

ParOS PLC

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

ParOS PLC
COMPANY INFORMATION

DIRECTORS	P McHugh J King
SECRETARY	I Aspinall
COMPANY NUMBER	5069439
REGISTERED OFFICE	One Lyric Square Hammersmith London W6 0NB
AUDITORS	Crowe Clark Whitehill LLP Chartered Accountants & Registered Auditors Arkwright House Parsonage Gardens Manchester M3 2HP
BANKERS	Barclays Bank plc 75 King Street Hammersmith London W6 9HY
REGISTRARS	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

**ParOS PLC
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ParOS PLC
CHAIRMAN'S STATEMENT
For the year ended 31 December 2010

Introduction

I announce the results for ParOS plc ("the Company" or "ParOS") for the year ended 31 December 2010.

At the General Meeting of the Company on 28 March 2008 the shareholders approved the disposal of the entire issued share capital of Parametric Optimization Solutions Limited ('POSL') which was the principal trading subsidiary and the Company became an investing company. After a further twelve months the Company had been unable to complete an acquisition of a new trading subsidiary and in accordance with AIM Rule 15 trading in the Company's shares on AIM was suspended on 30 March 2009. As a result of the Company's AIM securities having been suspended from trading for 6 months, on 1 October 2009 trading in the Company's shares was cancelled pursuant to AIM Rule 41. The Company continues as an unlisted investing company.

On 30 March 2009 and 24 April 2009 I was pleased to be able to announce that the Company had signed non-legally binding heads of terms to acquire the business of Worldlink Group plc ("Worldlink"). The consideration for the business of Worldlink was intended to be satisfied by the issue of new ordinary shares in the Company. Under the heads of terms Worldlink was contractually obliged to formally agree and to pay ParOS costs and advisors fees until completion of the acquisition. As at the date of signature of this 2010 report and accounts Worldlink had not paid the invoices rendered by the Company for its costs and fees despite the contractual obligation set out in the heads of terms. On 21 December 2010 a claim was filed in the Queen's Bench Division, Royal Courts of Justice against Worldlink for £719,806.99 owing as a debt under the heads of terms dated 25 February 2009 and in addition for damages for Worldlink's breach of the heads of terms.

On 16 July 2009 a winding up petition was made to the High Court of Justice under the provisions of the Insolvency Act 1986, by a trade creditor. On 7 October 2009 the winding up petition was heard in the High Court and the hearing adjourned until 16 December 2009 to allow time for the Company to establish a company voluntary arrangement ("CVA"). The CVA was approved by the creditors and shareholders of the Company on 2 December 2009 and consequently on 16 December 2009 the High Court dismissed the winding up petition. The objectives of the CVA are to restore the viability of the Company's business model and to assist in a return to profitability and an AIM listing. ParOS is not in and will not be in administration as a result of the CVA. The Company continues trading under the control of its directors, operating as a going concern, striving to recover the Company's professional fees and costs from Worldlink and pursuing its investing strategy.

Review of the year

Revenue in the year ended 31 December 2010 amounted to £8,506 (2009: £5,574). The loss for the year was £65,452 (2009: £449,005).

At 31 December 2010 the Company had cash deposits of £4,746 and at the date of this report it has cash deposits of approximately £4,147. The board is confident that the continuing CVA will provide the Company with sufficient cash resources to enable it to continue as a going concern for at least the next eighteen months.

Once the Company has recovered its professional fees and costs from Worldlink the Directors believe that the cash resources of the Company could be attractive to a number of potential targets or investments. The Directors will then seek to acquire another company or business in exchange for the issue of Ordinary Shares in a single transaction (a 'reverse takeover'). The Directors' main investment criteria being:

- the engineering sector in the UK, Europe and North America;
- businesses which require little or no funding in excess of the cash resources available to the Company following the Disposal; and
- businesses, whose growth prospects, if achieved, will be earnings enhancing for Shareholders.

Any acquisition by the Company would be put to Shareholders for their approval at the appropriate time.

P McHugh
Chairman
6 May 2011

ParOS PLC
DIRECTORS' REPORT
For the year ended 31 December 2010

The directors present their report and the audited financial statements for the year ended 31 December 2010. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to 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 determining how amounts are presented within items in the profit and loss account and balance sheet, the directors have had regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice.

So far as each of the directors is aware at the time the report is approved:

- there is no relevant audit information of which the Company's auditors are 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 auditors are aware of that information.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year from 1 January 2010 was as an investing company seeking to acquire another company or business in exchange for the issue of Ordinary Shares in a single transaction.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £65,452 (2009: £449,005).

The directors do not recommend the payment of a dividend.

REVIEW OF BUSINESS

POSL (until March 2008 the principal trading subsidiary) was incorporated in 2002 by Professor Efstratios Pistikopoulos and based in Imperial College, London. In 2005 POSL lacked the funding, commercial expertise and management team necessary to grow and to commercialise its intellectual property and expertise in optimisation, modelling and control systems. The acquisition of POSL and the admission of the Company's shares to trading on AIM in March 2006, together with the appointment of a management team with knowledge of the industry, personal contacts and considerable experience provided POSL with a stable platform upon which it could seek investment and build revenues through the commercialisation of its intellectual property.

Despite it winning a limited number of small development contracts and some European research grants, POSL was unable to secure a major contract and, as a result, was not able to reach a monthly break even cash position. It still required significant working capital in order to continue to trade. In February 2008, discussions with potential investors and sources of working capital ended and in light of these difficulties, the board concluded that POSL could not continue to trade and that its disposal would be in the best interests of the Company and its Shareholders.

ParOS PLC
DIRECTORS' REPORT
For the year ended 31 December 2010

At a general meeting of the Company on 28 March 2008 the shareholders approved the disposal of the entire issued share capital of POSL to Ariston Solutions Limited ("the Purchaser"), a company owned and controlled by Professor Efstratios Pistikopoulos, for an initial consideration of £1.00. Under the sale and purchase agreement the Purchaser pays additional consideration to the Company calculated as to 7 per cent. of the gross revenue (including, without limitation, grants and royalties) generated or received by it or its subsidiaries in each of the financial years until the year ending 31 December 2022. In addition, in the event of;

- a sale of a controlling interest in the voting share capital of the Purchaser or that of POSL or any subsidiary of POSL; or
- the Purchaser procures the sale of a material part of its business and assets or that of POSL's business and assets (which includes any patents held at that time); or
- the Purchaser or POSL's share capital is admitted to trading on a stock market,

at any time prior to 1 April 2018, the Purchaser will pay the Company additional consideration equal to 40 per cent. of the gross proceeds arising from any of these transactions.

Following the disposal of POSL, the Directors believed that the remaining cash resources of the Company could be attractive to a number of potential targets or investments. The Directors seek to acquire another company or business in exchange for the issue of Ordinary Shares in a single transaction (a 'reverse takeover'). The Directors' main investment criteria are: -

- the engineering sector in the UK, Europe and North America;
- businesses which require little or no funding in excess of the cash resources available to the Company following the Disposal; and
- businesses whose growth prospects, if achieved, will be earnings enhancing for Shareholders.

However, these criteria were not intended to be exhaustive and the Company could make an investment which did not fulfill all the investment criteria if it believed it was in the interests of Shareholders as a whole to proceed with such an investment. Any acquisition by the Company would be put to Shareholders for their approval at the appropriate time.

By 28 March 2009 the Company had not been able to complete an acquisition and in accordance with AIM Rule 15 trading in the Company's shares on AIM was suspended with effect from 7.00 a.m. on 30 March 2009. On 1 October 2009 at 7.00 a.m. trading in the Company's shares was cancelled pursuant to AIM Rule 41 as a result of the Company's shares having been suspended from trading for 6 months and the Company's Nomad and Broker Merchant John East resigned.

On 30 March 2009 and 24 April 2009 the Company announced that it had signed heads of terms to acquire the business of Worldlink. Under the heads of terms Worldlink is contractually obliged to formally agree and to pay ParOS costs and advisors fees until completion of the acquisition. As at the date of signature of this 2010 report and accounts Worldlink had not paid the invoices rendered by the Company for its costs and fees despite the contractual obligation set out in the heads of terms.

On 6 May 2009 the Company acquired for £1 the entire issued share capital of ParOS Intellectual Property Limited, company registered number 06892937, making it a wholly owned subsidiary of ParOS plc. At the date of signature of these accounts ParOS Intellectual Property Limited was a dormant company and had not traded.

On 6 May 2009 the Company acquired for £1 the entire issued share capital of ParOS Mobile Limited, company registered number 06893439, making it a wholly owned subsidiary of ParOS plc. At the date of signature of these accounts ParOS Mobile Limited was a dormant company and had not traded.

On 1 May 2009 the Group registered for VAT under a group registration number 945643596.

On 16 July 2009 Isosceles Finance Limited, the management accountant appointed by the Company, presented a winding up petition to the High Court of Justice under the provisions of the Insolvency Act 1986 in respect of its fees of £10,481.44 which had not been paid by the Company as it disputed the fees. On 7 October 2009 the petition was heard in the High Court and the hearing adjourned until 16 December 2009 to allow time for the Company to put a CVA into place. The CVA was approved by the creditors and shareholders of the Company on 2 December 2009 and consequently at the hearing in the High Court on 16 December 2009 the winding up petition was dismissed enabling the directors and supervisor to recover the Company's professional fees and costs from Worldlink.

ParOS PLC
DIRECTORS' REPORT
For the year ended 31 December 2010

The objectives of the CVA are to recover the professional fees and costs from Worldlink, to restore the viability of the Company's business model and to assist in a return to profitability and an AIM listing.

On 21 December 2010 a claim was filed by the Company in the Queen's Bench Division, Royal Courts of Justice against Worldlink for £719,806.99 owing as a debt under the agreed heads of terms dated 25 February 2009 and for additional damages for Worldlink's breach of the heads of terms. The financial implications of this are set out more fully in note 17.

FINANCIAL KPIs

Company liquidity - The net cash out flow for the year was £8,854 (2009 inflow: £28,384), as a result of operating activities. Cash and cash deposits at 31 December 2010 amounted to £4,746 (2009: £13,600),

STRATEGIC VISION AND PRIORITIES

Looking ahead the main short term activity of the Company will be to strive to recover the Company's professional fees and costs from Worldlink.

The Company will then continue its investment strategy with the main investment criteria for the Company in the short and medium term being:

- the engineering sector in the UK, Europe and North America;
- businesses which require little or no funding in excess of the cash resources available to the Company; and
- businesses with sustainable strategies whose growth prospects if achieved will be earnings enhancing for shareholders.

GOVERNANCE AND THE BOARD

The board's governance system provides balanced support for the executive management team in the development of the Company's strategy and with the need to ensure effective monitoring of its implementation.

During 2010 Patrick McHugh continued as both Chairman and Chief Executive Officer with Joseph King as non-executive Director.

The full board has considered the significant events of the year and their impact on the Company's business and reputation.

The audit and remuneration committees, chaired by Joseph King, have conducted important work. We remain confident in the work of the committees and of our overall system of governance.

BOARD, MANAGEMENT AND PEOPLE

2010 has been a difficult year for the Company but thanks to the hard work, professionalism and dedication of the board the Company can continue to trade under the control of its directors, operating as a going concern, and striving to to recover the Company's professional fees and costs from Worldlink in order to pursue its Investing Strategy.

ParOS PLC
DIRECTORS' REPORT
For the year ended 31 December 2010

RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company places great importance on internal control and risk management. A risk-aware and control-conscious environment is promoted and encouraged throughout the Company. The board, either directly or through its committees, sets objectives, performance targets and policies for management of key risks facing the Company. These include information systems, financial control and health and safety. Each year the audit committee receives a management letter from the Company's auditors.

The Company's principal financial instruments comprise cash and liquid resources; the main purpose of these instruments is to fund the Company's activities. The board is responsible for the risk management policies. The Company does not hold any financial instruments that would be classified as held for trading under IAS39.

DIRECTORS

The directors who served during the year and their beneficial interests in the Company's issued share capital were:

	Ordinary shares of 0.1p each	
	31 December 2010	31 December 2009
P McHugh *	39,786,923	39,786,923
J B King **	15,051,358	15,051,358

* includes 38,286,923 ordinary shares held by European Pensions Management Limited, which is the trustee of the Global Investment SIPP of which P McHugh is the sole beneficiary.

** consists of 15,051,358 ordinary shares held by Hargreaves Lansdown Nominees Limited, which is the trustee of the Hargreaves Lansdown Asset Management SIPP of which J King is the sole beneficiary.

SHARE CAPITAL

There were no changes to the Company's issued share capital during the year. Details of the share capital in issue can be found in note 11 to the financial statements.

SHARE OPTIONS

No directors hold options to subscribe for ordinary shares:

SUBSTANTIAL SHAREHOLDINGS

At the date of this report the Company had been notified that (other than directors), the following were interested in 3% or more of the issued share capital of the Company:

	Number of ordinary shares	% of issued share capital
Smith & Williamson Nominees Limited	48,937,112	10.3
Efstratios Pistikopoulos	41,751,767	8.8
LR Nominees Limited	40,865,288	8.6
Westcott International Holdings	29,346,648	6.2
Imperial Innovations Limited	21,778,527	4.6
Hargreaves Landsdown Nominees Limited	16,707,964	3.5
Nikos Bozinis	14,729,329	3.1

Of the L R Nominees Limited shareholding, 38,286,923 are held by European Pensions Management Limited, which is the trustee of the Global Investment SIPP of which P McHugh is the sole beneficiary.

ParOS PLC
DIRECTORS' REPORT
For the year ended 31 December 2010

Of the Hargreaves Lansdown Nominees Limited shareholding, 15,051,358 are held by Hargreaves Lansdown Asset Management Limited, which is the trustee of the Hargreaves Lansdown Asset Management SIPP of which J King is the sole beneficiary.

GOING CONCERN

The financial statements are prepared on a going concern basis. In assessing the Company's ability to continue as a going concern, the directors have taken into consideration all available information relating to the 12 month period from the date of approval of these accounts. In particular the directors have assessed expenditure, budgets and cash flow forecasts of the Company and an agreement has been reached with the directors and certain other service providers to defer payments until such time as the Company has sufficient resources. The directors have considered the cash flow consequences for the company based upon two distinct scenarios, both within the context of the CVA. The first scenario assumes that recovery of costs and fees from Worldlink Group plc will be successful. The second excludes this possibility and assumes that the company will be required to meet basic minimum overhead expenditure and comply with the terms of the CVA. In both scenarios the directors have prepared cashflow forecasts which show that the company can meet its financial obligations as they fall due.

COMPANY'S POLICY FOR PAYMENT OF CREDITORS

It is the Company's policy to agree appropriate terms and conditions in advance with its suppliers and to make payment in accordance with those terms and conditions, provided that the supplier has complied with them.

AUDITORS

The Company's auditors, Crowe Clark Whitehill LLP, will be proposed for reappointment in accordance with section 385 of the Companies Act 2006.

This report was approved by the board on 6 May 2011 and signed on its behalf.

P McHugh
Chairman

ParOS PLC
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ParOS PLC

We have audited the financial statements of ParOS plc for the year ended 31 December 2010 which are set out pages 9 to 19. These financial statements have been prepared under the accounting policies set out therein.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, 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.

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 for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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.

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 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

ParOS PLC
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ParOS PLC

- we have not received all the information and explanations we require for our audit.

Emphasis of matter – Going concern

In forming our opinion which is not qualified, we have considered the adequacy of disclosure made in Note 1.1 to the financial statements concerning the Company's ability to continue as a going concern. The disclosure makes reference to the CVA through which the Company is expecting to generate sufficient cash resources to enable it 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.

Michael Jayson
Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Arkwright House
Parsonage Gardens
Manchester
M3 2HP
United Kingdom

6 May 2011

ParOS PLC
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

	Note	2010 £	2009 £
Administrative expenses		(73,958)	(454,579)
Other income	7	<u>8,506</u>	<u>5,574</u>
Operating loss		(65,452)	(449,005)
Finance charges		<u>-</u>	<u>-</u>
Loss before taxation	3	<u>(65,452)</u>	<u>(449,005)</u>
Income tax expense	8	<u>-</u>	<u>-</u>
Loss for the financial year		<u><u>(65,452)</u></u>	<u><u>(449,005)</u></u>
Loss per share - basic and diluted	9	0.01p	0.09p

The notes on pages 13 to 19 form part of these financial statements.

ParOS PLC
Registration number: 5069439
STATEMENT OF FINANCIAL POSITION
As at 31 December 2010

	Note	2010 £	2009 £
ASSETS			
Non-current assets			
Investments in dormant subsidiaries	18	<u>2</u>	<u>2</u>
Current assets			
Trade and other receivables	10	14,447	12,672
Cash and bank balances	13	<u>4,746</u>	<u>13,600</u>
Total assets		<u>19,193</u>	<u>26,274</u>
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	11	472,950	472,950
Share premium account	12	1,295,730	1,295,730
Retained losses	12	<u>(2,257,531)</u>	<u>(2,192,079)</u>
Total equity		<u>(488,851)</u>	<u>(423,999)</u>
Current liabilities			
Trade and other payables	16	<u>508,046</u>	<u>449,673</u>
Total equity and liabilities		<u>19,193</u>	<u>26,274</u>

The financial statements were approved and authorised for issue by the board on 6 May 2011 and were signed on its behalf by

P McHugh
Chairman

The notes on pages 13 to 19 form part of these financial statements.

ParOS PLC
STATEMENT OF CASH FLOWS
For the year ended 31 December 2010

	Note	2010 £	2009 £
Cash flows from operating activities			
Loss before taxation		(65,452)	(449,005)
Adjustments for:			
Purchase of shares in subsidiaries	18	-	(2)
(Increase)/Decrease in trade and other receivables		(1,775)	48,247
(Decrease)/Increase in trade and other payables		<u>58,373</u>	<u>411,679</u>
Net cash outflow from operating activities		<u>(8,854)</u>	<u>10,921</u>
Cash flows from investing activities			
Investment in subsidiary undertakings	18	-	(2)
Net cash flow used in investing activities		-	(2)
Net increase/(decrease) in cash and cash equivalents		(8,854)	10,919
Cash and cash equivalents at the beginning of the year		<u>13,600</u>	<u>2,681</u>
Cash and cash equivalents at the end of the year	13	<u><u>4,746</u></u>	<u><u>13,600</u></u>

The notes on pages 13 to 19 form part of these financial statements.

ParOS PLC
STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2010

	Attributable to equity holders of the parent				Total £
	Share Capital £	Share Premium £	Other Reserves £	Retained Earnings £	
Balance 31 December 2009	472,950	1,295,730	-	(2,192,079)	(423,399)
Changes in equity for 2010					
Loss for the year	-	-	-	(65,452)	(65,452)
Balance 31 December 2010 carried forward	<u>472,950</u>	<u>1,295,730</u>	<u>-</u>	<u>(2,257,531)</u>	<u>(488,851)</u>

The notes on pages 13 to 19 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

1. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

1.1 Basis of preparation of financial statements as a going concern

ParOS has presented its financial results in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared in accordance with IFRS as adopted by the European Union applied in accordance with the provisions of the Companies Act 2006.

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates.

The Company has two dormant subsidiaries acquired in 2009. The Company has not presented consolidated accounts as permitted by section 402 of the Companies Act 2006. The comparatives for 2010 reflect the individual Company and not the consolidated position.

The financial statements are prepared on a going concern basis. In assessing the Company's ability to continue as a going concern, the directors have taken into consideration all available information relating to the 12 month period from the date of approval of these accounts. In particular the directors have assessed expenditure, budgets and cash flow forecasts of the Company and an agreement has been reached with the directors and certain other service providers to defer payments until such time as the Company has sufficient resources.

The directors have considered the cash flow consequences for the company based upon two distinct scenarios, both within the context of the CVA. The first scenario assumes that recovery of costs and fees from Worldlink Group plc will be successful. The second excludes this possibility and assumes that the Company will be required to meet basic minimum overhead expenditure and comply with the terms of the CVA. In both scenarios the directors have prepared cashflow forecasts which show that the Company can meet its financial obligations as they fall due.

1.2 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Consultancy and royalty income is recognised on an accruals basis.

1.3 Impairment

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

had no impairment loss been recognised for the asset (cash-generating unit) in prior years. 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. However, impairment losses relating to goodwill are not be reversed.

1.4 Investments

Investments in subsidiary undertakings are stated at cost except where, in the opinion of the directors, there has been impairment in the value of an investment, in which case an appropriate adjustment is made.

1.5 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the income statement on the straight line basis over the lease term.

1.6 Taxation

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, 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 negative 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 liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the rates that are expected to apply when the asset or 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.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

1.7 Financial instruments

The Company's principal financial instruments comprise cash and liquid resources, the main purpose of these instruments is to fund activities. The Company does not hold any financial instruments that would be classified as held for trading under IAS39.

1.8 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the average rate for the year. Exchange differences are taken to the income statement.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

1.9 Share based payments

The cost of share based employee compensation arrangements, whereby employees receive remuneration in the form of shares or share options, is recognised as an employee benefit expense in the income statement.

The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value at the date of grant. The assumption underlying the number of awards expected to vest are subsequently adjusted for the effects of non-market based vesting to reflect the conditions prevailing at the balance sheet date. The expected life used in the QCA-IRS Option Valuation model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural consideration.

In determining the fair value of equity settled share based payments and the related charge to the income statement, the Company makes assumptions about the future events and market conditions. In particular judgement must be made as to the likely number of shares that will vest and the fair value of each award granted. The fair value is determined using a valuation model which is dependent on further estimates which are based on publicly available information and reflect market expectations. Different assumptions about these factors to those made by the Company could materially affect the reported value of share base payments.

1.10 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Share based payments

In determining the fair value of equity settled share based payments and the related charge to the income statement, the Company makes assumptions about future events and market conditions. In particular, judgement must be made as to the likely number of shares that will vest and the fair value of each award granted. The fair value is determined using the QCA-IRS Option Valuer Model based on the Black Scholes model which is dependent on further estimates, including the Company's future dividend policy, employee turnover, the timing with which options will be exercised and the future volatility in the price of the Company's shares. Such assumptions are based on publicly available information and reflect market expectations and advice taken from qualified personnel. Different assumptions about these factors to those made by the Company could materially affect the reported value of share based payments.

1.11 New standards and interpretations

The directors have assessed the impact of both new issued and unissued IFRS Standards and their interpretations.

To the extent that they may be applicable, the directors have concluded that none of these pronouncements will cause any material adjustments to the financial statements, policies and accounting estimates.

1.12 Non current assets held for sale and discontinued operations

The Company has no "non current assets held for sale" under IFRS5 "Non current assets held for sale and discontinued operations".

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

2. SEGMENTAL REPORTING

The directors consider that the Company has no separate business or geographical segments upon which to report.

3. OPERATING LOSS

The operating loss is stated after charging:

	2010	2009
	£	£
Operating lease rentals: - land and buildings	-	23,250
Auditor's remuneration	<u>10,413</u>	<u>10,875</u>

4. AUDITORS' REMUNERATION

	2010	2009
	£	£
Audit of the financial statements	7,050	9,575
Other services relating to taxation	1,763	1,300
Other services	<u>1,600</u>	<u>-</u>
	<u>10,413</u>	<u>10,875</u>

5. EMPLOYEE BENEFIT EXPENSE

Staff costs for the year were £nil (2007: £nil).

The average monthly number of employees and directors, during the year was as follows:

	2010	2009
Directors	<u>2</u>	<u>2</u>

6. DIRECTORS' REMUNERATION

During the year the year the following amounts were charged by third parties including VAT in respect of the acquisition of Worldlink. The amounts have been accrued until funds are available.

P McHugh – Trinity Management Advisers Limited
 Director's and consulting fees £29,610 (2009: £142,174)

J King – Hamilton Associates
 Director's fees £2,500 (2009: £47,750)

7. OTHER INCOME

	2010	2009
	£	£
Royalties receivable from former subsidiary undertaking	<u>8,500</u>	<u>5,574</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

8. INCOME TAX EXPENSE

	2010	2009
	£	£
Current tax	-	-
Deferred tax	-	-
Total tax expense for the year	<u>-</u>	<u>-</u>

The charge for the year can be reconciled to the loss per the income statement as follows: -

	2010	2009
	£	£
Loss before tax	<u>(65,452)</u>	<u>(449,005)</u>
Tax on loss on ordinary activities at standard UK corporation tax rate of 21% (2009: 21%)	(13,745)	(125,721)
Expenses not deductible for tax purposes	<u>778</u>	<u>92,962</u>
Unrelieved tax losses	<u>12,697</u>	<u>32,759</u>
Current tax expense	<u>-</u>	<u>-</u>

No provision has been made to recognise a deferred tax asset as future profitability is uncertain. The unprovided deferred tax asset is £152,163 (2009: £139,466).

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the following:

	2010	2009
Basic		
Loss for the year	£65,452	£449,005
Weighted average number of shares	472,950,195	472,950,195
Loss per share	0.01 pence	0.09 pence

Separate diluted loss per share figures are not disclosed due to the fact that it would decrease the loss per share.

10. OTHER RECEIVABLES

	2010	2009
	£	£
Prepayments and accrued income	8,500	1,334
Other receivables	5,947	6,724
VAT	<u>-</u>	<u>4,614</u>
	<u>14,447</u>	<u>12,672</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

11. SHARE CAPITAL

	2010 £	2009 £
Authorised		
5,000,000,000 Ordinary shares of 0.1p each	<u>5,000,000</u>	<u>5,000,000</u>
Allotted, called up and fully paid		
472,950,195 Ordinary shares of 0.1p each	<u>472,950</u>	<u>472,950</u>

12. RESERVES

	Share premium account £	Retained losses £
At 31 December 2009	1,295,730	(2,192,079)
Loss for the financial year	<u>-</u>	<u>(£65,452)</u>
At 31 December 2010	<u>1,295,730</u>	<u>(2,257,531)</u>

13. RECONCILIATION OF CASH AND CASH EQUIVALENTS

	2010 £	2009 £
At 1 January	13,600	2,681
Cash Flow	<u>(8,854)</u>	<u>10,919</u>
At 31 December	<u>4,746</u>	<u>13,600</u>

Cash and cash equivalents are made up of bank accounts which are all available on demand.

14. SHARE BASED PAYMENTS

On 15 July 2005 the Company issued unapproved share options over 2,500,000 ordinary shares of 0.25p each at an exercise price of 1p. The options are exercisable at any time before the tenth anniversary of the grant date. Following the sub division of the share capital on 15 July 2005 the options have been restated to be over 6,250,000 ordinary shares of 0.1p. At 31 December 2010 these options remained unexercised. The holders of these options are:

	Options
J.M. Edelson	5,000,000
L.J. Avigdori	625,000
I. Aspinall	<u>625,000</u>
	<u>6,250,000</u>

The Company has not recognised any charge arising from the options noted above in the income statement for the year ended 31 December 2010 as this is deemed to be immaterial.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

15. RELATED PARTY TRANSACTIONS

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Company. In the opinion of the board, the Company's key management are the directors of ParOS plc. Information regarding their compensation is given above in note 6.

The Company has entered into service agreements with Trinity Management Advisers Limited, a company controlled by P McHugh, and Hamilton Associates, an unincorporated entity controlled by J King, during the year these entities charged fees, that have been accrued until cash is available, relating to the acquisition of Worldlink (see note 6. Director's remuneration) but have waived any fees relating to the management of the Company until funds are available (see note 17. Contingent Liabilities and Assets). For clarity no payments were made by the Company to these entities during the year.

16. PAYABLES

The total claims of unsecured creditors advised by the directors in their report to the CVA Supervisor in respect of the Company on 2 December 2010 were £573,099.12 (2 December 2009: £553,645.19).

Trinity Management Advisers and Hamilton Associates are included as unsecured creditors in the CVA. At 31 December 2010 £58,030 (2009: £57,780) was due to Hamilton Associates and £178,012 (£2009: £148,402) was due to Trinity Management Advisers Limited.

17. CONTINGENT LIABILITIES AND ASSETS

The directors have deferred crystallisation of their fees for services to the Company, subject to future conditions being met. At the year end there are potential liabilities to Trinity Management Advisers Limited of £71,190 (2009: £20,790) and to Hamilton Associates, of £25,000 (2009: nil) which will only crystallise if there are available funds following the finalisation of the CVA.

On 21 December 2010 the Company filed a claim in the Queen's Bench Division, Royal Courts of Justice against Worldlink for £719,806.99 owing as a debt. In the opinion of the directors, the total claim for debt, interest and damages at 6 May 2011 was £1,015,360. Also in the opinion of the directors, the heads of terms is enforceable and the claim is likely to succeed. Due to the contingent nature of this, no recovery of the debt is reflected in the financial statements at this point in time.

The costs and legal expenses of the claim are being financed by unsecured loans to the CVA Supervisor and cover all of the anticipated costs of pursuing the claim. In the event that the claim fails, these loans for costs and legal expenses estimated at £141,000 would rank alongside the other creditors of the Company.

18. INVESTMENTS IN SUBSIDIARIES

Share capital of ParOS Intellectual Property Limited	£1
Share capital of ParOS Mobile Limited	£1

ParOS PLC

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at 14:30 p.m. on 20 June 2011 at the offices of Crowe Clark Whitehill LLP, Arkwright House, Parsonage Gardens, Manchester, M3 2HP, to consider and if thought fit, pass the following Resolutions of which Resolutions 1 to 5 are ordinary resolutions and resolution 6 is a special resolution:

Ordinary Business

- Resolution 1: To receive and adopt the Financial Statements of the Company for the year ended 31 December 2010 together with the Reports of the Directors and Auditors thereon.
- Resolution 2: To re-elect P McHugh as a Director in accordance with the Company's Articles of Association.
- Resolution 3: To re-elect J King as a Director in accordance with the Company's Articles of Association.
- Resolution 4: To re-appoint Crowe Clark Whitehill LLP as auditors of the Company and to authorise the Directors to determine their remuneration.
- Resolution 5: THAT, in substitution for any existing and unexercised authorities, the Directors be and they are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot shares or to grant rights to subscribe for or to convert any security into shares up to the aggregate nominal value of £157,650 being one-third of the aggregate nominal value of the issued share capital with the authorities conferred by this resolution to expire at the conclusion of the next annual general meeting of the Company (unless previously renewed, varied or revoked by the Company in general meeting), provided that the Company may before such expiry make an offer or agreement which would or might require it to allot shares or to grant rights to subscribers for or to convert any security into shares to be allotted after such expiry and the Directors may allot shares or to grant rights to subscribers for or to convert any security into shares in pursuance of such offer or agreement notwithstanding that the authority conferred hereby has expired

Special Business

- Resolution 6: THAT, in substitution for any existing and unexercised authorities, the Directors be and they are hereby empowered pursuant to section 570 of the Act to allot equity securities wholly for cash pursuant to the authority conferred by resolution 5 above to any person or persons up to an aggregate nominal amount of £47,295 being 10% of the aggregate nominal value of the issued share capital; and the authorities conferred by this resolution shall expire at the conclusion of the next annual general meeting of the Company (unless previously renewed, varied or revoked by the Company), save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot securities in pursuance of any such offer or agreement notwithstanding that the power conferred hereby has expired and that all previous authorities under section 570 of the Act be and they are hereby revoked (and in this resolution the expression "equity securities" and references to the allotment of "equity securities" shall bear the same respective meaning as in section 570 of the Act).

By Order of the Board

I Aspinall

Company Secretary

Dated: 6 May 2011
Registered office:
One Lyric Square
Hammersmith
London
W6 0NB

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote on your behalf at a general meeting of the Company.
2. A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box on your proxy form. If you sign and return your proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy.
3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. In the event of a conflict between a blank proxy form and a proxy form which states the number of shares to which it applies, the specific proxy form shall be counted first, regardless of whether it was sent or received before or after the blank proxy form, and any remaining shares in respect of which you are the registered holder will be apportioned to the blank proxy form.
4. The return of a completed proxy form does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
5. To direct your proxy how to vote on the resolutions mark the appropriate box on your proxy form with an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
6. To be valid any proxy form or other instrument appointing a proxy must be:
 - completed and signed;
 - sent or delivered to ParOS plc, One Lyric Square, Hammersmith, W6 0NB; and
 - received by the Company no later than 14.30 p.m. on 18 June 2011.
7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
8. In the case of a member which is a company, your proxy form must be executed under its common seal or signed on its behalf by a duly authorised officer of the Company or an attorney for the Company.
9. Any power of attorney or any other authority under which your proxy form is signed (or a duly certified copy of such power or authority) must be included with your proxy form.
10. Only those members entered on the register of members of the Company at 6.00 p.m. on 18 June 2011 or, in the event that this meeting is adjourned, in the register of members as at 6.00 p.m. on the day two days before the date of any adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their names at that time.
11. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
12. Copies of the directors' service contracts and letters of appointment are available for inspection at the registered office of the Company during normal business hours on any business day and will be available for inspection at the place where the meeting is being held from 15 minutes prior to and during the meeting.