

Registered Number 05194248

KAPPAMETRICS LIMITED
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER
2008

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Registered Number 05194248

Kappametrics Limited

Directors' Report for the Year ended 31 December 2008

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2008

Directors

The Directors of the Company during the year and up to the date of signing the financial statements were as follows -

Mr J D F Coombs

Mr M P Muth

Ms A C Ohlsson

Mr S D V Willson (Alternate Director to Ms A C Ohlsson) (appointed 23 June 2009)

Principal activities, review of business and future developments

The principal activity of the Company during the year consisted of the development and preparation for commercialisation of a proprietary brain imaging technique for brain research. The results of the Company show a pre-tax loss of £1,657,772 (2007 £749,625) and sales of £nil (2007 £nil). Sales have fallen significantly below expectations during 2009 and the first half of 2010.

Since the year end the Board has decided to withdraw the Company's funding of Kappametrics Inc and thereby halt further product development, marketing and sales activity. This is an adjusting post balance sheet event and the financial statements and notes have been updated accordingly. The Directors now consider their priority to be the preparation for sale of the Company's intellectual property assets to a third party who will be able to continue with product development, marketing and sales activity.

The financial statements are prepared on a going concern basis, which the Directors believe to be appropriate as they expect the Company will be able to extend the repayment terms of existing intra group funding provided by companies associated with its current majority shareholder in the period subsequent to the year end and the Company has sufficient funds to meet all third party current and future liabilities expected within the 12 month period following approval of the accounts.

Key Performance Indicators

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

Principal Risks and Uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered to relate to product development, physical risks, legislative, fiscal and regulatory

conditions. Further discussion of these risks and uncertainties in the context of the Unilever group as a whole is provided in the Unilever published Annual Report.

Research and Development

The Company's research and development laboratories continue to investigate new methods to provide opportunities for the introduction of new products and applications.

Dividend

The directors do not recommend the payment of a dividend (2007 Nil)

Kappametrics Limited**Statement of Directors' responsibilities in respect of the Directors' Report and financial statements**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period

In preparing those financial statements, the Directors are required to.

- select suitable accounting policies and then apply them consistently, with the exception of the changes arising on the adoption of new accounting standards in the year, as explained in principal accounting policies,
- make judgements and estimates that are reasonable and prudent.

The Directors confirm that they have complied with the above requirements in preparing the financial statements

The Directors are responsible for keeping proper records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Kappametrics Limited**Statement of Provision of Information to Auditors**

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

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985

Auditors

PricewaterhouseCoopers LLP have indicated their willingness to remain in office as auditors of the Company in accordance with the provisions of Section 487(2) of the Companies Act 2006

By Order of the Board



Duly Authorised for and on behalf of
The New Hovema Limited
Company Secretary

Date 27 August 2010

Kappametrics Limited

Independent Auditors' Report to the Members of Kappametrics Limited

We have audited the financial statements of Kappametrics Limited for the year ended 31 December 2008, which comprise the Profit and Loss Account, the Balance Sheet, the Principal Accounting Policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the information given in the Directors' Report is not consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Kappametrics Limited

In our opinion

- The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended,
- The financial statements have been properly prepared in accordance with the Companies Act 1985, and
- The information given in the Directors' Report is consistent with the financial statements

Emphasis of matter – Going Concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in the accounting policies note on page 9 concerning the Company's ability to continue as a going concern. The Company requires an extension to the repayment terms of existing intra group funding to enable the Company to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements. As agreement to the extension to funding terms is not formally in place, there exists a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

PricewaterhouseCoopers

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

Date 27/08/10

Kappametrics Limited**Profit and Loss Account – Year ended 31 December 2008**

	<u>Notes</u>	2008 £000	2007 £000
Turnover		-	-
Cost of sales		-	-
		<hr/>	<hr/>
Gross profit /(loss)		-	-
Administrative expenses		(1,633)	(754)
Operating loss	(1)	(1,633)	(754)
Loss on ordinary activities before interest		(1,633)	(754)
Interest and similar income	(3)	(25)	5
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(1,658)	(749)
Taxation on loss on ordinary activities	(4)	118	213
		<hr/>	<hr/>
Loss for the financial year		(1,540)	(536)
Retained loss for the financial year		(1,540)	(536)
Accumulated losses 1 January		<hr/> (1,518)	<hr/> (982)
Accumulated losses 31 December	(11)	<hr/> (3,058)	<hr/> (1,518)

All operations in the year and in the comparative year were continuing

There are no material differences between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents

The loss for each financial year represents the total recognised losses of that year and therefore no separate statement of total recognised gains and losses has been presented.

Kappametrics Limited**Registered Number 05194248****Balance Sheet – 31 December 2008**

	<u>Notes</u>	2008 £000	2007 £000
Fixed assets			
Goodwill and intangible assets	(5)	-	181
Tangible assets	(6)	-	-
		-	181
Current assets			
Debtors	(8)	39	552
Cash at bank and in hand		23	47
		62	599
Creditors: amounts falling due within one year	(9)	(1,072)	(250)
Net current assets		(1,010)	349
Total assets less current liabilities		(1,010)	530
Net assets		(1,010)	530
Capital and reserves			
Called up share capital	(10)	2,048	2,048
Profit and loss reserves	(11)	(3,058)	(1,518)
Total shareholders' funds		(1,010)	530

The financial statements on pages 7 to 16 were approved by the Board of Directors on 27 August 2010 and were signed on its behalf by



M P Muth
Director

Registered Number 05194248

Kappametrics Limited**Principal Accounting Policies**

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and the applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, except for any changes arising on adoption of the new accounting standards as described below, are set out below.

The financial statements are prepared on a going concern basis, which the Directors believe to be appropriate as they expect the Company will be able to extend the repayment terms of existing intra group funding provided by companies associated with its current majority shareholder in the period subsequent to the year end. The Directors have prepared cash flow projections for the company covering the period ending 12 months from the date of their approval of these financial statements. The Directors believe that the Company will be able to meet these cash flow requirements with current funds available and an extension of repayment terms of existing funding. Having taken this material uncertainty into account, the Directors consider the company will be able to operate within its available facilities. Should the extension to the repayment terms of existing funding not be secured within the required timescale, the Directors would be required to review the going concern basis of preparation. As such, because the Directors are not currently aware of any alternative sources of finance, adjustments to these accounts may be necessary to record additional liabilities and to write down assets to their recoverable amounts.

Basis of preparation The financial statements contain information about Kappametrics Limited as an individual Company and do not contain consolidated financial information as the parent of a group. The Company is exempt under S228 of the Companies Act 1985 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent company, Unilever PLC, a company incorporated in England and Wales.

Cash Flow Statement The Company is a subsidiary of Unilever PLC and its cash flows are included in the consolidated financial statements of Unilever PLC, which are publicly available. Consequently the Company is exempt under the terms of Financial Reporting Standard No 1 (revised 1996) from publishing a cash flow statement.

Intangible Assets. No value is attributable to internally generated intangible assets. Goodwill and intangible assets purchased are capitalised and amortised in operating profit over the period of their useful life.

Kappametrics Limited

Tangible Fixed Assets The cost of tangible fixed assets is their historic purchase cost, together with any incidental costs of acquisition

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the useful economic lives of the assets concerned

Computer Equipment	3 years
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Research and Development: Expenditure on research and development of new products is charged against profits of the year in which it is incurred

Foreign Currencies: Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling on the date of the transaction or at monthly average rates. Monetary assets and liabilities denominated in foreign currencies have been translated into sterling at the covered rates of exchange and at rates current at the year end, and profits/losses are taken through the Profit and Loss Account of the year

Preference Shares: Presentational requirements under FRS25 Financial Instruments Disclosure and Presentation have been applied. Where a Company's preference shares carry the characteristics of a liability as opposed to equity, the Company's preference shares are disclosed as a liability in the balance sheet. The associated dividends are disclosed as part of net interest cost

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Kappametrics Limited**Notes to the Accounts – 31 December 2008****(1) Operating Loss**

The operating loss is arrived at after charging the following amounts -

	2008 £000	2007 £000
Amortisation and impairment		
- goodwill and intangibles	181	11
Depreciation		
- on owned tangible fixed assets	-	1
Auditors' remuneration		
- audit services	8	6
Research and development	607	499
Wages and salaries recharged	142	133

Wages and salaries recharged relate to 2 (2007 – 2) employees who are employed by Kappametrics Inc whose salaries are recharged for work done on Kappametrics Limited.

(2) Directors' Emoluments

The Directors who served during the year ended 31 December 2008 are employed as managers by Unilever Ventures Limited and they are remunerated by that Company in respect of their services to Kappametrics Limited. Their emoluments are dealt with in the group accounts and they receive no emoluments from the Company.

(3) Interest and Similar Income/(Charges)

	2008 £000	2007 £000
Interest receivable on loans to group undertakings	-	16
Other interest receivable and similar income	4	6
Total interest receivable and investment income	4	22
Interest payable on loans from group undertakings	(29)	(17)
Total interest payable and similar charges	(29)	(17)
Total	(25)	5

Kappametrics Limited**(4) Taxation on Loss on Ordinary Activities**

The credit for taxation is made up as follows

	2008		2007	
	£000	£000	£000	£000
On loss for the year				
Current tax:				
UK corporation tax	123		222	
Adjustments for prior years	<u>(5)</u>		<u>(9)</u>	
Total UK taxation		<u>118</u>		<u>213</u>
Total tax credit		<u>118</u>		<u>213</u>

The current tax for the year is lower (2007 lower) than the standard rate of corporation tax in the UK (28.5%) (2007 30%). The differences are explained below

	2008	2007
	£000	£000
Loss on ordinary activities before tax	<u>(1,658)</u>	<u>(749)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in UK of 28.5% (2007 – 30%)	473	225
Effects of Permanent differences	(350)	(3)
Adjustments to tax in respect of prior periods	<u>(5)</u>	<u>(9)</u>
Current tax credit for the year	<u>118</u>	<u>213</u>

(5) Goodwill and Intangible Assets

	<u>Cost</u>	<u>Amortisation / Impairment</u>	<u>Net Book Value</u>
	£000	£000	£000
At 1 January 2008	216	(35)	181
Charged to profit and loss	-	<u>(181)</u>	<u>(181)</u>
At 31 December 2008	<u>216</u>	<u>(216)</u>	<u>-</u>

The intellectual property relates to patents for the Kappametrics Technology. The life of the patents is 20 years from the filing date. The intellectual property is amortised over the remaining useful life of the patents in accordance with Unilever Group accounting policy. Since the year end the Board has conducted an impairment review of the intellectual property and concluded that it does not have any current value. Intellectual property has therefore been impaired to a zero carrying value.

Kappametrics Limited**(6) Tangible Fixed Assets**

	<u>Office Equipment</u> £000	<u>Total</u> £000
Gross Book Value		
At 1 January 2008	3	3
At 31 December 2008	3	3
Accumulated Depreciation		
1 January 2008	3	3
Depreciation charge for the year	-	-
At 31 December 2008	3	3
Net Book Value		
At 31 December 2008	-	-
At 31 December 2007	-	-

(7) Investment in Group Undertakings

The company has an investment of \$100 (2007 - \$100) in a subsidiary undertaking, as listed below. A description of the shares and the proportion held is also shown below.

Name of Company and Country of Incorporation/Registration	Description of Shares Held	Proportion of Nominal Value of Shares held and of Voting Rights		Principal Activity
		Direct %	Indirect %	
Kappametrics, Inc	US \$1 common	100	-	Research & Development, Sales & Marketing

The net liabilities of Kappametrics, Inc at 31 December 2008 were £1,411,798 (2007 - £458,081). Its loss after tax for the year ended 31 December 2008 was £513,736 (2007 - £233,893).

In the opinion of the Directors, the value of the investment in subsidiary undertakings, associated companies and other investments consisting of shares and amounts owing, is not less than the amount at which the investment is stated in the balance sheet.

Since the year end the Board has decided to withdraw the Company's funding of Kappametrics Inc. As a consequence Kappametrics Inc is now in the process of being dissolved.

Kappametrics Limited**(8) Debtors**

	2008 £000	2007 £000
Amounts due within one year		
Amounts owed by group undertakings	-	479
Other debtors	6	-
Amounts due after more than one year		
Group Relief Receivable	33	73
Total debtors	39	552

Amounts owed by group undertakings include balances with Kappametrics, Inc., which are interest bearing at monthly libor and are unsecured. Since the year end the Company has provided for a bad debt of £1,045,606 representing net balances owed by Kappametrics Inc

(9) Creditors

	2008 £000	2007 £000
Amounts due within one year		
Trade creditors	(31)	-
Amounts owed to group undertakings	(976)	(190)
Accruals and deferred income	(65)	(60)
Total	(1,072)	(250)

Amounts owed to group undertakings include balances with Unilever U K Central Resources Ltd which are interest bearing at monthly libor and are unsecured

(10) Called up Share Capital

	2008 £000	2007 £000
Authorised		
15,000 A Ordinary shares of £0.01 each	-	-
1,000 B Ordinary shares of £0.01 each	-	-
2,300,000 Preferred shares of £1 each	2,300	2,300
Allotted and fully paid		
10,000 A Ordinary shares of £0.01 each	-	-
1,000 B Ordinary shares of £0.01 each	-	-
2,047,600 Preferred shares of £1 each	2,048	2,048

Kappametrics Limited**(10) Called up Share Capital (Continued)**

The A and B Ordinary Shares rank pari passu save that the Articles contain valuation provisions should a holder of B Shares leave the company's employment

The rights of the Preferred shares are as follows.

- i) In the event of liquidation or the sale of the business, or a listing, the Preferred shares have preference rights to distribution of assets equal to the minimum proceeds as defined in the Company Articles
- ii) They have no right to dividend
- iii) They have no voting rights

Since the year end, current shareholders, new shareholders and employees subscribed to

6,856 A Ordinary Shares for cash at a price of £0.01 per share
 230 B Ordinary Shares for cash at a price of £0.01 per share
 1,318,076 Preferred Shares for cash at a price of £1.00 per share

(11) Reconciliation of movements in Shareholders' Funds

	2008 £000	2007 £000
Retained loss for the financial year	(1,540)	(536)
Non-equity share issue	-	500
Reclassification of shares	-	-
Net reduction	(1,540)	(36)
Opening shareholders' funds	530	566
Closing shareholders' funds	(1,010)	530

Reserves

	<u>Share Premium</u> <u>Account</u> £000	<u>Profit and Loss</u> <u>Account</u> £000	<u>Total</u> £000
At 1 January 2008	-	(1,518)	(1,518)
Retained loss for the year	-	(1,540)	(1,540)
At 31 December 2008	-	(3,058)	(3,058)

Kappametrics Limited

(12) Related Party Transactions and Ultimate Parent Company

The ultimate parent Company is Unilever PLC and the immediate holding Company is Unilever U K Holdings Limited. The company had the following transactions with fellow subsidiaries in the period:

Unilever U K Central Resources Limited

Kappametrics Limited was charged a total of £156,782 (2007 - £110,279) for patent maintenance costs, interest and for the secondment of scientists employed by Unilever UK Central Resources Ltd. As at 31 December 2008 £102,513 (2007 - £14,643) of this balance remained unpaid. Current account loans of £730,000 (2007 - £425,000) were also provided to Kappametrics Limited during the year. As at 31 December 2008 £905,000 (2007 - £175,000) of this balance remains unpaid.

Kappametrics, Inc

Kappametrics Ltd paid a total of £518,721 (2007 - £643,012) for consultancy costs and other expenses incurred in the US to Kappametrics, Inc.

(13) Post Balance Sheet Event

Since the year end the Board has decided to withdraw the Company's funding of Kappametrics Inc and thereby halt further product development, marketing and sales activity. As a consequence of this decision, Kappametrics Inc. is now in the process of being dissolved. This is an adjusting post balance sheet event and the financial statements and notes have been updated to reflect the reduction in value of the Company's intangible assets to zero and the impairment of net balances owed to Company by Kappametrics Inc to zero.