ADRIATIC OIL PLC

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 30 SEPTEMBER 2010

No.1 GROSVENOR CRESCENT

LONDON SW1X 7EF

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DIRECTORS AND ADVISERS

DIRECTORS	Jack Wilson – Non-Executive Chairman Bruno Müller – Chief Executive Officer Mark Watson-Mitchell – Non-Executive Director Loizos Yerolemou – Non-Executive Director (resigned 07/09/2010)
SECRETARY	Dipak Patel
REGISTERED OFFICE	11 Old Court House Old Court Place London W8 4PD
AUDITOR	BSG Valentine Lynton House 7-12 Tavistock Square London W1H 9BQ
CORPORATE ADVISER	Rivington Street Corporate Finance 3rd Floor 3 London Wall Buildings London Wall London EC2M 5SY
SOLICITORS	Pritchard Englefield 14 New Street London EC2M 4HE
BANKERS	NatWest 134 Aldersgate Street London EC1A 4LD
REGISTRARS	Share Registrars Limited Suite E First Floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL
COMPANY NUMBER	05945853

CHAIRMAN'S STATEMENT

Adriatic Oil Plc is pleased to announce its results for the year ended 30 September 2010.

The Company changed its name to Adriatic Oil Plc on 30 March 2010.

The strategy of Adriatic is to add value by proving and developing leads and plays in high potential oil & gas provinces that have been somewhat sidelined over time or have not been open to hydrocarbon exploration due to political reasons.

The annual results include part of the costs of the reclassification of Adriatic Oil Plc as an oil & gas exploration company.

On 10 June 2010, the Company announced that it has signed a non-binding Heads of Agreement for its first Farm-in in Albania.

On 24 August 2010, the Company submitted an application for offshore exploration block *Adriatiku-4* and part of *Adriatiku-3* to the Albanian authorities.

Since 30 September 2010, the Company has raised further equity.

Jack Wilson

Non-Executive Chairman

DIRECTORS' REPORT

The Directors present their report and audited accounts for the year ended 30 September 2010.

Activities

The Company was first registered as Oil and Gas Support Services Limited on 25 September 2006, the date of its incorporation. The Company was re-registered as a public company on 21 December 2006, and the Company's shares were admitted for trading on PLUS Markets on 22 January 2007. On 29 January 2009, the Company changed its name to Plus Investors Plc. On 30 March 2010, the Company changed its name to Adriatic Oil Plc.

The principal activity of the Company is oil and gas exploration and production.

Review of business and future developments

The review of the business is covered by the Chairman's Statement.

Results for the period and dividends

The loss for the period after taxation was £ 133,145 (2009: £ 158,994). The Directors do not recommend the payment of a dividend.

Directors

The present Directors of the Company are listed on page 1.

Mark Watson-Mitchell is seeking re-election at the forthcoming Annual General Meeting in accordance with Article 24.4 of the Company's Articles of Association. The Board has considered and reviewed his re-election prior to the submission for recommendation. The Board believes that the performance of Mr Watson-Mitchell continues to be effective, that he demonstrates commitment to his role and has a range of business, financial and management skills and experience relevant to the direction and control of the Company.

The continuing Directors recommend that shareholders vote in favour of the re-election of the Director retiring by rotation.

Directors and their interests

The Directors who served during the period and their interests in the share capital of the Company as at 30 September 2010 were as follows:

	Ordinary shares of 0.5p each 2010	Percentage
Jack Wilson	19,350,000	29.95%
Mark Watson-Mitchell (see note below)	1,475,000	2.28%

Note: Addworth Plc held 17,000,000 ordinary shares of 0.5 pence each at 30 September 2010. Mark Watson-Mitchell is a director of Addworth Plc and he and his family interests hold 19.55% of the issued share capital of Addworth Plc.

During the Period, the Company's share price has fluctuated between a high of 0.875p and a low of 0.375p. The closing price on 30 September 2010 was 0.875p.

Substantial shareholdings

As at 30 September 2010, the Company has had disclosed to it the following substantial share interests exceeding 3% of the issued ordinary share capital:

	Ordinary shares of 0.5p each	Percentage
JIM Nominees Limited*	36,800,000	56.95%
Jack Wilson	19,350,000	29.95%
Sunvest Corporation Limited	15,000,000	23.22%
Peter Jenkins	2,653,329	4.11%

*this holding includes 17,000,000 (26.31%) shares held for Addworth Plc and 19,350,000 (29.95%) shares held for Jack Wilson.

Creditor payment policy

The Company does not follow a code or standard on payment practice. Payment terms are normally agreed with individual suppliers at the time of order placement and are honoured, provided that goods or services are supplied within the contractual conditions.

At the period end, creditor days were 0 (2009: 0).

Risk Management

Principal business risk
The Company' principal activity is oil and gas exploration and production. The Directors consider that there are the following material risks associated with the Company's operations:

- Geological risks associated with the development of the Company's resources;
- Environmental hazards, industrial and mechanical accidents and occupational health hazard

The Company might be vulnerable to additional risks.

Dependence on key personnel
Whilst the Company has entered into contractual arrangements with the aim of securing the services of its executive Directors, the retention of their services cannot be guaranteed.

Financial Risk
The principal financial instruments employed by the Company are cash or cash equivalents and the Directors ensure that the business maintains surplus cash reserves to minimise liquidity risk.

Foreign currency risk
Although the Company is based in the UK, its currencies of operation are Pound Sterling, Euros, US dollars and Albanian Lek. As a result, the Company's Sterling balance sheet could be affected by the movements of these currencies.

The Board considers and reviews these risks on a strategic and day-to-day basis in order to minimise any potential exposure.

Internal Control

The Board is responsible for maintaining a sound system of internal controls to safeguard shareholders' investment and Company' assets. The Directors monitor the operation of internal controls. The objective of the system is to safeguard company's assets, ensure proper accounting records are maintained and that the final information used within the business and for publication is reliable. Any such system of internal control can only provide reasonable, but not absolute assurance against material mis-statement or loss.

Internal financial control procedures undertaken by the Board include:

- Review of monthly financial reports and monitoring performance.
- Prior approval of all significant expenditure including all major investment decisions.
- Review and debate of treasury policy.

The Board has reviewed the operation and effectiveness of the Company's system of internal control for the financial year and the period up to the date of approval of the financial statements.

Corporate governance

The Directors intend, in so far as it is practicable given the Company's size and the constitution of the Board, to comply with the main provisions of the Combined Code: Principles of Corporate Governance and Code of Best Practice which is consistent with the recommendations on Corporate Governance of the Quoted Companies Alliance.

The Directors intend to comply with Rule 29 of the PLUS rules relating to Directors' dealings as applicable to PLUS companies and will also take all reasonable steps to ensure compliance with Rule 46 by the Company's relevant employees.

Disclosure of information to the auditor

Each director of the Company has confirmed that, in fulfilling their duties as a director, they have:

- Taken all the necessary steps in order to make themselves aware of any information relevant to the audit and to establish that the auditors are aware of that information; and
- So far as they are aware, there is no relevant audit information of which the auditors have not been made aware.

Auditor

BSG Valentine are deemed to be re-appointed under Section 487(2) of the Companies Act 2006.

Approved by the Board of Directors and signed on their behalf

Bruno Müller
Director

Date: 8 March 2011

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;
- state whether applicable UK 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 company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Directors confirm that they have complied with these requirements and, having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the financial statements.

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ADRIATIC OIL PLC

We have audited the financial statements of Adriatic Oil Plc for the year ended 30 September 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement 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).

This report is made solely to the company's shareholders, as a body, in accordance with Chapter 13 of Section 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Director's Responsibilities Statement set out on page 8, 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 (APB's) Ethical Standards for Auditors.

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 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 of 30 September 2010 and of its loss 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 MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ADRIATIC OIL PLC (continued)

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report 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.

Lynton House
7-12 Tavistock Square
London
WC1H 9BQ

ATHANASIOS ATHANASIOU
(Senior Statutory Auditor)
BSG VALENTINE
Chartered Accountants
& Statutory Auditor

Date: 8 March 2011

PROFIT AND LOSS ACCOUNT
For the year ended 30 September 2010

	Notes	Year ended 30 September 2010 £	Year ended 30 September 2009 £
Turnover	2	**-**	894
Administrative expenses	3	(133,160)	(161,319)
Operating loss		(133,160)	(160,425)
Interest received	7	15	1,431
Loss on ordinary activities before taxation		(133,145)	(158,994)
Tax on loss on ordinary activities	8	-	-
Loss after taxation		(133,145)	(158,994)
Basic loss per share:	9	(0.21)p	(0.25)p

All of the Company's operations are classed as continuing. There were no gains or losses in the period other than those included in the above profit and loss account.

The notes on page 14 to 23 form an integral part of these accounts.

BALANCE SHEET
As at 30 September 2010

	Notes	Year ended 30 September 2010 £	Year ended 30 September 2009 £
Fixed assets			
Intangible	10	30,000	-
Investments	11	28,896	57,160
Total fixed assets		58,896	57,160
Current assets			
Debtors	12	3,925	10,186
Cash at bank	13	330	96,769
Total current assets		4,255	106,955
Current liabilities			
Creditors	14	(38,681)	(6,500)
Net current assets		(34,426)	100,455
Net assets		24,470	157,615
Capital and reserves			
Called up share capital	15	323,063	323,063
Share premium	16	348,350	348,350
Profit & loss account	16	(646,943)	(513,798)
Total shareholders' funds		24,470	157,615

Authorised by the board
and signed on its behalf on 8 March 2011:

Bruno Müller

The notes on page 14 to 23 form an integral part of these accounts.

CASH FLOW STATEMENT
for the year ended 30 September 2010

	Notes	Year ended 30 September 2010 £	Year ended 30 September 2009 £
Net cash used in operating activities	18	(93,308)	(65,632)
Investing activities			
Net purchase of investment	11	(3,146)	(102,904)
Net cash used in investing activities		(96,454)	(102,904)
Financing activities			
Interest received	7	15	1,431
Net proceeds on issue of shares		-	56,750
Net cash from financing activities		15	58,181
Net (decrease)/increase in cash		(96,439)	(110,355)
Cash at start of period		96,769	207,124
Cash at end of period		330	96,769

The notes on page 14 to 23 form an integral part of these accounts.

NOTES TO THE ACCOUNTS
For the year ended 30 September 2010

1 Accounting policies

Adriatic Oil Plc is a public limited company incorporated and domiciled in England & Wales. The Company's ordinary shares are traded on the PLUS Market in London.

The Company's financial statements have been prepared in accordance with applicable accounting standards (UK Generally Accounting Practice). A summary of the accounting policies adopted are set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention and on a going concern basis.

Going concern

The financial statements have been prepared on the going concern basis. The Directors have reviewed the financial performance of the Company since 30 September 2010 and have considered the Company's cash projections for the 12 months from the date of approval of these accounts. The majority of the Directors have also confirmed that they will continue to provide financial support to the Company so that it will be able to continue its operations and meet all its debts as they fall due for at least 12 months following the date of approval of the accounts for the year ended 30 September 2010. Based on the above the Directors of the Company consider it appropriate to draw up the accounts on the going concern basis. The accounts do not include any adjustments that would result if the company was no longer a going concern.

Revenue

Revenue comprises the fair value of the consideration received or receivable.

Taxation

The tax expense represents the sum of the tax currently payable and any deferred tax.

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

Deferred taxation is provided on a full provision basis on all timing differences, which have arisen but not reversed at the balance sheet date. Deferred tax assets are recognised to the extent that they are recoverable, that is, on the basis of all available evidence it is more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted. Any assets and liabilities recognised have not been discounted.

Equity

Called up share capital is recorded on the balance sheet at the nominal value of shares issued. Proceeds received in excess of the nominal value of shares are recorded in the share premium account after deducting any attributable issue costs. No ordinary shares have been issued during the financial period.

NOTES TO THE ACCOUNTS *(continued)*
For the year ended 30 September 2010

Investments

Fixed asset investments are held for long term, and are stated on the balance sheet at their fair value. In the case of quoted investments, fair value is the bid price of the stock at close of business on the balance sheet date.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument. An impairment review is made covering all financial assets, except for those measured at fair value through profit or loss, at each balance sheet date to determine whether there is any objective evidence that a financial asset or group of assets is impaired.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money or services directly to a debtor with no intention of trading the receivable. Loans and receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. The impairment loss on loans and receivables is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows of the asset, discounted at the original effective interest rate of the asset.

Cash and cash equivalents

Cash and cash equivalents comprise cash held by the company and short-term bank deposits with an original maturity of three months or less.

Trade and other payables

Trade and other payables constitute amounts that become due and payable to suppliers of goods and services and other third parties, and are included on the balance sheet under current liabilities.

2 Segmental reporting

For the year ended 30 September 2010, the Company had no turnover.

3 Administrative expenses

	2010	2009
	£	£
Operating loss for the year includes		
Impairment charge on investments	-	55,744
	-	55,744

4 Director's emoluments

	2010	2009
	£	£
All directors:		
Aggregate emoluments	-	10,759

During the year, the directors charged fees of £74,838 (2009: 30,066) to the company.

5 Employee information

The average number of persons employed by the Group, including executive directors was:

	2010	2009
Administration	1	2
	£	£
Staff costs for the above persons were:		
Wages and salaries	-	10,759
Social security costs	-	548
	-	11,307

6 Auditor's remuneration

	2010	2009
	£	£
Fees payable to the Company's auditor for audit services	6,000	4,762
Fees payable to the Company's auditor and its associates for other services:		
Other services relating to taxation	-	862
	6,000	5,624

7 Interest receivable

	2010	2009
	£	£
Bank interest receivable	15	1,431

8 Taxation

	2010	2009
	£	£
Current tax	-	-
Deferred tax	-	-

Reconciliation of current tax charge
The tax expense in the profit and loss account for the year is lower than the current small companies' rate of corporation tax in the UK of 21%. The differences are reconciled below:

	2010	2009
	£	£
Loss on ordinary activities before tax	(133,145)	(158,994)
Tax on loss on ordinary activities at the average standard rate of corporation tax of 21%	(27,960)	(31,799)
Effects of:		
Expenses not deductible for taxation	-	-
Other fixed asset differences, adjustments and movements	-	-
Temporary differences on fixed assets	-	-
Unrelieved/(utilised) tax losses and other deductions	27,960	31,799
Total current tax charge	-	-

The effective tax rate for the period is 0%.

The Company has an unrecognised deferred tax asset of £ 27,960 (2009: £ 31,799) relating to trading losses not utilised. The deferred tax asset has not been recognised in the financial statements due to uncertainty surrounding its recoverability.

NOTES TO THE ACCOUNTS *(continued)*
For the year ended 30 September 2010

9 Earnings per share from continuing operations attributable to the equity shareholders

	2010 £	2009 £
Earnings		
Earnings for the purpose of basic and diluted earnings per share being net (loss)/profit attributable to equity shareholders	(133,145)	(158,994)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	64,612,500	64,612,500
Earnings per ordinary share:		
Basic	(0.21)p	(0.25)p

Basic earnings per share are calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The calculation of diluted earnings per share assumes conversion of all potential dilutive ordinary shares, all of which arise from share options or warrants. A calculation is done to determine the number of shares that could have been acquired at fair value, based upon the monetary value of the subscription rights attached to outstanding share options and warrants.

Given the Company's reported losses for the year, outstanding share options and warrants are not taken into account when determining the weighted average number of ordinary shares in issue during the year, and therefore the basic and diluted earnings per share are the same.

10 Intangible fixed assets

	Licence £	Total £
Cost		
At 1 October 2009	-	-
Additions during the period	30,000	30,000
At 30 September 2010	30,000	30,000
Amortisation		
At 1 October 2009	-	-
Movement during the period	-	-
At 30 September 2010	-	-
Net book value		
At 1 October 2009	-	-
At 30 September 2010	30,000	30,000

NOTES TO THE ACCOUNTS *(continued)*
For the year ended 30 September 2010

11 Long term investment

	2010	2009
	£	£
Cost		
At 1 October 2009	143,254	40,350
Additions during the period	21,081	102,904
Disposals during the period	(109,345)	-
At 30 September 2010	54,990	143,254
Impairment provision		
At 1 October 2009	(86,094)	(30,350)
Eliminated on disposal	60,000	-
Movement during the period	-	(55,744)
At 30 September 2010	(26,094)	(86,094)
Net book value		
At 1 October 2009	57,160	10,000
At 30 September 2010	28,896	57,160

12 Debtors

	2010	2009
	£	£
Loans and receivables	-	-
Other debtors	-	8,593
Prepayments	3,925	1,594
	3,925	10,186

13 Cash and cash equivalents

	2010	2009
	£	£
Cash at bank and in hand	330	96,769

14 Creditors

	2010	2009
	£	£
Other tax and social security payable	-	-
Trade creditors	-	-
Accruals and deferred income	38,681	6,500
	38,681	6,500

15 Called up share capital

	2010	2009
	£	£
Authorised		
200,000,000 ordinary shares of 0.5p each	1,000,000	1,000,000
Allotted, called up and fully paid		
As at 1 October 2009:		
64,612,500 (2009: 53,262,500) ordinary shares of 0.5p each	323,063	266,313
Issued during the year: - (2009: 11,350,000) ordinary shares of 0.5p each)	-	56,750
As of 30 September 2010		
64,612,500 ordinary shares of 0.5p each	323,063	323,063

The Company was incorporated on 25 September 2006 with an authorised share capital of 100 ordinary shares of £ 1 each. On this date, one ordinary share was issued for a consideration of £ 1.

On 21 December 2006, the Company increased the authorised share capital to £ 1,000,000 by the creation of 999,900 ordinary shares of £ 1 each, ranking pari passu with the existing ordinary shares of the Company.

On 21 December 2006, the Company split each of the issued and unissued ordinary shares of nominal value £ 1 each into 200 ordinary shares of 0.5 pence each.

On 21 December 2006, the Company issued 26,999,800 ordinary shares of 0.5 pence each for 0.5 pence per share.

On 21 December 2006, the Company issued 15,000,000 ordinary shares of 0.5 pence each for 1 pence per share.

On 21 December 2006, the Company issued 4,262,500 ordinary shares of 0.5 pence each for 2 pence per share.

On 21 December 2006, the Company issued 7,000,000 ordinary shares of 0.5 pence each for 3.5 pence per share.

On 15 September 2009, the Company issued 11,350,000 ordinary shares of 0.5 pence each for 0.5 pence per share.

NOTES TO THE ACCOUNTS *(continued)*
For the year ended 30 September 2010

16 Other reserves

	Share premium account	Profit and loss account	Total
	£	£	£
At 1 October 2009	348,350	(513,798)	(165,448)
Gross proceeds of share allotments	-	-	-
Expenses of share allotments	-	-	-
Loss for the period	-	(133,145)	(133,145)
	348,350	(646,943)	(298,593)

	Share premium account	Profit and loss account	Total
	£	£	£
At 1 October 2008	348,350	(354,804)	(6,454)
Gross proceeds of share allotments	-	-	-
Expenses of share allotments	-	-	-
Loss for the period	-	(158,994)	(158,994)
	348,350	(513,798)	(165,448)

17 Reconciliation of movements in equity shareholder's funds

	2010	2009
	£	£
Loss for the financial period	(133,145)	(158,994)
Proceeds of share issues during the period net of expenses	-	56,750
Net addition to shareholder's funds	(133,145)	(102,244)
Opening shareholder's funds	157,615	259,859
Closing shareholder's funds	24,470	157,615

18 Cash used in operations

	2010	2009
	£	£
Cash flow from operating activities		
Operating loss	(133,160)	(160,425)
Adjustments for:		
Impairment charges	-	55,744
Loss on disposal of fixed investment	1,410	-
	(131,750)	(104,681)
Decrease/(increase) in debtors	6,261	47,865
Decrease/(increase) in creditors	32,181	(8,815)
Net cash outflows from operating activities	(93,308)	(65,631)

19 Financial instruments and risk profile

The Company's financial instruments comprise cash and cash equivalents, investments and items such as trade payables, which arise directly from its operations. The Company does not use derivatives for hedging purposes.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the executive directors.

Liquidity risk

The Company has a policy to manage liquidity risk by monitoring its cash balances. The Company's core funding comes from the proceeds of share issues. The Company has no external borrowing facilities, and no financial assets have been pledged as collateral for any liabilities or contingent liabilities.

Foreign currency risk

The Company operates in the UK and Albania and its currencies of operation are Pound Sterling, Euros, US dollars and Albanian Lek. As a result, the Company's Sterling balance sheet could be affected by the movement of these currencies.

Credit risk

The Company has no formal policy on potential customers as it has no sales. Credit risk on cash balances is limited because the counterparty is a bank with a high credit rating. The maximum credit risk exposure relating to financial assets is represented by the carrying value at the balance sheet date.

Interest rate risk

The Company has interest bearing assets, which include cash balances earning interest at a variable rate. The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature. The Company has not entered into derivatives transactions or traded in financial instruments during the financial period under review.

20 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and maintain an optimal capital structure to reduce the cost of capital.

The company defines capital as being share capital plus reserves. The Board of Directors makes judgements concerning the total capital required and whether these requirements can be met by issuing new shares, reducing or increasing debt, paying dividends and returning capital to shareholders.

The Company is not subject to any externally imposed capital requirements.

21 Related parties

Companies with common directors and/or shareholding

Addworth plc	Has 26.31% shareholding in the Company, (17 Million ordinary shares)	Mark Watson-Mitchell
SQC Research	Owned by Mark Watson Mitchell	Mark Watson-Mitchell
Midas Equities Limited	Controlled by Loizos Yerolemou	Loizos Yerolemou

Transactions with related parties:

During the period SQC Research charged the Company £ 11,749 (2009 £ 3,833) in respect of director's fees for Mark Watson-Mitchell. During this year, SQC Research charged nil (2009: £ 2,104) in respect of investor relations services pursuant to an agreement dated 5 November 2007. Mark Watson-Mitchell is the owner of SQC Research.

During the period the company was charged director's fees of £ 9,400 (2009 £ 9,370) by Midas Equities Limited pursuant to a Services Agreement between the Company and Loizos Yerolemou dated 21 December 2006. Loizos Yerolemou is a director of and holder of 100% of the equity of Midas Equities Limited.