuable and the fair value of the shares at the date of issue. Different assumptions about these factors to those made by the Company could materially affect the reported value of contingent consideration.
- Share-based payments. In determining the fair value of warrants and options granted to employees and Directors and the related charges to comprehensive income and cost of investments, the Company makes assumptions about future events and market conditions. In particular, judgement must be made as to the volatility of its share price. Different assumptions about these factors to those made by the Company could materially affect the reported value of share-based payments;
- Exceptional items, considering the nature of the item of income or expenditure, whether it would reasonably be considered to be outside of the normal business operations of the Group and whether it was of a non-recurring nature;
- Contingent liabilities considering the nature of the liability, whether it would reasonably be considered to be outside of the normal business operations of the Group and whether it was of a non-recurring nature;
- Consideration of the going concern basis of preparation of the financial statements including evaluation of: trading forecasts; the impact of the settlement of deferred consideration; the current economic conditions and their impact on the Group's chosen markets and services; the Group's trading in the latter in the period to the date of this report.

### **Changes in accounting policies and disclosures**

*New and amended standards adopted by the Group:*

- IFRS 7 'Financial instruments – Disclosures (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about the fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. There is no material impact on the Group's financial statements.
- IAS 1 (revised) - 'Presentation of financial statements' – effective 1 January 2009. In accordance with the revised standard, the Group presents non-owner changes in equity in a statement of comprehensive income. In the statement of changes in equity, the Group presents all owner changes in equity separately from all non-owner changes in equity. Comparative information has been re-presented so that it is also in conformity with the revised standard. As

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the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- IFRS 2 (amendment) – ‘Share-based payments’ – effective 1 January 2009. The amendment deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group has adopted the amendment from 1 May 2009 but it does not have a material impact on the Group’s financial statements.

*Standards, amendments and interpretations to existing standards, which are effective for reporting periods beginning after the date of these financial statements:*

The following standards and amendments to existing standards have been published and are mandatory for the Group’s accounting periods beginning on or after 1 May 2010 or later periods, but the Group has not early adopted them:

- IFRIC 17 ‘Distributions of Non-cash Assets to Owners’. This interpretation clarifies that a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity. An entity should measure the dividend payable at the fair value of the net assets to be distributed, should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss and provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation. IFRIC 17 applies to pro rata distributions of non-cash assets except for common control transactions.
- IAS 27 ‘Consolidated and separate financial statements’ as revised. This standard requires the effects of all transactions with non-controlling (minority) interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. This standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. This is not relevant to the Group as it does not currently have any non-controlling interests. This revision becomes effective for accounting periods beginning on or after 1 July 2009.
- IFRS 3 ‘Business combinations’ as revised. This standard is applicable to business combinations occurring in accounting periods beginning on or after 1 July 2009. This standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through income. Goodwill may be calculated based on the parent’s share of net assets or it may include goodwill related to the minority interest. All transaction costs are required to be expensed. The Group will apply the revised standard prospectively to any business combinations from 1 May 2010.
- IAS 38 (amendment) – ‘Intangible assets’. The amendment is part of the IASB’s annual improvements project published in April 2009 and the Group will apply the amendment from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group’s financial statements.
- IFRS 5 ‘Non current assets held for sale and discontinued operations’. The amendment is part of the IASB’s annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets

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classified as held for sale or discontinued operations. It also clarifies that the general requirements of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group will apply the amendment from 1 May 2010. It is not expected to have a material impact on the Group's financial statements.

- IAS 1 (amendment) - 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group will apply the amendment from 1 May 2010. It is not expected to have a material impact on the Group's financial statements.

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of CarbonDesk Group PLC ('the Company') and its subsidiary undertakings (together, 'the Group').

#### *Subsidiaries*

Subsidiary undertakings are all entities controlled directly or indirectly by the Company. Control arises when the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is recognised directly in the income statement in the period of acquisition.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income, expenses and unrealised gains on transactions between group companies are eliminated on consolidation.

#### *Associates*

Associates are entities over which the group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

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The Group's share of its associates' post acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

### Segmental Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board, who are responsible for allocating resources, assessing the performance of operating segments and making strategic decisions.

### Foreign Currencies

Transactions in currencies other than pound sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the income statement for the period, except for exchange differences on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

The income statement and balance sheet of foreign operations and foreign entities are translated into the functional currency (pound sterling) on consolidation at the average rates for the period and the rates prevailing at the balance sheet dates respectively. Exchange gains and losses arising on the translation of the Group's net investment in foreign operations and foreign entities, are recognised as a separate component of shareholders' equity. On disposal of foreign operations and foreign entities, the cumulative translation differences are recycled to the income statement and recognised as part of the gain or loss on disposal.

The most important foreign currency for the Group is the Euro. The relevant exchange rates for these currencies to sterling were:

	30 April 2010 average	30 April 2010 closing	30 April 2009 average	30 April 2009 closing
Euro	1.131	1.149	1.192	1.119

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset into use.

Depreciation is calculated on a straight-line basis to write down the assets to their estimated residual value over their useful economic lives at the following rates:

- Leasehold improvements – straight line over the period of the lease
- Computer equipment – 36 months
- Fixtures, fittings and equipment – 36 months

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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statements.

### **Intangible assets**

#### *Goodwill*

All business combinations are accounted for by applying the purchase method. Goodwill arising on acquisitions represents the difference between the fair value of the purchase consideration and the fair value of the Group's share of the identifiable net assets of an acquired entity.

Goodwill is not subject to amortisation but is subject to annual impairment review. Goodwill is carried at cost less accumulated impairment losses.

The cost of the acquisition is the maximum consideration payable under the Acquisition agreement. Where this includes an element that is based on future performance the cost is assessed at the time of acquisition based on the Directors' expectations as to the future performance of that business and the estimated contingent consideration is included in goodwill. The performance of the underlying subsidiaries is monitored against expectations and where the Directors believe that there will be a material difference between the expected contingent consideration payable and the estimate made at the time of acquisition, then the goodwill valuation is amended to reflect this. Acquisition costs are included in the cost and therefore impact goodwill.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) and goodwill is allocated to these cash-generating units. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

### **Impairment of non-financial assets**

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### **Financial assets**

#### *Classification*

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

- Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Financial assets in this category are classified as current assets.
- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets, except for

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maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents at the balance sheet date.

- Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other category. They are included in non-current assets unless management intends to dispose of the financial asset within 12 months of the balance sheet date.

### *Recognition and Measurement*

Acquisitions and disposals of financial assets are recognised on the trade date - the date on which the Group commits to purchase the financial asset.

- Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. From this date any gains and losses arising from changes in fair value of the financial assets are recognised in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.
- Available-for-sale financial assets are initially recognised at fair value plus transaction costs. Changes in the fair value of available-for-sale financial assets are recognised in equity. Exchange differences arising on changes in the fair value of non-monetary available-for-sale financial assets are also recognised directly in equity. Dividends on financial assets are recognised in the income statement as part of other income when the Group's right to receive payments is established.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or when the Group has transferred substantially all risks and rewards of ownership, and are subsequently carried at fair value.

### **Impairment of financial assets**

#### *Assets carried at amortised cost*

At each balance sheet date, the Group reviews the carrying amounts of its financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is

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## ACCOUNTING POLICIES

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recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### *Assets classified as available-for-sale*

At each balance sheet date, the Group reviews the carrying amounts of its financial assets to determine whether there is any indication that those assets have suffered an impairment loss. In the case of equity investments classified as available-for-sale the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in the profit or loss account is removed from equity and recognised in the separate income statement. Impairment losses recognised in the separate income statement on equity instruments are not reversed through the separate income statement.

### **Trade and other receivables**

Trade and other receivables do not carry any interest and are stated at their fair value as reduced by appropriate allowances for estimated irrecoverable amounts.

### **Cash and cash equivalents**

For the purpose of preparation of the cash flow statement, cash and cash equivalents includes cash at bank and in hand, and short term deposits with an original maturity period of three months or less.

### **Equity**

Equity comprises the following:

‘Share capital’ represents the nominal value of equity shares.

‘Share premium’ represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

‘Merger reserve’ represents the excess over nominal value of the fair value of equity shares issued as consideration for the acquisition of CarbonDesk Limited.

‘Equity reserve’ represents the equity component of contingent consideration

‘Profit and loss reserve’ represents retained earnings.

### **Trade payables**

Trade payables are not interest bearing and are stated at their fair value.

### **Borrowings**

Interest-bearing loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise and recognised in profit and loss over the term of the borrowing using the effective interest rate method.

### **Financial and equity liability**

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 Company after deducting all of its liabilities.

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## ACCOUNTING POLICIES

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Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Company, is included in equity.

Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note.

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

### **Pensions**

The Group operates a stakeholder defined contribution pension scheme. The Group pays contributions to privately administered pension insurance plans on a voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

### **Share-based payments**

In accordance with IFRS 2 'Share-based payments', the Company reflects the economic cost of awarding shares and share options to employees and directors by recording an expense in the income statement equal to the fair value of the benefit awarded. The expense is recognised in the income statement over the vesting period of the award.

Fair value is measured by use of a Black-Scholes model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Where an option or a warrant is issued to a third party the directors value the service received at fair value, where this is not ascertainable the directors will value the service based on the fair value of the instruments issued as described above.

### **Revenue recognition**

Revenue is measured as the fair value of the consideration received or receivable and is stated exclusive of VAT and other sales taxes.

The Group follows the principles of IAS 18, 'Revenue Recognition', in determining appropriate revenue recognition policies. Revenue is recognised within each of the business segments as follows:

**Broking:** Revenue comprises commission and other fees and is recognised when receivable in accordance with the trade date of the underlying transaction.

**Advisory:** Revenue comprises the value of services supplied by the Company, exclusive of value added tax and retainer fees which are recognised over the length of time of the agreement.

# CarbonDesk Group PLC

## ACCOUNTING POLICIES

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### **Exceptional items**

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Company's financial performance. Transactions which may give rise to exceptional costs are principally financial restructuring costs, Company re-organisation costs, and costs in respect of key management changes.

### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The Group as lessee*

Assets held under finance leases are initially recognised as property, plant and equipment at an amount equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments at the inception of the lease, and then depreciated over their useful economic lives. Lease payments are apportioned between repayment of capital and interest. The capital element of future lease payments is included in the balance sheet as a liability. Interest is charged to the income statement so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a reduction in the rental expense over the lease term.

### **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities for financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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## ACCOUNTING POLICIES

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### 3 Financial risk management

The main risks arising from the Group's financial instruments are liquidity risk and currency risk. The Directors review and agree policies for managing these risks and these are summarised below.

Short term receivables and payables have been excluded from the following disclosures.

#### *Credit risk*

Credit risk is the risk that the counterparty will default on its contractual obligations resulting in financial loss. Credit risk arises from cash and cash equivalents and exposure to credit clients. There are no provisions for bad or doubtful debts in the current or preceding year.

For cash and cash equivalents, the Group uses only recognised banks with high credit ratings. For trade and trade receivables, the Directors consider that the credit risk is minimal and the total is spread across many transactions.

#### *Liquidity risk*

The Group seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. This is achieved by placing surplus funds on deposit. At 30 April 2010 the Group had cash balances of £1,889,256 (2009: £937,249) which were held on bank deposits earning interest at variable market rates.

#### *Currency risk*

The functional currencies of the Group are sterling and the Euro. The Group did not hedge against the effects of movement in exchange rates. The rates are monitored by the Board on a regular basis.

The table below shows the Group's transactional currency exposures that give rise to the net currency gains and losses recognised in the profit and loss account and reserves. Such exposures comprise the monetary liabilities of the Group that are not denominated in sterling.

	2010 £	2009 £
Net foreign currency monetary liability held in Euros	946,871	892,608

#### *Borrowing facilities and interest rate risk*

The Group had no borrowings at 30 April 2010 or 30 April 2009.

### **Capital risk management**

The Board's principal objective when managing the capital of the Company is to safeguard its ability to continue as a going concern, with the intention of providing future returns for shareholders.

The Board manages the capital structure of the Company by making changes based on the economic conditions and the future outlook. Total equity, as defined on the consolidated balance sheet, is used as a key indicator of capital used in the business.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

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1.	<b>Revenue</b>	2010	2009
		£	£
	Commission receivable	3,762,428	47,981
	Revenue is derived from:		
	UK	3,762,428	47,981
2.	<b>Profit / (loss) from ordinary activities before taxation</b>	2010	2009
		£	£
	Operating profit is stated after charging:		
	Depreciation of property, plant and equipment	27,336	435
	Foreign exchange losses	70,059	1,286
	Operating lease rentals: land and buildings	106,566	7,360
	Share-based payments	80,305	-
	<b>Services provided by the Group's auditor</b>		
	<b>Audit services:</b>		
	Fees payable to the Group auditors for the audit of the parent company and consolidated financial statements	10,000	10,780
	<b>Non audit services</b>		
	Review of interim financial statements	2,500	881
	Other services	900	345
	The audit of the Company's subsidiary	7,500	7,500
	All other non audit services in connection with the Company's acquisition of CarbonDesk Limited and readmission to PLUS	-	10,000
3.	<b>Segmental Analysis</b>		
	The Group's only operating segment is as an independent broker in the carbon credit market and consequently there are no other business segments to report on.		
4.	<b>Directors and employees</b>	2010	2009
		£	£
	Staff costs during the year, including Directors' remuneration were as follows:		
	Wages and salaries	1,300,892	63,003
	Social security costs	151,460	4,488
	Pension contributions	1,800	-
	Share-based payments	80,305	-
		1,534,457	67,491

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# CarbonDesk Group PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

### 4. Directors and employees (continued)

Remuneration in respect of the Directors was as follows:

	2010 £	2009 £
Emoluments	877,475	32,464
Social security costs	103,231	1,298
Pension contributions	1,800	-
Share based payments	79,702	-
	<u>1,062,208</u>	<u>33,762</u>

	2010 £	2010 £
Emoluments disclosed above include the following amounts paid to the highest paid Director	<u>227,000</u>	<u>12,000</u>

	2010 No	2009 No
The average monthly number of employees (including Directors) employed by the Group during the year was as follows:		
Sales	6	2
Research	3	1
Administration & Finance	4	1
	<u>        </u>	<u>        </u>

The number of Directors accruing pension benefits is as follows:	<u>1</u>	<u>-</u>
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#### Warrants

During the period warrants to subscribe for ordinary shares at a price of 10p per share were issued to the Directors as follows:

Director	At 1 May 2009 No.	Warrants awarded No.	Warrants waived No.	At 30 April 2010 No.	Expiry date
B L Allan	-	783,923	-	783,923	23/02/12
D A A Bates	370,384	-	(148,154)	222,230	23/02/12
D Edelman	181,118	900,000	-	1,081,118	23/02/12
P J Holmes	233,618	550,000	-	783,618	23/02/12
B E Stacey	37,500	550,000	-	587,500	23/02/12
Lord A T St John	-	500,000	-	500,000	23/02/12
Total	<u>822,620</u>	<u>3,283,923</u>	<u>(148,154)</u>	<u>3,958,389</u>	

The warrants can be exercised at any time up to the expiry date. D Bates waived certain warrants granted to him following his dismissal in September 2009.

The total expense recognised in respect of the fair value of the warrants granted during the period, and included within the total share based payments charge of £79,702 above, was £57,100 (2009: £Nil) (Note 17).

# CarbonDesk Group PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

### 4. Directors and employees (continued)

#### *Directors' interests in the Long-Term Incentive Plan ('LTIP')*

Share options were awarded to Directors under the LTIP, as set out in the Admission Document, as follows:

Director	Date of grant	Exercise date	Expiry date	Option price pence	Options granted approved No.	Options granted unapproved No.	At 30 April 2010 No.
D Edelman	04/01/10	03/01/12	03/01/20	19.25	155,844	-	155,844
	10/02/10	09/02/12	09/02/20	Nil	-	1,047,339	1,047,339
					<u>155,844</u>	<u>1,047,339</u>	<u>1,203,183</u>
P J Holmes	04/01/10	03/01/12	03/01/20	19.25	155,844	-	155,844
	10/02/10	09/02/12	09/02/20	Nil	-	1,047,339	1,047,339
					<u>155,844</u>	<u>1,047,339</u>	<u>1,203,183</u>

Details of the LTIP are set out in Note 17.

No other Directors have been granted share options in the shares of the Company or other Group entities. None of the terms or conditions of the share options was varied during the year. All options were granted in respect of qualifying services.

The options were granted at nil cost to the Directors and were in respect of past performance. The performance criteria for the above share options were consistent with the terms of the LTIP. Once the award has vested, the exercise of the options is unconditional.

The market price of the Company's shares at the end of the financial year was 20.75p and the range of market prices during the year was between 8.75p and 21.75p.

The total expense recognised in the income statement in respect of the fair value of the options granted to the Directors, and included within the total share-based payments charge of £79,702 above, was £22,602 (2009: £Nil).

5. Exceptional income / (expenses)	2010 £	2009 £
Amounts forfeited on convertible loan notes	-	67,584
Costs of abortive takeover	-	42,686
Issue costs of redeemable loan notes	-	-
	<u>-</u>	<u>110,270</u>

# CarbonDesk Group PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

6.	<b>Finance income</b>	2010 £	2009 £
	Bank interest receivable	361	818
	Interest on short term deposits	-	3,824
	Adjustment to interest accrued on convertible loan notes	-	5,500
		<u>361</u>	<u>10,142</u>
	<b>Finance expenses</b>		
	Bank interest payable	6,648	-
		<u>6,648</u>	<u>-</u>
7.	<b>Income tax expense</b>	2010 £	2009 £
	<b>Current tax</b>		
	UK corporation tax on profit for the year	337,712	-
	<b>Deferred tax</b>	-	-
		<u>337,712</u>	<u>-</u>
		<u>337,712</u>	<u>-</u>
	<b>Factors affecting tax charge for period:</b>	2010 £	2009 £
	Profit/ (loss) before taxation	1,134,238	(17,812)
	Loss on ordinary activities multiplied by standard rate of corporation tax in the UK 28% (2009: 21%)	317,586	(3,740)
	Effects of:		
	Expenses not deductible for tax purposes	107,901	4,506
	Non taxable credits	-	(9,001)
	Tax losses	(87,775)	8,235
	Current tax charge for period	<u>337,712</u>	<u>-</u>

### *Factors affecting the tax charge of future periods*

A deferred tax asset amounting to £15,643 (2009: £25,035) in respect of accumulated losses has not been recognised as there is insufficient evidence that the asset will be recovered. There were no other factors that may affect future tax charges.

# CarbonDesk Group PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

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### 8. Earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the profit or loss after taxation by the weighted average number of shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares to assume conversion of all dilutive potential ordinary shares. The Company has potentially dilutive ordinary shares being the contingently issueable shares under the terms of the contingent consideration on the acquisition of CarbonDesk Limited (Note 11), and those relating to the Share Options and Warrants to Subscribe (Note 17). The contingently issueable shares are considered to be at fair value and therefore non-dilutive.

	2010 £	2009 £
Profit / (loss) for the period attributable to equity shareholders of the company	796,526	(17,812)
	<hr/>	<hr/>
	2010 Number	2009 Number
Weighted average number of shares for the purpose of basic earnings per share	7,393,200	2,349,658
<i>Effect of dilutive potential ordinary shares:</i>		
Warrants to subscribe	2,786,894	-
Share options	1,634,061	-
	<hr/>	<hr/>
Weighted average number of shares for the purpose of diluted earnings per share	11,814,155	2,349,658
	<hr/>	<hr/>

### 9. Property, plant and equipment

Group	Computer equipment £	Total £
<b>Year ended 30 April 2009</b>		
Opening book amount	-	-
Additions	10,150	10,150
Depreciation charge	(662)	(662)
<b>Closing net book amount</b>	<hr/> 9,488	<hr/> 9,488
	<hr/>	<hr/>
<b>At 30 April 2009</b>		
Cost	10,150	10,150
Accumulated depreciation	(662)	(662)
<b>Net book amount</b>	<hr/> 9,488	<hr/> 9,488
	<hr/>	<hr/>

# CarbonDesk Group PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

9. <b>Property, plant and equipment (continued)</b>	Leasehold improvements £	Computer equipment £	Total £
<b>Group</b>			
<b>Year ended 30 April 2010</b>			
Opening book amount	-	9,488	9,488
Additions	96,581	97,309	193,890
Depreciation charge	(7,570)	(19,766)	(27,336)
<b>Closing net book amount</b>	<u>89,011</u>	<u>87,031</u>	<u>176,042</u>
<b>At 30 April 2010</b>			
Cost	96,581	107,459	204,040
Accumulated depreciation	(7,570)	(20,428)	(27,998)
<b>Net book amount</b>	<u>89,011</u>	<u>87,031</u>	<u>176,042</u>
10. <b>Intangible assets</b>			
<b>Group</b>			Goodwill £
<b>Year ended 30 April 2009</b>			
Opening book amount			-
Cost on acquisition of subsidiaries			1,187,493
<b>Closing net book amount</b>			<u>1,187,493</u>
<b>At 30 April 2009</b>			
Cost			1,187,493
Accumulated Impairment			-
			<u>1,187,493</u>
<b>Year ended 30 April 2010</b>			
Opening book amount			1,187,493
Additions			1,706,420
<b>Closing net book amount</b>			<u>2,893,913</u>
<b>At 30 April 2010</b>			
Cost			2,893,913
Accumulated Impairment			-
			<u>2,893,913</u>

£2,889,829 of the total goodwill relates to the acquisition of CarbonDesk Limited.

Details of additions to goodwill during the year are set out in Note 11. The Directors believe that goodwill represents a value to the Group over and above the separately identifiable assets acquired.

# CarbonDesk Group PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

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### 10. Intangible assets (continued)

The recoverability of the goodwill carrying value is dependent on the future profitability of the underlying business. The Directors have reviewed the current position and forecasts taking into account a number of factors including:

- Current trading
- Cash generation
- Market conditions that may impact directly or indirectly on the business activity
- Staff and customer relations
- Organic growth during the period under review
- New business development

The current position and forecasts support the carrying value of goodwill and on this basis the Directors believe that no impairment is required. The ability to generate forecast revenues is a significant factor in achieving future profitability.

### 11. Investments in subsidiaries

Company	Shares in Group undertakings £	Loans £	Total £
<b>At 1 May 2008</b>			
Opening net book amount	-	-	-
Additions	1,073,784	187,674	1,261,458
	<hr/>	<hr/>	<hr/>
<b>At 30 April 2009</b>	1,073,784	187,674	1,261,458
Additions	1,706,420	-	1,706,420
Capital contribution relating to share-based payments	50,150		50,150
Repayment of loan	-	(187,674)	(187,674)
	<hr/>	<hr/>	<hr/>
<b>At 30 April 2010</b>	2,830,354	-	2,830,354
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Investments in Group undertakings are recorded at cost, which is the fair value of the consideration paid. CarbonDesk Limited is the only trading subsidiary undertaking consolidated with CarbonDesk Group PLC at the balance sheet date.

During the period the Company issued 1,203,183 new Ordinary Shares of 5p each in the Company in respect of contingent consideration due to Brett Stacey under the terms of the acquisition agreement for CarbonDesk Limited. The fair value of the consideration shares was £231,613. In accordance with Section 612 of the Companies Act 2006, the Company has recorded the cost of the investment at the nominal value of the consideration and has credited the difference in fair value of the non-cash consideration to a Merger Reserve in the consolidated balance sheet.

After taking all factors into account, the Directors have valued the remaining contingent consideration due under the acquisition agreement at £2,229,843 (2009: £755,000). Full provision of the contingent consideration has been credited to other reserves on the basis that it will be wholly settled by the issue of ordinary shares.

# CarbonDesk Group PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

### 11. Investments in subsidiaries (continued)

On 10 July 2009 CarbonDesk Mauritius Limited was incorporated in Mauritius at a cost of £4,084. It has not traded since incorporation.

The capital contribution relating to share based payments relates to share options granted by the Company to Directors and employees of CarbonDesk Limited under the terms of the Long-Term Investment Plan (Note 17).

### 12. Investments in associates

#### Company and Group

	2010	2009
	£	£
At 1 May	-	-
Acquisition of associate	33	-
At 30 April	<u>33</u>	<u>-</u>

On 26 February 2010, the Company took a 33% strategic investment in a new business called Greyhound Energy Markets Ltd (GEM). GEM will be trading in the carbon and energy markets. The cost of the shares was £33. The Company also agreed to make loan funds available to the new venture to a maximum total of Euro250,000 (Note 21).

GEM commenced trading on 16 March 2010. The Group has not recognised any profit or losses relating to GEM as they are considered immaterial.

### 13. Trade and other receivables

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Due within one year:				
Amounts due from related parties (Note 22)	354,618	-	-	-
Other debtors	172,201	41,056	-	499
Prepayments and accrued income	113,499	17,635	6,288	4,400
	<u>640,318</u>	<u>58,691</u>	<u>6,288</u>	<u>4,899</u>

### 14. Cash and cash equivalents

	At 1 May 2009	Cash flows	Exchange movement	At 30 April 2010
	£	£	£	£
<b>Group</b>				
Cash at bank and in hand	937,249	1,022,065	(70,059)	1,889,255
	<u>937,249</u>	<u>1,022,065</u>	<u>(70,059)</u>	<u>1,889,255</u>
<b>Company</b>				
Cash at bank and in hand	18,048	(11,306)	-	6,742
	<u>18,048</u>	<u>(11,306)</u>	<u>-</u>	<u>6,742</u>

# CarbonDesk Group PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

15. Trade and other payables	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Trade payables	1,134,368	952,498	6,110	30,246
Amounts due to related parties (Note 22)	-	-	212,244	-
Other creditors	14,140	33,151	-	-
Social security and other taxes	380,678	-	12,994	-
Accruals and deferred income	314,927	48,844	9,159	17,755
	<u>1,844,113</u>	<u>1,034,493</u>	<u>240,507</u>	<u>48,001</u>

## 16. Financial instruments by category

The Group's financial instruments were categorised as follows:

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
<b>Assets as per the balance sheet</b>				
<i>Loans and receivables</i>				
Trade and other receivables (excluding prepayments )	463,399	48,895	-	188,173
Cash and cash equivalents	1,889,255	937,249	6,742	18,048
Total	<u>2,352,654</u>	<u>986,144</u>	<u>6,742</u>	<u>206,221</u>
<b>Liabilities as per the balance sheet</b>				
<i>Other financial liabilities</i>				
Trade and other payables (excluding statutory liabilities)	<u>1,463,435</u>	<u>1,034,493</u>	<u>227,512</u>	<u>48,001</u>

The Group's financial instruments during the year comprised cash and various items such as trade debtors and trade creditors that arise directly from its operations. Other debtors and prepayments, trade creditors and other short-term items arose directly from the Group's day to day operations.

The Directors believe there is no material difference between the fair value and book value of the Group's financial instruments and they are all denominated.

# CarbonDesk Group PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

### 17. Share-based payments

#### *Warrants*

Warrants granted and exercised during the year under the terms of the Company's Share Warrant Instrument are as follows:

Date of grant	Expiry date	Exercise Price (pence)	Number at 1 May 2009	Granted in year	Exercised in year	Lapsed/ waived in year	Number at 30 April 2010
9/05/06	8/05/09	10	375,002	-	-	(375,002)	-
20/02/09	23/02/12	10	2,458,591	-	(137,334)	(148,154)	2,173,103
9/06/09	23/02/12	10	-	250,000	-	-	250,000
13/11/09	23/02/12	10	-	2,889,018	-	-	2,889,018
23/04/10	23/02/12	10	-	283,923	-	-	283,923
			<u>2,833,593</u>	<u>3,422,941</u>	<u>(137,334)</u>	<u>(523,156)</u>	<u>5,596,044</u>

The weighted average fair value of the warrants granted during the period determined using the Black-Scholes valuation model was 9.12p per warrant. The significant inputs into the model were the weighted average share price of 18.6p at the grant date, exercise price shown above, volatility of 10%, a weighted average expected life of 2.27 years and an annual risk-free interest rate of 2%.

The total Income Statement charge for the year recognised in respect of share options granted to directors and employees was £57,100 (2009: £Nil). This amount will be equity-settled.

#### *Share options*

Under the terms of the Long-term Incentive Plan ('LTIP') adopted by the Company on 14 September 2009, Approved Awards comprising share options and Unapproved Awards comprising share options, conditional share awards and restricted shares are granted to Directors and selected employees ('the Executives') based on target profits after tax ('Target PAT') as set out in the Company's PLUS Admission Document.

The exercise price of the options granted under the Approved Scheme is at least equal to the market value of the Company's shares at the date of grant of the options. The Award price payable on exercise of the granted options or the vesting of a conditional share award under the Unapproved Scheme, is at the discretion of the Board at the date of grant. Awards are subject to the satisfaction of performance targets and any other conditions set by the Board (the vesting period).

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Brett Stacey, as the vendor of CarbonDesk Limited, does not participate in the LTIP. The number of Deferred Consideration Shares to be issued to Mr Stacey in respect of the acquisition of CarbonDesk Limited will be reduced to the extent that shares are issued to the Executives under the LTIP.

# CarbonDesk Group PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

### 17. Share-based payments (continued)

During the period share options were awarded under the terms of the LTIP as follows:

Date of grant	Exercise date	Expiry date	Exercise Price (pence)	Number at 1 May 2009	Granted in year	Exercise in year	Number at 30 April 2010
04/01/10	03/01/12	03/01/20	19.25	-	610,390	-	610,390
10/02/10	09/02/12	09/02/10	5.00	-	2,094,678	-	2,094,678
					- 2,705,068		- 2,705,068
					- 2,705,068		- 2,705,068

The weighted average fair value of the options granted during the period determined using the Black-Scholes valuation model was 11.69p per option. The significant inputs into the model were the weighted average share price of 19.25p at the grant date, the exercise price shown above, volatility of 10%, an expected option life of 10 years and an annual risk-free interest rate of 2%.

The total Income Statement charge for the year recognised in respect of share options granted to directors and employees was £23,205 (2009: £Nil). This amount will be equity-settled.

### 18. Equity

	Group and Company	
	2010	2009
	£	£
<b>Authorised:</b>		
60,000,000 Ordinary shares of 5p each (2009: 60,000,000 Ordinary shares of 5p each)	3,000,000	3,000,000
<b>Allotted, called up and fully paid:</b>		
8,417,811 Ordinary shares of 5p each (2009: 7,077,294 Ordinary shares of 5p each)	420,891	353,865

On 16 July 2009 the company allotted 25,000 ordinary shares of 5p, following an exercise of warrants at an exercise price of 10p.

On 18 January 2010 the Company allotted a further 112,334 ordinary shares of 5p, following an exercise of warrants at an exercise price of 10p.

On 9 February 2010 the Company issued 1,203,183 ordinary shares of 5p each in the Company in respect of deferred consideration due the agreement relating to the acquisition of CarbonDesk Limited. The market value at the date of issue was 19.25p and the fair value of the shares was £231,613.

The new shares all rank pari passu with the Company's issued ordinary shares.

# CarbonDesk Group PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

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### 19. Reserves

The Company and Group have taken advantage of section 612 of the Companies Act 2006 and have credited the premium arising on the acquisition of CarbonDesk Limited to a merger reserve.

The provisional value of the contingent consideration payable on the acquisition of CarbonDesk Limited has been credited to an equity reserve on the basis that it will be wholly settled by the issue of shares.

In accordance with section 408 of the Companies Act 2006 the Company has elected not to present its own statement of comprehensive income.

### 20. Operating lease commitments

	2010	2009
Property	£	£
Expiring in less than one year	142,237	6,900
Expiring between two and five years	500,362	-
	<u>                    </u>	<u>                    </u>

Operating lease commitments represent rent and service charges payable by the Group in respect of its office premises.

### 21. Contingencies

The Group has contingent liabilities in respect of a legal claim in the ordinary course of business. It is not anticipated that material liabilities will arise other than those provided for. The Group has elected not to disclose further details of the claim as doing so would potentially prejudice the Group's position.

### 22. Related party transactions

#### Group

The following transactions were carried out with related parties:

	2010	2009
<i>Sales of services</i>	£	£
Services to associated undertakings	125,636	-
Total	<u>125,636</u>	<u>-</u>

  

	2010	2009
<i>Receivables from associated undertakings</i>	£	£
Trade receivables due from associated undertakings	125,636	-
Loans to associated undertakings	238,982	-
At 30 April	<u>354,618</u>	<u>-</u>

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# CarbonDesk Group PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

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### 22. Related party transactions (continued)

#### *Advance to director*

During the period Brett Stacey was granted a short term loan. Indebtedness on the loan was as follows:

	B Stacey		
	£		
Balance outstanding at start of period	3,497		
Balance outstanding at end of period	-		
Maximum outstanding balance during period	3,497		
	<u>          </u>		
<b>Company</b>			
	2010	2009	
	£	£	
<i>Purchase of services from subsidiary undertaking</i>			
Legal and administrative services	350,444	-	
Total	<u>350,444</u>	<u>-</u>	
	<u>          </u>	<u>          </u>	
	2010	2009	
	£	£	
<i>Loans to/(from) subsidiary undertakings</i>			
Trade payables	133,893	-	
Loans from / (to) subsidiary undertakings	78,351	(187,674)	
At 30 April	<u>212,244</u>	<u>(187,674)</u>	
	<u>          </u>	<u>          </u>	

### 22. Control

Significant shareholders are disclosed in the Directors' report. There is no overall controlling party.

**NOTICE OF AN ANNUAL GENERAL MEETING**

**OF**

**CARBONDESK GROUP PLC**

**COMPANY NUMBER 5778750**

**(the "Company")**

NOTICE IS HEREBY GIVEN that the 2010 Annual General Meeting (the "Meeting") of the Company will be held at the offices of CarbonDesk Group Plc, 4 Chiswell Street, London EC1Y 4UP on 22 July 2010 at 2.30 pm for the transaction of the following business:

**ORDINARY BUSINESS**

**To consider and if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:**

1. To receive the accounts of the Company for the year ended 30 April 2010 together with the reports thereon of the directors and the auditors of the Company.
2. To re-elect Peter Holmes retiring by rotation as director in accordance with the provisions of the Articles of Association and, being eligible, offering himself for re-election as director of the Company.
3. To re-elect Daniel Edelman retiring by rotation as director in accordance with the provisions of the Articles of Association and, being eligible, offering himself for re-election as director of the Company.
4. To re-elect Lord Anthony St John of Bletso who has been appointed a director since the last AGM
5. To reappoint Additions Chartered Accountants as the auditors of the Company.
6. To authorise the directors to fix the auditors' remuneration.

## SPECIAL BUSINESS

**To consider and if thought fit, to pass the following resolutions, of which Resolution 7 will be proposed as an ordinary resolution and Resolution 8 will be proposed as a special resolution:**

7. THAT for the purposes of 551 of the Companies Act 2006 (the “Act”) the directors be and are hereby generally and unconditionally authorised (in substitution for any existing authorities held by the directors) to exercise all the powers of the Company to allot relevant securities (within the meaning of section 560 of the Act) up to a maximum nominal amount of £655,489 of the authorised but unissued ordinary share capital provided that this authority shall expire on the conclusion of the next annual general meeting of the Company after the passing of this resolution (unless and to the extent that such authority is renewed or extended prior to such date) except that the Company may before the expiry of such period make an offer or agreement which would, or might, require relevant securities to be allotted after the expiry of such period and the directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired and that this authority shall replace any existing like authority which is hereby revoked with immediate effect.
  
8. THAT, subject to the passing of resolution 7 set out above, the directors be and are hereby empowered pursuant to section 571 of the Act to allot equity securities (as defined in section 560 of the Act) pursuant to the authority conferred upon them by resolution 7 above as if section 561 of the Act did not apply to any such allotment provided that such power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £655,489 and shall expire on the conclusion of the next annual general meeting of the Company after the passing of this resolution (unless and to the extent that such authority is renewed or extended prior to such date) except that the Company may, before the expiry of any power contained in this resolution, make an offer or agreement which would, or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

Date: 28 June 2010

BY ORDER OF THE BOARD

Registered office: 4 Chiswell Street  
London  
EC1Y 4UP

Hugh Fleming  
Secretary

**NOTES:**

1. A member entitled to attend and vote at the Meeting convened by the Notice set out above is entitled to appoint a proxy to attend, speak and vote in his place. A proxy need not be a member of the Company. You can only appoint a proxy using the procedures set out in these notes and the notes set out in the form of proxy enclosed with this Notice.
2. A form of proxy is enclosed. To be effective it must be deposited at the office of the Company’s registrars being Share Registrars Limited, at Suite E, 1<sup>st</sup> Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL so as to be received not later than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Completion of the form of proxy does not preclude a member from subsequently attending and voting at the meeting in person if he or she wishes.
3. Pursuant to Regulation 41 of the Uncertificated Securities regulations 2001, the Company specifies that only those shareholders of the Company on the register at 2.30 pm on 20 July 2010 shall be entitled to attend or vote at the Meeting in respect of shares registered in their name at the time. Changes to the register after that time will be disregarded in determining the rights of any person to attend or vote at the Meeting.