

Registered Number 05467990

IOTA NANOSOLUTIONS LIMITED
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER
2010

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Iota Nanosolutions Limited**Directors' Report for the year ended 31 December 2010**

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2010

Directors

The Directors of the Company during the year were as follows -

Mr J D F Coombs

Mr A Elphick

Dr J Gilbert (appointed on 10 June 2010)

Ms A C Ohlsson (resigned on 24 March 2010)

Professor S P Rannard

Mr P Whitehouse

Mr S D V Willson

Mr P Whitehouse resigned as a Director on 21 January 2011. Mr A Ahsan and Mr S Matraji were appointed directors on 26 May 2011

Principal activities, review of business and future developments

The principal activity of the Company during the year consisted of research into the formation of organic nanoparticles to develop novel particle-formation technology that may be applied to a wide range of hydrophobic organic materials. The results of the Company show a loss on ordinary activities before tax of £1,096,512 (2009 - £1,033,248) and turnover of £534,262 (2009 - £487,230)

The Directors consider that, in the conditions prevailing during the year, the development of the Company's business and its financial position at the end of the year were satisfactory. The Directors do not expect any development in the Company's business in the coming year which is significantly different from its present activities.

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 competitive pricing, commodity, raw and packaging material pricing, consumption levels, physical risks, legislative, fiscal and regulatory conditions.

The Company's operations expose it to a variety of financial risks that include credit risk and liquidity risk. The Company has specific policies for the management of these risks.

Iota Nanosolutions Limited

The Company manages these risks as follows

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually.

Liquidity risk

The Unilever Group ensures, by means of giving loans, that the Company has sufficient funds available to fund the operations.

Further discussion of these risks and uncertainties, and how they are managed in the context of the Unilever group as a whole, is provided in the published Unilever Group Annual Report.

Research and Development

The Company's research and development laboratories continue to investigate new methods and materials both to provide opportunities for the introduction of new products and applications. Expenditure on research and development in the current year was £610,373 (2009 - £602,022).

Dividend

The Directors do not recommend the payment of a dividend (2009 - £nil).

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing 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, and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website.

Iota Nanosolutions Limited

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

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 418 of the Companies Act 2006

Going Concern

The Directors, having made appropriate enquiries, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and that it is therefore appropriate to prepare the financial statements on a going concern basis. Further information in respect of going concern is given in the Principal Accounting Policies note to the financial statements

Independent Auditors

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

Post Balance Sheet Events

On 27th May 2011 the company completed a financing round, to support the commercialisation of its proprietary nanodispersion formation technology - ContraSol™.

QIB (UK) Plc joined Unilever UK Holdings Limited in this financing round providing an additional £2,793,007 of investment. £2,000,000 of this investment was invested in the Company by QIB pursuant to a Murabaha Agreement and Unilever UK Holdings Limited subscribed to additional "A" Ordinary Shares for the total amount of £793,007

By Order of the Board



Duly Authorised for and on behalf of Iota Nanosolutions Limited
A Elphick
Director

Date 24 August 2011

Iota Nanosolutions Limited

Independent Auditors' Report to the Members of Iota Nanosolutions Limited

We have audited the financial statements of Iota Nanosolutions Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Principal Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' responsibilities statement set out on page 2 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- Give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its loss and cash flows for the year then ended,
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- Have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- The financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit

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 8 concerning the Company's ability to continue as a going concern. The Company requires additional 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. 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.



Alex Hookway (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date 30 August 2011

Iota Nanosolutions Limited

Registered Number 05467990

Profit and Loss Account for the year ended 31 December 2010

	<u>Notes</u>	2010 £000	2009 £000
Turnover		534	487
Cost of sales		(50)	(44)
Gross profit		484	443
Administrative expenses		(1,567)	(1,461)
Operating loss on ordinary activities before interest and taxation	(1)	(1,083)	(1,018)
Net interest payable and similar items	(4)	(13)	(15)
Loss on ordinary activities before taxation		(1,097)	(1,033)
Taxation on loss on ordinary activities	(5)	375	298
Loss for the financial year	(12)	(722)	(735)

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

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


Statement of Total Recognised Gains and Losses for the year ended 31 December 2010

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.

Iota Nanosolutions Limited**Balance Sheet as at 31 December 2010**

	<u>Notes</u>	2010 £000	2009 £000
Fixed assets			
Goodwill and intangible assets	(6)	76	80
Tangible assets	(7)	177	233
		<u>253</u>	<u>313</u>
Current assets			
Debtors	(8)	314	298
Cash at bank and in hand		42	303
		<u>356</u>	<u>601</u>
Creditors: amounts falling due within one year	(9)	<u>(1,163)</u>	<u>(709)</u>
Net current liabilities		<u>(807)</u>	<u>(108)</u>
Total assets less current liabilities		<u>(554)</u>	<u>205</u>
Provision for liabilities and charges	(10)	<u>(34)</u>	<u>(71)</u>
Net (liabilities) / assets		<u>(588)</u>	<u>134</u>
Capital and reserves			
Called up share capital	(11)	2,353	2,353
Profit and loss account/(deficit)	(12)	<u>(2,941)</u>	<u>(2,219)</u>
Total shareholders' (deficit)/funds		<u>(588)</u>	<u>134</u>

The financial statements on pages 6 to 17 were approved by the Board of Directors on 24 August 2011 and were signed on its behalf by:


A Elphick
Director

Iota Nanosolutions 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 2006 and the applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Basis of preparation

The financial statements are prepared on a going concern basis, which the Directors believe to be appropriate as the Company raised the additional funding necessary from its current shareholders and third party investors on 27th May 2011. 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.

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 1 'Cashflow statements' (revised 1996) from publishing a cash flow statement.

Intangible Assets

No value is attributable to internally generated intangible assets. Intangible assets are capitalised at purchased cost and amortised in operating profit on a straight line basis over the period of their useful life. These time periods are suitable because management expects to derive economic benefits from the goodwill over this period. Intangibles are monitored on a brand-by-brand basis for impairment indicators and, where indicators arise, an assessment of the carrying value is performed.

Tangible Fixed Assets and Depreciation

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.

Assets in the course of construction are transferred into the appropriate category when they are ready for their intended use. At this point, depreciation commences on the same basis as on other tangible fixed assets.

Laboratory equipment	5 years
Computer equipment	3 years

Iota Nanosolutions Limited**Principal Accounting Policies (continued)****Current Taxation**

The credit for current income tax is based on the results for the year as adjusted for items which are not taxed or which are disallowed. It is calculated using tax rates in legislation that has been enacted or substantively enacted by the balance sheet date.

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable only when it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

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

Leases

Lease rental payments in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Research and Development

Expenditure on research and development of new products is charged to the profit and loss account in 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 rates current at the year end, and profits/(losses) are taken through the Profit and Loss Account of the year.

Turnover

Turnover comprises the invoiced value of the sales of goods and services after deduction of discounts and sales taxes. Revenue is recognised when the risks and rewards of the underlying products have been substantially transferred to the customer.

Preference Shares

Presentational requirements under Financial Reporting Standard 25 '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.

Iota Nanosolutions Limited**Principal Accounting Policies (continued)****Post Balance Sheet Events**

On 27th May 2011 the company completed a financing round, to support the commercialisation of its proprietary nanodispersion formation technology - ContraSol™

QIB (UK) Plc joined Unilever UK Holdings Limited in this financing round providing an additional £2,793,007 of investment £2,000,000 of this investment was invested in the Company by QIB pursuant to a Murabaha Agreement and Unilever UK Holdings Limited subscribed to additional "A" Ordinary Shares for the total amount of £793,007.

Iota Nanosolutions Limited**Notes to the Accounts for the year ended 31 December 2010****(1) Operating Loss on ordinary activities before interest and taxation**

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

	2010 £000	2009 £000
Amortisation		
- Goodwill and intangibles	4	6
Depreciation		
- on owned tangible fixed assets	90	85
Auditors' remuneration		
- audit services	10	10
Research and development expenditure	610	602

(2) Directors' Emoluments

Three of the Directors who served during the year ended 31 December 2010, (J D F Coombs, S D V Willson and A C Ohlsson) are employed by other Unilever group companies and are remunerated by those companies in respect of their services to the group as a whole. Their emoluments are dealt with in the group accounts and they receive no emoluments from the Company.

Professor S P Rannard provides consultancy services to the company and receives some remuneration in respect of this work, but he does not receive any remuneration for his role as a director of the company. Consultancy fees paid £87,859 (2009 - £nil).

The remaining Directors are remunerated by the Company. Details of the emoluments to the Directors, including the payments for consultancy to Professor S P Rannard, are provided below:

	2010 £000	2009 £000
Aggregate emoluments	438	292
Highest Paid Director		
	2010 £000	2009 £000
Aggregate Emoluments	207	166

Iota Nanosolutions Limited**(3) Employee Information**

The monthly average number of persons employed by the Company, including Directors, during the year is analysed below

	2010 Number	2009 Number
Marketing, selling and distribution	3	2
Research and Development	9	8
Administration	2	2
Total	14	12

	2010 £000	2009 £000
Staff Costs		
Wages and salaries	754	723
Social security costs	81	80
Total	835	803

(4) Interest receivable/(payable) and similar items

	2010 £000	2009 £000
Other interest receivable and similar income	1	1
Interest payable on loans from group undertakings	(14)	(16)
Total	(13)	(15)

Iota Nanosolutions Limited**(5) Taxation on Loss on Ordinary Activities**

The taxation credit is made up as follows

	2010	2009
	£000	£000
On loss for the year		
Current tax:		
UK corporation tax	335	334
Adjustments for prior years	<u>2</u>	<u>(19)</u>
Total current taxation	337	315
Deferred tax:		
Deferred taxation	21	(8)
Adjustments for prior years	15	(9)
Effect of changes in tax rates	<u>1</u>	<u>-</u>
Total deferred taxation	<u>37</u>	<u>(17)</u>
Total taxation credit	<u>374</u>	<u>298</u>

The current tax assessed for the year is lower (2009 lower) than the standard rate of corporation tax in the UK (28%) (2009 - 28%). The differences are explained below

	2010	2009
	£000	£000
Loss on ordinary activities before tax	<u>(1,097)</u>	<u>(1,033)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in UK of 28% (2009 - 28%)	(307)	(289)
Effects of		
Permanent differences	49	38
Capital allowances higher/(lower) than depreciation	(21)	3
Short term timing differences	-	4
Adjustments for prior years	<u>2</u>	<u>(19)</u>
Current tax credit for the year	<u>(337)</u>	<u>(315)</u>

Factors affecting current and future tax charges

During the year, as a result of the change in the UK main corporation tax rate from 28% to 27% that was substantively enacted on 20 July 2010 and that will be effective from 1 April 2011, the relevant deferred tax balances (note 9) have not been re-measured at 27% because the effect is immaterial in the financial statements. Further reductions to the UK corporation tax rate were announced in the June 2010 Budget. The changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 24% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and therefore are not recognised in these financial statements.

Iota Nanosolutions Limited**(6) Intangible Assets**

	<u>Cost</u>	<u>Amortisation</u>	<u>Net Book Value</u>
	£000	£000	£000
At 1 January 2010	145	(65)	80
Charge for the year	-	(4)	(4)
At 31 December 2010	145	(69)	76

(7) Tangible Fixed Assets

	<u>Computer Equipment</u>	<u>Laboratory Equipment</u>	<u>Assets in Course of Construction</u>	<u>Total</u>
	£000	£000	£000	£000
Cost				
At 1 January 2010	15	432	11	458
Additions	1	33	-	34
Transfers between categories	-	11	(11)	-
At 31 December 2010	16	476	-	492
Accumulated depreciation				
1 January 2010	11	214	-	225
Depreciation charge for the year	2	88	-	90
At 31 December 2010	13	302	-	315
Net Book Value				
At 31 December 2010	3	174	-	177
At 31 December 2009	4	218	11	233

Iota Nanosolutions Limited**(8) Debtors**

	2010 £000	2009 £000
Amounts due within one year		
Trade debtors	122	149
Group Relief Receivable	172	142
Other taxation and social security	12	-
Other debtors	2	2
Prepayments and accrued income	6	5
Total debtors	314	298

(9) Creditors

	2010 £000	2009 £000
Amounts falling due within one year		
Trade creditors	(67)	(26)
Amounts due to group undertakings	(869)	(277)
Other taxation and social security	(23)	(25)
Accruals and deferred income	(204)	(381)
Total	(1,163)	(709)

Amounts due to group undertakings include balances with Unilever Central Resources Limited, which are interest bearing at monthly LIBOR and are unsecured. Also included, is balances with Unilever plc, which are interest bearing at 3.96%.

(10) Provisions for Liabilities

	<u>Deferred Taxation</u> £000
At 1 January 2010	(71)
Charged to Profit and Loss	22
Prior year adjustment	15
At 31 December 2010	(34)

The provision made for deferred tax represents the full potential liability and relates to accelerated capital allowances

Iota Nanosolutions Limited**(11) Called up Share Capital**

	2010 £000	2009 £000
Authorised		
30,000 A Ordinary Shares of £0 01 each	-	-
3,500 B Ordinary Shares of £0 01 each	-	-
3,000,000 Preferred shares of £1 00 each	3,000	3,000
	<hr/>	<hr/>
Allotted and fully paid		
20,488 A Ordinary Shares of £0 01 each	-	-
2,693 B Ordinary Shares of £0 01 each	-	-
2,353,039 Preferred shares of £1.00 each	2,353	2,353
	<hr/>	<hr/>

The A and B Ordinary Shares rank pari passu save that the Articles contain vesting 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.

On 27th May 2011 4,179 A Ordinary shares were subscribed to by Unilever UK Holdings Limited for cash at a price of £189 76 per share A further 2,280 shares were issued on the same date to other existing minority shareholders for a cash price of £0 01 per share

(12) Reconciliation of movements in Total Shareholders' Funds / deficit

	2010 £000	2009 £000
Profit/(loss) for the financial year	(722)	(735)
Share issue	-	1,133
Net addition/(reduction) to shareholders' funds	(722)	398
Opening shareholders' funds/(deficit)	134	(264)
	<hr/>	<hr/>
Closing shareholders' (deficit)/funds	(588)	134

Iota Nanosolutions Limited**(13) Related Party Transactions and Ultimate Parent Company**

The ultimate parent Company and controlling party is Unilever PLC and the immediate holding Company is Unilever UK Holdings Limited. The Company had related party transactions with the following related entities during the period:

Unilever UK Central Resources Limited

Iota Nanosolutions Limited was charged a total of £207,586 for patent maintenance costs and interest. As at 31 December 2010, £108,793 (2009 - £277,310) of this balance remained unpaid. Current account loans of £298,592 (2009 - £450,000) were also provided during the year. As at 31 December 2010, £174,492 (2009 - £nil) remained unpaid.

Unilever plc

Iota Nanosolutions Limited was loaned £575,000 (2009 - £nil) by Unilever plc. Interest was charged on this amounting to £10,386 within the year. The outstanding balance on this loan at 31 December 2010 was £585,386 (2009 - £nil).

(14) Post Balance Sheet Event

On 27th May 2011 the company completed a financing round, to support the commercialisation of its proprietary nanodispersion formation technology - ContraSol™.

QIB (UK) Plc joined Unilever UK Holdings Limited in this financing round providing an additional £2,793,007 of investment. £2,000,000 of this investment was invested in the Company by QIB pursuant to a Murabaha Agreement and Unilever UK Holdings Limited subscribed to additional "A" Ordinary Shares for the total amount of £793,007.