

**SOLO OIL PLC**  
**ANNUAL REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2009**

**Company number 05542880**

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Solo Oil Plc (“Solo” or “the Company”) is an English and Welsh incorporated, registered and domiciled company which is quoted on the London Stock Exchange Alternative Investment Market (“AIM”). Its principal activities are to acquire a diverse portfolio of direct and indirect interests in exploration, development and production oil and gas assets which are based in the Americas, Europe or Africa.

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## Chairman's Statement

The Company announced on 25 June 2009 that it was proposing to change its name and adopt a new Investing Policy. A Circular to Shareholders setting out details of a proposed change in its Investing Policy and proposed Name Change was sent to all company shareholders.

Your Board announced on 17 July 2009 that both resolutions were passed at the General Meeting ("GM") held on same date. Accordingly the Company adopted a new Investing Policy, as set out below, and changed the Company's name to Solo Oil PLC.

### Background

The Company completed the reverse takeover of Immersion Technology International Limited ("ITI") in April 2007. At that time the Directors considered the acquisition of ITI as an opportunity to enter the audio technology market where ITI's unique patented technologies could be exploited to increase market share, particularly in electro-static loudspeakers. Since 2007, the Company had made progress in the evolution of its speaker technology. However, in the six months ended up to 31 December 2008, the Company reported sales revenue of only £24,000 for this particular period.

The Directors therefore came to the conclusion that whilst ITI's speaker technology is valuable (and will be retained), ITI does not form the basis of a sustainable business for a publicly traded company. Accordingly, the Director's believed that it was in the Company's interests to adopt a new broader strategy for the development of the Company as an investing company and to take advantage of opportunities outside of the audio technology market.

### New Investing Policy

The Company's new Investing Policy is to acquire a diverse portfolio of direct and indirect interests in exploration, development and production oil and gas assets which are based in the Americas, Europe or Africa. Both on-shore and off-shore interests will be considered. The intention is to acquire a widely distributed mix of oil and gas development and production assets.

The Directors collectively have considerable experience investing, both in structuring and executing deals and in raising funds. The Directors will use this experience to identify and investigate investment opportunities, and to negotiate acquisitions. Wherever necessary the Company will engage suitably qualified technical personnel to carry out specialist due diligence prior to making an acquisition or an investment. For the acquisitions which they expect the Company to make, the Directors may adopt earn-out structures, with specific performance targets being set for the sellers of the businesses acquired, and with suitable metrics applied.

The Company may invest by way of outright acquisition or by the acquisition of assets, including the intellectual property, of a relevant business, partnerships or joint venture arrangements. Such investments may result in the Company acquiring the whole or part of a company or project (which in the case of an investment in a company may be private or listed on a stock exchange, and which may be pre-revenue), and such investments may constitute a minority stake in the company or project in question. The Company's investments may take the form of equity, joint venture debt, convertible instruments, licence rights, or other financial instruments as the Directors deem appropriate.

The Company will be both an active and a passive investor. The Company intends to be a long-term investor and the Directors will place no minimum or maximum limit on the length of time that any investment may be held.

There is no limit on the number of projects into which the Company may invest, nor the proportion of the Company's gross assets that any investment may represent at any time and the Company will consider possible opportunities anywhere in the world.

The Directors may offer new Ordinary Shares by way of consideration as well as cash, thereby helping to preserve the Company's cash for working capital and as a reserve against unforeseen contingencies including by way of example, and without limit, delays in collecting accounts receivable, unexpected changes in the economic environment and unforeseen operational problems. The Company may in appropriate circumstances, issue debt securities or otherwise borrow money to complete an investment. There are no borrowing limits in the Articles of Association of the Company. The Directors do not intend to acquire any cross-holdings in other corporate entities that have an interest in the Ordinary Shares.

There are no restrictions in the type of investment that the Company might make nor on the type of opportunity that may be considered other than set out in this paragraph.

As the Ordinary Shares are traded on AIM this provides a facility for shareholders to realise their investment in the Company. In addition, the Directors may consider from time to time other means of facilitating returns to Shareholders including dividends, share repurchases, demergers, and schemes of arrangements or liquidation.

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## Chairman's Statement continued

The Company will provide an update on its investing activities at the same time that it publishes its audited annual results for the year ending 30 June 2009 and as otherwise required by the AIM Rules. The Company has no current plans to publish any regular estimate of net asset value or updates on the investments.

All of the Company's assets will be held in its own name, or through wholly owned subsidiaries.

### **Name Change**

Further to the adoption of the Investing Policy, the Company's name changed to Solo Oil PLC on 14 August 2009. Trading in the shares under the new name commenced on 17 August 2009. The new website which contains the information required under AIM Rule 26 is available at: [www.soloil.co.uk](http://www.soloil.co.uk) .

### **Share Placement and Farm-in to the Ruvuma Basin, Tanzania**

The Company announced on 16 November 2009 that it has placed a total of 1,280,000,000 new ordinary shares of 0.01p each in the Company (Placing Shares) at a placing price of 0.5 pence per share to raise £6.4 million ("the Placing") and has signed a Farm-out Agreement with London Main Market listed Aminex PLC ("Aminex") to earn a 12.5% interest in the Likonde-1 well in Tanzania.

Aminex currently has a 50% interest in the Ruvuma PSA and the remaining 50% is held by Tullow Oil PLC ("Tullow") which is the operator. Post transaction, Tullow will own 50% of Likonde-1 well, Aminex 37.5% and Solo Oil 12.5%.

Likonde-1 is the first well scheduled to be drilled on the Ruvuma production agreement (PSA) in southern Tanzania with spudding likely to occur in about two months, the precise date depending on rig move logistics. A rig contract has been signed.

Under the terms of the farm-out agreement Solo will make the following cash outlays:

- (1) Reimburse Aminex for 12.5% of pre-drilling costs amounting to US\$1.25 million and
- (2) Pay 18.75% of the drilling cost of Likonde-1 amounting to \$3.4 million.

After the drilling of Likonde-1, Solo will have earned the right to participate in any further drilling on the licences covered by the Ruvuma PSA through contributing 12.5% of ongoing costs. If Solo exercises this right it will also then become a full party to the Ruvuma joint operating agreement.

The Farm-out agreement is subject (1) to formal approval from the Government of Tanzania and (2) to passing of the relevant resolutions at the Company's' general meeting as referred to below.

### Placing

The Placing was done in two stages. Under the first placing, the Company issued 224,700,000 new ordinary shares at a price of 0.5 pence per share raising gross proceeds of £1,123,500 (before expenses) ("First Placing"). The First Placing was subject only to the admission of the new ordinary shares to trading on AIM, which took place on 23 November 2009.

Following the First Placing, the Company issued a further 1,055,300,000 new ordinary shares at a price of 0.5 pence per share raising gross proceeds of £5,276,500 (before expenses) ("Second Placing"). The Second Placing was, inter alia, conditional on the resolutions being passed by the Shareholders at the General Meeting, on 9 December 2009 to provide the necessary authorities to issue the shares, and on admission of the new ordinary shares to trading on AIM which took place on 11 December 2009.

The Placing Shares rank *pari passu* in all respects with the Company's existing ordinary shares in issue. The Company's total issued share capital is 2,080,320,634 ordinary shares. The Placing Shares represent approximately 61.5% of the enlarged issued share capital of the Company.

In conjunction with the placing arrangements, the Company has agreed to issue to Astaire Securities options over 60,000,000 Ordinary Shares to be issued at a price of 0.5 pence per share exercisable in whole or in part at any time up to and including the third anniversary of the admission of the new Ordinary Shares.

A circular convening the General Meeting was sent to Shareholders on 16 November 2009, and a copy is available on the Company's website [www.soloil.co.uk](http://www.soloil.co.uk)

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## Chairman's Statement continued

### Use of Proceeds

The Placing proceeds provide the Company with the funds to pursue its new investing policy as approved by shareholders on 17 July 2009 and specifically will be used to farm in to the Likonde- 1 well scheduled to be drilled on the Ruvuma production agreement in southern Tanzania. Participation in this agreement will cost approximately £ 2.79 million.

The balance of the funds which is expected to exceed £3 million is expected to be used to strengthen the Company's balance sheet and for general working capital purposes.

### Information on the Ruvuma PSA

The Ruvuma PSA covers approximately 12,000 sq Kilometres in the extreme south-east of Tanzania of which roughly 80% is onshore and 20% offshore. Within the PSA are two specific, adjoining licence areas, known as Lindi and Mtwara. The first well to be drilled under the Ruvuma PSA will be on the Likonde prospect, an anticlinal structure associated with a strike slip fault. As noted above, the Likonde-1 well is expected to be spudded in early 2010 and drilled to a depth of approximately 3,200 metres to test multiple targets throughout the Tertiary, Cretaceous, Jurassic and Permo-Trias Karoo intervals. Aminex have reported that "the Likonde prospect is thought to have the potential for up to 500 million barrels of oil in place."

### Further information

The technical information contained in this annual report has been extracted from publically available information from Aminex Oil PLC's disclosures.

## **FINANCIAL RESULTS**

The Group's loss for the year is £1.1 million (2008: £2.47 million) in which it earned sales revenue of £31,000 (2008: £66,000) and other income £294,000 (2008: £3,000) being mainly expenditure grants and rebates.

During the year the Group spent nil (2008: £73,000) on research and development and building a broad product range. Amortisation of intangible assets for the year, including an impairment charge, is £700,000 (2008: £246,000) and the employee and director remuneration costs totalled £341,000 (2008: £979,000).

## **OUTLOOK**

Your Board acknowledges this exciting farm-in opportunity with Aminex and Tullow is the first oil and gas deal undertaken by the Company since it changed its investment strategy in July of this year. Likonde -1 is the first hole being drilled in one of the last unexplored major onshore basins in Africa."

The directors would like to take this opportunity to thank our shareholders for their continued support.

**David Lenigas**  
Executive Chairman  
15 December 2009

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## Directors' Report

The Directors are pleased to present this year's annual report together with the consolidated financial statements for the year ended 30 June 2009.

### Principal Activities

The principal activity of the Group is to acquire a diverse portfolio of direct and indirect interests in exploration, development and production oil and gas assets which are based in the Americas, Europe or Africa. The company also changed its name from Immersion Technologies International Plc to Solo Oil Plc on 14 August 2009.

### Business Review and future developments

A review of the current and future development of the Group's business is given in the Chairman's Statement on pages 2 to 4.

### Results and Dividends

Loss on ordinary activities of the Group after taxation amounted to £1.10 million (2008: £2.47 million). The Directors do not recommend payment of a dividend.

### Key Performance Indicators

Given the nature of the business and that the Group has recently adopted a new investing policy and is in the early stages of developing new operations, the directors are of the opinion that analysis using KPI's is not appropriate for an understanding of the development, performance or position of our businesses at this time.

### Post Balance Sheet events

At the date these financial statements were approved, being 15 December 2009, the Directors were not aware of any significant post balance sheet events other than those set out in the notes to the financial statements.

### Substantial Shareholdings

At 15 December 2009 the following had notified the Company of disclosable interests in 3% or more of the nominal value of the Company's shares:

| Shareholder                         | Number of Shares | % of Issued Capital |
|-------------------------------------|------------------|---------------------|
| Dartington Portfolio Nominees Ltd   | 106,500,000      | 5.11                |
| Barclayshare Nominees Ltd           | 96,108,186       | 4.61                |
| TD Waterhouse Nominees (Europe) Ltd | 89,487,314       | 4.30                |
| WB Nominees Ltd                     | 84,461,618       | 4.06                |
| KBC Peel Hunt Ltd                   | 73,039,752       | 3.51                |
| Pershing Nominees Ltd               | 65,000,000       | 3.12                |

### Directors

The names of the Directors who served during the year are set out below:

| Director                       | Date of Appointment | Date of Resignation |
|--------------------------------|---------------------|---------------------|
| <b>Executive Directors</b>     |                     |                     |
| David Lenigas                  |                     |                     |
| Vincent Fodera                 |                     | 7 July 2008         |
| <b>Non-Executive Directors</b> |                     |                     |
| Kiran Morzaria                 |                     |                     |
| Sandy Barblett                 |                     |                     |

### Directors' Remuneration

The Company remunerates the Directors at a level commensurate with the size of the Company and the experience of its Directors. The Remuneration Committee has reviewed the Directors' remuneration and believes it upholds the objectives of the Company with regard to this issue. Details of the Director emoluments and payments made for professional services rendered are set out in Note 5 to the financial statements.

### Directors' Interests

The beneficial interests of the serving Directors in the shares and options of the Company during the period to 30 June 2009 were as follows:

## Directors' Report (continued)

| Director       | At 30 June 2009 |           | At 30 June 2008 |           |
|----------------|-----------------|-----------|-----------------|-----------|
|                | Shares          | Options   | Shares          | Options   |
| David Lenigas  | 2,850,000       | 2,500,000 | -               | 2,500,000 |
| Kiran Morzaria | 711,428         | 750,000   | 711,428         | 750,000   |
| Sandy Barblett | 600,000         | 1,250,000 | 600,000         | 1,250,000 |
| Vincent Fodera | -               | -         | 2,787,384       | 2,500,000 |

### Corporate Governance

A statement on Corporate Governance is set out on pages 8 - 9.

### Environmental Responsibility

The Company is aware of the potential impact that its subsidiary companies may have on the environment. The Company ensures that it, and its subsidiaries at a minimum comply with the local regulatory requirements and the revised Equator Principles with regard to the environment.

### Employment Policies

The Group will be committed to promoting policies which ensure that high calibre employees are attracted, retained and motivated, to ensure the ongoing success for the business. Employees and those who seek to work within the Group are treated equally regardless of sex, marital status, creed, colour, race or ethnic origin.

### Health and Safety

The Group's aim will be to achieve and maintain a high standard of workplace safety. In order to achieve this objective the Group will provide training and support to employees and set demanding standards for workplace safety.

### Payment to Suppliers

The Group's policy is to agree terms and conditions with suppliers in advance; payment is then made in accordance with the agreement provided the supplier has met the terms and conditions. There are no material trade payables as at 30 June 2009.

### Political Contributions and Charitable Donations

During the period the Group did not make any political contributions or charitable donations.

### Annual General Meeting ("AGM")

This report and financial statements will be presented to shareholders for their approval at the AGM. The Notice of the AGM will be distributed to shareholders together with the Annual Report.

### Statement of disclosure of information to auditors

As at the date of this report the serving directors confirm that:

- So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- 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 the Company's auditor are aware of that information

### Auditors

A resolution to appoint Chapman Davis LLP and to authorise the Directors to fix their remuneration will be proposed at the next Annual General Meeting.

### Going Concern

Notwithstanding the loss incurred during the period under review, the Directors are of the opinion that ongoing evaluations of the Company's interests and cash resources, indicate that preparation of the Group's accounts on a going concern basis is appropriate.

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## Directors' Report (continued)

### Statement of Directors' Responsibilities

The directors prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the 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 proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities. They are also responsible for ensuring that the annual report includes information required by the Alternative Investment Market.

### Electronic communication

The maintenance and integrity of the Company's website is the responsibility of the directors: the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The Company's website is maintained in accordance with AIM Rule 26.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions

By order of Board:

**David Lenigas**  
Executive Chairman  
15 December 2009

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# Corporate Governance Statement

The Board is committed to maintaining high standards of corporate governance. The Listing Rules of the Financial Services Authority incorporate the Combined Code, which sets out the principles of Good Governance, and the Code of Best Practice for listed companies. Whilst the Company is not required to comply with the Combined Code, the Company's corporate governance procedures take due regard of the principles of Good Governance set out in the Combined Code in relation to the size and the stage of development of the Company.

## Board of Directors

The Board of Directors currently comprises 1 Executive Director, and 2 Non- Executive Directors. The Directors are of the opinion that the Board comprises a suitable balance and that the recommendations of the Combined Code have been implemented to an appropriate level. The Board, through the Chairman and the Finance Director in particular, maintains regular contact with its advisers and public relations consultants in order to ensure that the Board develops an understanding of the views of major shareholders about the Company.

## Board Meetings

The Board meets regularly throughout the year. For the period ending 30 June 2009 the Board met 6 times (2008: 7) in relation to normal operational matters. The Board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day to day management is devolved to the Executive Director and management who are charged with consulting the Board on all significant financial and operational matters.

All Directors have access to the advice of the Company's solicitors and the Company Secretary necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively, and all Directors have access to independent professional advice, at the Company's expense, as and when required.

## Board Committees

The Board has established the following committees, each which has its own terms of reference:

### *Audit Committee*

The Audit Committee considers the Group's financial reporting (including accounting policies) and internal financial controls. The Audit Committee comprises 2 Directors, Kiran Morzaria (Chairman) and Sandy Barblett, and is responsible for ensuring that the financial performance of the Group is properly monitored and reported on.

### *Remuneration Committee*

The Remuneration Committee is responsible for making recommendations to the Board on Directors' and senior executives' remuneration. It comprises 2 Directors, Kiran Morzaria (Chairman) and Sandy Barblett. Non-Executive Directors' remuneration and conditions are considered and agreed by the Board. The Committee will also have regard to the terms which may be required to attract an experienced executive to join the Board from another company.

## Internal controls

The Directors acknowledge their responsibility for the Group's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Company and to ensure the reliability of financial information for both internal use and external publication. Whilst they are aware that no system can provide absolute assurance against material misstatement or loss, in light of increased activity and further development of the Company, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

## Risk Management

The Board considers risk assessment to be important in achieving its strategic objectives. There is a process of evaluation of performance targets through regular reviews by senior management to forecasts. Project milestones and timelines are regularly reviewed.

## Risks and uncertainties

The principal risks facing the Company are set out below. Risk assessment and evaluation is an essential part of the Group's planning and an important aspect of the Group's internal control system.

### *General and economic risks*

- contractions in the world's major economies or increases in the rate of inflation resulting from international conditions;
- movements in the equity and share markets in the United Kingdom and throughout the world;
- weakness in global equity and share markets in particular, in the United Kingdom, and adverse changes in market sentiment towards the resource industry;
- currency exchange rate fluctuations and, in particular, the relative prices of Australian Dollar, Chinese Yuan and Singapore Dollar and the UK Pound;
- exposure to interest rate fluctuations; and
- adverse changes in factors affecting the success of exploration and development operations, such as increases in expenses, changes in government policy and further regulation of the industry; unforeseen major failure, breakdowns or repairs required to key items of plant and equipment resulting in significant delays, notwithstanding regular programmes of

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## Corporate Governance Statement (continued)

repair, maintenance and upkeep; variations in grades and unforeseen adverse geological factors or prolonged weather conditions.

### *Funding risk*

- The Group or the companies in which it has invested may not be able to raise either by debt or further equity, sufficient funds to enable completion of planned exploration, investment and/or development projects.

### *Market risk*

- The ability of the Group (and the companies it invests in) to continue to secure sufficient and profitable sales contracts to support its operations is a key business risk.

### **Insurance**

The Group maintains insurance in respect of its Directors and Officers against liabilities in relation to the Company.

### **Treasury Policy**

The Group finances its operations through equity and holds its cash as a liquid resource to fund the obligations of the Group. Decisions regarding the management of these assets are approved by the Board. Refer Note 17.

### **Securities Trading**

The Board has adopted a Share Dealing Code that applies to Director, senior management and any employee who is in possession of 'inside information'. All such persons are prohibited from trading in the Company's securities if they are in possession of 'inside information'. Subject to this condition and trading prohibitions applying to certain periods, trading can occur provided the relevant individual has received the appropriate prescribed clearance.

### **Relations with Shareholders**

The Board is committed to providing effective communication with the shareholders of the Company. Significant developments are disseminated through stock exchange announcements and regular updates of the Company website. The Board views the AGM as a forum for communication between the Company and its shareholders and encourages their participation in its agenda.

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# Independent Auditor's Report to the Members of Solo Oil Plc

We have audited the financial statements of Solo Oil Plc for the year ended 30th June 2009 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Cash Flows, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 25. 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.

This report is made solely to the Company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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.

## Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2009 and of the Group's and the Parent Company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited 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.

**Keith Fulton (Senior Statutory Auditor)**  
**for and on behalf of Chapman Davis LLP**  
Chartered Accountants and Statutory Auditors  
London, United Kingdom  
15 December 2009

# Financial Statements

## Group Income Statement for the year ended 30 June 2009

|  |       | Discontinuing<br>Operations | Continuing<br>Operations | Total          |         |
|--|-------|-----------------------------|--------------------------|----------------|---------|
|  | Notes | 2009                        | 2009                     | 2009           | 2008    |
|  |       | £000's                      | £000's                   | £000's         | £000's  |
| Revenue  | 3     | 325                         | -                        | 325            | 69      |
| Cost of Sales                                      |       | -                           | -                        | -              | (271)   |
| Gross profit/(loss)                                |       | <b>325</b>                  | -                        | <b>325</b>     | (202)   |
| Administrative expenses                            | 4     | (324)                       | (416)                    | (740)          | (2,309) |
| <b>Operating profit/(loss)</b>                     |       | <b>1</b>                    | (416)                    | <b>(415)</b>   | (2,511) |
| Impairment charge                                  | 16    | (700)                       | -                        | (700)          | -       |
| Finance revenue                                    | 7     | -                           | 2                        | 2              | 42      |
| <b>Loss on ordinary activities before taxation</b> |       | <b>(699)</b>                | (414)                    | <b>(1,113)</b> | (2,469) |
| Income tax (expense)                               | 6     |                             |                          | 13             | -       |
| <b>Loss on ordinary activities after taxation</b>  |       |                             |                          | <b>(1,100)</b> | (2,469) |
| <b>Retained loss for the year</b>                  |       |                             |                          | <b>(1,100)</b> | (2,469) |
| <b>Loss per share (pence)</b>                      |       |                             |                          |                |         |
| Basic  | 8     |                             |                          | (0.32)         | (1.08)  |
| Diluted  | 8     |                             |                          | (0.32)         | (1.08)  |

## Group Balance Sheet as at 30 June 2009

|                                 | Notes | 2009<br>£000's | 2008<br>£000's |
|---------------------------------|-------|----------------|----------------|
| <b>Assets</b>                   |       |                |                |
| <b>Non-current assets</b>       |       |                |                |
| Intangible assets               | 9     | 100            | 800            |
| Tangible assets                 | 10    | -              | -              |
| <b>Total non-current assets</b> |       | <b>100</b>     | 800            |
| <b>Current assets</b>           |       |                |                |
| Trade and other receivables     | 11    | 255            | 50             |
| Cash and cash equivalents       |       | 153            | 272            |
| <b>Total current assets</b>     |       | <b>408</b>     | 322            |
| <b>Total assets</b>             |       | <b>508</b>     | 1,122          |
| <b>Liabilities</b>              |       |                |                |
| <b>Current liabilities</b>      |       |                |                |
| Trade and other payables        | 12    | (20)           | (273)          |
| Provisions                      |       | -              | (2)            |
| <b>Total liabilities</b>        |       | <b>(20)</b>    | (275)          |
| <b>Net assets</b>               |       | <b>488</b>     | 847            |
| <b>Equity</b>                   |       |                |                |
| Share capital                   | 13    | 80             | 1,598          |
| Deferred share capital          | 13    | 1,831          | -              |
| Share premium reserve           |       | 3,388          | 2,869          |
| Unissued share capital          |       | -              | 185            |
| Foreign exchange reserve        |       | 127            | 61             |
| Warrant reserve                 |       | 33             | -              |
| Share-based payments            |       | 75             | 80             |
| Retained loss                   |       | (5,046)        | (3,946)        |
|                                 |       | <b>488</b>     | 847            |

The financial statements were approved by the board of directors and authorised for issue on 15 December 2009. They were signed on its behalf by ;

David Lenigas  
Director

Kiran Morzaria  
Director

## Company Balance Sheet as at 30 June 2009

|                                 | Notes | 2009<br>£000's | 2008<br>£000's |
|---------------------------------|-------|----------------|----------------|
| <b>Assets</b>                   |       |                |                |
| <b>Non- current assets</b>      |       |                |                |
| Investment in subsidiaries      | 15    | 100            | 2,433          |
| Amounts due from subsidiaries   | 18    | 50             | 886            |
| <b>Total non-current assets</b> |       | <b>150</b>     | <b>3,319</b>   |
| <b>Current assets</b>           |       |                |                |
| Trade and other receivables     | 11    | 250            | 32             |
| Cash and cash equivalents       |       | 125            | 197            |
| <b>Total current assets</b>     |       | <b>375</b>     | <b>229</b>     |
| <b>Total assets</b>             |       | <b>525</b>     | <b>3,548</b>   |
| <b>Liabilities</b>              |       |                |                |
| <b>Current liabilities</b>      |       |                |                |
| Trade and other payables        | 12    | (17)           | (93)           |
| <b>Total liabilities</b>        |       | <b>(17)</b>    | <b>(93)</b>    |
| <b>Net assets</b>               |       | <b>508</b>     | <b>3,455</b>   |
| <b>Equity</b>                   |       |                |                |
| Share capital                   | 13    | 80             | 1,598          |
| Deferred share capital          | 13    | 1,831          | -              |
| Share premium                   |       | 3,388          | 2,869          |
| Unissued share capital          |       | -              | 185            |
| Share-based payment reserve     |       | 75             | 80             |
| Other reserves                  |       | 33             | -              |
| Retained loss                   |       | (4,899)        | (1,277)        |
|                                 |       | <b>508</b>     | <b>3,455</b>   |

The financial statements were approved by the board of directors and authorised for issue on 15 December 2009. They were signed on its behalf by ;

David Lenigas  
Director

Kiran Morzaria  
Director

## Group Cash Flow Statement for the year ended 30 June 2009

|   | 2009<br>£000's      | 2008<br>£000's        |
|---|---------------------|-----------------------|
| <b>Cash outflow from operating activities</b>         |                     |                       |
| Operating loss  | (415)               | (2,511)               |
| Adjustments for:                                      |                     |                       |
| Depreciation  | -                   | 172                   |
| Amortisation  | -                   | 246                   |
| Loss on disposal of assets                            | -                   | (5)                   |
| Share-based payments                                  | (5)                 | 46                    |
| (Decrease)/increase in provisions                     | (2)                 | 2                     |
| (Increase)/decrease in receivables                    | (205)               | 211                   |
| Decrease in payables                                  | (253)               | (87)                  |
| Cash used in operating activities                     | <u>(880)</u>        | <u>(1,926)</u>        |
| Income tax refund/(paid)                              | <u>13</u>           | <u>(12)</u>           |
| <b>Net cash outflow from operating activities</b>     | <b><u>(867)</u></b> | <b><u>(1,938)</u></b> |
| <b>Cash flows from investing activities</b>           |                     |                       |
| Interest received                                     | 2                   | 42                    |
| Proceeds from disposal of assets                      | -                   | 5                     |
| Purchase of patents                                   | -                   | (45)                  |
| Purchase of plant and equipment                       | -                   | (112)                 |
| <b>Net cash inflow from investing activities</b>      | <b><u>2</u></b>     | <b><u>(110)</u></b>   |
| <b>Cash flows from financing activities</b>           |                     |                       |
| Proceeds on issuing of ordinary shares                | 906                 | 43                    |
| Proceeds on share capital-un issued                   | (185)               | 185                   |
| Cost of issue of ordinary shares                      | (41)                | -                     |
| <b>Net cash inflow from financing activities</b>      | <b><u>680</u></b>   | <b><u>228</u></b>     |
| <b>Net decrease in cash and cash equivalents</b>      | <b>(185)</b>        | <b>(1,820)</b>        |
| <b>Cash and cash equivalents at beginning of year</b> | <b>272</b>          | <b>2,122</b>          |
| Foreign exchange differences on translation           | <u>66</u>           | <u>(30)</u>           |
| <b>Cash and cash equivalents at end of year</b>       | <b><u>153</u></b>   | <b><u>272</u></b>     |

The above Cash Flow should be read in conjunction with the accompanying notes.

## Company Cash Flow Statement for the year ended 30 June 2009

|   | Notes | 2009<br>£000's | 2008<br>£000's |
|---|-------|----------------|----------------|
| <b>Cash outflow from operating activities</b>         |       |                |                |
| Operating loss  |       | (426)          | (918)          |
| Adjustments for:                                      |       |                |                |
| Depreciation  |       | -              | 3              |
| Share-based payments                                  |       | (5)            | 46             |
| Finance income  |       | (2)            | (41)           |
| Income tax expense                                    |       | -              | -              |
| (Increase)/decrease in receivables                    |       | (218)          | 83             |
| Decrease in payables                                  |       | (76)           | (93)           |
| Cash used in operating activities                     |       | <u>(727)</u>   | <u>(920)</u>   |
| Income tax refund/(paid)                              |       | <u>13</u>      | <u>(12)</u>    |
| <b>Net cash outflow from operating activities</b>     |       | <u>(714)</u>   | <u>(932)</u>   |
| <b>Cash flows from investing activities</b>           |       |                |                |
| Interest received                                     |       | 2              | 41             |
| Purchase of plant and equipment                       |       | -              | (3)            |
| Loans to subsidiaries                                 |       | (40)           | (331)          |
| Loans from subsidiaries                               |       | -              | (257)          |
| Investment in Subsidiaries                            |       | -              | (548)          |
| <b>Net cash inflow from investing activities</b>      |       | <u>(38)</u>    | <u>(1,098)</u> |
| <b>Cash flows from financing activities</b>           |       |                |                |
| Proceeds on issuing of ordinary shares                |       | 906            | 43             |
| Proceeds on share capital-unissued                    |       | (185)          | 185            |
| Cost of issue of ordinary shares                      |       | (41)           | -              |
| <b>Net cash inflow from financing activities</b>      |       | <u>680</u>     | <u>228</u>     |
| <b>Net decrease in cash and cash equivalents</b>      |       | <b>(72)</b>    | <b>(1,802)</b> |
| <b>Cash and cash equivalents at beginning of year</b> |       | <u>197</u>     | <u>1,999</u>   |
| <b>Cash and cash equivalents at end of year</b>       |       | <u>125</u>     | <u>197</u>     |

The above Cash Flow should be read in conjunction with the accompanying notes.

## Group Statement of Changes in Equity for the year ended 30 June 2009

|   | Share<br>capital<br>£000's | Deferred<br>share<br>capital<br>£000's | Share<br>premium<br>£000's | Unissued<br>share<br>capital<br>£000's | Share<br>based<br>payments<br>£000's | Warrant<br>reserve<br>£000's | Foreign<br>exchange<br>£000's | Other<br>reserves<br>£000's | Accumulated<br>losses<br>£000's | Total<br>£000's |
|---|----------------------------|--|----------------------------|--|--------------------------------------|------------------------------|-------------------------------|-----------------------------|---------------------------------|-----------------|
| <b>Balance at 30 June 2007</b>                            | <b>1,574</b>               | -                                      | <b>2,824</b>               | -                                      | <b>60</b>                            | -                            | <b>51</b>                     | <b>5,730</b>                | <b>(1,477)</b>                  | <b>8,762</b>    |
| Foreign translation differences                           | -                          | -                                      | -                          | -                                      | -                                    | -                            | 10                            | -                           | -                               | 10              |
| Loss for the period                                       | -                          | -                                      | -                          | -                                      | -                                    | -                            | -                             | -                           | (2,469)                         | (2,469)         |
| <b>Total recognised income and expense for the period</b> | -                          | -                                      | -                          | -                                      | -                                    | -                            | 10                            | -                           | (2,469)                         | (2,459)         |
| Share issue   | 24                         | -                                      | 45                         | 185                                    | -                                    | -                            | -                             | -                           | -                               | 254             |
| Share-based payments and warrant expense                  | -                          | -                                      | -                          | -                                      | 27                                   | -                            | -                             | -                           | -                               | 27              |
| Cancelled share based payment                             | -                          | -                                      | -                          | -                                      | (7)                                  | -                            | -                             | -                           | -                               | (7)             |
| Impairment charge   | -                          | -                                      | -                          | -                                      | -                                    | -                            | -                             | (5,682)                     | -                               | (5,682)         |
| Foreign translation differences                           | -                          | -                                      | -                          | -                                      | -                                    | -                            | -                             | (48)                        | -                               | (48)            |
| <b>Balance at 30 June 2008</b>                            | <b>1,598</b>               | -                                      | <b>2,869</b>               | <b>185</b>                             | <b>80</b>                            | -                            | <b>61</b>                     | -                           | <b>(3,946)</b>                  | <b>847</b>      |
| Foreign translation differences                           | -                          | -                                      | -                          | -                                      | -                                    | -                            | 66                            | -                           | -                               | 66              |
| Loss for the period                                       | -                          | -                                      | -                          | -                                      | -                                    | -                            | -                             | -                           | (1,100)                         | (1,100)         |
| <b>Total recognised income and expense for the period</b> | -                          | -                                      | -                          | -                                      | -                                    | -                            | 66                            | -                           | (1,100)                         | (1,034)         |
| Share issue   | 313                        | -                                      | 593                        | (185)                                  | -                                    | -                            | -                             | -                           | -                               | 721             |
| Cost of share issue                                       | -                          | -                                      | (74)                       | -                                      | -                                    | -                            | -                             | -                           | -                               | (74)            |
| Reorganisation of share capital                           | (1,831)                    | 1,831                                  | -                          | -                                      | -                                    | -                            | -                             | -                           | -                               | -               |
| Share-based payment and warrant charge                    | -                          | -                                      | -                          | -                                      | 11                                   | 33                           | -                             | -                           | -                               | 44              |
| Cancelled share based payment                             | -                          | -                                      | -                          | -                                      | (16)                                 | -                            | -                             | -                           | -                               | (16)            |
| <b>Balance at 30 June 2009</b>                            | <b>80</b>                  | <b>1,831</b>                           | <b>3,388</b>               | -                                      | <b>75</b>                            | <b>33</b>                    | <b>127</b>                    | -                           | <b>(5,046)</b>                  | <b>488</b>      |

## Company Statement of Changes in Equity for the year ended 30 June 2009

|   | Share<br>capital<br>£000's | Deferred<br>share<br>capital<br>£000's | Share<br>premium<br>£000's | Unissued<br>share<br>capital<br>£000's | Share<br>based<br>payments<br>£000's | Warrant<br>reserve<br>£000's | Other<br>reserves<br>£000's | Accumulated<br>losses<br>£000's | Total<br>equity<br>£000's |
|---|----------------------------|--|----------------------------|--|--------------------------------------|------------------------------|-----------------------------|---------------------------------|---------------------------|
| <b>Balance at 30 June 2007</b>                            | <b>1,574</b>               | -                                      | <b>2,824</b>               | -                                      | <b>60</b>                            | -                            | <b>16,799</b>               | <b>(360)</b>                    | <b>20,897</b>             |
| Loss for the period                                       | -                          | -                                      | -                          | -                                      | -                                    | -                            | -                           | (917)                           | (917)                     |
| <b>Total recognised income and expense for the period</b> | -                          | -                                      | -                          | -                                      | -                                    | -                            | -                           | (917)                           | (917)                     |
| Share issue   | 24                         | -                                      | 45                         | 185                                    | -                                    | -                            | -                           | -                               | 254                       |
| Share-based payment                                       | -                          | -                                      | -                          | -                                      | 27                                   | -                            | -                           | -                               | 27                        |
| Cancelled share based payment                             | -                          | -                                      | -                          | -                                      | (7)                                  | -                            | -                           | -                               | (7)                       |
| Impairment charge   | -                          | -                                      | -                          | -                                      | -                                    | -                            | (16,799)                    | -                               | (16,799)                  |
| <b>Balance at 30 June 2008</b>                            | <b>1,598</b>               | -                                      | <b>2,869</b>               | <b>185</b>                             | <b>80</b>                            | -                            | -                           | <b>(1,277)</b>                  | <b>3,455</b>              |
| Loss for the period                                       | -                          | -                                      | -                          | -                                      | -                                    | -                            | -                           | (3,622)                         | (3,622)                   |
| <b>Total recognised income and expense for the period</b> | -                          | -                                      | -                          | -                                      | -                                    | -                            | -                           | (3,622)                         | (3,622)                   |
| Share issue   | 313                        | -                                      | 593                        | (185)                                  | -                                    | -                            | -                           | -                               | 721                       |
| Cost of share issue                                       | -                          | -                                      | (74)                       | -                                      | -                                    | -                            | -                           | -                               | (74)                      |
| Reorganisation of share capital                           | (1,831)                    | 1,831                                  | -                          | -                                      | -                                    | -                            | -                           | -                               | -                         |
| Share-based payment and warrant charge                    | -                          | -                                      | -                          | -                                      | 11                                   | 33                           | -                           | -                               | 44                        |
| Cancelled share based payment                             | -                          | -                                      | -                          | -                                      | (16)                                 | -                            | -                           | -                               | (16)                      |
| <b>Balance at 30 June 2009</b>                            | <b>80</b>                  | <b>1,831</b>                           | <b>3,388</b>               | -                                      | <b>75</b>                            | <b>33</b>                    | -                           | <b>(4,899)</b>                  | <b>508</b>                |

# Notes forming part of the financial statements for the year ended 30 June 2009

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## 1 Summary of significant accounting policies

### General information and authorisation of financial statements

Solo Oil Plc is a public limited Company incorporated in England & Wales. On the 14 August 2009, the company changed its name from Immersion Technologies International Plc to Solo oil Plc. The address of its registered office is level 5, 22 Arlington Street, London SW1A 1RD. The Company's ordinary shares are traded on the AIM Market operated by the London Stock Exchange. The Group financial statements of Solo Oil plc for the year ended 30 June 2009 were authorised for issue by the Board on 15 December 2009 and the balance sheets signed on the Board's behalf by Mr. Kiran Morzaria and Mr. David Lenigas.

### Statement of compliance with IFRS

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Company's financial statements have been prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The principal accounting policies adopted by the Group and Company are set out below.

### *New standards and interpretations not applied*

IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

#### *International Accounting Standards (IAS / IFRSs) and (Effective date)*

IFRS 1 First time Adoption of International Financial Reporting Standards and Consolidated and Separate Financial Statements (1 January 2009)

IFRS 2 Amendment to IFRS 2 – Vesting Conditions and Cancellations (1 January 2009)

IFRS 3 Business Combinations - revised January 2008 (1 July 2009)

IFRS 8 Operating Segments (1 January 2009)

IAS 1 Presentation of Financial Statements - revised September 2007 (1 January 2009)

IAS 23 Borrowing Costs - revised March 2007 (1 January 2009)

IAS 27 Consolidated and Separate Financial Statements - revised January 2008 (1 July 2009)

IAS 32 Financial Instruments: Disclosure and Presentation and IAS 1 Presentation of Financial Statements (1 January 2009)

Improvements to IFRSs - May 2008 (1 January 2009)

IAS 39 Financial Instruments: Recognition and Measurement (1 January 2009)

#### *International Financial Reporting Interpretations Committee (IFRIC)*

IFRIC 16 Hedges of a net investment in a foreign operation (1 October 2008)

The amendment to IFRS 2 restricts the definition of vesting conditions to include only service conditions (requiring a specified period of service to be completed) and performance conditions (requiring the other party to achieve a personal goal or contribute to achieving a corporate target). All other features are not vesting conditions, and whereas a failure to achieve such a condition was previously regarded as a forfeiture (giving rise to a reversal of amounts previously charged to profit) it must be reflected in the grant date fair value of the award and treated as a cancellation, which results in either an acceleration of the expected charge, or a continuation over the remaining vesting period, depending on whether the condition is under the control of the entity or counterparty. The amendment is mandatory for periods beginning on or after 1 January 2009 and the Group is currently assessing its impact on the financial statements, although it is not expected to be material.

### Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the measurement to fair value of assets and financial instruments as described in the accounting policies below, and on a going concern basis.

The financial report is presented in Pound Sterling (£) and all values are rounded to the nearest thousand pounds (£'000) unless otherwise stated.

# Notes forming part of the financial statements for the year ended 30 June 2009 (continued)

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## 1 Summary of significant accounting policies (continued)

### Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

### Business combinations and goodwill

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

### Revenue recognition

Revenue is recognised to the extent that the right to consideration is obtained in exchange for performance. Payment received in advance of performance is deferred on the balance sheet as a liability and released as services are performed or products are exchanged as per the agreement with the customer.

Revenue derived from the license royalties are recognised on notification of payment by the licensee. Revenue derived from the sale of manufactured products and recognised when delivered to the customer in accordance with the specific supply contract terms. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### Foreign currencies

Transactions in currencies other than 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. Gains and losses arising on retranslation are included in the income statement for the period.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of the overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "foreign exchange reserve").

### Taxation

The tax expense represents the sum of the current tax and deferred tax.

The current tax is based on 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 periods and it further excludes items that are never taxable or deductible. The liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the 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 recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

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

### Internally-generated Intangible Assets - Research and Development Expenditure

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is included within the administrative expenses in the consolidated income statement.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated income statement as incurred.

## Notes forming part of the financial statements for the year ended 30 June 2009 (continued)

### Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. The amortisation expense is included within the administrative expenses line in the consolidated income statement.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

| Intangible asset      | Useful economic life   | Valuation method   |
|-----------------------|------------------------|--|
| Intellectual property | Patent life (20 years) | Estimated royalty stream if the rights were to be licensed |
| Licenses              | 10 years Estimated     | discounted cash flow                                       |

### Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If there is such indication then an estimate of the asset's recoverable amount is performed and compared to the carrying amount.

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. 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.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset 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 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 in prior periods. A reversal of an impairment loss is 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.

### Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost and subsequently at depreciated cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Depreciation is provided on all of property, plant and equipment to write off the carrying value of items over their expected useful economic lives. It is applied at the following rates:

- Plant and equipment-15%-25% per annum straight line
- Office equipment-20%-25% per annum straight line

### Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition,

Weighted average cost is used to determine the cost of ordinarily interchangeable items.

### Provisions

Provisions are recognised for liabilities of uncertain timing or amount that have arisen as a result of past transactions and are discounted at a pre-tax rate reflecting current market assessments of the time value of money and the risks specific to the liability.

### Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Group has become a party to the contractual provisions of the instrument

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash in hand, cash at bank and short term deposits with banks and similar financial institutions.

#### *Trade and other receivables*

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

## Notes forming part of the financial statements for the year ended 30 June 2009 (continued)

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### *Financial liability and equity*

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

### *Trade and other payables*

Trade and other payables are non interest bearing and are stated at their nominal value.

### *Equity instruments*

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

### **Share-based payments**

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the consolidated income statement is charged with the fair value of goods and services received. Equity-settled share-based payments are measured at fair value at the date of grant except if the value of the service can be reliably established. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

### **Critical accounting estimates and judgements**

The Group makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Impairment of goodwill*

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows - actual outcomes may vary. If the carrying amount exceeds the recoverable amount then impairment is made.

#### *Useful lives of intangible assets and property, plant and equipment*

Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are based on judgement and experience and periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated income statement in specific periods.

#### *Share-based payments*

The Group utilised an equity-settled share-based remuneration scheme for employees. Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The fair value of share options are estimated by using Black-Scholes valuation method as at the date of grant. The assumptions used in the valuation are described in note 17 and include, among others, the expected volatility, expected life of the options and number of options expected to vest.

#### *Warranty claims*

The Group may offer warranties on its products. The Group estimates the amount and cost of future warranty claims for its sales to be 10% of the sales price. 10% accrued warranty provisions for product shipments are provided. Factors that impact the estimated claim information include the success of the Group's productivity and quality initiatives, as well as parts and labour costs.

## Notes forming part of the financial statements for the year ended 30 June 2009 (continued)

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### *Identifying the acquirer in business combinations*

IFRS 3 defines the acquirer in a business combination as being the entity that obtains control of the other combining entities and defines control as being held by the combining entity that has the power to govern the financial and operating policies of the other entity so as to obtain benefits from its activities. The Group considers all relevant facts and circumstances to determine which of the combining entities has control, including the voting rights of shareholders, composition of combined entities board and management.

### *Determination of fair values of intangible assets acquired in business combinations*

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that would have been avoided as a result of the trademark or a patent being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the asset.

### *Income taxes*

The Group is subject to income tax in several jurisdictions and significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. The Group believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of such matters is different than the amounts recorded, the differences will impact income tax expense in the period in which such determination is made.

### *Deferred taxation*

Deferred tax assets are recognised when it is judged more likely than not that they will be recovered.

### **Going Concern**

The financial report for the year ended 30 June 2009 has been prepared on a going concern basis.

## Notes forming part of the financial statements for the year ended 30 June 2009 (continued)

### 2 Turnover and segmental analysis

For management purposes the Group is organised into 4 operating divisions: Corporate; Product Research, Development and Design; Product Manufacture, and; Sales. These divisions are the basis on which the Group reports its primary segment information. Secondary segment information is presented on a geographic basis. The primary segment information corresponds closely to geographical segments as operational segments reside in distinct locations of the United Kingdom, Australia and Asia.

| 2009<br>Business segments  | Corporate | Product<br>R&D and<br>design | Product<br>manufacture | Sales  | Unallocated<br>or<br>eliminated | Total          |
|----------------------------|-----------|------------------------------|------------------------|--------|---------------------------------|----------------|
| Revenue                    | £000's    | £000's                       | £000's                 | £000's | £000's                          | £000's         |
| External sales             | -         | 325                          | -                      | -      | -                               | 325            |
| Total revenue              | -         | 325                          | -                      | -      | -                               | 325            |
| <b>Result</b>              |           |                              |                        |        |                                 |                |
| Segment result             | (264)     | -                            | (151)                  | -      | -                               | (415)          |
| Finance income             | 2         | -                            | -                      | -      | -                               | 2              |
| Impairment charge          | -         | (700)                        | -                      | -      | -                               | (700)          |
| Loss before tax            |           |                              |                        |        |                                 | (1,113)        |
| Income tax expense         |           |                              |                        |        |                                 | 13             |
| <b>Loss for the period</b> |           |                              |                        |        |                                 | <b>(1,100)</b> |

*Other segment items included in the income statement are as follows:*

|                   |   |       |   |   |   |       |
|-------------------|---|-------|---|---|---|-------|
| Depreciation      | - | -     | - | - | - | -     |
| Amortisation      | - | -     | - | - | - | -     |
| Impairment charge | - | (700) | - | - | - | (700) |

#### Balance sheet

|                     |            |            |           |          |          |            |
|---------------------|------------|------------|-----------|----------|----------|------------|
| Segment assets      | 375        | 100        | 33        | -        | -        | 508        |
| Segment liabilities | (17)       | -          | (3)       | -        | -        | (20)       |
| <b>Net assets</b>   | <b>358</b> | <b>100</b> | <b>30</b> | <b>-</b> | <b>-</b> | <b>488</b> |

| Geographical segments      | United<br>Kingdom | Australia | Asia     | Unallocated | Total          |
|----------------------------|-------------------|-----------|----------|-------------|----------------|
| Revenue                    | £000's            | £000's    | £000's   | £000's      | £000's         |
| External sales             | -                 | 325       | -        | -           | 325            |
| Total revenue              | -                 | 325       | -        | -           | 325            |
| <b>Result</b>              |                   |           |          |             |                |
| Segment result             | (264)             | (151)     | -        | -           | (415)          |
| Finance income             | 2                 | -         | -        | -           | 2              |
| Impairment charge          | (700)             | -         | -        | -           | (700)          |
| Loss before tax            |                   |           |          |             | (1,113)        |
| Income tax expense         |                   |           |          |             | 13             |
| <b>Loss for the period</b> |                   |           |          |             | <b>(1,100)</b> |
| <b>Balance sheet</b>       |                   |           |          |             |                |
| Segment assets             | 475               | 33        | -        | -           | 508            |
| Segment liabilities        | (17)              | (3)       | -        | -           | (20)           |
| <b>Net assets</b>          | <b>458</b>        | <b>30</b> | <b>-</b> | <b>-</b>    | <b>488</b>     |

## Notes forming part of the financial statements for the year ended 30 June 2009 (continued)

### 2 Turnover and segmental analysis (continued)

| 2008  | Corporate | Product | Product    | Sales  | Unallocated | Total          |
|---|-----------|---------|------------|--------|-------------|----------------|
| Business segments                                     |           | R&D and | Manufactur |        | or          |                |
|   | £000's    | Design  | £000's     | £000's | Eliminated  | £000's         |
| Revenue   |           | £000's  |            |        | £000's      |                |
| External sales  | 6         | 45      | -          | 18     | -           | 69             |
| Total revenue from continuing operations              | 6         | 45      | -          | 18     | -           | 69             |
| <b>Result</b>   |           |         |            |        |             |                |
| Segment result from continuing operations             | (1,178)   | (796)   | (192)      | (345)  | -           | (2,511)        |
| Finance income  |           |         |            |        |             | 42             |
| Loss before tax                                       |           |         |            |        |             | (2,469)        |
| Income tax expense                                    |           |         |            |        |             | -              |
| <b>Loss for the period from continuing operations</b> |           |         |            |        |             | <b>(2,469)</b> |

Other segment items included in the income statement are as follows:

|              |   |    |    |    |     |     |
|--------------|---|----|----|----|-----|-----|
| Depreciation | 3 | 55 | 78 | 35 | -   | 171 |
| Amortisation |   |    |    |    | 246 | 246 |

#### Balance sheet

|                     |              |             |           |             |                |            |
|---------------------|--------------|-------------|-----------|-------------|----------------|------------|
| Segment assets      | 3,469        | 17          | 37        | 33          | (2,433)        | 1,122      |
| Segment liabilities | (94)         | (66)        | (21)      | (95)        | -              | (275)      |
| <b>Net assets</b>   | <b>3,375</b> | <b>(49)</b> | <b>16</b> | <b>(62)</b> | <b>(2,433)</b> | <b>847</b> |

| Geographical segments                                 | United Kingdom | Australia   | Asia        | Unallocated    | Total          |
|---|----------------|-------------|-------------|----------------|----------------|
|   | £000's         | £000's      | £000's      | £000's         | £000's         |
| External sales  | 6              | 45          | 18          |                | 69             |
| Total revenue from continuing operations              | 6              | 45          | 18          |                | 69             |
| <b>Result</b>   |                |             |             |                |                |
| Segment result from continuing operations             | (1,260)        | (588)       | (663)       | -              | (2,511)        |
| Finance income  |                |             |             |                | 42             |
| Loss before tax                                       |                |             |             |                | (2,469)        |
| Income tax expense                                    |                |             |             |                | -              |
| <b>Loss for the period from continuing operations</b> |                |             |             |                | <b>(2,469)</b> |
| <b>Balance sheet</b>                                  |                |             |             |                |                |
| Segment assets  | 3,469          | 16          | 70          | (2,433)        | 1,122          |
| Segment liabilities                                   | (94)           | (66)        | (115)       | -              | (275)          |
| <b>Net assets</b>                                     | <b>3,375</b>   | <b>(50)</b> | <b>(45)</b> | <b>(2,433)</b> | <b>847</b>     |

### 3 Group revenue

|                                   | 2009<br>£000's | 2008<br>£000's |
|-----------------------------------|----------------|----------------|
| Revenue arises from:              |                |                |
| Sale of goods                     | -              | 19             |
| Royalties                         | 31             | 47             |
| Other Income (rebates and grants) | 294            | 3              |
|                                   | <b>325</b>     | <b>69</b>      |

## Notes forming part of the financial statements for the year ended 30 June 2009 (continued)

| 4 Group operating loss  | 2009<br>£000's            | 2008<br>£000's                 |                 |
|---|---------------------------|--------------------------------|-----------------|
| Loss from operations has been arrived at after charging:  |                           |                                |                 |
| Directors fees  | 102                       | 396                            |                 |
| Salaries and wages  | 244                       | 537                            |                 |
| Audit fees  | 15                        | 69                             |                 |
| Amortisation of intangible assets   | -                         | 246                            |                 |
| Depreciation  | -                         | 171                            |                 |
| Research and development  | -                         | 73                             |                 |
| Share-based payments  | (5)                       | 46                             |                 |
| Amounts payable to auditors and their associates in respect of both audit and non-audit services: |                           |                                |                 |
| Audit services - group statutory audit – BDO Stoy Hayward LLP                                     | -                         | 40                             |                 |
| Audit services - group statutory audit – Chapman Davis LLP  | 15                        | 25                             |                 |
| Other services - tax review   | -                         | 1                              |                 |
| Other services - interim audit review   | -                         | 3                              |                 |
|   | 15                        | 69                             |                 |
|   | 15                        | 69                             |                 |
| 5 Employee information and directors emoluments   | 2009<br>£000's            | 2008<br>£000's                 |                 |
| <b>Staff information</b>  |                           |                                |                 |
| The average number of employees (excluding executive directors) was :                             | 12                        | 63                             |                 |
| Their aggregate remuneration comprised :  | £000's                    | £000's                         |                 |
| Wages and salaries  | 244                       | 537                            |                 |
| Share-based payments  | (12)                      | 3                              |                 |
| <b>Total</b>  | 232                       | 540                            |                 |
| <b>Directors' remuneration</b>  |                           |                                |                 |
| <b>Total</b>  | 109                       | 439                            |                 |
|   | Salary and fees<br>£000's | Share-based payments<br>£000's | Total<br>£000's |
| <b>2009</b>   |                           |                                |                 |
| David Lenigas   | 18                        | 4                              | 22              |
| Sandy Barblett  | 18                        | 2                              | 20              |
| Kiran Morzaria  | 12                        | 1                              | 13              |
| Vincent Fodera (resigned 7 July 2008)   | 54                        | -                              | 54              |
|   | 102                       | 7                              | 109             |
| <b>2008</b>   |                           |                                |                 |
| David Lenigas (appointed 29 January 2008)   | -                         | 4                              | 4               |
| Sandy Barblett  | 29                        | 2                              | 31              |
| Kiran Morzaria  | 11                        | 4                              | 15              |
| Vincent Fodera  | 120                       | 14                             | 134             |
| Craig Evans (resigned 29 January 2008)  | 143                       | 2                              | 145             |
| Greg Turnidge (resigned 29 January 2008)  | 27                        | 5                              | 32              |
| Blair Snowball (resigned 29 January 2008)   | 66                        | 12                             | 78              |
|   | 396                       | 43                             | 439             |

## Notes forming part of the financial statements for the year ended 30 June 2009 (continued)

| 6 Taxation   | 2009<br>£000's | 2008<br>£000's |
|--|----------------|----------------|
| Current tax expense  |                |                |
| UK corporation tax and income tax of overseas operations on profits for the period | -              | -              |
| Refund of prior years overpayment  | (13)           | -              |
| Deferred tax expense;<br>Origination and reversal of temporary differences         | -              | -              |
| <b>Total income tax expense</b>  | <b>(13)</b>    | <b>-</b>       |

The reasons for the difference between the actual tax charge for the period and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

|  |          |          |
|--|----------|----------|
| Loss for the period  | (1,100)  | (2,469)  |
| Standard rate of corporation tax in the UK                                     | 28%      | 30%      |
| Loss on ordinary activities multiplied by the standard rate of corporation tax | (308)    | (728)    |
| Expenses not deductible for tax purposes                                       | 201      | 22       |
| Future income tax benefit not brought to account                               | 107      | 706      |
| <b>Current tax charge for period</b>   | <b>-</b> | <b>-</b> |

No deferred tax asset has been recognised because there is uncertainty of the timing of suitable future profits against which they can be recovered.

| 7 Finance revenue        | 2009<br>£000's | 2008<br>£000's |
|--------------------------|----------------|----------------|
| Bank interest receivable | 2              | 42             |

| 8 Loss per share   | 2009          | 2008          |
|--|---------------|---------------|
| The calculation of loss per share is based on the loss after taxation divided by the weighted average number of shares in issue during the year: |               |               |
| Net loss after taxation (£000's)   | (1,100)       | (2,468)       |
| <b>Number of shares</b>  |               |               |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share (millions)                                       | 342.8         | 228.2         |
| <b>Basic and diluted loss per share (expressed in pence)</b>   | <b>(0.32)</b> | <b>(1.08)</b> |

| 9 Intangible assets                            | Goodwill<br>£000's | Intellectual<br>property<br>£000's | Licences<br>£000's | Total<br>£000's |
|--|--------------------|------------------------------------|--------------------|-----------------|
| <b>Group</b>                                   |                    |                                    |                    |                 |
| <b>Cost</b>                                    |                    |                                    |                    |                 |
| As at 1 July 2008                              | -                  | 5,022                              | -                  | 5,022           |
| Additions                                      | -                  | -                                  | -                  | -               |
| <b>As at 30 June 2009</b>                      | <b>-</b>           | <b>5,022</b>                       | <b>-</b>           | <b>5,022</b>    |
| <b>Accumulated amortisation and impairment</b> |                    |                                    |                    |                 |
| As at 1 July 2008                              | -                  | 4,222                              | -                  | 4,222           |
| Amortisation charge for the period             | -                  | -                                  | -                  | -               |
| Impairment charge                              | -                  | 700                                | -                  | 700             |
| <b>Balance at 30 June 2009</b>                 | <b>-</b>           | <b>4,922</b>                       | <b>-</b>           | <b>4,922</b>    |
| <b>Net book value</b>                          |                    |                                    |                    |                 |
| <b>As at 30 June 2009</b>                      | <b>-</b>           | <b>100</b>                         | <b>-</b>           | <b>100</b>      |
| As at 30 June 2008                             | -                  | 800                                | -                  | 800             |

## Notes forming part of the financial statements for the year ended 30 June 2009 (continued)

### 9 Intangible assets (continued)

Intellectual property consists of acquired patents, for which amortisation commenced from the date of acquisition. All but three patents have an average remaining useful life of approximately 15 years.

#### Impairment Review

At 30 June 2009, the directors have carried out an impairment review and have subsequently written down the value of the Intellectual property by approximately £0.7 million (2008: £5.7 million written down relating to Intellectual property, goodwill and licences) (see Note 16). The directors are of the opinion that the carrying value is now stated at fair value.

### 10 Tangible assets

| Group   | Plant and | Office    | Leasehold    | Total  |
|---|-----------|-----------|--------------|--------|
|   | equipment | equipment | improvements |        |
| <u>Cost</u>   | £000's    | £000's    | £000's       | £000's |
| Balance at 1 July 2008                                | 115       | 31        | 26           | 172    |
| Additions   | -         | -         | -            | -      |
| Disposals   | (115)     | (31)      | (26)         | (172)  |
| Balance at 30 June 2009                               | -         | -         | -            | -      |
| <b><u>Accumulated depreciation and impairment</u></b> |           |           |              |        |
| Balance at 1 July 2008                                | 115       | 31        | 26           | 172    |
| Depreciation for the period                           | -         | -         | -            | -      |
| Disposals   | (115)     | (31)      | (26)         | (172)  |
| Balance at 30 June 2009                               | -         | -         | -            | -      |
| <b><u>Net book value</u></b>                          |           |           |              |        |
| Balance at 30 June 2009                               | -         | -         | -            | -      |
| Balance at 30 June 2008                               | -         | -         | -            | -      |

### 11 Trade and other receivables

|  | 2009       |            | 2008      |           |
|--|------------|------------|-----------|-----------|
|  | Group      | Company    | Group     | Company   |
|  | £000's     | £000's     | £000's    | £000's    |
| <b>Current trade and other receivables</b> |            |            |           |           |
| Trade debtors                              | 17         | -          | 18        | -         |
| Prepayments                                | 34         | 34         | 25        | 25        |
| Other debtors                              | 204        | 216        | 7         | 7         |
|  | <b>255</b> | <b>250</b> | <b>50</b> | <b>32</b> |

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

### 12 Trade and other payables

|   | 2009      |           | 2008       |           |
|---|-----------|-----------|------------|-----------|
|   | Group     | Company   | Group      | Company   |
|   | £000's    | £000's    | £000's     | £000's    |
| <b>Current trade and other payables</b> |           |           |            |           |
| Trade payables                          | 2         | -         | 70         | 7         |
| Accruals                                | 18        | 17        | 111        | 86        |
| Deferred income                         | -         | -         | 92         | -         |
|   | <b>20</b> | <b>17</b> | <b>273</b> | <b>93</b> |

The directors consider that the carrying amount of trade payables approximates to their fair value.

## Notes forming part of the financial statements for the year ended 30 June 2009 (continued)

### 13 Share capital

|  | Number of shares   | Nominal value<br>£000's |
|--|--------------------|-------------------------|
| <b>a) <u>Authorised:</u></b>   |                    |                         |
| Ordinary shares of 0.01 pence each   | 1,000,000,000      | 100                     |
| <b>b) <u>Issued and Fully Paid:</u></b>  |                    |                         |
| 1 July 2006  | 342,761,601        | 343                     |
| 11 April 2007 - Consolidation of share capital                                     | (293,795,658)      | -                       |
| 30 April 2007 – non cash for acquisition of Immersion Technology International Plc | 175,903,671        | 1,231                   |
| 1 July 2007 – non cash for minority interest compensation                          | 1,731,645          | 12                      |
| 6 May 2008 – non cash for director salary settlements                              | 1,623,375          | 11                      |
| 16 July 2008 for cash at 1p per share  | 18,500,000         | 130                     |
| 14 August 2008 for cash at 1p per share  | 18,600,000         | 130                     |
| 6 February 2009 – Reorganisation of share capital                                  | -                  | (1,831)                 |
| 6 May 2009 for cash at 0.1p per share  | 535,000,000        | 54                      |
| <b>As at 30 June 2009</b>  | <b>800,324,634</b> | <b>80</b>               |
| <b>c) <u>Deferred shares</u></b>   |                    |                         |
| Deferred shares of 0.69 pence each (2008:nil)                                      | <b>265,324,634</b> | <b>1,831</b>            |

On 6 February 2009, a resolution was passed at the Company's annual general meeting to subdivide each existing issued and unissued ordinary shares of 0.7p each into one ordinary share of 0.01p each and one deferred share of 0.69p each. The deferred shares have no voting rights, are not admitted to trading on AIM and are only entitled to negligible participation in the dividends and return of capital in the Company.

#### **Total share options in issue**

During the year, no options were granted (2008: 17,550,000).

As at 30 June 2009 the options in issue were:

| Exercise Price | Expiry Date   | Options in Issue<br>30 June 2009 |
|----------------|---------------|----------------------------------|
| 21p            | 19 May 2011   | 734,489                          |
| 1.54p          | 30 April 2018 | 7,000,000                        |
|                |               | <b>7,734,489</b>                 |

10,550,000 options were cancelled during the year (2008: 12,750,000).

No options lapsed or were exercised during the year (2008: nil).

#### **Total warrants in issue**

During the period, 18,550,000 warrants were issued (2008: nil).

As at 30 June 2009 the warrants in issue were;

| Exercise Price | Expiry Date    | Warrants in Issue<br>30 June 2009 |
|----------------|----------------|-----------------------------------|
| 1.5p           | 14 August 2013 | 18,550,000                        |
|                |                | <b>18,550,000</b>                 |

No warrants lapsed or were cancelled or exercised during the year (2008: Nil warrants were exercised).

## Notes forming part of the financial statements for the year ended 30 June 2009 (continued)

### 14 Share based payment

During the year the Company issued options and warrants to investors as part of equity placements.

|  | 2009                                    |                   | 2008                                    |                   |
|--|---|-------------------|---|-------------------|
|  | Weighted average exercise price (pence) | Number            | Weighted average exercise price (pence) | Number            |
| Outstanding at the beginning of the period                       | 2.32                                    | 18,284,489        | 13.00                                   | 13,484,489        |
| Granted during the year - warrants                               | 1.50                                    | 18,550,000        | -                                       | -                 |
| Granted during the year - options                                | -                                       | -                 | 1.54                                    | 17,550,000        |
| Forfeited during the year  |   | -                 |   | -                 |
| Cancelled during the year - options                              | 1.54                                    | (10,550,000)      | 12.50                                   | (12,750,000)      |
| Exercised during the year  |   | -                 |   | -                 |
| Lapsed during the year   |   | -                 |   | -                 |
| <b>Outstanding at the end of the year (options and warrants)</b> | <b>2.05</b>                             | <b>26,284,489</b> | <b>2.32</b>                             | <b>18,284,489</b> |

The exercise price of options and warrants outstanding at the end of the period ranged between 21p and 1.50p and their weighted average contractual life was 5 years (2008:10 years).

The weighted average fair value of each warrant granted during the year was 0.5p (2008: options 0.93p).

The Group used the Black-Scholes model to determine the value of the options and the inputs were as follows:

|  | 2009    | 2008    |
|--|---------|---------|
| <b>Weighted average share price (pence)</b>    | 0.3     | 1.5     |
| <b>Weighted average exercise price (pence)</b> | 2.05    | 2.32    |
| <b>Expected volatility (%)</b>                 | 54%     | 54%     |
| <b>Expected life (years)</b>                   | 5 years | 5 years |
| <b>Risk free rate (%)</b>                      | 5.00%   | 5.00%   |
| <b>Expected dividends (pence)</b>              | nil     | nil     |

Expected volatility was determined by using the volatility rate used by listed companies in similar industries and those companies with similar sizes.

The total share-based payment expense in the period for the Group was £5,000 credit (2008: £46,000 expense) consisting of:

- £11,000 expense (2008: £27,000) relating to new options to employees and directors
- £16,000 credit (2008: £6,000) relating to cancellation of charge for previously issued share options
- Nil (2008: £25,000) expense relating to compensation payment to former directors

### 15 Investment in subsidiaries

|                           | 2009       | 2008         |
|---------------------------|------------|--------------|
|                           | £000's     | £000's       |
| As at 1 July              | 2,433      | 18,684       |
| Additions during the year | -          | 548          |
| Write-down of investment  | (2,333)    | (16,799)     |
| At 30 June                | <b>100</b> | <b>2,433</b> |

The subsidiaries of Solo Oil Plc, all of which have been included in these consolidated financial statements, are as follows:

## Notes forming part of the financial statements for the year ended 30 June 2009 (continued)

### 15 Investment in subsidiaries (continued)

| Name   | Country of incorporation | Proportion of ownership interest |
|--|--------------------------|----------------------------------|
| Immersion Technologies UK Limited (1)          | UK                       | 100%                             |
| Immersion Technology Property Limited          | UK                       | 100%                             |
| Immersion Technology International Limited (1) | UK                       | 100%                             |
| Immersion Technologies (Singapore) Pte Limited | Singapore                | 100%                             |
| Immersion Technology (Nanjing) Co. Limited (2) | China                    | 100%                             |
| Immersion Technologies Australia Pty Limited   | Australia                | 100%                             |
| Whise Acoustics Limited                        | Australia                | 100%                             |
| Whise Technologies Pty Limited                 | Australia                | 100%                             |

(1) These companies were dissolved on 25 March 2009

(2) This company was sold on 24 March 2009

### 16 Impairment review

The directors undertook an impairment review of the Group's assets as at 30 June 2009 in view of subsequent events to this date regarding the closure of the operations in Singapore and China. The format of the review was by assessing the carrying value of assets as at 30 June 2009 by country and sector of origin. The analysis and resultant impairment charges were considered as follows

| Category                          | Net costs capitalised to<br>30 June 2009<br>£000's | Impairment charge<br>£000's | Net costs carried forward<br>£000's |
|-----------------------------------|--|-----------------------------|-------------------------------------|
| <b>Group</b>                      |  |                             |                                     |
| <i>Intangible assets</i>          |  |                             |                                     |
| Goodwill                          | -  | -                           | -                                   |
| Intellectual property             | 800  | (700)                       | 100                                 |
| Licences                          | -  | -                           | -                                   |
| <b>Total</b>                      | <b>800</b>   | <b>(700)</b>                | <b>100</b>                          |
| <b>Company</b>                    |  |                             |                                     |
| <b>Investment in subsidiaries</b> | <b>2,433</b>                                       | <b>(2,333)</b>              | <b>100</b>                          |

### 17 Financial instruments

The Group is exposed through its operations to one or more of the following financial risks:

- Fair value or cash flow interest rate risk
- Foreign currency risk
- Liquidity risk
- Credit risk

Policy for managing these risks is set by the Board. The policy for each of the above risks is described in more detail below.

#### *Fair value and cash flow interest rate risk*

Currently the Group does not have external borrowings. However, the Group has a policy of holding debt at a floating rate. The directors will revisit the appropriateness of this policy should the Group's operations change in size or nature. Operations are not permitted to borrow long-term from external sources locally.

#### *Foreign currency risk*

Foreign exchange risk arises because the Group has operations located in various parts of the world whose functional currency is not the same as the functional currency in which the Group companies are operating. The Group's net assets are exposed to currency risk giving rise to gains or losses on retranslation into sterling. Only in exceptional circumstances will the Group consider hedging its net investments in overseas operations as generally it does not consider that the reduction in volatility in consolidated net assets warrants the cash flow risk created from such hedging techniques.

## Notes forming part of the financial statements for the year ended 30 June 2009 (continued)

### 17 Financial instruments (continued)

#### *Liquidity risk*

The liquidity risk of each Group entity is managed centrally by the Group treasury function. Each operation has a facility with Group treasury, the amount of the facility being based on budgets. The budgets are set locally and agreed by the board annually in advance, enabling the Group's cash requirements to be anticipated. Where facilities of Group entities need to be increased, approval must be sought from the Group finance director. Where the amount of the facility is above a certain level agreement of the board is needed.

All surplus cash is held centrally to maximise the returns on deposits through economies of scale. The type of cash instrument used and its maturity date will depend on the Group's forecast cash requirements.

#### *Credit risk*

The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

The Group does not enter into complex derivatives to manage credit risk, although in certain isolated cases may take steps to mitigate such risks if it is sufficiently concentrated.

### 18 Group Related party transactions

Transactions between the parent and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of director's remuneration, being the only key personnel, are given in note 5. There are no other related party transactions during the year.

#### *Remuneration of Key Management Personnel*

The remuneration of the directors, and other key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS24 Related party Disclosures.

|                              | 2009<br>£'000s | 2008<br>£'000s |
|------------------------------|----------------|----------------|
| Short-term employee benefits | 102            | 464            |
| Share-based payments         | 7              | 25             |
|                              | <b>109</b>     | <b>489</b>     |

#### **Company Related party transactions**

During the period the Company made loans to the following subsidiaries. The loans provide necessary funds for the subsidiaries to invest in setting up operations. The Company will continue to fund the subsidiaries, in this way, through the set up phase. The Directors believe the loans are fully recoverable but do not expect to make repayment calls within the next reporting period, however these loans are repayable on demand:

|  | As at<br>30 June 2009<br>£'000s | As at<br>30 June 2008<br>£'000s |
|--|---------------------------------|---------------------------------|
| Immersion Technology International Limited     | -                               | -                               |
| Immersion Technologies (Singapore) Pte Limited | -                               | 19                              |
| Immersion Technologies Australia Pty Limited   | 50                              | 1,076                           |
|  | <b>50</b>                       | <b>1,095</b>                    |

## Notes forming part of the financial statements for the year ended 30 June 2009 (continued)

### 18 Company Related party transactions (continued)

During the period the Company entered into transactions which resulted in loans payable (to) the following subsidiaries:

|  | As at<br>30 June 2009<br>£'000s | As at<br>30 June 2008<br>£'000s |
|--|---------------------------------|---------------------------------|
| Immersion Technology International Limited | -                               | (209)                           |
| Immersion Technology Property Limited      | -                               | -                               |
| Immersion Technologies UK Limited          | -                               | -                               |
|  | -                               | (209)                           |
| <b>Net amounts due from subsidiaries</b>   | <b>50</b>                       | <b>886</b>                      |

#### Company loan Write-off's

As a result of the group's change of investment policy, and the disposal and dissolution of subsidiaries, the parent company has made the decision to write-off the outstanding balances of loans to subsidiaries as non-recoverable. The balances written off are as follows;

|  | 30 June 2009<br>£'000s |
|--|------------------------|
| Immersion Technology International Limited     | (204)                  |
| Immersion Technology Property Limited          | (2)                    |
| Immersion Technologies UK Limited              | (6)                    |
| Immersion Technologies (Singapore) Pte Limited | 38                     |
| Immersion Technologies Australia Pty Limited   | 1,041                  |
| Immersion Technology (Nanjing) Co. Limited     | 26                     |
| Total company write-offs                       | <b>893</b>             |

### 19 Business combinations

#### (a) Disposal of Immersion Technology (Nanjing) Co. Limited ("ITN")

On 24 March 2009, the Company disposed of its 100% holding in ITN, a company based in China. This transaction has been accounted for by the purchase method of accounting. The fair value of identifiable assets and liabilities of ITN as at the date of disposal are:

|   | Fair value<br>£000's |
|---|----------------------|
| Fair value of net assets disposed           | -                    |
| Consideration:                              |                      |
| Cash  | 10                   |
| The cash inflow on disposal was as follows: |                      |
| Net cash disposed with subsidiary           | -                    |
| Cash received                               | 10                   |
| Net cash inflow                             | 10                   |

# Notes forming part of the financial statements for the year ended 30 June 2009 (continued)

## 19 Business combinations (continued)

### (b) Dissolvment of Immersion Technologies UK Limited ("ITUK") and Immersion Technology International Ltd (ITIL)

On 25 March 2009, the Company applied to Companies House for ITUK and ITIL to be dissolved under Section 652A of the Companies Act 1985. On 21 July 2009, Companies House advised the Company that ITUK and ITIL had both been formally dissolved

Both ITUK and ITIL, had no assets or liabilities on its balance sheet as at the date of application for dissolution, as the loan to/from the parent company had been written off prior to the completion of the dissolution.

As a result of no assets to note, and no consideration received or paid in respect of these two dissolutions, no details of fair values at disposal and consideration need be presented.

#### Notes to the disposal;

The parent company has recognised in its income statement as a result of these disposals, and loan write-offs, a net gain of £149,121 on disposal of subsidiaries.

## 20 Ultimate controlling party

In the opinion of the directors there is no controlling party.

## 21 Operating lease

The Group currently has no operating leases as at 30 June 2009.

The total future of minimum lease payments are due as follows:

|   | 2009<br>£000's | 2008<br>£000's |
|---|----------------|----------------|
| Not later than one year                           | -              | 37             |
| Later than one year and not later than five years | -              | -              |
| Later than five years                             | -              | -              |
|   | <u>-</u>       | <u>37</u>      |

## 22 Retirement benefit scheme

The Group does not operate either a defined contribution or defined benefit retirement scheme.

## 23 Commitments

As at 30 June 2009, the Group has no material commitments.

## 24 Post balance sheet event

On 17 July 2009, resolutions were passed at a General Meeting which changed the Company name to Solo Oil Plc and also changed the Company's investing strategy to acquire a diverse portfolio of direct and indirect interests in exploration, development and production oil and gas assets which are based in the Americas, Europe or Asia.

On 17 August 2009 trading in the Company's shares under the new name Solo Oil Plc commenced on AIM

On 7 September 2009, the Company appointed Rivington Street Corporate Finance as joint broker of the Company.

On 16 November 2009, the Company announced it had placed 1.28 billion new ordinary shares of 0.01 p each in the Company at a placing price of 0.5 pence to raise £6.4 million and has signed a Farm-out agreement with Aminex Plc to earn a 12.5% interest in the Likonde-1 well in Tanzania. 224.7 million shares were issued on 23 November 2009 and the remaining 1.0553 billion were issued subject to shareholder approval at a general meeting held on 9 December 2009.

On 9 December 2009, the Company announced that all resolutions had been passed at a shareholders general meeting which included increasing the authorised share capital of the Company by 3 billion ordinary shares of 0.01 pence each, and approving the issue of placement shares referred to above.

## 25 Profit and loss account of the parent company

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the parent company has not been separately presented in these accounts. The parent company loss for the year was £3.62 million (2008: £0.92 million loss).

# Corporate Information

## DIRECTORS

David Lenigas – Executive Chairman  
Kiran Morzaria – Non Executive Director  
Sandy Barblett – Non Executive Director

## COMPANY SECRETARY

Kiran Morzaria

## REGISTERED OFFICE

Level 5  
22 Arlington Street  
London  
SW1A 1RD

## NOMINATED ADVISOR

Beaumont Cornish Limited  
2nd Floor, Bowman House, 29 Wilson Street  
London  
EC2M 2SJ

## AUDITORS

Chapman Davis LLP  
2 Chapel Court  
London  
SE1 1HH

## PUBLIC RELATIONS

Pelham Public Relations Limited  
12 Arthur Street  
London  
EC4R 9AB

## JOINT BROKER

Beaumont Cornish Limited  
2nd Floor, Bowman House, 29 Wilson Street  
London  
EC2M 2SJ

Rivington Street Corporate Finance  
3rd Floor, 5 – 11 Worship Street  
London  
EC2A 2BH

## SOLICITORS

Kerman and Co LLP  
200 Strand  
London  
WC2R 1DJ

## REGISTRARS

Share Registrars Limited  
Suite E, First Floor,  
9 Lion and Lamb Yard,  
Farnham,  
Surrey,  
GU9 7LL