

COMPANY REGISTRATION NUMBER 3136132

**LOST WAX MEDIA LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED**

30 APRIL 2007



LOST WAX MEDIA LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Mr J J Stanfield
Mr R Hornstein
Mr G P Vickers
Mr S H Henwood

Company secretary

Mrs M B W Bruce

Registered office

42-46 High Street
Esher
Surrey
KT10 9QY

Auditor

MacIntyre Hudson LLP
Chartered Accountants
& Registered Auditors
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

Bankers

HSBC
67 George Street
Richmond
Surrey
TW9 1HG

LOST WAX MEDIA LIMITED

REPORT ON CORPORATE GOVERNANCE

YEAR ENDED 30 APRIL 2007

Recognising that the company has a responsibility towards its members, the directors believe that the company should aim to achieve high standards of corporate governance. They have decided therefore, in so far as it is practicable for a private unlisted company, to comply with the Combined Code.

The workings of the board of directors and its committee

The Board

The activities of the company are controlled by the board which includes an independent Non-Executive Director and three Executive Directors. The board has overall responsibility for the company whilst each Executive Director has been given responsibility for specific aspects of the company's affairs. The board which meets every month with additional meetings being called as and when required is responsible to the shareholders for the proper management of the company. It also has a clearly defined set of responsibilities which cover overall control of all financial, strategic and budgetary matters.

Audit Committee

The Audit Committee, which is chaired by Rodney Hornstein, comprises the Chairman and Chief Executive and meets not less than twice a year. The committee provides a forum for reporting by the company's external auditors.

Identification of business risks

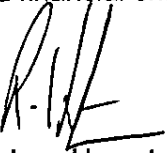
The identification of material operational risk is carried out by the board. Strategic and operational decisions are made in the context of the company's operational risk profile.

Budgetary process

Detailed budgets covering all financial aspects of the company's business are prepared annually and approved by the Board. Performance is monitored at the monthly board meetings where there is a comparison of actual results against budget and updated forecasts.

Investment appraisal

The company operates formal appraisal and approval systems whereby all significant capital investment and revenue spending proposals are required to meet appropriate operational and financial criteria.


Rodney Hornstein
CHAIRMAN

9th October 2007

LOST WAX MEDIA LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 30 APRIL 2007

The directors present their report and the financial statements of the company for the year ended 30 April 2007

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was that of e-commerce software development. The Company's proprietary software components and products are offered to partners and clients as licensed intellectual property or used by the Company's software engineering team to build and deliver innovative solutions to corporate clients.

During 2006/07 approximately 75% of our revenue came from mainly bespoke work, while 25% came from licence and implementation of our proprietary software. The intention in 2007/08 and beyond is to increase further the percentage of our business that comes from our proprietary software.

The financial year to April 2007 again showed a significant improvement from the previous year. We moved from a loss in 2005/06 of £212K to a profit of £313K on a turnover that increased from £1.7M to £2.6M. This improvement is the result of maintaining a profitable software services business at a similar turnover level to the previous year, while building the Aerogility business so that it is now profitable in its own right. In the 2007/08 financial year, we expect a small reduction in the turnover of the software services part of the business which will be more than made up for in increased revenue and profitability from Aerogility.

Our key clients for Aerogility remain Rolls Royce and BAE Systems. In both cases we are continuing to develop our relationships across multiple parts of the business and there are multiple potential projects in each of these organisations. In addition our prospect pipeline is strengthening and we have started to grow a pipeline of prospects in the USA. Our initial venture into the US is via a small Aerospace consultancy where the individuals are known to us. It is early days, but initial signs are good that they will set up some interesting opportunities for us.

In terms of the development and consultancy business, our largest clients in 2006/07 were Morgan Stanley, Egg and Hiscox Insurance. Key to this part of the business however is that we now have a wider base of active clients than in previous years and we are able to cope with the project nature of our relationships.

During the financial year, we conducted a rights issue that introduced approximately £430,000 of new investment into the company. Along with our improved trading position this has significantly improved the financial position of the company and allows us to look forward to the next year with confidence. Lost Wax tracks as Key Performance Indicators (KPIs) the % of time spent overall by employees on customer projects, and the average daily charge rate per employee. Taking the year as a whole, the targets were just met on both measures. In 2006/07 we will be adopting separate KPIs for the Aerogility part of the business.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £312,000. The directors have not recommended a dividend.

LOST WAX MEDIA LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 APRIL 2007

DIRECTORS

The directors who served the company during the year and up to the date of this report are listed on page 1

The following directors held options to subscribe for Ordinary shares of £0 0005 nominal value in the Company as noted below in accordance with the rules of the share option scheme.

	Subscription & Exercise price	Options at 30 April 2007	Options at 30 April 2006
Mr J J Stanfield	£0 0371 per share	20,000	20,000
Mr G P Vickers	£0 0371 per share	20,000	20,000

The options above were granted on 12 December 2001 and are now exercisable in full until the day prior to the tenth anniversary of the grant

DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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,

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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

there is no relevant audit information of which the company's auditor is unaware, and

the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

LOST WAX MEDIA LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 APRIL 2007

AUDITOR

A resolution to re-appoint MacIntyre Hudson LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985

Registered office
42-46 High Street
Esher
Surrey
KT10 9QY

Signed on behalf of the directors



Mr J J Stanfield
Director

Approved by the directors on 8th October 2007

LOST WAX MEDIA LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LOST WAX MEDIA LIMITED

YEAR ENDED 30 APRIL 2007

We have audited the financial statements of Lost Wax Media Limited for the year ended 30 April 2007 on pages 8 to 21, which have been prepared on the basis of the accounting policies set out on pages 11 to 12

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and 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 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. The information given in the Directors' Report includes that specific information presented in the Report on corporate governance that is cross referred from the Business Review section of the Directors' Report.

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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Report on corporate governance. 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.

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 company's circumstances, consistently applied and adequately disclosed.

LOST WAX MEDIA LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LOST WAX MEDIA LIMITED *(continued)*

YEAR ENDED 30 APRIL 2007

BASIS OF AUDIT OPINION *(continued)*

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.

OPINION

In our opinion

the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 April 2007 and of its profit 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

New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

18th October 2007

MacIntyre Hudson LLP

MACINTYRE HUDSON LLP
Chartered Accountants
& Registered Auditors

LOST WAX MEDIA LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 APRIL 2007

	Note	2007 £000	2006 £000
TURNOVER	2	2,578	1,673
Cost of sales		<u>1,335</u>	<u>1,145</u>
GROSS PROFIT		1,243	528
Administrative expenses		956	899
Other operating income	3	<u>28</u>	<u>163</u>
OPERATING PROFIT/(LOSS)	4	315	(208)
Interest receivable		3	1
Interest payable and similar charges	7	<u>5</u>	<u>5</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		313	(212)
Tax on profit/(loss) on ordinary activities	8	<u>1</u>	<u>-</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>312</u>	<u>(212)</u>

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the
year as set out above

The notes on pages 11 to 21 form part of these financial statements.

LOST WAX MEDIA LIMITED

BALANCE SHEET

30 APRIL 2007

	Note	2007 £000	2006 £000
FIXED ASSETS			
Tangible assets	9	36	43
CURRENT ASSETS			
Debtors	10	714	411
Cash at bank		477	14
		<u>1,191</u>	<u>425</u>
CREDITORS: Amounts falling due within one year	11	<u>457</u>	<u>438</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>734</u>	<u>(13)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>770</u>	<u>30</u>
CREDITORS: Amounts falling due after more than one year	12	<u>2</u>	<u>-</u>
		<u>768</u>	<u>30</u>
CAPITAL AND RESERVES			
Called-up equity share capital	16	135	118
Share premium account	17	8,539	8,130
Profit and loss account	18	(7,906)	(8,218)
SHAREHOLDERS' FUNDS	19	<u>768</u>	<u>30</u>

These financial statements were approved by the directors and authorised for issue on 20th October 2007, and are signed on their behalf by



Mr J J Stanfield
Director

The notes on pages 11 to 21 form part of these financial statements.

LOST WAX MEDIA LIMITED

CASH FLOW STATEMENT

YEAR ENDED 30 APRIL 2007

	Note	2007 £000	2006 £000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	20	51	(109)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	20	(2)	(4)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	20	(22)	(6)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING		<hr/> 27	<hr/> (119)
FINANCING	20	436	(39)
INCREASE/(DECREASE) IN CASH	20	<hr/> 463	<hr/> (158)

The notes on pages 11 to 21 form part of these financial statements

LOST WAX MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2007

1. ACCOUNTING POLICIES

Basis of accounting

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

Turnover

Turnover represents income from services, consultancy, licence sales and ASP hosting fees excluding Value Added Tax

Services and consultancy work is undertaken for customers either on the basis that time and materials are billed as incurred or according to the terms of fixed price contracts. With respect to the former, turnover and profits are recognised according to time worked. With respect to fixed price contracts, turnover is recognised according to the percentage of completion. All losses are recognised as soon as incurred or foreseen.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Short leasehold property	20% per annum straight line
Fixtures & fittings	25% per annum straight line
Computer & office equipment	25-33% per annum straight line
Technology infrastructure	25% per annum straight line

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the Profit and Loss Account, and the capital element which reduces the outstanding obligation for future instalments.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The contributions payable are charged to the Profit and Loss Account.

LOST WAX MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2007

1. ACCOUNTING POLICIES *(continued)*

Deferred taxation

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

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

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 profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted 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 substantively enacted at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Invoice factoring

The company retains significant risks relating to the debts factored by the facility it has arranged with Close Brothers. As such, separate presentation of the debts and related finance have been shown, in line with FRS5.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2007	2006
	£000	£000
United Kingdom	<u>2,578</u>	<u>1,673</u>

LOST WAX MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2007

3. OTHER OPERATING INCOME

	2007 £000	2006 £000
Research and development tax credit	<u>28</u>	<u>163</u>

4. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging

	2007 £000	2006 £000
Depreciation of owned fixed assets	23	37
Depreciation of assets held under finance lease agreements	6	—
Auditor's remuneration		
- as auditor	8	8
- for other services	5	1
Operating lease costs		
Other	<u>127</u>	<u>129</u>

Auditor's fees

The fees charged by the auditor can be further analysed under the following headings for services rendered

	2007 £000	2006 £000
Audit	8	8
Taxation	1	1
Business consultancy	4	—
	<u>13</u>	<u>9</u>

LOST WAX MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2007

5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to

	2007	2006
	No	No
Number of production staff	20	23
Number of administrative staff	5	4
	<u>25</u>	<u>27</u>

The aggregate payroll costs of the above were

	2007	2006
	£000	£000
Wages and salaries	1,282	1,354
Social security costs	144	152
Other pension costs	42	25
	<u>1,468</u>	<u>1,531</u>

6. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were

	2007	2006
	£000	£000
Emoluments receivable	226	213
Value of company pension contributions to money purchase schemes	7	7
	<u>233</u>	<u>220</u>

Emoluments of highest paid director:

	2007	2006
	£000	£000
Total emoluments (excluding pension contributions)	108	107
Value of company pension contributions to money purchase schemes	4	4
	<u>112</u>	<u>111</u>

The number of directors who accrued benefits under company pension schemes was as follows

	2007	2006
	No	No
Money purchase schemes	<u>2</u>	<u>2</u>

LOST WAX MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2007

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £000	2006 £000
Interest payable on bank borrowing	4	-
Finance charges	1	5
	<u>5</u>	<u>5</u>

8. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2007 £000	2006 £000
Current tax		
UK Corporation tax based on the results for the year at 19.08% (2006 - 19%)	1	-
Total current tax	<u>1</u>	<u>-</u>

The company has tax losses of approximately £5.8 million (£6.0 million) to carry forward to future periods and set against future trading profits from the same trade. The liability in year is in respect of interest receivable that cannot be offset against losses brought forward.

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19.08% (2006 - 19%).

	2007 £000	2006 £000
Profit/(loss) on ordinary activities before taxation	<u>313</u>	<u>(212)</u>
Profit/(loss) on ordinary activities by rate of tax	61	(40)
Expenses disallowed	1	1
Depreciation in excess of capital allowances	(7)	(8)
Non-taxable research and development tax credit	(24)	(66)
Losses to carry forward	-	113
Losses utilised	<u>(30)</u>	<u>-</u>
Total current tax (note 8(a))	<u>1</u>	<u>-</u>

LOST WAX MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2007

9. TANGIBLE FIXED ASSETS

	Short leasehold property £000	Fixtures & fittings £000	Computer & office equipment £000	Technology infrastructure £000	Total £000
COST					
At 1 May 2006	17	37	711	424	1,189
Additions	—	—	22	—	22
At 30 April 2007	17	37	733	424	1,211
DEPRECIATION					
At 1 May 2006	6	37	680	423	1,146
Charge for the year	4	—	24	1	29
At 30 April 2007	10	37	704	424	1,175
NET BOOK VALUE					
At 30 April 2007	7	—	29	—	36
At 30 April 2006	11	—	31	1	43

Finance lease agreements

Included within the net book value of £36,000 is £6,000 (2006 - £Nil) relating to assets held under finance lease agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £6,000 (2006 - £Nil).

10. DEBTORS

	2007 £000	2006 £000
Trade debtors	447	290
Other debtors	259	105
Prepayments and accrued income	8	16
	714	411

LOST WAX MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2007

11. CREDITORS: Amounts falling due within one year

	2007 £000	2006 £000
Trade creditors	53	13
Other creditors including taxation and social security		
Corporation tax	1	—
Other taxation and social security	138	129
Finance lease agreements	8	—
Other creditors	3	95
	<u>203</u>	<u>237</u>
Accruals and deferred income	254	201
	<u>457</u>	<u>438</u>

Included within the Other Creditors figure is £nil (2006 - £94,535) relating to the factoring facility with Close Invoice Finance Limited

A fixed charge over the company's book debts was taken out by Close Invoice Finance Limited on 17th June 2005

J J Stanfield made a Director's Guarantee for £25,000 as part of the arrangements of the factoring facility

12. CREDITORS: Amounts falling due after more than one year

	2007 £000	2006 £000
Other creditors		
Finance lease agreements	<u>2</u>	<u>—</u>

13. COMMITMENTS UNDER FINANCE LEASE AGREEMENTS

Future commitments under finance lease agreements are as follows

	2007 £000	2006 £000
Amounts payable within 1 year	8	—
Amounts payable between 1 and 2 years	2	—
	<u>10</u>	<u>—</u>

LOST WAX MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2007

14. COMMITMENTS UNDER OPERATING LEASES

At 30 April 2007 the company had annual commitments under non-cancellable operating leases as set out below

	Land & Buildings	
	2007	2006
	£000	£000
Operating leases which expire		
Within 2 to 5 years	<u>81</u>	<u>81</u>

15. RELATED PARTY TRANSACTIONS

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8

16. SHARE CAPITAL

Authorised share capital:

	2007	2006
	£000	£000
235,788,000 Ordinary shares of £0 0005 each	118	118
47,169,811 Ordinary Class B shares of £0 0005 each	<u>24</u>	<u>24</u>
	<u>141</u>	<u>141</u>

Allotted, called up and fully paid:

	2007		2006	
	No	£000	No	£000
Ordinary shares of £0 0005 each	223,087,466	112	188,619,814	94
Ordinary Class B shares of £0 0005 each	<u>47,169,811</u>	<u>24</u>	<u>47,169,811</u>	<u>24</u>
	<u>270,257,277</u>	<u>135</u>	<u>235,789,625</u>	<u>118</u>

LOST WAX MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2007

16. SHARE CAPITAL *(continued)*

During the year 34,467,652 ordinary shares of £0 0005 each were issued for a total consideration of £426,045

Rights attaching to Ordinary Class Shares

On 28 August 2001 Ordinary and Special Resolutions were passed consolidating and re-designating shares into Ordinary Shares and B Ordinary Shares. The two classes of share rank equally, except as stated below. Shareholders have one vote for each share held and pre-emption on transfer provisions exists.

Pre-emption on allotment rights exist but do not apply to

(a) Allotment of Ordinary Shares pursuant to permitted grants (b) Ordinary Shares issued to a consultant or provider of services to the Company, or (c) Issue of securities pursuant of another business

Share Options

At 30 April 2007 395,000 Ordinary Share options were outstanding with an exercise price of £0 0371

17. SHARE PREMIUM ACCOUNT

	2007 £000	2006 £000
Balance brought forward	8,130	8,130
Premium on shares issued in the year	409	—
Balance carried forward	<u>8,539</u>	<u>8,130</u>

18. PROFIT AND LOSS ACCOUNT

	2007 £000	2006 £000
Balance brought forward	(8,218)	(8,006)
Profit/(loss) for the financial year	312	(212)
Balance carried forward	<u>(7,906)</u>	<u>(8,218)</u>

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £000	2006 £000
Profit/(loss) for the financial year	312	(212)
New equity share capital subscribed	17	—
Premium on new share capital subscribed	409	—
Net addition/(reduction) to shareholders' funds	<u>738</u>	<u>(212)</u>
Opening shareholders' funds	30	242
Closing shareholders' funds	<u>768</u>	<u>30</u>

LOST WAX MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2007

20. NOTES TO THE STATEMENT OF CASH FLOWS

RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2007 £000	2006 £000
Operating profit/(loss)	315	(208)
Depreciation	29	37
Increase in debtors	(303)	(121)
Increase in creditors	10	183
Net cash inflow/(outflow) from operating activities	<u>51</u>	<u>(109)</u>

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2007 £000	2006 £000
Interest received	3	1
Interest paid	(4)	—
Interest element of finance leases	(1)	(5)
Net cash outflow from returns on investments and servicing of finance	<u>(2)</u>	<u>(4)</u>

CAPITAL EXPENDITURE

	2007 £000	2006 £000
Payments to acquire tangible fixed assets	(22)	(6)
Net cash outflow from capital expenditure	<u>(22)</u>	<u>(6)</u>

FINANCING

	2007 £000	2006 £000
Issue of equity share capital	17	—
Share premium on issue of equity share capital	409	—
Capital element of finance leases	10	(39)
Net cash inflow/(outflow) from financing	<u>436</u>	<u>(39)</u>

LOST WAX MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2007

20. NOTES TO THE STATEMENT OF CASH FLOWS *(continued)*

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2007	2006
	£000	£000
Increase/(decrease) in cash in the period	463	(158)
Cash outflow in respect of finance leases	(10)	39
	<u>453</u>	<u>(119)</u>
Change in net funds	453	(119)
Net funds at 1 May 2006	14	133
Net funds at 30 April 2007	<u>467</u>	<u>14</u>

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 May 2006 £000	Cash flows £000	At 30 Apr 2007 £000
Net cash			
Cash in hand and at bank	14	463	477
Debt			
Finance lease agreements	–	(10)	(10)
Net funds	<u>14</u>	<u>453</u>	<u>467</u>