

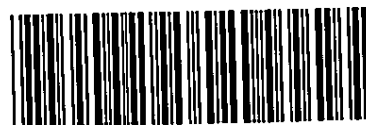
CORPORATE MODELLING HOLDINGS PLC

Directors' Report & Consolidated Financial Statements

30 JUNE 2006

Registered number 4863155

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2006

Principal activities

The company is a non-trading holding company

Review of the business

During the year to 30 June 2006 the principal subsidiary company, Corporate Modelling Limited continued the core development of a suite of software tools. In keeping with United Kingdom GAAP all internal development costs were expensed as incurred, notwithstanding the directors belief that these costs will in due course be recouped against future product sales revenues.

Revenues generated in the year were mainly from bespoke software development and consultancy fees derived from software areas related to the core product set being developed.

The business was funded during the year from a mixture of revenues and shareholder equity and loans,

Subsequent to 30 June 2006 revenues have further increased and the group has commenced sales of a number of the software products enabling the business as a whole to trade profitably and to generate positive cash flows from operations.

Results

The results for the period are set out in the consolidated profit and loss account on page 5.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors

The directors who held office during the year were as follows:

Graham K Twaddle
Peter V C Cass

Directors' report *(continued)*

Employees

The group's employment policies are designed to promote a working environment that supports the recruitment and retention of talented and effective employees, within the following key principles

- employees are recruited and promoted on the basis of their suitability for the role, without discrimination,
- employees are provided training and support in their roles so as to encourage career development and internal promotion within the group,
- employees are kept informed and involved on matters affecting them as employees and on the various factors affecting the performance of the group

Policy and practice on payment of creditors

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

At the year end there were 30 days (2005 15 days) purchases in trade creditors

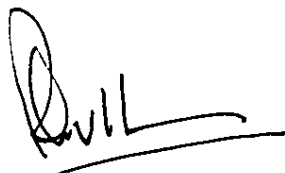
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



Peter V. C. Cass
Director & Secretary

6 Dunstable Court
St Johns Park
London
SE3 7TN

20 December 2007

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent 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 parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Corporate Modelling Holdings plc

We have audited the group and parent company financial statements (the "financial statements") of Corporate Modelling Holdings plc for the year ended 30 June 2006 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses, the Reconciliations of Movements in Shareholders' Funds and the related notes. These 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 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

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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 which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of Corporate Modelling Holdings plc *(continued)*

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 30 June 2006 and of the group's loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

8 January 2008

Consolidated profit and loss account
for the year ended 30 June 2006

	Notes	2006 £	2005 £
Group Turnover <i>Continuing operations</i>	2	459,016	28,000
Cost of sales		185,939	3,400
Gross profit		273,077	24,600
Administrative expenses	3	732,052	408,094
Group operating loss <i>Continuing operations</i>		458,975	383,494
Share of operating profit/(loss) in joint venture		4,043	(4,908)
Total operating loss		454,932	388,402
Other interest receivable and similar income			
Group	6	117	2,076
Joint venture		20	8
Loss on ordinary activities before taxation	3-6	454,795	386,318
Tax on loss on ordinary activities	7	80	-
Retained loss for the year for group and its share of joint ventures		454,875	386,318

Consolidated balance sheet

At 30 June 2006

	Notes	2006 £	2006 £	2005 £	2005 £
Fixed assets					
Tangible assets	8		270,237		238,458
Investments	9				
Investments in joint venture					
Share of gross assets		51,264		30,304	
Share of gross liabilities		(37,401)		(30,304)	
			13,863		-
			284,100		238,458
Current assets					
Long term contracts	10	26,684		9,564	
Debtors	11	103,785		57,741	
Cash at bank and in hand		921		75,984	
		131,390		143,289	
Creditors amounts falling due within one year	12	(615,463)		(286,845)	
Net current liabilities			(484,073)		(143,556)
Total assets less current liabilities			(199,973)		94,902
Creditors amounts falling due after more than one year	13		(615,000)		(480,000)
Net liabilities			(814,973)		(385,098)
Capital and reserves					
Called up share capital	15		75,000		50,000
Profit and loss account	16		(889,973)		(435,098)
Equity shareholders' funds			(814,973)		(385,098)

These financial statements were approved by the board of directors on 20 December 2007 and were signed on its behalf by



Graham K Twaddle
Director

Balance sheet

At 30 June 2006

	Notes	2006 £	2006 £	2005 £	2005 £
Fixed assets					
Investments	9		874,700		514,902
Current assets					
Debtors	11	11,135		12,286	
Cash at bank and in hand		399		1,360	
		<u>11,534</u>		<u>13,646</u>	
Creditors amounts falling due within one year	12	(252,175)		(15,527)	
Net current liabilities			(240,641)		(1,881)
Total assets less current liabilities			<u>634,059</u>		<u>513,021</u>
Creditors amounts falling due after more than one year	13		(615,000)		(480,000)
Net assets			<u>19,059</u>		<u>33,021</u>
Capital and reserves					
Called up share capital	15		75,000		50,000
Profit and loss account	16		(55,941)		(16,979)
Equity shareholders' funds			<u>19,059</u>		<u>33,021</u>

These financial statements were approved by the board of directors on 20 December 2007 and were signed on its behalf by



Graham K Twaddle
Director

Consolidated cash flow statement
for the year ended 30 June 2006

	Notes	2006 £	2005 £
Cash flow statement			
Cash flow from operating activities	17	(223,666)	(246,159)
Returns on investments and servicing of finance	18	117	2,076
Capital expenditure and financial investment	18	(51,386)	(163,282)
Acquisitions and disposals	18	(9,800)	(4,900)
		<hr/>	<hr/>
Cash outflow before management of liquid resources and financing		(284,735)	(412,265)
Financing	18	160,000	480,000
		<hr/>	<hr/>
(Decrease)/increase in cash in the period		(124,735)	67,735
		<hr/>	<hr/>
Reconciliation of net cash flow to movement in net debt	19		
Decrease/(increase) in cash in the period		124,735	(67,735)
Cash inflow from increase in debt		135,000	430,000
		<hr/>	<hr/>
Movement in net debt in the period		259,735	362,265
Net debt at the start of the period		404,016	41,751
		<hr/>	<hr/>
Net debt at the end of the period		663,751	404,016
		<hr/>	<hr/>

Consolidated statement of total recognised gains and losses

for the year ended 30 June 2006

	2006 £	2005 £
Loss for the financial year		
Group	458,938	381,418
Share of joint ventures	(4,063)	4,900
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial year	454,875	386,318
	<hr/>	<hr/>

A note on historical cost gains and losses has not been included as part of the financial statements as the results as disclosed in the profit and loss account are prepared on an unmodified historical cost basis

Reconciliations of movements in shareholders' funds

for the year ended 30 June 2006

	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Loss for the financial year	(454,875)	(386,318)	(38,962)	(17,072)
New share capital subscribed	25,000	-	25,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net reduction in shareholders' funds	(429,875)	(386,318)	(13,962)	(17,072)
Opening shareholders' funds	(385,098)	1,220	33,021	50,093
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	(814,973)	(385,098)	19,059	33,021
	<hr/>	<hr/>	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements. The group has adopted FRS 21 'Events after the balance sheet date' Accounting policies', FRS 22 'Earnings per share', FRS 23 'The effects of changes in foreign exchange rates' and FRS 28 'Corresponding amounts' in these financial statements, none of which have had a material effect on the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding group net current liabilities of £484,073 (2005 £143,556), company net current liabilities of £240,641 (2005 £1,881), and group net liabilities of £814,973 (2005 £385,098). The directors believe the going concern basis to be appropriate as since 30 June 2006 the group has traded profitably generating positive cash flows and is meeting obligations to external creditors. Group financial projections prepared by the directors demonstrate the group will generate sufficient profits to enable the company and the group to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. Whilst there can be no certainty over future events, at the date of approval of these financial statements the directors have no reason to believe that the group will not perform as expected.

Based on the above the directors believe it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from this basis of preparation being inappropriate.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 June 2006. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

A joint venture is an undertaking in which the group has a long-term interest and over which it exercises joint control. The group's share of the profits less losses of joint ventures is included in the consolidated profit and loss account and its interest in their net assets, is included in investments in the consolidated balance sheet.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

Goodwill and negative goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised and amortised to nil by equal annual instalments over its estimated useful life.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost [or valuation] less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Computer equipment	-	three years
Software	-	three to five years
Furniture, fixtures & fittings	-	three to five years

Patents and trademarks

Costs associated with the acquisition of patent and trademark rights are expensed as incurred.

Notes (continued)

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Government grants

Grants are taken to profit and loss on a receipts basis and matched against the cost to which they relate.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Long term contracts

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, plus attributable profit of 20% of the expected total profit where a project has moved satisfactorily through the alpha testing phase or 50% where a project has moved to the beta testing phase, and after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover represents amounts invoiced for goods and services exclusive of VAT and net of trade discounts.

2 Turnover

The geographical breakdown of turnover was as follows:

	2006 £	2005 £
United Kingdom	415,346	28,000
North America	43,670	-
	<hr/> 459,016 <hr/>	<hr/> 28,000 <hr/>

Notes (continued)

3 Loss on ordinary activities before taxation

	2006 £	2005 £
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration		
Group - audit	10,250	7,500
- fees paid to the auditors and its associates in respect of other services	-	-
Depreciation and other amounts written off tangible fixed assets		
Owned	19,607	10,136

4 Remuneration of directors

	2006 £	2005 £
Directors' emoluments	58,330	93,093

The aggregate of emoluments of the highest paid director was £ 29,165 (2005 £ 62,093)

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows

	Number of employees	
	2006	2005
Software development	11	7
Sales and marketing	2	1
Office and administration	2	2
	15	10

The aggregate payroll costs of these persons were as follows

	2006 £	2005 £
Wages and salaries	592,113	225,487
Social security costs	56,674	26,250
	648,787	251,737

Notes (continued)

6 Other interest receivable and similar income – Group

Other interest receivable and other income comprises

	2006 £	2005 £
Bank interest receivable	697	2,076
Bank interest payable	(580)	-
Net interest income	<u>117</u>	<u>2,076</u>

7 Taxation

Analysis of charge in period

	2006 £	2005 £
<i>UK corporation tax</i>		
Current tax on income for the period	80	-
Share of joint venture's current tax	-	-
Tax on profit on ordinary activities	<u>80</u>	<u>-</u>

The current tax charge for the period is lower (2005 lower) than the standard rate of corporation tax in the UK (30%, 2005 30%) The differences are explained below

	2006 £	2005 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	<u>454,795</u>	<u>386,318</u>
Current tax at 30% (2005 30%)	(136,438)	(115,895)
<i>Effects of</i>		
Expenses not deductible for tax purposes	2,746	2,781
Depreciation in excess of capital allowances	(9,625)	(17,260)
Small companies tax rate	(510)	-
Trading loss carried forward	<u>143,907</u>	<u>130,374</u>
Total current tax charge (see above)	<u>80</u>	<u>-</u>

Tax losses amounting to £ 308,823 (2005 £ 164,916) are available to relieve future profits of the group

Notes (continued)

8 Tangible fixed assets

Group	Furniture, fixtures & fittings £	Computer Equipment £	Software £	Total £
Cost				
At beginning of year	2,875	25,760	225,497	254,132
Additions	3,465	20,199	27,722	51,386
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	6,340	45,959	253,219	305,518
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At beginning of year	287	11,513	3,874	15,674
Charge for year	1,315	12,450	5,842	19,607
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	1,602	23,963	9716	35,281
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 30 June 2006	4,738	21,996	243,503	270,237
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2005	2,588	14,247	221,623	238,458
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation in 2005	249	7,414	2,473	10,136
	<hr/>	<hr/>	<hr/>	<hr/>

Included within Software are assets in the course of construction totalling £232,132 (2005 £213,166). Assets in the course of construction are not depreciated in accordance with the Company's accounting policy until the asset is ready to be brought into use.

Notes (continued)

9 Fixed asset investments

Group	Interest in joint ventures £
Cost	
At beginning of year	4,900
Additions	9,800
	<hr/>
At end of year	14,700
	<hr/>
Share of post acquisition reserves	
At beginning of year	(4,900)
Retained profits	4,063
	<hr/>
At end of year	(837)
	<hr/>
Net book value At 30 June 2006	13,863
	<hr/>
At 30 June 2005	-
	<hr/>

Company	Shares in group undertaking £	Participating interests £	Total £
Cost			
At beginning of year	510,000	4,902	514,902
Additions	350,000	9,798	359,798
	<hr/>	<hr/>	<hr/>
At end of year	860,000	14,700	874,700
	<hr/>	<hr/>	<hr/>
Provisions			
At beginning of year and end of year	-	-	-
	<hr/>	<hr/>	<hr/>
Net book value At 30 June 2006	860,000	14,700	874,700
	<hr/>	<hr/>	<hr/>
At 30 June 2005	510,000	4,902	514,902
	<hr/>	<hr/>	<hr/>

Notes (continued)

9 Fixed asset investments

The undertakings in which the Group's interest at the year end is more than 20% are as follows

	Country of Incorporation	Principal Activity	Shares held	
			Class	Percentage
<i>Subsidiary undertakings</i>				
Corporate Modelling Limited	UK	Software	Ordinary	100 %
Osmium Software Services Limited	UK	Software	Ordinary	100 %
<i>Associated undertakings - joint ventures</i>				
Total Corporate Risk Solutions Limited	UK	Software	Ordinary	49 %
TC Analyzer Limited (formerly TC Insurance Process Models Limited)	UK	Software	Ordinary	49 %

In July 2005 the company increase it's investment in TC Insurance Process Models Limited from £2 to £9,800 at the same time the Group's interest in TC Insurance Process Models Limited was reduced from 100% to 49% and in August 2005 that company changed its name to TC Analyzer Limited

On 28 June 2006 the company acquired 350,000 ordinary £1 shares in Corporate Modelling Limited for consideration £350,000

The amounts included in respect of the joint ventures comprise the following

	2006 £	2005 £
Share of turnover	17,885	-
Share of assets		
Share of fixed assets	39,200	29,400
Share of current assets	12,064	904
	51,264	30,304
Share of liabilities		
Due within one year	(37,401)	(30,304)
Share of net assets	13,863	-

Notes (continued)

10 Long term contracts

Long term contracts represents un-invoiced direct costs plus attributable profits associated with third party software development projects

11 Debtors

	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Trade debtors	28,306	-	-	-
Amounts owed by group undertakings	-	-	-	11,472
Amounts owed by undertakings in which the company has a participating interest	49,594	39,479	-	-
Other debtors	14,244	5,537	11,135	814
Prepayments	11,641	12,725	-	-
	<u>103,785</u>	<u>57,741</u>	<u>11,135</u>	<u>12,286</u>

Notes (continued)

12 Creditors amounts falling due within one year

	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Bank overdraft - secured	49,672	-	-	-
Trade creditors	62,312	47,024	44,066	11,525
Taxation and social security	50,839	8,937	-	-
Accruals	385,300	190,551	16,000	4,000
Amounts owed to undertakings in which the company has a participating interest	9,800	-	9,800	-
Amounts owed to group undertakings	-	-	182,309	2
Corporation Tax	80	-	-	-
Due to directors	55,960	40,333	-	-
Deferred income	1,500	-	-	-
	<u>615,463</u>	<u>286,845</u>	<u>252,175</u>	<u>15,527</u>

13 Creditors amounts falling due after more than one year

	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Due to directors	<u>650,000</u>	<u>480,000</u>	<u>615,000</u>	<u>480,000</u>

Creditors falling due after more than one year represents loans from directors. The loans were interest free and secured by an equitable charge over the company's intellectual property assets and the company's shareholding in Corporate Modelling Limited, and fell due for repayment on 30 September 2006. Following a June 2006 refinancing the loans bear interest from 1 July 2006 at a rate of 2% over Bank of England base rate, are secured by an equitable charge over the company's intellectual property assets and the company's shareholdings in group undertakings, and fall due for repayment on 31 December 2008.

14 Deferred taxation

The elements of deferred taxation are as follows

Group	2006 £	2005 £
Difference between accumulated depreciation and amortisation and capital allowances	(49,967)	(40,342)
Tax losses (note 7)	308,823	164,877
Undiscounted provision	<u>258,856</u>	<u>124,535</u>
Unprovided deferred tax asset	<u>258,856</u>	<u>124,535</u>

In accordance with FRS 19 the directors cannot foresee the recoverability of this asset and therefore have not provided for it.

Notes (continued)

15 Called up share capital

	2006 £	2005 £
Authorised		
Equity 50,000,000 Ordinary shares of £ 0 10p each	5,000,000	5,000,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
Equity 750,000 (2005 500,000) Ordinary shares of £ 0 10p each	75,000	50,000
	<hr/>	<hr/>

On 28 June 2006 the company issued 250,000 shares for cash at par

16 Profit and loss account

	Profit and loss account	
	Group £	Company £
At beginning of year	(435,098)	(16,979)
Retained profit for the year	(454,875)	(38,962)
	<hr/>	<hr/>
At end of year	(889,973)	(55,941)
	<hr/>	<hr/>

17 Reconciliation of operating loss to operating cash flows

	2006 Total £	2005 Total £
Group		
Operating loss	(458,975)	(383,494)
Depreciation and amortisation	19,607	10,136
Increase in long term contracts	(17,120)	(9,564)
Increase in debtors	(46,044)	(51,475)
Increase in creditors	278,866	188,238
	<hr/>	<hr/>
Net cash outflow from operating activities	(223,666)	(246,159)
	<hr/>	<hr/>

Notes (continued)

18 Analysis of cash flows

	Notes	2006 £	2006 £	2005 £	2005 £
Returns on investment and servicing of finance					
Interest received			117		2,076
			<u>117</u>		<u>2,076</u>
Capital expenditure and financial investment					
Purchase of tangible fixed assets			(51,386)		(163,282)
			<u>(51,386)</u>		<u>(163,282)</u>
Acquisitions and disposals					
Purchase of interest in joint venture			(9,800)		(4,900)
			<u>(9,800)</u>		<u>(4,900)</u>
Financing					
Issue of ordinary share capital		25,000		-	
Debt due after more than one year					
New secured loan repayable in 2008		135,000		480,000	
		<u>135,000</u>		<u>480,000</u>	
			160,000		480,000
			<u>160,000</u>		<u>480,000</u>

19 Analysis of net debt

	At beginning of year £	Cash flow £	At end of year £
Cash in hand and at bank	75,984	(75,063)	921
Bank overdraft	-	(49,672)	(49,672)
Net cash	<u>75,984</u>	<u>(124,735)</u>	<u>(48,751)</u>
Debt due after one year	(480,000)	(135,000)	(615,000)
Total	<u>(404,016)</u>	<u>(259,735)</u>	<u>(663,751)</u>

Detailed Profit and Loss Account
(not forming part of the financial statements)

	2006 £	2005 £
General Operating Expenses	33	541
Legal and Professional	39,000	17,500
	<hr/>	<hr/>
Operating Loss	(39,033)	(18,041)
Interest Income	71	969
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Loss before Taxation	(38,962)	(17,072)
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