

**PROVEXIS plc**  
**("Provexis" or the "Company")**

**AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2007**

Provexis plc (PXS.L), the nutraceutical company that develops scientifically-proven functional and medical foods, announces its audited results for the year ended 31 March 2007.

**Key Financial Results**

- Revenues of £805,000 (2006: £267,000 of which £140,000 relates to continuing operations)
- Adjusted operating loss of £2,265,000 before depreciation (£4,000), amortisation of goodwill (£484,000) and share based compensation expense (£119,000). This compares to an adjusted operating loss in 2006 of £2,683,000 before depreciation (£17,000), amortisation of goodwill (£363,000) and share based compensation expense (£523,000).
- Net cash at 31 March 2007 £115,000 (2006: £2,166,000) prior to £2.15 million fund raising in April 2007

**Key Highlights**

- Collaboration Agreement signed with Unilever to develop advanced format of Fruitflow<sup>®</sup> technology, with the aim of advancing to a license agreement
- Major project underway with a global leader in beverage brands to assess the feasibility of the international launch of a juice product containing Fruitflow<sup>®</sup>
- Global scientific endorsement for clinical efficacy of Fruitflow<sup>®</sup> from the highest-ranked peer-review journal in nutrition, The American Journal of Clinical Nutrition
- FDA affirm no objections to GRAS dossier for Fruitflow<sup>®</sup> clearing the way for products to be launched in the USA
- Patents cleared in the USA for the Company's technology for the treatment of Crohn's Disease
- Stephen Moon appointed Chief Executive as part of management restructuring
- £2,150,000 raised post year-end for working capital to fund research, development and licensing activities

Stephen Moon, Chief Executive Officer of Provexis plc, commented:

"We are pleased with our progress in the last year, which has seen the Company begin its transition to becoming a pure discovery, development and licensing business. Sirco<sup>®</sup> has played a valuable role in demonstrating the validity of the Fruitflow<sup>®</sup> technology which is now being evidenced by the Unilever agreement and the interest being shown by other international groups."

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## Chairman's statement

The past year has been one of significant change and progress for the business.

The Board appointed Stephen Moon as Chief Executive in July 2006, believing his skills to be ideally suited to this phase of the Company's development. The Board has worked closely with Stephen to refine the strategy of the business and to put in place the necessary working capital to achieve our aims.

We believe that long-term shareholder value will be enhanced by focusing more fully on the discovery, development and licensing of functional and medical food technologies. This sector is substantial and is growing strongly, as consumers seek to enhance their health and quality of life through daily diet. This consumer demand is being met by major global food and beverage corporations developing new functional products. Our expertise in developing patented, scientifically-proven food technologies for an increasingly regulated environment leave us well placed to meet the needs of these potential license partners.

In this respect, we were delighted to announce a major collaboration with Unilever to develop an advanced version of our patented Fruitflow<sup>®</sup> heart-health technology and we expect this relationship, subject to reaching technical, regulatory and economic milestones, to develop into a full licensing arrangement. In addition, we are making progress on a further project with a major international beverage brand owner to assess the feasibility of the launch of a Fruitflow<sup>®</sup> based beverage. The awareness created by this activity, together with the constant progress being made on the regulatory and scientific fronts is resulting in increased attention from brand owners and major ingredients businesses. The size and quality of our future partnerships is a real endorsement of the value of our technology.

We are now also stepping up activity on our plantain-based medical food technology for the treatment of Crohn's Disease and are to commence human trials this year. The management team is now also actively seeking to acquire the rights to technologies in other areas, such as cardiovascular disease, digestive health and cancer prevention.

Our Sirco<sup>®</sup> heart-health juice brand performed well, with 1,800 distribution points being achieved. While revenues were below expectations, this was in the context of reduced marketing expenditure as we focused our resources on potential licensing and development activities. Most importantly, the Sirco<sup>®</sup> brand has achieved its goal by creating a global awareness of our Fruitflow<sup>®</sup> technology within the industry.

I am very positive about the Company's prospects for the year ahead and believe we have in place the management team, technologies and working capital to make strong progress.

Dawson Buck  
Chairman

## Chief Executive's statement

### Strategy and management structure

The new management team has developed a focused strategy for the business which will see Provexis become a pure discovery, development and licensing business in functional and medical foods. Given the global market for functional foods is worth over \$73 billion and growing faster than conventional foods, together with the strategic aims of global brand owners to deliver health-oriented foods and claims to consumers, we believe this is a fertile sector. While regulatory demands are increasing, particularly in the EU, we believe this is to our advantage given our approach of providing clinical proof for our claims, together with the capability of our management and R&D teams.

As part of the strategy, we are to attempt to exit the Sirco<sup>®</sup> heart-health juice brand. This brand has served its purpose by raising the profile of our Fruitflow<sup>®</sup> technology globally and demonstrating consumer awareness and demand to potential license partners. Exiting the brand will clear the path for potential license partners who require certain geographic and retail channel rights and will allow for deployment of cash and human resources to our development and licensing activities. We believe that the brand has been a success and, indeed, the breadth of distribution has exceeded our expectations. However, in a sector where global brands are increasingly assuming a leader role, the cost of doing business is rising sharply, leading us to the conclusion that shareholders' interests are best served by partnering rather than competing with these major brands.

In the 2007/8 financial year we intend to eliminate the bulk of Sirco<sup>®</sup> marketing and selling costs. We have also identified other administration, overhead and headcount savings. The result will be a reduction in total costs of approximately 45%.

Shortly after the year end, the Company raised approximately £2.15 million through a placing of 143,316,664 new ordinary shares at 1.5p per share. This working capital injection, together with the cost savings identified above, will give us sufficient cash to deliver our strategy.

We see the further development of a top quality R&D team as being key to the strategy and, as a result, we will continue to strengthen our team during this year. The acquisition of the rights to new technologies in the areas of cardiovascular health, digestive health, cancer prevention and skin health will be a focus during the upcoming months and we are working actively in this area.

### Fruitflow licensing

We signed a Collaboration Agreement with Unilever in March 2007 to develop a concentrated format of Fruitflow<sup>®</sup> for inclusion in Unilever branded products. During this year we will work with Unilever to finalise technical specifications, carry out clinical trials, meet regulatory requirements and identify a cost effective supply chain. Subject to achieving this, we expect to progress to a long term and extensive license agreement. Following any agreement of a license arrangement with Unilever, Provexis will retain exclusive global rights for the use of Fruitflow<sup>®</sup> for drinks (excluding mini-drinks) containing fruit juice, products marketed for deep vein thrombosis, over the counter medicines and medical products. Categories outside of the exclusive areas are available to Unilever on a non-exclusive basis.

The management team is continuing to work with a major international beverage brand owner to assess the feasibility of a multi-country launch of a beverage containing Fruitflow<sup>®</sup>. In addition, global business development activities continue, with the Company being in dialogue with a range of major brand owners and ingredients manufacturers. The concentrated format under development will lend itself to tablets and gel capsules and, as such, will provide a platform for the dietary supplement and over the counter medicine sectors and as a result we are exploring routes to supply these sectors.

During the year, the Fruitflow<sup>®</sup> technology gained high profile recognition in the scientific arena, with the publication of two peer-reviewed papers in the prestigious American Journal of Clinical Nutrition. The FDA affirmed they had no further questions related to the GRAS dossier, clearing the way for products containing Fruitflow<sup>®</sup> to be launched in the USA. With a new EU health claim framework being introduced, a comprehensive support dossier has been completed and we have lodged our claims with both local and EU regulators.

Our scientific team have identified in-vitro proof of a beneficial mode of action related to the treatment of deep vein thrombosis and as a result we have filed a patent and will continue the development of this area. Deep vein thrombosis, commonly associated with economy-class airline travel, affects a wide range of people including those involved in long distance travel and patients immobilised for long periods in hospitals.

**Pipeline**

A US patent was granted for our plantain-based technology for the treatment of inflammatory bowel disease and specifically Crohn's Disease. We remain committed to this important technology and will carry out a healthy human trial in the summer, before commencing a trial on Crohn's Disease patients later in the year.

Our extensive network in the global functional food sector has highlighted a number of opportunities. We are continuing to assess these as well as continuing the search for new functional and medical food technologies. Selection criteria include opportunities where we can secure full ownership of the rights and the presence or potential for scientific proof.

**Outlook**

I am optimistic that we will progress successfully through the milestones with Unilever and proceed to a full license agreement for Fruitflow<sup>®</sup>. Given the ongoing discussions with a major international beverage brand owner, major brand owners and leading ingredients manufacturers, I am confident we will secure other areas of revenue generation for Fruitflow<sup>®</sup>. We aim to devote more resources to the plantain technology in the coming months and, in parallel, we will seek to acquire further high-potential technologies.

Cost saving programmes have been implemented and with our recent fund raising, we have sufficient resources with which to deliver the strategy. We are in advanced discussions for exiting Sirco<sup>®</sup> and expect to make an announcement in the near future.

Overall, I believe that the business is well set for the coming financial year, with license revenues in prospect, a focused management team and reduced cost base in place.

Stephen Moon  
Chief Executive

## Finance Director's statement

Group turnover from continuing operations was £804,884 for the year ended 31 March 2007 (2006: £139,972). This turnover relates to the sale of Sirco<sup>®</sup> which contains the Provexis proprietary Fruitflow<sup>®</sup> technology. The Sirco<sup>®</sup> brand was launched in several UK supermarket chains during the first quarter of 2006. The overall revenue increase from continuing operations of 475% year on year was mainly due an increase in volume since the Sirco<sup>®</sup> brand was launched in the fourth quarter of 2006.

Cost of sales for continuing operations was £403,857 for the year ended 31 March 2007 (2006: £75,707). The increase was mainly due to increased sales volume.

Administrative expenses - other for the year ended 31 March 2007 were £3,090,925 (2006: £2,976,931). The increase of 3.8% was due to increased salaries, benefits and general overheads. Share option compensation expense of £118,619 was charged to the profit and loss account during 2007, following the implementation of FRS 20. This charge represents the amortisation of the fair value of unvested share options granted in July 2005 over their normal vesting period. In 2006, a total of £522,593 (of which £67,147 relates to a FRS20 prior year adjustment) share option compensation expense was charged to the profit and loss account in connection with share options granted at exercise prices that were lower than market price on the date of grant. Also, included in administrative expenses is £484,400, relating to amortisation of goodwill arising from the acquisition of Provexis Limited in June 2005. The corresponding goodwill amortisation charge for 2006 was £363,264. Research and development costs were £295,234 for the year ended 31 March 2007 (2006: £394,300). The decrease of 29% was mainly due to the sharing of costs with Unilever for the development of the Fruitflow<sup>®</sup> powder.

Operating loss from continuing operations for the year ended 31 March 2007 totalled £2,872,491 (2006: loss of £3,413,532). The decrease in operating loss is mainly due to increased Sirco<sup>®</sup> revenues for the year, reduced level of research and development spend and a reduction in share option compensation cost recognised in the year.

Loss after tax for the year ended 31 March 2007 for continued operations totalled £2,922,255 (Basic and diluted EPS (1.5p)) (2006: loss of £3,463,485 and Basic and diluted EPS (2.0p)).

Cash at bank as at 31 March 2007 was £115,824, compared to £2,166,243 at 31 March 2006. The decrease in cash was mainly due to the outflow of cash from operating activities. Spending on new fixed assets was negligible in 2007 and no additional financing activities were undertaken. On 12 April 2007, the Company raised approximately £2,150,000 through the placing of 143,316,664 new ordinary shares at a price of 1.5p per share. The costs in connection with the placing were £156,000.

We anticipate that our research and development expenditures related to the Fruitflow<sup>®</sup> and plantain projects will increase during 2007/2008 as we continue development of additional Fruitflow<sup>®</sup> formats and claims and initiate an 18 month clinical trial on patients in remission from Crohn's Disease. The net development costs for Fruitflow<sup>®</sup> will reflect the receipt of agreed co-development credits from Unilever on the Fruitflow<sup>®</sup> powder format.

The Company initiated a restructuring plan in March 2007 to substantially reduce its central overheads. The focus to develop the Company as a technology licensing business has created certain staff redundancies which were put into effect in April 2007. The overall staff savings amount to approximately £400,000 per annum.

The Directors and management are of the opinion that as at the year end announcement on 30 May 2007, the Company's liquidity and capital resources are adequate to deliver our current strategic objectives and business plan.

Stewart Slade  
Finance Director

## Consolidated profit and loss account for the year ended 31 March 2007

	Note	Continuing operations 2007 £	Restated Total 2006 £
<b>Turnover</b>			
Existing operations		804,884	127,688
Acquisitions		—	139,972
		<b>804,884</b>	267,660
Cost of sales		(403,837)	(175,798)
<b>Gross profit</b>		<b>401,047</b>	91,862
Distribution costs		(63,994)	(25,267)
Administrative expenses -			
- Other		(3,090,925)	(2,976,931)
- Re-organisation costs		—	(152,606)
- Share option costs		(118,619)	(522,593)
Total administrative expenses		(3,209,544)	(3,652,130)
<b>Operating loss</b>			
Existing operations		(2,872,491)	(172,003)
Acquisitions		—	(3,413,532)
		<b>(2,872,491)</b>	(3,585,535)
<b>Loss on ordinary activities before interest</b>		<b>(2,872,491)</b>	(3,585,535)
Interest receivable		28,435	113,918
Interest payable and similar charges		(90,000)	(6,500)
<b>Loss on ordinary activities before and after taxation</b>		<b>(2,934,056)</b>	(3,478,117)
<b>Minority interest</b>		<b>11,801</b>	14,632
<b>Loss for the financial year</b>	4	<b>(2,922,255)</b>	(3,463,485)
<b>Basic and diluted loss from per share</b>	3	<b>£(0.01)</b>	£(0.02)

All recognised gains and losses are included in the profit and loss account.

## Consolidated statement of total recognised gains and losses for the year ended 31 March 2007

		2007	2006
	Note	£	As Restated £
Loss for the year		<b>(2,922,255)</b>	(3,463,485)
<b>Total recognised gains and losses for the year</b>		<b>(2,922,255)</b>	(3,463,485)
Prior year adjustment – Share based payment	2	<b>(67,147)</b>	
<b>Total gains and losses recognised since last financial statements</b>		<b>(2,989,402)</b>	

## Consolidated balance sheet at 31 March 2007

	2007	2007	2006	2006
Note	£	£	As Restated	As Restated
			£	£
<b>Fixed assets</b>				
Intangible assets		<b>6,417,613</b>		6,902,013
Tangible assets		<b>12,607</b>		16,517
		<b>6,430,220</b>		6,918,530
<b>Current assets</b>				
Stocks		<b>38,466</b>	17,963	
Debtors		<b>378,626</b>	554,102	
Cash at bank and in hand		<b>115,824</b>	2,166,243	
		<b>532,916</b>	2,738,308	
<b>Creditors: amounts falling due within one year</b>		<b>(838,975)</b>	(807,240)	
		<b>(838,975)</b>	(807,240)	
<b>Net current assets/(liabilities)</b>		<b>(306,059)</b>		1,931,068
<b>Total assets less current liabilities</b>		<b>6,124,161</b>		8,849,598
<b>Capital and reserves</b>				
Called up share capital		<b>2,510,386</b>		2,500,010
Share premium account	4	<b>5,391,867</b>		5,312,243
Merger reserve	4	<b>6,273,909</b>		6,273,909
Share option reserve	4	<b>990,563</b>		871,944
Profit and loss account	4	<b>(9,016,131)</b>		(6,093,876)
<b>Total shareholders' funds</b>		<b>6,150,594</b>		8,864,230
<b>Minority interests</b>		<b>(26,433)</b>		(14,632)
		<b>6,124,161</b>		8,849,598

## Consolidated cash flow statement for the year ended 31 March 2007

	Note	2007 £	2007 £	2006 £	2006 £
<b>Net cash outflow from operating activities</b>	5		<b>(2,078,729)</b>		<b>(2,741,662)</b>
<b>Returns on investments and servicing of finance</b>					
Interest received		<b>28,435</b>		119,981	
Interest paid on convertible loan notes		—		(6,500)	
<b>Net cash inflow from returns on investment and servicing of finance</b>			<b>28,435</b>		<b>113,481</b>
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets			<b>(125)</b>		<b>(16,264)</b>
<b>Acquisitions and disposals</b>					
Purchase of subsidiary undertakings		—		(39,745)	
Cash acquired with subsidiary undertakings		—		763,956	
Cash received on disposal of business		—		43,455	
<b>Net cash outflow before financing</b>			<b>(2,050,419)</b>		<b>(1,876,779)</b>
<b>Financing</b>					
Issue of ordinary share capital		—		3,775,744	
Exercise of share options		—		3,725	
Cost of shares issues		—		(841,514)	
Capital element of finance lease rental payments		—		(622)	
<b>Cash inflow from financing</b>			<b>—</b>		<b>2,937,333</b>
<b>(Decrease)/ increase in cash</b>	7		<b>(2,050,419)</b>		<b>1,060,554</b>

## 1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. In preparing these financial statements the group has adopted acquisition accounting as set out in Financial Reporting Standard (FRS) 6 "Acquisitions and Mergers" and FRS 20 "Share Based Payments" for the first time. The financial statements are presented in UK pounds sterling as this represents the functional currency of the Group. The following principal accounting policies have been applied:

### *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of Provexis PLC, and its wholly-owned and majority owned subsidiary undertakings, Provexis Nutrition Limited 100% ("PNL"), Provexis Natural Products Limited 100% ("PNP"), Provexis (IBD) Limited 75% ("IBD") and Altucea Limited 94% ("ALT"), a dormant company, all of which are registered in England. All entities are referred to as the "Group" and those operations exclusively of Provexis PLC are referred to as "The Company".

The acquisition method of accounting is used to consolidate the results of subsidiary undertakings in the group's financial statements.

Where merger relief applies, the investment is recorded in the company's balance sheet at the nominal value of the shares issued together with the fair value of any additional consideration paid.

A separate profit and loss account dealing with the results of the Company only has not been presented, as provided by Section 230 of the Companies Act 1985. The group loss for the year includes a loss after tax of £208,619 (2006 - £455,446) which is dealt with in the financial statements of the parent company.

The Group is also exempt under the terms of FRS 8 ("Related Party Disclosures") from disclosing normal trading related party transactions with entities that are part of the Provexis PLC group.

### *Going concern*

The group financial statements have been prepared on the basis of going concern as it is considered the group will continue in business for the foreseeable future.

### *Share based employee remuneration*

Where share options are awarded to employees, the fair value of the options at the time of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that ultimately, the cumulative amount over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market conditions are satisfied. The cumulative expense is not adjusted for the failure to achieve a market vesting condition. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Historically, when shares and share options were awarded to employees a charge was made to the profit and loss account on the difference between the market value of the Company's shares at the date of grant and the option price in accordance with UITF17 (Revised 2003) "Employee Share Schemes". The credit entry for the charge was taken to the share option reserve.

### *National Insurance on Share Options*

To the extent that the share price at the balance sheet date is greater than the exercise price on options granted under unapproved schemes after 19 May 2002, provision for any National Insurance contribution has been made based on the prevailing rate of National Insurance. The provision is accrued over the performance period attaching to the award.

### *Turnover*

Turnover from sales of the Company's Sirco<sup>®</sup> product and the discontinued Altú<sup>™</sup> product are recognised upon delivery which is generally the time of shipment where legal title and risk of loss is transferred to the Group's customers, and is stated at the net invoiced value of goods supplied to customers after deduction of value added tax where applicable.

### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the Group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

### *Goodwill*

Goodwill is capitalised and amortised on a straight line basis over its useful life of 15 years. Goodwill included in the consolidated financial statements relates to the Group's acquisition on 24 June 2005 of Provexis Limited. Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired.

### *Impairment of fixed assets and goodwill*

The need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use. Impairment tests on the carrying values are undertaken:

- at the end of the first financial year following acquisition
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

### *Investments*

Investments are held at cost less any provision for impairment in value.

### *Tangible fixed assets*

Tangible fixed assets are stated at cost. Depreciation is calculated on a straight line basis so as to write off the cost less estimated residual value of tangible fixed assets by equal instalments over their expected useful economic lives as follows:

Plant, machinery and vehicles	-	3 years
Fixtures, fittings and equipment	-	3 years

### *Research and development*

Expenditure on research and development is written off as incurred and includes a proportion of salaries and other expenses relating thereto.

### *Stock*

Stock has been valued at the lower of cost and net realisable value.

### *Pension costs*

Contributions to the Company's defined contribution pension scheme are charged to the profit and loss account in the period in which they become payable. The assets of the scheme are held separately in independently managed funds.

### *Financial instruments*

In relation to the disclosures made in note 17:

- short term debtors and creditors are not treated as financial assets or financial liabilities (other than for currency disclosures);
- the group does not hold or issue derivative financial instruments for trading purposes.
- in the group's current situation, hedging for interest rate risk is not considered appropriate; and
- short-term liquidity risk is managed by obtaining and reviewing the adequacy of banking facilities on a regular basis.

Operations and working capital requirements are financed principally through the group's cash balances. However, the Board constantly monitors the financial markets to ensure this policy remains in the group's interest.

### *Leased assets*

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital payments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

### *Liquid Resources*

For the purposes of the cash flow statement, liquid resources are defined as current asset investments and short term deposits.

## 2 Changes to accounting policies – FRS 20 Share based payments

In preparing these financial statements the group has adopted for the first time FRS 20. FRS 20 requires the recognition of share based payments at fair value at the time of grant. Prior to the adoption of FRS 20, the group recognised the financial effect of the share based payment in the following way: when shares and share options were awarded to employees a charge was made to the profit and loss account based on the difference between the market value of the Company's shares at the date of grant and the option exercise price in accordance with UITF Abstract 17 (revised 2003) 'Employee Share Schemes'.

The credit entry for this charge was taken to the share option reserve and reported in the reconciliation of movements of shareholders' funds. In accordance with transitional provisions of FRS 20, the standard was applied retrospectively to all grants of equity instruments after 7 November 2002 that were unvested at 1 April 2006 and to liabilities for share based transactions at 1 April 2006. The adoption of FRS 20 has resulted in the retained profit reserve carried forward for the year ended 31 March 2006 and the year ended 31 March 2007 being decreased by £67,147 and £185,764 respectively.

## 3 Loss per share

	2007	2006
Numerator	£	£
Loss for the year	<b>(2,922,255)</b>	(3,463,485)
Loss per share	<b>1p</b>	2p

  

	2007	2006
	Number	Number
Weighted average number of shares used in basic and diluted EPS	<b>250,765,567</b>	200,292,102

The inclusion of share options in the calculation of weighted average number of shares would have the effect of reducing the loss per share. Consequently, the share options have been excluded from the calculation.

## 4 Reserves

Group	Share premium account £	Merger reserve £	Share option reserve £	Profit and loss account £
At 1 April 2006 as previously stated	5,312,243	6,273,909	804,797	(6,026,729)
FRS 20 prior year adjustment	—	—	67,147	(67,147)
At 1 April 2006 as restated	5,312,243	6,273,909	871,944	6,093,876
Premium on shares issued in lieu of implementation fee	79,624	—	—	—
Loss for the year	—	—	—	(2,922,255)
Fair value of unvested share options	—	—	118,619	—
At 31 March 2007	<b>5,391,867</b>	<b>6,273,909</b>	<b>990,563</b>	<b>(9,016,131)</b>

**5 Reconciliation of operating loss to net cash outflow from operating activities**

	2007	2006
	£	As Restated £
Operating loss continued operations	<b>(2,872,491)</b>	(3,413,532)
Operating loss discontinued operations	—	(172,003)
<b>Total operating loss</b>	<b>(2,872,491)</b>	(3,585,535)
Depreciation and amortisation	<b>488,435</b>	379,876
Increase in stocks	<b>(20,503)</b>	(46,931)
Decrease/ (increase) in debtors	<b>175,476</b>	(171,540)
Increase in creditors	<b>31,735</b>	145,745
Share based payment charges	<b>118,619</b>	536,723
<b>Net cash outflow from operating activities</b>	<b>(2,078,729)</b>	(2,741,662)

**6 Reconciliation of net cash inflow to movement in net funds**

	2007	2006
	£	£
(Decrease)/increase in cash in the year	<b>(2,050,419)</b>	1,060,554
Decrease in debt	—	622
<b>Change in net funds resulting from cash flows</b>	<b>(2,050,419)</b>	1,061,176
Decrease in debt – non cash	—	400,000
Net funds at beginning of year	<b>2,166,243</b>	705,067
<b>Net funds at end of year</b>	<b>115,824</b>	2,166,243

**7 Analysis of net funds**

	At 1 April 2006	Cash flow	Other non cash items	31 March 2007
Cash at bank and in hand	2,166,243	(2,050,419)	—	<b>115,824</b>
<b>Total</b>	<b>2,166,243</b>	<b>(2,050,419)</b>	<b>—</b>	<b>115,824</b>