PROVENTEC PLC
ANNUAL REPORT 2006

04134409

HYGIENE SOLUTIONS **FIRE RETARDANTS**

A specialist and innovative provider of steam cleaning and preventative coatings technologies.

Proventec's strategy is to be the leading provider of cutting edge hygiene solutions based on steam technologies and preventative coatings which are both environmentally friendly and cost effective. The market sectors requiring the highest hygiene and safety standards will be targeted.

The Company will pursue this strategy by organic growth, the development of new and compatible technologies and by strategic commercial acquisitions.

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HIGHLIGHTS 2006

- Successful completion of acquisition of OspreyDeepClean and InnoCleaning Magma Holdings
- Turnover up to £3.4 million (2005: £154,000)
- EBIT up to £1.1 million (2005: loss £916,000)
- Profit after tax up to £474,000 (2005: loss £823,000)
- Refinancing of Loan Notes resulting in cash flow benefits
- Hardide admitted to AIM – share price up by 25%
- Investment in Keronite sold
- Successful fundraisings for Firestop Chemicals, Oxis Energy and Ultra Motor Company
- Biocote signed up its 40th partner

OUR STRUCTURE

HYGIENE SOLUTIONS

OSPREYDEEPCLEAN

GUMBUSTERS

FOR MORE INFO ON HYGIENE SOLUTIONS SEE PAGE **03**

FIRE RETARDANTS

MAGMA

FOR MORE INFO ON FIRE RETARDANT COATINGS SEE PAGE **05**

INVESTMENT PORTFOLIO

INVESTEE COMPANIES PROVIDE VARIOUS CROSS-SELLING OPPORTUNITIES

HARDIDE (21.5% STAKE)

OXIS ENERGY (6.6% STAKE)

ULTRA MOTOR (36.7% STAKE)

FIRESTOP (44.1% STAKE)

BIOCOTE (31.5% STAKE)

FOR MORE INFO ON OUR NON-CORE INVESTMENTS SEE PAGE **06**

Chairman's Statement

The Group has established an excellent foundation upon which to develop and expand the Group.

The year ended 31 March 2006 has been an important period in the Company's history. In August 2005, the Company acquired OspreyDeepClean Limited and InnoCleaning Magma Holdings BV in a reverse takeover of Flintstone Technologies plc, resulting in an enlarged Group which focuses on providing innovative hygienic solutions and preventative coatings. At that time, I joined the Board as Chairman and my colleague Thomas Stuecken was appointed as Commercial Director.

The Annual Report and Accounts for the year ended 31 March 2006 is the first published by the enlarged Group and have been prepared in accordance with International Financial Reporting Standards (IFRS). I am pleased to report that the Group made a profit for the year of £474,000 compared to a loss of £823,000 in the year ended 31 March 2005 (restated under IFRS).

The results are very encouraging and your Board believes the Group has established, between the reverse takeover and the year end, an excellent foundation upon which to develop and expand the Group.

The Group's cash resources were improved by £4.3 million (net of costs) during the year through the issue of 13.6 million shares at a price of 14 pence per share, refinancing the loan notes which were originally issued in connection with the reverse takeover and selling one of the non-core investments, Keronite plc. Since the year end, we have realised a further £1 million by selling part of the Group's stake in Hardide plc. These funds will enable the Group to grow, through the development of existing business and, should the opportunity arise, acquisition of complementary businesses.

I should like to thank my colleagues on the Board, together with the staff of the Group, for their hard work in ensuring Proventec's continued success.

Peter Teerlink
Chairman

CASE STUDY

ISS Mediclean

OspreyDeepClean's steam technology has been chosen by ISS Mediclean as its preferred infection control technology. ISS Mediclean is a UK division of the world's largest contract cleaning company, ISS, and provides cleaning services to over 100 healthcare establishments in the UK.

OspreyDeepClean supplies its Revolution model to ISS Mediclean's "Rapid Response" teams which are tasked with tackling healthcare associated infections such as MRSA and C Difficile Spores. The Walsgrave Hospital in Coventry is the latest establishment to benefit from ISS Mediclean's use of OspreyDeepClean steam technology.

CASE STUDY

Heartlands NHS Foundation Trust

Heartlands NHS Foundation in Birmingham has pioneered Europe's first antimicrobial clinical environment to prove that BioCote's antimicrobial, silver-based technology reduces surface bacteria and can help to control levels of healthcare associated infections such as MRSA.

The Trust has refurbished a day care centre using an extensive range of products treated with BioCote, including, among others, door handles, beds, cubicle curtains, lockers, nurse call systems and wall coverings to complete the BioCote-protected environment. This complete environment is designed to reduce bacteria on all treated surfaces and thereby limit the potential of infection.

Hygiene Solutions

The cleanings solutions are designed to target and combat the spread of common food bacteria and HAI (Healthcare Associated Infections), including MRSA. The coating businesses have an emphasis on preventative environmentally friendly solutions for its clients delivering demonstrable health and cost benefits.

OSPREYDEEPCLEAN

OspreyDeepClean was established in 1995 and is an international supplier of the largest and most comprehensive range of steam cleaners available for household, commercial and industrial environments.

OspreyDeepClean is the world's leading steam cleaning provider with international presence across Europe, North America, Australia and South Africa. Osprey is the nominated steam cleaning supplier to Nestlé, HSS, Carillion, Compass Medirest, and ISS Mediclean amongst others. Osprey sells its steam technologies directly to these and other key customers and supports its 75 strong distributor network from its offices in the UK and Holland.

40

We have 40 UK distributors who handle sales in local areas.

BIOCOTE

BioCote® is the market leader in the field of antimicrobial technology offering users access to total hygiene solutions.

The active ingredient in BioCote is silver in the form of silver ions, which are added to materials during the manufacturing process. This produces an active concentration of silver ions on the surface of the product, causing bacteria, such as MRSA and *E.coli*, to break down and limit their reproduction.

5,000

An estimated 5000 people each year die as a result of Healthcare Associated Infections.

MARKET OPPORTUNITY

The cleanings solutions are designed to target and combat the spread of common food bacteria and HAI, including MRSA.

Low pressure dry steam cleaning technology.
Requires less water and chemicals than non-steam machines.
Higher level of hygiene achieved in less time and with less materials ability to destroy bacteria including "hospital" superbugs.
Used in health, food and catering, food manufacture.
Strategic commercial opportunities between OspreyDeepClean and BioCote.
Silver-based technology available to a wide range of applications.
Offers the ability to treat complete environments.

SALES, MARKET SPLIT 2005

2
3
1

1 Food and catering – 80%
2 Healthcare – 10%
3 Industrial – 10%

Chief Executive's Report

Proventec's aim is to be the leading provider of cutting edge hygiene solutions that are based on steam technologies and preventative coatings.

CASE STUDY

Aircraft seating

Firestop's first commercially available technology, Noflan®, is designed to flame retard technical fabrics. One of the key markets for Noflan is mass transit seating, which Firestop has been able to penetrate, having achieved stringent criteria on flammability, smoke evolution and toxicity standards. Firestop is supplying several manufacturers of aircraft and rail seating fabrics and Noflan is used on several major airlines.

CASE STUDY

Railway sleepers

One of the Magma Firestop range of fire retardants has been employed to counter the problems associated with fires on wooden railway sleepers. The privatised Dutch railway system experienced numerous small-scale fires which, although relatively simple to extinguish, created havoc to the rail network. Magma was contacted by the company responsible for maintaining the rail track system and in 2003 a two-year trial of Magma Firestop began.

The results from the trial demonstrated the benefits offered by Magma Firestop in quelling fires on wooden sleepers and it has been agreed that all wooden sleepers in all Dutch railway stations will be treated with Magma Firestop.

Strategy
Proventec's aim is to be the leading provider of cutting edge hygiene solutions that are based on steam technologies and preventative coatings. Our target markets are those sectors which require the highest hygiene and safety standards.

Financial Highlights
In the year to 31 March 2006, the Group achieved the following:
- Turnover up to £3.4 million from £154,000 in the previous year (restated under IFRS).
- Gross profit up to £2.3 million from £154,000 in the previous year (restated under IFRS).
- EBIT up to £1.1 million from a loss of £916,000 in the previous year (restated under IFRS).

Reverse Takeover – August 2005
The year to 31 March 2006 saw the successful acquisition of OspreyDeepClean Limited ("OspreyDeepClean") and InnoCleaning Magma Holdings BV ("ICMH"), comprising steam cleaning and "Magma" flame retardant/fire resistant technologies. These businesses complement the technologies in which the Group has a long-standing investment interest, namely BioCote Limited ("BioCote") and Firestop Chemicals Limited ("Firestop").

Immediately following these acquisitions, which were satisfied by the issue of shares, warrants and loan notes in a "reverse takeover" of Flintstone Technologies plc, the Company changed its name from Flintstone Technologies plc to Proventec plc and was re-admitted to the Alternative Investment Market of the London Stock Exchange on 25 August 2005.

Hygiene
Through the OspreyDeepClean and BioCote technologies, we aim to prevent the spread of healthcare associated infections and combat the incidence of food related bacteria.

Since the reverse takeover, OspreyDeepClean has strengthened its brand within the Group by renaming the Dutch "InnoCleaning" businesses as OspreyDeepClean and has aggressively expanded into Canada, the Czech Republic and Australia, and has strengthened its presence in the USA, South Africa and across Europe. Through its dynamic network and brand recognition, your Board anticipates significant growth in sales from the OspreyDeepClean businesses.

The cleaning solutions offered by OspreyDeepClean comprise low pressure dry steam systems, which require less water and fewer chemicals than non-steam machines. OspreyDeepClean machines achieve a higher level of hygiene in a shorter time than competing products and, unlike other cleaning products, are capable of destroying bacteria such as hospital "superbugs". The flexibility offered by the wide range of OspreyDeepClean machines and ancillary products promotes their use in the healthcare, food and catering, and food manufacturing sectors.

OspreyDeepClean has recently received excellent results from hospital site tests of its steam cleaning products conducted by the Department of Microbiology at University College London Hospital ("UCLH"). The results from the two-month trials conducted in the decommissioned Middlesex Hospital demonstrate that OspreyDeepClean's technology presents a new platform process for cleaning and provides a safer, cleaner hospital without the need for potentially hazardous chemicals. Test sites were purposely contaminated with soil and micro-organisms associated with healthcare acquired infection, to provide a very challenging environment to clean. Osprey is continuing to work with UCLH to develop new products, new tools and new ways of delivering steam to address the demands of specific contact surfaces within the healthcare environment, to decontaminate them and comprehensively meet stringent infection control standards.

The synergies between OspreyDeepClean and BioCote have resulted in collaborative attendances at a number of healthcare exhibitions and conferences. We anticipate that there will be even closer workings between these businesses in the future.

Another range of products offered by OspreyDeepClean, sold under the "GumBusters" trade mark, are used for fast and cost-effective removal of chewing gum. These are proving attractive to public and private sector customers, in various territories across Europe and North America and we anticipate strong growth in sales from new regional markets.

Fire Retardants

We have two fire retardant companies in our portfolio: Magma who we fully own and Firestop in which we have a 44.1% stake. There are numerous synergies and cross selling opportunities between the two.

MAGMA PLC

Magma develops, markets and sells fire retardant products which are environmentally friendly and comply with national and international standards.

Magma's products have a wide variety of applications in the construction, plywood and paper manufacturing and textile industries, where they can be applied to raw materials during manufacturing processes. Additionally, products offered by Magma can be used to fire retard existing structures and buildings. Magma Firestop products have been used in resorts in Bali and the Maldives to fire retard timber and thatch, as well as in a number of prestigious buildings in the UK and Dubai.

FIRESTOP

Firestop Chemicals is a leading innovator of phosphorus based flame retardant chemistry.

The company markets technologies for use within the industrial sectors of technical fabrics, such as those used in mass transit seating and aerospace. It also develops flame retardants for thermoplastics applications within construction and electronics.

Firestop is collaborating with Magma on their respective flame retardant products and is in the final stages of evaluating a Magma technology to complement Firestop's range for technical fabrics. The Magma product should allow a competitive entry into the high volume non-durable market, which will augment the durable products already available from Firestop Chemicals.

MARKET OPPORTUNITY

The coating businesses have an emphasis on preventative, environmentally friendly solutions for clients delivering demonstrable health and/or cost benefits.

- Emphasis on environmentally friendly products.
- Can be applied directly onto the surface to be fire retarded.
- Designed to fire retard timber, paper, plywood and textiles.
- Exposure across healthcare, transport, *construction, consumer products markets.*
- Strategic commercial partnership opportunities with Firestop.

Non-core Investments

The Group commercialised a number of technologies and continues to hold investments in a number of them, including AIM-listed Hardide plc. Whilst these investments are no longer core to the Group's main strategy, they bring value to the Group.

HARDIDE PLC

Hardide is a unique surface engineering technology combining ultra-hardness, low friction and chemical resistance for use on components made from steel and hard alloys.

VALUATION OF INVESTEE CO.	£18m
TOTAL PROVENTEC SHAREHOLDING	21.5%
VALUE OF PROVENTEC SHAREHOLDING	£3.9m

OXIS ENERGY LIMITED

Oxis Energy Ltd is pioneering a novel lithium-sulphide electrochemistry to produce a superior performance low-weight rechargeable battery.

VALUATION OF INVESTEE CO.	£2.4m
TOTAL PROVENTEC SHAREHOLDING	6.6%
VALUE OF PROVENTEC SHAREHOLDING	£144,000

ULTRA MOTOR LIMITED

Ultra Motor Company is a pioneer in the electric vehicle industry, developing super-efficient direct drive motors for small vehicles.

VALUATION OF INVESTEE CO.	£7.87m
TOTAL PROVENTEC SHAREHOLDING	36.66%
VALUE OF PROVENTEC SHAREHOLDING	£2.88m

The results of the enlarged Group demonstrate the success of this change in strategy.

Preventative Coatings
Magma develops, markets and sells environmentally friendly fire retardant coatings which are designed to fire retard timber, paper, plywood and textiles. The Magma products may be applied directly onto the surface of the target.

Through the Group's involvement with Firestop and ownership of Magma, we have been able to assist these flame retardant companies to collaborate, presenting Magma with additional sales resources and enabling Firestop to extend its range of products to sell alongside its own niche product, Noflan. We expect to see Firestop's groundbreaking flame retardant for polymers – "Bizon" – move into the commercialisation stage of its development by the end of 2007.

The target markets for the various flame retardant products offered by the Group include healthcare, transport, construction and consumer product markets, with the protective coatings offered under the InnoShield and InnoPearl brand names, providing cost savings on cleaning and maintenance.

Investment Portfolio
In line with our stated strategy of concentrating on core investments and developing the core trading businesses of the Group, we have reduced two of the non-core investments. In March 2006, the Group disposed of its shareholding in Keronite plc for an initial cash payment of £500,000 and a right to participate in any uplift on that value realised during the period to 31 December 2007. Since the year end, we have sold 8.6 million Hardide shares, thereby generating £1 million cash (net of expenses). We retain 31.5 million shares in Hardide, representing 21.5% of the issued share capital of Hardide. At the date of this report, the Group's stake in Hardide is valued at £3.9 million.

Your Board of Directors will direct the use of the proceeds from these share sales in the most effective ways to accelerate development and growth of the Group to ensure best possible sustainable shareholder value.

I am pleased to report that BioCote, in which the Group holds 31.5% of the share capital, is profitable on a month-by-month basis and that we have recently completed a further investment in Firestop by way of a convertible debenture. The Group holds 44.1% of the equity share capital of Firestop Chemicals Limited and 36% of that company's loan stock. The Group holds 36.7% of the equity in Ultra Motor Company Limited, the developer of super-efficient direct drive motors which raised £1.43 million during the year, and 6.6% of the equity in Oxis Energy Limited, an early stage developer of lithium sulphide batteries.

Other Events
The Group's cash resources have been further boosted by the refinancing of the Loan Notes issued in August 2005. The seller of the Loan Notes injected £2.625 million of its proceeds into the Company by way of a loan which will be converted into equity by the exercise of existing warrants.

Conclusion
The year to 31 March 2006 saw a fundamental change in the nature of the Group from a business focused on providing services to related companies *to a group trading through its own subsidiaries.* The results of the enlarged Group demonstrate the success of this change in strategy, which commenced with the decision to acquire OspreyDeepClean Limited and InnoCleaning Magma Holdings BV.

Your Board of Directors believes that much of the groundwork is now in place for strong growth and an exciting future for the new business.

David Chestnutt FCA
Chief Executive

* Hardide share price on 7 July: 12.25 pence

Board of Directors

Peter Teerlink, Chairman
Peter Teerlink has extensive experience in merchant banking and venture capital. After working in the financial services sector for 10 years, he joined Novem International in 1999 as managing director. In 2001 he became managing director of I-Pac Technologies N.V.

David Chestnutt FCA, Chief Executive
A Chartered Accountant, David Chestnutt was a senior audit and client engagement partner with Pannell Kerr Forster in Liverpool until May 1997. The following two and a half years were spent as finance director at Liverpool Football Club, a position he resigned from in September 1999. David joined CFB in early 2000. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Thomas Stuecken, Commercial Director
Thomas Stuecken has extensive experience in the international cleaning industry. He was an export director at Premiere Products Limited and oversaw the opening of several new export markets for that company's products during his tenure. Since April 2003, Thomas has been a director of OspreyDeepClean. He is an assessor for the British Institute of Cleaning Science.

Ian Woodcock, Operations Director
Ian Woodcock has over 12 years' experience in sourcing and commercialising technologies from Russia and has extensive contacts within the industry in which Flintstone operates. Ian was key to the progress made at Ultra Motor, an investment held by Proventec, securing several funds for the Company and maturing valuable commercial relationships with several potential multinational manufacturers and distributors for the technology.

Glyn Hirsch, Non-Executive Director
After qualifying as a Chartered Accountant with Peat, Marwick, Mitchell & Co (now KPMG), Glyn Hirsch joined the corporate finance department of Phillips & Drew (latterly UBS Limited) in 1985. He became a corporate finance director of UBS Limited in 1990 and an Executive Director in 1995. In 1995 he left UBS to become chief executive of CLS Holdings plc where he stayed until he resigned to pursue other opportunities in 2001. He is also a director of The Raven Group plc and a non-executive director of Liontrust Asset Management plc as well as a number of other public and private companies.

Michael Hough, Non-Executive Director
Michael is the managing director of Altium Capital Limited (formerly Apax partners and Co.) which he helped establish in 1990. Since 1992 Mr Hough has been responsible for Altium's investment banking activities in Scandinavia and since 1997 has been chairman of Altium Capital's investment banking business in Russia. Mr Hough holds an MBA from the University of Virginia's Darden School and has worked for Goldman Sachs in New York.

Directors' Report

The directors present their Annual Report for the year ended 31 March 2006.

Principal Activities of the Group

The Group's principal operating subsidiaries and associates, all of which are wholly owned except where stated, are listed earlier in this document *together with details of their activities and locations.*

As at 31 March 2006 the particular activity of the Group is to provide leading-edge hygiene solutions based on steam cleaning technologies and preventative coatings in market sectors requiring the highest hygiene and safety standards and to carry out related research and development to source and develop new technologies for commercial purposes.

Financial Results and Dividend

The retained profit for the year is £474,000. The directors do not recommend the payment of a dividend.

Directors

Details of each of the directors who served throughout the year are shown on page 8. All directors are subject to retirement by rotation under the Company's articles of association.

The directors retiring by rotation are David Chestnutt, Thomas Stuecken and Peter Teerlink.

Directors' Interests

The beneficial interests of the directors and their immediate families in the shares of the Company are as follows:-

	Appointed	Resigned	**Interest in the share capital 31 March 2006**	Interest in the share capital 31 March 2005
D Chestnutt			**1,500,000**	1,500,000
G Hirsch			**750,000**	750,000
M Hough			**260,870**	260,870
P Shashkov		26 August 2005	–	750,000
T Stuecken	24 August 2005		–	–
P Teerlink	24 August 2005		–	–
I Woodcock			**5,721,263**	5,721,263
Y Zhuk		26 August 2005	–	750,000

Directors' Interest in Share Options

The Company has share option schemes under the terms of which directors are able to subscribe for Ordinary Shares in the Company.

The directors who held office at 31 March 2006 had the following beneficial interest in the options to subscribe for shares:

	Ordinary Shares under options	Date of grant	Expiry date of options	Date cancelled	Exercise *price per* Ordinary Share
D Chestnutt	240,000	19.06.2002	19.06.2012	–	33p
	800,000	27.05.2004	27.05.2014	–	6p
G Hirsch	400,000	19.06.2002	19.06.2012	–	33p
	550,000	27.05.2004	27.05.2014	–	6p
M Hough	550,000	27.05.2004	27.05.2014	–	6p
T Stuecken	1,000,000	24.08.2005	24.08.2015	–	14p
P Teerlink	550,000	24.08.2005	24.08.2015	–	14p
I Woodcock	1,200,000	27.05.2004	27.05.2014	–	6p

Directors' Report

Substantial Shareholdings

As at 7 July 2006, the Company had notification that the following were interested in 3% or more of the Company's issued share capital.

Name of shareholder	Percentage shareholding at 7 July 2006 (%)
InnoCleaning Concepts Holding B.V	**23.43**
MINT Investment B.V	**18.76**
Robby (UK) Limited	**15.44**
Schroder UK Smaller Companies	**6.74**
ABN Amro	**3.89**
Rathbone Spec's SIT Fund	**3.36**
ING Bank Global Custody N.V	**3.18**
Fortis Global Custody Services N.V	**3.13**

Charitable and Political Donations in the United Kingdom

No charitable or political donations were made during the year (2005: nil).

Payment to Suppliers

The Group's policy is normally to pay suppliers according to agreed terms of business. These terms are agreed with suppliers upon entering into contracts and the Group's policy is to adhere to the payment terms providing the supplier meets its obligations.

Information Given to Auditors

So far as the directors are 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.

Auditors

A resolution to re-appoint PKF (UK) LLP as auditor to the Company and to authorise the directors to determine their remuneration will be proposed at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting of the Company is to be held at 8-10 Grosvenor Gardens, London SW1W 0DH on 11 September 2006 at 11.30am.

The notice of meeting appears at the back of the report and accounts. One resolution will be proposed as a special resolution at the meeting and an explanation of this resolution is given in the accompanying letter.

By order of the Board

~~David Chestnutt~~
Director
8 July 2006

P TEERLINK

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and for preparing the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice.

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 the Group and of the profit or loss of the Group for that period. In preparing these 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 that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group 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 corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in Annual Reports may differ from legislation in other jurisdictions.

Independent Auditors' Report to the Members of Proventec plc

We have audited the Group and parent company financial statements ("the financial statements") of Proventec plc for the year ended 31 March 2006 which comprise the consolidated profit and loss account, the consolidated and Company balance sheets, the consolidated cash flow statement, the consolidated statement of change in shareholders' equity and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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
The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and for preparing the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and the parent company financial statements in accordance with United Kingdom accounting standards ("United Kingdom Generally Accepted Accounting Practice") are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the directors' report, the chairman's statement and the Chief Executive's report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

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

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

Opinion
In our opinion:
- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2006 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 March 2006;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

PKF (UK) LLP PKF (UK) LLP
Registered auditors
Liverpool, UK
8 July 2006

Consolidated Balance Sheet
for the year ended 31 March 2006

	Notes	2006 £000	2005 £000
Assets			
Non-current assets			
Property, plant and equipment	1	**96**	7
Goodwill	2	**30,374**	–
Other intangible assets	3	**3,265**	–
Available for sale investments	4	**2,265**	4,758
		36,000	4,765
Current assets			
Inventories	5	**481**	–
Trade and other receivables	6	**2,207**	840
Cash and cash equivalents	7	**4,604**	937
Investments held for sale	8	**2,586**	–
		9,878	1,777
Total assets		**45,878**	6,542
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	10	**11,565**	3,567
Other reserves	10	**22,898**	6,600
Retained earnings	10	**(3,249)**	(3,723)
		31,214	6,444
Minority interest		–	–
Total equity		**31,214**	6,444
Non-current liabilities			
Long term borrowings	11	**10,354**	–
Deferred tax	13	**304**	–
Total non-current liabilities		**10,658**	–
Current liabilities			
Trade and other payables	12	**1,358**	98
Current portion of long term borrowings	11	**2,638**	–
Current tax payable		**10**	–
Total current liabilities		**4,006**	98
Total liabilities		**14,664**	98
Total equity and liabilities		**45,878**	6,542

The financial statements were approved and authorised for issue by the Board on 8 July 2006 and were signed on its behalf by [redacted].

P TEERLINK

Consolidated Income Statement
for the year ended 31 March 2006

	Notes	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
Revenue	14	**3,409**	154
Cost of sales		**(1,076)**	–
Gross profit		**2,333**	154
Other income		**473**	–
Distribution costs		**(138)**	–
Administrative expenses		**(1,523)**	(895)
Other expenses		–	(175)
Finance costs	15	**(523)**	93
Profit/(loss) before taxation	16	**622**	(823)
Income tax expense	17	**(148)**	–
Profit/(loss) for the year		**474**	(823)
Earnings per share			
– basic	18	**0.29**	(1.26)
– diluted	18	**0.28**	(1.26)

Consolidated Statement of Recognised Income and Expense
for the year ended 31 March 2006

	Notes	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
Profit/(loss) for the year		**474**	(823)
Transfer from merger reserve	10	**147**	–
Net exchange differences on translating foreign operations	10	**728**	–
Total recognised income and expense for the year		**1,349**	(823)
Attributable to equity holders of the parent		**1,349**	(823)

Consolidated Cash Flow Statement
for the year ended 31 March 2006

	Notes	2006 £000	2005 £000
Cash flows from operating activities			
Cash generated from operations	21	**(140)**	(583)
Interest received		**60**	100
Interest paid		**(36)**	–
Dividends received		**–**	(7)
Tax received		**157**	–
Net cash flow from operating activities		41	(490)
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash acquired)	22	**97**	–
Acquisition of investments		**(698)**	–
Proceeds from sale of investments		**500**	(114)
Purchase of property, plant and equipment	23	**(49)**	(4)
Purchase of intangible assets		**(81)**	–
Net cash flow from investing activities		(231)	(118)
Cash flows from financing activities			
Proceeds from new loans		**2,459**	–
Proceeds from issue of equity instruments		**1,398**	1,258
Net cash flow from financing activities		3,857	1,258
Net increase/(decrease) in cash and cash equivalents		3,667	650
Cash and cash equivalents at beginning of the year		**937**	287
Cash and cash equivalents at end of the year	7	4,604	937

Accounting Policies

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

Basis of Preparation

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS). IFRS 1, First-time Adoption of International Financial Reporting Standards, has been applied in preparing these financial statements. These consolidated financial statements are the first Proventec plc financial statements to be prepared in accordance with IFRS.

The policies set out below have been consistently applied to all the years unless stated otherwise.

Consolidated financial statements of the Group until 31 March 2005 had been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP differs in certain respects from IFRS. When preparing the Group's IFRS balance sheet at April 2005, the following optional exceptions from full retrospective application of IFRS accounting policies have been adopted:

- Business combinations prior to 1 April 2005 have not been restated.
- IFRS2 has not been applied to equity instruments granted before 7 November 2002.
- IAS 32 and IAS 39 have not been applied to restate comparatives.

Group Accounting

Subsidiaries are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Identifiable assets required and liabilities and contingent liabilities assumed in a business contribution are measured initially at their fair values at the acquisition date. The excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets required is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired the difference is recognised directly in the income statement. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, the accounting policies of subsidiaries have been changed in order to ensure consistency with the policies adopted by the Group.

Foreign Currency Translation

Measurement Currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic *substance of the underlying events and circumstances relevant to* that entity ("the functional currency"). The consolidated financial statements are presented in sterling, which is the functional and presentation currency of the parent.

Transactions and Balances

Foreign currency translations are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Group Companies

Income statements and cash flow of foreign entities are translated into the Group's functional currency at average exchange rates for the year and their balance sheets are translated at the exchange rates ruling at the period end.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Finance costs are not included.

Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful lives as follows.

Fixtures, fittings and equipment	25% per annum
Plant and machinery	25% per annum
Computer equipment	25% per annum

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Accounting Policies

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

Prior to 1 April 2004, the date of transition to IFRS, goodwill was amortised over its estimated useful life; such amortisation ceasing on 31 March 2004. Goodwill is subject to impairment review, both annually and when there are indicators that the carrying value may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

Intangible Assets
Intangible assets are stated at cost less accumulated amortisation and impairment losses. Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually.

Impairment of Non-Financial Assets
Property, plant and equipment and other non-current assets, including goodwill and other intangible assets are reviewed on an annual basis to determine whether events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated as either the higher of the asset's net selling price or value in use; the resultant impairment (the amount by which the carrying amount of the asset exceeds its recoverable amount) is recognised as a charge in the consolidated income statement.

The value in use is calculated as the present value of estimated future cash flows expected to result from the use of assets and their eventual disposal proceeds. In order to calculate the present value of estimated future cash flows the Group uses a discount rate based on the Group's estimated weighted average cost of capital, together with any risk premium determined appropriate. Estimated future cash flows used in the impairment calculation represents management's best view of the likely future market conditions and current decisions on the use of each asset or asset group.

For the purpose of assessing impairment, assets are grouped at the lowest levels at which there are separately identifiable cash flows.

Finance Leases Where the Group is the Lessee
Leases of property, plant and equipment where the Group is subject to substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. Incentives received are recorded as deferred income and spread over the term of the lease on a straight-line basis.

Where reference is made in the report and financial statements to finance leases, this includes hire purchase agreements.

Inventories
Inventories are stated at the lower of cost, or net realisable value. Cost of inventory represents material and a proportion of procurement overheads. Provisions are made for slow moving and obsolete amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the directors' best estimate of the amount recoverable.

Cash and Cash Equivalents
Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

Employee Benefits
Defined Contribution Schemes
A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. Contributions are charged to the profit and loss account in the year in which they arise.

Share-Based Payments
The fair values of employees' share option and share performance plans are calculated using the Black-Scholes model. In accordance with IFRS 2, "Share-based Payments" the resulting cost is charged to the income statement over the vesting period of the options. The value of the charge is adjusted to reflect expected and actual levels of options vesting for changes in non-market vesting criteria.

Operating Leases Where the Group is the Lessor
Lease income is recognised over the term of the lease using the net investment method, which reflects a constant period rate of return.

Deferred Tax
Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Revenue Recognition
Revenue comprises the invoiced value for the sale of goods and services net of value-added tax, rebates and discounts, and after eliminating sales within the Group. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer, which is usually on dispatch.

Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be performed.

Interest
Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period of maturity, when it is determined that such income will accrue to the Group.

Financial Assets
The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the Group's financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial Assets at Fair Value Through Profit or Loss
This category has two sub-categories: "financial assets held for trading", and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as "held for trading" unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as "trade and other receivables" in the balance sheet.

(c) Available for Sale Financial Assets
Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognised on the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method.

Financial assets are classified as held for sale in accordance with IFRS 5 if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such assets are measured at the lower of their carrying amount and fair value less costs to sell.

Gains or losses arising, from changes in the fair value of the "financial assets at fair value through profit or loss" category, including interest and dividend income, are presented in the income statement within "other (losses)/gains – net" in the period in which they arise.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "gains and losses from investment securities". Interest on available for sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available for sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and the option pricing models, making maximum use of market inputs and relying as little as possible on entity specific inputs. If the fair value of an unquoted equity instrument cannot be measured reliably, it is measured at cost.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised.

Trade Receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Share Capital
Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Financial Risk Management
Financial Risk Factors
The Group's activities expose it to currency, interest rate and credit risk.

The Group incurs currency risk as a result of transactions that are denominated in a currency other than British pounds. The Group does not enter into any forward exchange contracts in order to hedge its exposure to such risk.

The Group is exposed to credit risk in its accounts receivable and bank balances. The Group has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group has no significant concentration of credit risk. Bank balances are all maintained at reputable financial institutions.

Accounts receivable and accounts payable, arising from normal trade transactions, are expected to be settled within normal credit terms.

Fair Value Estimation
Financial instruments recognised on the balance sheet include bank balances and cash, investments, accounts receivable, accounts payable and borrowings. The carrying values of financial instruments are considered to approximate their fair value.

Credit Accounting Estimates and Judgements
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.

Critical Accounting Estimates and Assumptions
The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Estimated Impairment of Goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated. The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of estimates.

Notes to the Consolidated Financial Statements
for the year ended 31 March 2006

1. Property, Plant and Equipment

	Rental assets £000	Plant, machinery and equipment £000	2006 Total £000	Rental assets £000	Plant, machinery and equipment £000	2005 Total £000
Cost						
At 1 March	–	11	11	–	7	7
Additions	13	30	43	–	4	4
Acquisitions via business combination	–	68	68	–	–	–
Disposals	–	–	–	–	–	–
31 March	13	109	122	–	11	11
Depreciation						
At 31 March	–	4	4	–	1	1
Charge for the year	4	18	22	–	3	3
Disposals	–	–	–	–	–	–
At 31 March	4	22	26	–	4	4
Net book value						
At 31 March	9	87	96	–	7	7

The net book value of plant and machinery includes £23,088 (2005: £nil) in respect of assets held under finance leases.

2. Goodwill

	Goodwill 2006 £000	Goodwill 2005 £000
Cost		
At 1 April	–	–
Additions	6,576	–
Acquisitions	23,798	–
Sales of subsidiary undertakings	–	–
Disposals	–	–
Net carrying amount at 31 March	30,374	–

Goodwill is carried at cost less any impairment. Impairment testing has been carried out by comparing goodwill plus associated operating assets with the value in use, calculated as the net present value of discounted future cash flows.

Key assumptions used in goodwill impairment reviews are based on previous experience and are:
- Cash flow forecasts for a two year period have been used for the cash generating unit which comprises the acquired businesses.
- Growth in turnover assumptions amount to 50% to 2007, 20% to 2008, 10% thereafter.
- The cash flows have been discounted using the estimated WACC of 12%.

3. Other Intangible Assets

	Development and patents 2006 £000	Development and patents 2005 £000	Intellectual property rights 2006 £000	Intellectual property rights 2005 £000	Total 2006 £000	Total 2005 £000
Cost						
At 1 April	–	–	–	–	–	–
Additions	81	–	–	–	81	–
Acquisitions	–	–	3,184	–	3,184	–
Sales of subsidiary undertakings	–	–	–	–	–	–
Disposals	–	–	–	–	–	–
Net carrying amount at 31 March	81	–	3,184	–	3,265	–

The reasons and factors that played a role in determining that development and patents have an indefinite life are that they are in the early stages and so the Group cannot determine reliably how long they will generate cash flows for.

Key assumptions used in intangible asset impairment reviews are based on:
- Cash flow forecasts for a two year period have been used for the cash generating unit which comprises the acquired businesses.
- Growth in turnover assumptions amount to 50% to 2007, 20% to 2008, 10% thereafter.
- The cash flows have been discounted using the estimated WACC of 12%.

4. Available for Sale Financial Assets

	2006 £000	2005 £000
At cost		
At 1 April	4,933	4,452
Additions	698	481
Disposals	(605)	–
Transfer to investments held for sale	(2,761)	–
At 31 March	2,265	4,933
Impairment and amortisation		
At 1 April	175	–
Transfer to investments held for sale	(175)	–
Impairment during the year	–	175
At 31 March	–	175
Net carrying value at 31 March	2,265	4,758

Details of the investments held are as follows:

	No. of shares	Type of shares	% Share capital held	Cost £000	Nature of business
Biocote Limited	696,693	Ordinary	31.5%	704	Powder coating
Firestop Chemicals Limited	6,651,456	Ordinary	44.1%	1,069	Fire retardant chemicals
	–	loan notes	–	492	and processes

The investments in Biocote Limited and Firestop Chemicals Limited are classified as held for sale because the Group does not have significant influence over these entities as other Board members are significant shareholders, who if they vote together, have control of the Company.

The loan notes held in Firestop Chemcials Limited are repayable on 30 June 2007. The interest is receivable at a rate of 2% above base with a minimum rate of 6%.

These investments are held at cost because their fair value cannot be determined reliably as there is no active market and are not profitable at this stage of development.

5. Inventories

Finished goods inventories of £481,000 (2005: £nil) comprise entirely goods for resale.

6. Trade and Other Receivables

	2006 £000	2005 £000
Trade debtors	**854**	335
Other debtors	**171**	427
Prepayments and accrued income	**1,182**	78
	2,207	840

7. Cash and Cash Equivalents

	2006 £000	2005 £000
Cash at bank and in hand	**4,604**	937

8. Investments Held for Sale

	2006 £000	2005 £000
At 1 April	**–**	–
Transferred from available for sale investments	**2,761**	–
At 31 March	**2,761**	–
Impairment and amortisation		
At 1 April	**–**	–
Transferred from available for sale investments	**175**	–
At 31 March	**175**	–
Net carrying amount at 31 March	**2,586**	–

	No. of shares	Type of shares	% Share capital held	Cost £000	Nature of business
Hardide plc	40,098,075	Ordinary	29.9%	2,023	Surface engineering (heavy metal)
Oxis Energy Limited	12,061,124	Ordinary	6.6%	100	Early stage developer of lithium sulphide batteries
Ultra Motor Company Limited	70,182	Ordinary	36.7%	463	Electric motor wheel technology

The directors have resolved to dispose of their investments in Oxis Energy Limited and Ultra Motor Company Limited within the next 12 months.

The directors have also stated their intentions to dispose of the Group's holding in Hardide plc, which is listed on AIM, when market conditions permit and subject to the support of that company's brokers and advisors. Following the placing of 8.6 million shares in May 2006 the directors have agreed not to dispose of any further shares before December 2006.

The proceeds of disposal are expected to exceed the net carrying amount of the investments and, accordingly, no further impairment loss has been recognised on the classification of these investments as held for sale.

9. Called up Share Capital

	2006 Numbers (000)	2005 Numbers (000)
Ordinary shares of 5 pence each		
Authorised	**500,000**	100,000
Issued		
At beginning of year	**71,331**	47,554
Issued in year	**159,974**	23,777
At end of year	**231,305**	71,331

On 24 August 2005 the Company issued 151,630,999 Ordinary Shares for an aggregate amount of £21,228,340. Of the 151,630,999 Ordinary Shares issued, 146,331,000 were issued as part of the business combination described in note 22 and the balance were issued for cash. The nominal value of each share issued was £0.05.

On 26 September 2005 the Company issued 7,142,857 Ordinary Shares for an aggregate amount of £1,000,000. The nominal value of each share issued was £0.05.

On 27 September 2005 the Company issued 600,000 Ordinary Shares for an aggregate amount of £36,000. The nominal value of each share issued was £0.05.

On 6 March 2006 the Company issued 600,000 Ordinary Shares for an aggregate amount of £36,000. The nominal value of each share issued was £0.05.

10. Shareholders' Funds and Statement of Changes in Shareholders' Equity

	Share capital £000	Share premium £000	Merger reserve £000	Share options £000	Retained earnings £000	Foreign currency reserve £000	Share Warrants £000	Total £000
For the year ended 31 March 2006								
At 1 April	3,567	6,600	147	–	(3,870)	–	–	6,444
Profit for the year attributable to equity shareholders	–	–	–	–	474	–	–	474
Unrealised exchange movement	–	–	–	–	–	728	–	728
Value of employee services (see note 20)	–	–	–	58	–	–	–	58
Value of warrants granted (see note 20)	–	–	–	–	–	–	1,626	1,626
Issue of shares	7,998	14,284	–	–	–	–	–	22,282
Reserve transfer in terms of IFRS 1	–	–	(147)	–	147	–	–	–
Transaction costs deducted from equity	–	(243)	–	–	–	–	(155)	(398)
Movement in year	7,998	14,041	(147)	58	621	728	1,471	24,770
At 31 March	11,565	20,641	–	58	(3,249)	728	1,471	31,214
For the year ended 31 March 2005								
At 1 April	2,378	6,531	147	–	(3,047)	–	–	6,009
Loss for the year attributable to equity shareholders	–	–	–	–	(823)	–	–	(823)
Issue of shares	1,189	69	–	–	–	–	–	1,258
Movement in year	*1,189*	*69*	–	–	*(823)*	–	–	*435*
At 31 March	3,567	6,600	147	–	(3,870)	–	–	6,444

11. Financial Liabilities – Borrowings

	2006 £000	2005 £000
Current		
Loan due within one year	**2,625**	–
Finance lease commitments due within one year	**13**	–
Loan notes due within one year	–	–
	2,638	–
Non-current		
Loan notes between two and five years	–	–
Loan notes over five years	**10,345**	–
	10,345	–
Finance lease commitments		
Between one and two years	**9**	–
	10,354	–
	12,992	–

The loan due within one year attracts interest at 0.5% above the lender's borrowings rate which at 31 March 2006 was 3.75%. The loan and accumulated interest can be converted into Ordinary Shares after 31 December 2006. The loan has a repayment date of 3 January 2008.

The loan notes comprise 10,500,000 8.5% fixed rate convertible guaranteed unsecured loan notes. The interest on the loan notes recognised in the profit and loss account for the year is £546,000. The effective interest rate on the loan notes is 8.6%. The loan notes are repayable in one final payment on 31 December 2012 which attracts a premium of 22.5% of the principal amount outstanding. The loan notes are convertible into Ordinary Shares at the option of the holder at 14 pence per share.

12. Trade and Other Payables

	2006 £000	2005 £000
Trade creditors	**392**	42
Other taxes and social security	**101**	16
Other creditors	**559**	–
Accruals	**306**	40
	1,358	98

13. Deferred Tax

	Accelerated capital allowances £000	Other £000	Total £000
Assets			
At 1 April	–	–	–
Taken to equity	–	–	–
Profit and loss account	3	–	3
At 31 March	3	–	3
Liabilities			
At 1 April	–	–	–
Profit and loss account	–	307	307
At 31 March	–	307	307

	2006 £000	2005 £000
Net total		
At 1 April	–	–
Acquisitions	–	–
Taken to equity	–	–
Profit and loss account	**304**	–
At 31 March	**304**	–

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 30% (2005: 30%).

Deferred tax assets have been recognised in full on taxable losses and provisions where realisation of the tax benefit from these items is probable.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and associates as the tax rates in the overseas subsidiaries' countries are higher than the rate in the UK.

Based on current capital investment plans, the Group expects to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS) during the period are shown above.

14. Revenue

Revenue analysed by class of turnover is as follows:

	2006 £000	2005 £000
Sale of licences and machinery	**3,195**	–
Rendering of services	**214**	154
	3,409	154

15. Finance Costs

	2006 £000	2005 £000
Finance expense		
Bank overdrafts and short-term borrowings	**34**	7
Loans	**547**	–
Finance leases	**2**	–
	583	7
Finance income		
Bank and other short-term deposits	**60**	100
	60	100
	(523)	93

16. Profit Before Taxation

	2006 £000	2005 £000
The following items have been included in arriving at profit before taxation		
Depreciation of property, plant and equipment		
– owned assets	**15**	3
– under finance leases	**7**	–
Amortisation of intangibles	–	–
Operating leases on property, plant and equipment	**48**	12
Foreign exchange differences	**4**	–
Write down of investments	–	175
Services provided by the Group's auditors		
Group audit fees and expenses – statutory audit	**40**	20
Other services	**170**	28
Excess of fair value of net assets acquired over cost of acquisition (see note 22)	**(465)**	–

17. Taxation

	2006 £000	2005 £000
Current tax	**10**	–
Adjustments in respect of previous periods	**(157)**	–
Deferred tax	**295**	–
Taxation	**148**	–

Factors affecting the tax charge for the period

	2006 £000	2005 £000
Profit/(loss) before tax	**622**	(816)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005: 19%)	**187**	(155)
Effects of:		
Expenses not deductible for tax purposes	**(108)**	22
Deferred tax asset not previously recognised	**(15)**	–
Different tax rates on overseas earnings	**(4)**	–
Adjustments in respect of previous periods	**(157)**	–
Current tax losses not utilised	**245**	133
Total taxation	**148**	–

18. Earnings per Share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders by the weighted average number of Ordinary Shares in issue during the year.

	2006 £000	2005 £000
Profit/(loss) attributable to equity holders of the Company	**474**	(823)
Weighted average number of Ordinary Shares in issue (thousands)	**166,254**	65,533
Basic earnings per share (pence)	**0.29**	(1.26)

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of Ordinary Shares outstanding to assume conversion of all dilutive potential Ordinary Shares. The Company has only one dilutive potential Ordinary Share, namely its share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The conversion of the outstanding warrants and convertible loan notes do not result in a decreased earnings per share or increased loss per share and are therefore not treated as dilutive potential Ordinary Shares.

	2006 £000	2005 £000
Profit/(loss) attributable to equity holders of the Company	**474**	(823)
Weighted average number of Ordinary Shares in issue (thousands)	**166,254**	65,533
Adjustments for share options (thousands)	**1,775**	1,060
Weighted average number of Ordinary Shares for diluted earnings per share (thousands)	**168,029**	66,593
Diluted earnings per share (pence)	**0.28**	(1.26)

19. Financial Liabilities

Minimum Lease Payments

The minimum lease payments under finance leases fall due as follows:

	2006 £000	2005 £000
Not later than one year	**13**	–
Later than one year but not more than five years	**8**	–
More than five years	–	–
	21	–
Future finance charges on finance leases	**1**	–
Carrying amount of finance lease liabilities	**22**	–

20. Share Based Payments

Movements on share options and warrants during the year were as follows:

Exercise price per share	31 March 2005	Granted	Exercised	Lapsed	**31 March 2006**	Date from which exercisable	Expiry date
Executive							
33p	815,000	–	–	–	**815,000**	19.06.2002	18.06.2012
6p	5,000,000	–	(1,200,000)	–	**3,800,000**	27.05.2004	26.05.2014
12.5p	–	240,000	–	–	**240,000**	01.04.2005	31.03.2015
14p	–	1,550,000	–	–	**1,550,000**	25.08.2005	24.08.2015
Total	5,815,000	1,790,000	(1,200,000)	–	**6,405,000**		
Warrants							
14p	–	28,125,000	–	–	**28,125,000**	25.08.2005	24.08.2014
28p	–	28,125,000	–	–	**28,125,000**	25.08.2005	24.08.2014
42p	–	28,125,000	–	–	**28,125,000**	25.08.2005	24.08.2014
56p	–	28,125,000	–	–	**28,125,000**	25.08.2005	24.08.2014
Total	–	112,500,000	–	–	**112,500,000**		
	5,815,000	114,290,000	(1,200,000)	–	**118,905,000**		

In accordance with IFRS 2, the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest. The total charge for the year relating to employee share based payment plans was £58,242 (2005: £nil), all of which related to equity-settled share based payment transactions. The fair value is measured using the Black-Scholes model. The fair value per option granted and the assumptions used in the calculations are as follows:

	Executive share options	
	Issue 1	Issue 2
Grant date	1 April 05	24 August 05
Share price at grant date	12.5p	10.75p
Exercise price	12.5p	14p
Number of shares under option	240,000	1,550,000
Vesting period (years)	–	–
Expected volatility	30%	30%
Expected option life (years)	4	6
Risk free rate	4.5%	4.5%
Expected dividend yield	–	–
Possibility of ceasing employment before vesting	–	–
Expectation of meeting performance criteria	Fully met	Fully met
Fair value per option	0.04p	0.03p

The expected volatility is based on historical volatility over the last three years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life.

20. Share Based Payments (continued)

A reconciliation of option movements over the year to 31 March 2006 is shown below.

	2006 Number	2006 Weighted average exercise price Pence	2005 Number	2005 Weighted average exercise price Pence
Share option and savings related schemes				
Outstanding at 1 April	**5,815,000**	**10p**	5,815,000	10p
Granted	**1,790,000**	**14p**	–	–
Exercised	**(1,200,000)**	**6p**	–	–
Lapsed	–	–	–	–
Outstanding at 31 March	**6,405,000**	**12p**	5,815,000	10p
Exercisable at 31 March	**6,405,000**	**12p**	5,815,000	10p

	Series 1	Series 2	Series 3	Series 4
Warrants granted in the year ended 31 March 2006				
Grant date	24.08.2005	24.08.2005	24.08.2005	24.08.2005
Share price at grant date	10.75p	10.75p	10.75p	10.75p
Exercise price	14p	28p	42p	56p
Number of shares under warrant	28,125,000	28,125,000	28,125,000	28,125,000
Vesting period (years)	–	–	–	–
Expected volatility	30%	30%	30%	30%
Expected warrant life (years)	6	6	9	9
Risk free rate	4.5	4.5	4.5	4.5
Expected dividend yield	–	–	–	–
Fair value per warrant	0.03	0.01	0.01	0.01

The warrants issued during the year give warrant holders the right to subscribe in cash payable on allotment of Ordinary Shares. These were issued as part consideration in a business combination. The warrants are classified as equity in terms of IAS 32 (see note 22).

In accordance with IFRS 3 the fair value of the warrants is determined at the date of grant and is capitalised as part of the consideration of the acquisition at the date of grant due to them vesting immediately.

The total amount capitalised relating to warrants issued was £1,625,543. The fair value is measured using the Black-Scholes model. The fair value per warrant granted and the assumption used in the calculation are as follows:

The expected volatility is based on historical volatility over the last three years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life.

	2006 Number	2006 Weighted average exercise price Pence	2005 Number	2005 Weighted average exercise price Pence
Warrants				
Outstanding at 1 April	–	–	–	–
Granted	**112,500,000**	**35p**	–	–
Exercised	–	–	–	–
Lapsed	–	–	–	–
Outstanding at 31 March	**112,500,000**	**35p**	–	–
Exercisable at 31 March	**112,500,000**	**35p**	–	–

21. Cash Flow From Operating Activities

	2006 £000	2005 £000
Profit/(loss) before taxation	**622**	(823)
Excess of fair value of net assets acquired over cost of acquisition	**(465)**	–
Depreciation of tangible and intangible assets	**21**	3
Share options – value of employee services	**58**	–
Exchange rate differences	**4**	–
Finance costs	**522**	(100)
Dividends received	**–**	7
Investments written off	**–**	175
Changes in working capital (excluding effect of acquisitions and disposals)	**762**	(738)
Decrease in inventory	**44**	–
Decrease in trade and other receivables	**306**	265
(Decrease)/increase in trade and other payables	**(1,252)**	(110)
Cash outflow from operations	**(140)**	(583)

22. Acquisitions of Subsidiaries

On 24 August 2005, Proventec plc acquired 100% of InnoCleaning Magma Holdings B.V. and 100% of OspreyDeepClean Limited for a combined consideration (including costs) of £32,767,000. Goodwill arising on the acquisitions amounted to £6,576,000.

From the effective date of acquisition which was 1 July 2005, the acquisition contributed £3,194,911 to turnover and £1,044,302 to profit before taxation.

The fair value of assets acquired and liabilities assumed were as follows:

		£000
Property, plant and equipment		52
Intangible assets		25,764
Inventories		525
Trade receivables		500
Other receivables		1,010
Bank and cash		239
Trade payables		(1,480)
Other payables		(386)
Finance lease obligations		(33)
Goodwill		6,576
Total consideration		32,767
Less: cash of subsidiaries		(239)
		32,528
Less: non-cash element of consideration paid		
Warrants	1,626	
Loan notes	10,500	
Shares issued	20,486	
		(32,612)
Cash flow on acquisition net of cash acquired		(84)

The Company incurred costs of £155,000 on combining the businesses.

22. Acquisitions of Subsidiaries (continued)

On 31 March 2006 the Group also acquired OspreyDeepClean International Limited (formerly InnoCleaning Concepts UK Limited). The consideration amounted to £1 plus deferred consideration of 714,279 shares, which may be payable on 31 December 2007. The deferred consideration of a maximum of 714,279 shares has not been provided for as its payment is dependent on a number of factors which, at the date of these financial statements, cannot be determined due to uncertainty and a reliable estimate of the likely outcome cannot therefore be estimated. This gives rise to an excess of fair value of net assets over cost of acquisition of £465,000. Any further consideration paid in the future will reduce the excess of fair value of net assets over cost of acquisition accordingly.

The fair value of assets acquired and liabilities assumed were as follows:

	£000
Property, plant and equipment	16
Intangible assets	500
Trade receivables	18
Other receivables	29
Bank and cash	13
Trade payables	(12)
Other payables	(99)
Excess of fair value of net assets over cost of acquisition	(465)
Total consideration	–
Less: cash of subsidiaries	(13)
Cash flow on acquisition net of cash acquired	(13)

23. Property, Plant and Equipment

During the year, the Group acquired property, plant and equipment of £49,000 (2005: £4,000) by means of cash payments.

24. Employees and Key Management

	2006 Total £000	2005 Total £000
Staff costs for the Group during the year		
Wages and salaries	**998**	481
Social security costs	**81**	44
Pension costs	**15**	–
Equity settled share based payments	**58**	–
	1,152	525

Number of employees	**2006 number**	2005 number
Average number of employees	**24**	10

Directors	**2006 £000**	2005 £000
Aggregate emoluments (refer to directors' remuneration report for details)	**370**	324

Payments to directors consist of basic salaries, fees and pension. No benefits, bonuses or compensation for loss of office have been paid.

The amounts in respect of the highest paid director are as follows:

	2006 £000	2005 £000
Emoluments	**110**	134

25. Operating Lease Commitments – Minimum Lease Payments

	Property		Vehicles, plant and Equipment	
	2006 £000	2005 £000	**2006 £000**	2005 £000
Commitments under non-cancellable operating leases expiring				
Within one year	**9**	–	–	–
Between two and five years	**22**	–	**13**	–
After five years	–	–	–	–
	31	–	**13**	–

26. Related Parties

The Group has investments in certain companies. The Group provides funds to these companies and charges them interest and management fees.

The Group charged £89,000 to the Group's available for sale investments for accounting, legal and administration services. It also charged £23,350 as interest on funds transferred. The funds transferred during the year amounted to £108,000.

The Group also charged £55,150 to the Group's investments held for sale.

At the balance sheet date the available for sale investments owed the Group £240,775 and the investments held for sale owed £11,830.

27. Reconciliation of Net Assets and Profit Under UK GAAP to IFRS

Under IFRS there is no requirement to separately present pre-existing merger reserves. The merger reserve has been transferred to retained earnings in the opening IFRS balance sheet (refer to note 10).

Other than the reclassification of pre-existing merger reserves and other balance sheet captions that arise from the application of various IFRSs, there are no other material differences between the net assets, profit for the year, equity and cash flows presented under IFRS and under UK GAAP.

28. Segmental Reporting

The Group operates under two segments, one being the sale of steam cleaning products, the other being the sale of fire retarding products. The fire retardant segment information is negligible in relation to the Group reported figures. Therefore the segmental disclosure requirements are disclosed in the financial statements.

29. Post Balance Sheet Events

On 26 May 2006 the Group sold 8,598,350 Hardide plc shares at 12.5 pence per share. Following the sale, the Group holds 31,499,725 Hardide plc shares representing 21.5%.

On 14 June 2006 CFB (Isle of Man) Limited, a wholly owned subsidiary, was dissolved under Section 273A of the Companies Act 1931.

Company Balance Sheet
at 31 March 2006

	Notes	31 March 2006 £000	31 March 2005 £000
Fixed assets			
Investment in subsidiaries	2	**31,738**	596
Current assets			
Debtors	3	**8,873**	7,759
Cash at bank and in hand		**3,917**	917
		12,790	8,676
Creditors: amounts falling due within one year	4	**(3,870)**	(16)
Net current assets		**8,920**	8,660
Creditors: amounts falling due after one year	5	**(10,345)**	-
		30,313	9,256
Capital and reserves			
Called up share capital	6	**11,565**	3,567
Share premium reserve	7	**20,488**	6,600
Profit and loss account	7	**(1,740)**	(911)
Shareholders' funds	8	**30,313**	9,256

The financial statements were approved and authorised for issue by the Board on 8 July 2006 and signed on behalf of the Board of directors.

David Chestnutt
Director

Notes to the Company Financial Statements
for the year ended 31 March 2006

1. Accounting Policies

i) Basis of Preparation

The Company's financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards.

ii) Deferred Taxation

In accordance with FRS 19 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, or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profit from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

iii) Financial Instruments

The Company does not enter into hedging or speculative derivative contracts.

Financial assets included within current assets are stated at the lower of cost and net realisable value.

2. Investments in Subsidiaries

	31 March 2006 £000
Cost	
At 1 April 2005	1,130
Additions	31,142
At 31 March 2006	32,272
Impairment at 1 April 2005 and at 31 March 2006	(534)
Net book value at 31 March 2006	31,738
Net book value at 31 March 2005	596

Directly held	No. of Ordinary Shares	% Held	Cost £	Nature of business
CFB (Isle of Man) Limited*	1,130,500	100	1,130,500	Sourcing and development of new technologies for commercial purposes
Flintstone Management Services Limited	1	100	1	Sourcing and development of new technologies for commercial purposes
OspreyDeepClean Limited	2	100	5,000,000	Provider of steam cleaning machines and accessories
OspreyDeepClean International Limited	1,000	100	1	Provider of steam cleaning machines and accessories
InnoCleaning Magma Holdings BV	18,001	100	26,141,354	Provider of steam cleaning machines, accessories and preventive coatings

* Incorporated in the Isle of Man and dissolved on 14 June 2006 (see note 29 to the consolidated financial statements).

3. Debtors

	2006 £000	2005 £000
VAT recoverable	**10**	–
Amounts due from Group undertakings	**8,765**	7,759
Other debtors and prepayment	**98**	–
	8,873	7,759

4. Creditors: Amounts Falling Due Within One Year

	2006 £000	2005 £000
Amounts owed to related parties	**3,221**	–
Trade creditors and accruals	**649**	16
	3,870	16

5. Creditors: Amounts Falling Due After One Year

	2006 £000	2005 £000
Loan notes due after five years	**10,345**	–

6. Share Capital

Authorised and issued	2006 £000	2005 £000
Authorised: 500,000,000 (2005: 100,000,000) Ordinary Equity Shares of £0.05 each	**25,000**	5,000
Allotted, called up and fully paid 231,304,856 (2005: 71,331,000) Ordinary Equity Shares of £0.05 each	**11,565**	3,567

On 24 August 2005 the Company issued 151,630,999 Ordinary Shares for an aggregate amount of £21,228,340. Of the 151,630,999 Ordinary Shares issued, 146,331,000 were issued as part of the business combination described in note 22 and the balance were issued for cash. The nominal value of each share issued was £0.05.

On 26 September 2005 the Company issued 7,142,857 Ordinary Shares for an aggregate amount of £1,000,000. The nominal value of each share issued was £0.05.

On 27 September 2005 the Company issued 600,000 Ordinary Shares for an aggregate amount of £36,000. The nominal value of each share issued was £0.05.

On 6 March 2006 the Company issued 600,000 Ordinary Shares for an aggregate amount of £36,000. The nominal value of each share issued was £0.05.

7. Reserves

	Share premium £000	Profit and loss account £000
As at 1 April 2005	6,600	(911)
Loss for the year	–	(829)
On issue of shares	13,888	–
As at 31 March 2006	20,488	(1,740)

8. Reconciliation of Movement in Equity Shareholders' Funds

	31 March 2006 £000	31 March 2005 £000
Loss for the year	**(829)**	(355)
On issue of shares	**21,886**	1,258
	21,057	903
Opening shareholders' funds	**9,256**	8,353
Closing shareholders' funds	**30,313**	9,256

Directors and Advisers

Directors

P Teerlink*	(Chairman)
D Chestnutt	(Chief Executive)
T Stuecken	
I Woodcock	
G Hirsch*	(Non-executive)
M Hough*	(Non-executive)

* Member of Audit Committee and Remuneration Committee.

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R L Smith

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