

Corero plc

("Corero" or "the Group")

Preliminary Results for the year ended 31 December 2006

Corero PLC, the specialist provider of software solutions to the banking & securities and education markets, announces its preliminary results for the year ended 31 December 2006.

All comparisons are for the eight months ended 31st December 2005.

- Record revenues of £6.3 million (2005 £2.1 million)
 - Financial Markets Division increased revenues to £3.9 million (2005 £0.8 million)
 - Business systems sales grew to £2.4 million (2005 £1.3 million)
- Record adjusted pre-tax profits of £0.4 million (2005: loss £0.8 million)
 - Both divisions profitable
- Adjusted Earnings per share of 1.1 p (2005 loss 2.9 p)
- 2005 acquisitions of Blue Curve and Eclipse Learner Systems were successfully integrated and performed above expectations
- First US sales for Financial Markets Division
- 24 new clients added, taking the total to 288.
 - Annual recurring revenue base increased by 47% to £2.8 million at 31 December 2006
- Previously reported delayed large license agreement anticipated during the first half of 2007

Jarlath McGee, Chief Executive, said:

"It has been a year of significant change with the acquisitions of Blue Curve and Eclipse and we are delighted by the overall performance of the business.

The Group now operates from a much broader base with significant recurring revenues, creating a much stronger financial position.

We expect the momentum built in 2006 to continue and our sales pipeline to grow in size and quality. We plan to open our first overseas office in the USA in the first half of 2007 to support our existing USA revenue stream and to enable us to increase our presence in the large North American market with minimum exposure. We anticipate further sales there in 2007 and beyond."

29 March 2007

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About Corero

Corero designs, develops and delivers market leading software products for financial institutions through its Financial Markets Division, and business and education markets through its Business Systems Division.

Radica is the European leading software system that addresses the needs of asset servicing operations for the global banking & securities sector. By fully automating the life-cycle of corporate actions, dividends, including taxation and new issues and placings, Radica reduces the serious operational risk of missing or miscalculating corporate events. This area of operations has traditionally been very manual with all the risk and cost associated with such processes. Radica is designed for a global market and can address the needs of financial institutions from Europe, North America or Asia Pacific.

Blue Curve software allows organisations to vastly improve the production and distribution of their financial research. It collates and presents complex financial data efficiently and quickly for analysts to make informed opinions on market conditions and trends. It speeds up the process of content creation, content approval and publishing. And it also makes sure that each piece of content conforms to the correct regulatory requirements, and that it gets sent to the right people, using the right method and at the right time.

ICAEW accredited, Resource Financials, is at the core of the Corero suite of business applications. Also featured are solutions for eProcurement, Project Costing, HR & Payroll, Continuing Professional Development and Learning Management. Together with Workflow and Web Applications, covering Reporting, Timesheets, Expenses and Requisitions, there are over 60 highly integrated modules offering large and small enterprises modern and dynamic business solutions.

Eclipse Learner Management system manages the students, tutors and processes within Further and Higher Education environments by electronically capturing the information required throughout the "learning lifecycle" and to satisfy Government reporting requirements and, most importantly, secure the funding upon which Colleges depend.

Chairman's Statement

I am pleased to report that Corero has achieved record results for the year both in terms of revenue and profit. All Divisions and product lines were profitable, with Blue Curve, now a part of Financial Markets Division, doubling its revenues and the Business Systems Division more than doubling its profit contribution. The acquisitions of Eclipse and Blue Curve have been very successful and have given the Group a platform for continuous and sustainable growth.

These acquisitions, combined with organic growth across the Group, have resulted in a transformation of the business and a significant restructuring of our trading operations. To recognise these changes and to reposition it for the next phase of its development, the name of the Company was changed to Corero plc from Mondas plc with effect from 27 February 2007.

Results

For the year ended 31 December 2006, the Group reported record revenues of £6.3 million (eight months ended 31 December 2005: £2.1 million). Our adjusted profit before tax was £0.4 million (eight months ended 31 December 2005: loss £0.8 million), with the turnaround of £1.2 million due to strong revenue performance in the financial sector most notably with Blue Curve more than doubling its revenues compared to 2005. The Group took on 24 new customers in the year, as well as 2 major cross sales of new products to existing users in the financial sector. The Business Systems division produced strong profits from its solid user base, with the Eclipse product line moving from break even in 2005 to a significant operating profit in 2006. Our annualised support base increased by 47% to £2.8 million at 31 December 2006.

Our earnings per share based on adjusted pre tax profit were 1.1 pence (eight months ended 31 December 2005: loss 2.9 pence).

The improved trading and successful integration of acquisitions has allowed the Group to benefit from positive free cash flows of £430,000. This has led to a much improved working capital position at the year end. This, when combined with the August 2006 variation of the Convertible Unsecured Loan Stock ("CULS"), has given the Group its strongest ever financial position.

Business model and strategy.

Our strategy is one of strong organic growth from our financial markets products on a global basis and to underpin this by increasing recurring revenues across both divisions. We will augment this with appropriate acquisitions which offer exciting growth opportunities and deliver shareholder value.

Staff

On behalf of the board, I would like to take this opportunity to thank our staff for their efforts in producing these excellent results, and I look forward to working with them over the next few years as we realise the true potential of this business.

Outlook

The much improved financial position of the Group, its strong increase in new clients, its recurring annual revenues and the proven global capability of its products put Corero in a position to deliver strong results in 2007 and beyond. In our trading update on 3 January 2007, we referred to the slippage of a large license extension agreement from an existing customer, which arose due to a procurement delay. We expect this agreement will augment the first half of 2007's performance.

In summary, I am pleased to report Corero has achieved record results for the year both in terms of revenue and profit, resulting in a much improved financial position. The acquisitions of Eclipse and Blue Curve have been very successful and we now have a platform for continuous and sustainable growth which leads us to view the Group's future with optimism.

Peter Waller

Chairman

29 March 2007

Chief Executive's Report

Overview

I am delighted with the performance of all divisions this year. It has been a year of significant change in the business with the acquisitions of Blue Curve and Eclipse adding greatly to the Group through their customers, their products and their people. Our international business has grown significantly. We now service clients in the West and East Coasts of North America, continental Europe, Moscow, South Africa and Singapore.

Our rebranding has brought together all of the Group under one new set of values and identity, while retaining the very strong branding of the products within each of our divisions. Following this restructuring, we now have two operating divisions; Financial Markets Division and Business Systems Division. Financial Markets comprises the Blue Curve and Radica product lines and is focussed on Research Management and Asset Servicing solutions. Business Systems Division comprises the Eclipse and Resource product lines and is focussed on the public sector, in particular the education market.

During 2006 we won 24 new clients and now support 288 customers in total. With Blue Curve, we achieved sales to our first US clients and with Radica CAPS, we were selected to provide a global income processing system to one of the world's largest investment banks. We now support clients across four continents and are moving towards becoming a truly global provider of complex products to expanding markets.

Our commitment to our customers has been rewarded with very strong revenues from our user base and our focus on sales has seen our customer base increase by 24 to 288.

Financial Markets Division

This division has seen the greatest change with the acquisition of Blue Curve. Divisional revenues have increased from £0.8 million in 2005 to £3.9 million, including almost £2.0 million from Blue Curve, more than double its 2005 revenues. Annual recurring revenues have increased from £0.5 million at the start of the year, to £1.2 million at the balance sheet date. The division increased its number of customers from 6 to 22, with 8 new Blue Curve and 2 new Radica CAPS clients joining the user base which was also enlarged with the acquisition of Blue Curve.

All financial markets clients have contracted for additional licences or services which clearly points to a very satisfied customer base. Several large Blue Curve licence renewals, including ING and Evolution, are testament to the acceptability of our products. Our investment in Version 4 of Radica CAPS has allowed us to deliver a fully integrated system to Panmure Gordon in less than 12 weeks and has ensured the selection of Corero as the global platform for income processing in one large investment bank.

We have increased our headcount in this division. This is due to the strong Blue Curve business and an increasing pipeline of opportunities across both products. Our internal estimates and those of the Celent report, (Celent is an independent consultancy focussed on the banking sector) show that the potential markets for our key products are forecast to be worth approximately \$1 billion between now and 2010, and I believe that we have the products and the people to capitalise on these growing markets. The business drivers remain the same. These drivers are reduction of operational risk, growing compliance demands and the reduction of cost, all of which produce a demand for automation within our target customers. Basel II and MiFID remain strong drivers for better systems and our products will help our customers achieve the level of automation required.

We are seeing increasing interest in the Blue Curve product from North America and our plan for a New York office will ensure that we capitalise on this while it will also service our current revenue stream from existing US clients. It will also facilitate the global roll out of the global income project at one of our large investment banking client and at the same time increase the acceptability of the Radica CAPS product to our other global prospects.

Business Systems Division

The acquisition of Eclipse has helped increase the revenues of this division from £1.3 million in 2005 to £2.4 million this year. Divisional contribution has increased from £0.1 million to £0.6 million. At the year end, annual recurring revenues from support contracts were £1.5 million. The division has 266 clients, up from 250, and the education sector now accounts for over 60% of the user base with 154 education sector clients.

City Academies represent an emerging complementary market within the education sector, and of the 16 new education clients, 6 were City Academies. We continue to see strong brand loyalty from our customers in this division which is reflected in the level of repeat business and low attrition rate. This has contributed greatly to the fact that 75% of Group revenues have come from our clients who were with us at the start of the year.

We continue to invest in product development and are in the first stages of the development of a new Learner Management System (LMS) which will provide an upgrade path for current users of our existing Resource LMS and Eclipse LMS products.

Future

We expect the momentum built in 2006 to continue and our sales pipeline to grow in size and quality. We plan to open our first overseas office in New York in the first half of 2007 to support our existing North American revenue stream. This will enable us to increase our presence in the large North American market where we anticipate further sales in 2007 and beyond. We expect this operation to be break-even by the end of the year, minimising any exposure. We will continue to develop our products to maintain their market leadership position and plan to hire additional sales and delivery staff to take advantage of our growing opportunities.

Jarlath McGee

Chief Executive

29 March 2007

Chief Financial Officer's Report

Financial Performance

For the year ended 31 December 2006, the Group reported adjusted profits before tax, adjusted for goodwill amortisation, restructuring costs, notional non-cash interest and share option expense, of £408,000 compared to a loss of £772,000 for the eight months ended 31 December 2005.

Group revenues increased significantly to £6,294,000 (eight months ended 31 December 2005: £2,091,000), driven by the recent acquisitions and by organic growth across the Group. Approximately 75% of our revenues came from existing users, demonstrating the acceptance of our products and the high level of customer satisfaction we enjoy.

Strong growth was experienced in the Financial Markets Division, where revenues grew to £3,873,000 (eight months ended 31 December 2005: £774,000). Revenues of £1,968,000 arose from the acquisition in January 2006 of Blue Curve; an increase of 223% on its revenues for the year ended 31 December 2005 of £883,000. Blue Curve generated significant licence revenues, both from sales to new customers and increasing commitments by existing customers. Radica revenues were £1,905,000 (eight months ended 31 December 2005: £774,000) with growth coming from 2 new licences and increased delivery of services into existing customers. Business Systems Division revenues grew to £2,420,000 (eight months ended 31 December 2005: £1,317,000), with approximately £500,000 of this arising from Eclipse, which was acquired in October 2005.

Contracted annual licence and support revenues have increased to approximately £2,800,000 (eight months ended 31 December 2005: £1,900,000) due to the acquisition of Blue Curve, an increased customer base, and significant sales of additional licences and services into the existing user base.

Revenue growth has been in conjunction with a controlled increase in our cost base. Employee numbers have increased to 75 at the balance sheet date (31 December 2005: 53) arising from the acquisition of Blue Curve and from investments made in sales, delivery and infrastructure staff to support the increased level of business. Recurring revenues of approximately £2.8 million now provide significant coverage of fixed costs.

Exceptional costs of £170,000 relate largely to surplus premises arising on the acquisition of Blue Curve, and include a provision against certain future property lease costs. The company is actively marketing these premises to potential tenants.

Goodwill amortisation arising on our recent acquisitions has been calculated on a straight-line basis based on a 10 year amortisation period from the point of acquisition, giving rise to a total charge of £295,000. The comparative charge of £495,000 was mainly the final element of goodwill arising from the October 2000 acquisition of DSR Resource (now the Business Systems Division), which was amortised over a 5 year period. We believe the change to a 10 year amortisation period more accurately reflects the life of the recently acquired products, taking into account their user base, revenue performance, increasing recurring revenues, profitability and cash generation. However, for 2007 we will be reporting under International Financial Reporting Standards (IFRS), which require that goodwill is not amortised, but instead is tested annually for impairment.

Net interest payable on the 8% Convertible Unsecured Loan Stock ("CULS") less amounts held in the bank was £274,000 (eight months ended 31 December 2005: £151,000). Additionally the company was obliged under FRS25 ("Financial Instruments: Disclosure and Presentation") to report an additional, non-cash, 'interest' charge of £388,000 (eight months ended 31 December 2005: £89,000). This includes £325,000 non-recurring, notional adjustments arising from the variation of the CULS, in addition to £63,000 of non-cash, notional interest charges also required

by this standard (eight months ended 31 December 2005: £89,000). The cash cost of the CULS variation was approximately £82,000 and consisted of commissions and professional fees.

The Group has adopted FRS20 ("Accounting for Share Based Payments") as we offer share options to staff and executives. This has been applied retrospectively to the prior period as well as the current year. The valuation has been estimated by using the Black-Scholes model, and has made certain reasonable assumptions to determine the valuation. As a result there is a charge of £13,000 (2005: £3,000) relating to share based payments. There is no cash impact to the Group as a result of this new accounting standard.

Tax credits of £38,000 were received in the year which relate to previous tax credits reclaimed. Total tax losses carried forward are approximately £5,200,000, subject to final HMC&E agreement regarding the streaming of certain losses from acquired businesses.

Earnings per share based on adjusted pre-tax profits were 1.1 pence (eight months ended 31 December 2005: loss 2.9 pence). The average number of shares in issue in 2006 was 36,251,573 (2005: 26,881,206).

After adjusting for exceptional costs, FRS25 interest and the amortisation of goodwill the loss after tax was £418,996 (eight months ended 31 December 2005: £1,449,199 restated for FRS 20).

Financial Position

On 30 August 2006 our balance sheet was strengthened by changes to the CULS, with the redemption date being extended from 31 October 2007 to 31 October 2011, the coupon reduced from 8.75 per cent to 8 per cent and the conversion price adjusted to 25p. In addition a placing of £1,000,000 nominal of new CULS was completed at par, together with a small placing of 405,250 new ordinary shares at 16p per share, raising £65,000, to provide funds for incremental investment opportunities and working capital.

Positive free cash flow of £430,000 was generated from operations, compared to a consumption of £726,000 in the prior eight month period. The net turnaround of £1,156,000 when combined with the CULS renegotiation and the issue of £1m new CULS has significantly strengthened the Group's financial position. Trade debtors were £2,294,000 (2005: £643,000), which represented 52 days sales outstanding (2005: 67 days).

Goodwill arising during the year was £2,519,000, which was entirely due to the acquisition of Blue Curve on 16 January 2006. £925,000 of this arose from the initial consideration, with the remaining £1,530,527 arising from the deferred consideration, which was determined by revenue growth in excess of a defined threshold. This will be payable by way of a share issue, with the number of shares being determined by reference to the higher of 17 pence or a 10 per cent discount to the closing mid-market price on the date of the preliminary announcement of these results. Consequently a maximum of 9,003,100 shares will be issued under the earn-out. Net liabilities of £3,000 were assumed on acquisition, and the costs of acquisition were £61,000.

Deferred income, which represents future revenues for the Group, increased to £1,466,000 (2005: £1,245,000). This increase arose from the acquisition of Blue Curve Ltd and from increased sales during the year.

The Group's net deficit position has decreased significantly by £2,438,000 to £312,000 at 31 December 2006, as a result of improved trading, and the increased capital base.

Ian Selby

Chief Financial Officer
29 March 2007

Consolidated Profit and Loss Account for the year ended 31 December 2006

	Year ended 31 December 2006	Year ended 31 December 2006 Continuing Operations	Year ended 31 December 2006 Total	8 month period ended 31 December 2005 Restated
Note	Acquisitions £	Operations £	£	£
Turnover	1,968,038	4,325,833	6,293,871	2,091,456
Cost of sales	(16,479)	(200,820)	(217,299)	(90,949)
Gross profit	1,951,559	4,125,013	6,076,572	2,000,507
Total administrative expenses	(1,516,815)	(4,355,001)	(5,871,816)	(3,209,578)
Operating profit / (loss)	434,744	(229,988)	204,756	(1,209,071)
Analysis of net interest payable and similar charges				
Net interest payable			(274,167)	(150,700)
Notional and extinguished CULS interest and costs			(387,825)	(89,428)
Net interest payable and similar charges	3		(661,992)	(240,128)
Profit/(loss) before FRS 25 interest, restructuring, FRS20, and goodwill amortisation and taxation			408,372	(772,255)
Notional and extinguished CULS interest ("FRS 25")			(387,825)	(89,428)
Restructuring	2		(170,322)	(90,070)
Share based payments ("FRS20")			(12,647)	(2,620)
Amortisation of goodwill			(294,814)	(494,826)
Loss on ordinary activities before taxation			(457,236)	(1,449,199)
Tax on loss on ordinary activities	4		38,240	-
Loss for the period	7		(418,996)	(1,449,199)
Basic and diluted loss per share	5		(1.2p)	(5.4p)

**Statement of Total Recognised Gains and Losses for the year ended 31 December
2006**

	Year ended 31 December 2006 £	(Restated) 8 month period ended 31 December 2005 £
Loss for the financial period	(418,996)	(1,449,199)
Total recognised gains and losses relating to the year	<u>(418,996)</u>	<u>(1,449,199)</u>
Prior year adjustment (note 1)	(2,620)	-
Total recognised gains and losses since the last financial statements	<u>(421,616)</u>	<u>(1,449,199)</u>

Consolidated Balance Sheet as at 31 December 2006

	31 December 2006	31 December 2005
Note	£	Restated £
Fixed assets		
Intangible assets	2,733,585	509,102
Tangible assets	92,423	109,577
	<u>2,826,008</u>	<u>618,679</u>
Current assets		
Debtors	2,463,418	840,911
Cash at bank and in hand	906,890	397,405
	<u>3,370,308</u>	<u>1,238,316</u>
Creditors: amounts falling due within one year	<u>(1,095,257)</u>	<u>(539,208)</u>
Net current assets	2,275,051	699,108
Total assets less current liabilities	5,101,059	1,317,787
Deferred income	(1,466,160)	(1,245,069)
Creditors: amounts due falling after more than one year		
Convertible 8% unsecured loan stock	<u>(3,947,258)</u>	<u>(2,823,067)</u>
Net liabilities	<u>(312,359)</u>	<u>(2,750,349)</u>
Capital and Reserves		
Shares to be issued	1,530,527	-
Called up share capital	3,684,875	2,822,775
Share premium account	6,369,379	6,428,347
Merger reserve	364,394	-
Convertible unsecured loan stock equity reserve	146,286	-
Share options reserve	15,267	2,620
Profit and loss reserve	<u>(12,423,087)</u>	<u>(12,004,091)</u>
Equity shareholders' deficit	<u>7 (312,359)</u>	<u>(2,750,349)</u>

Consolidated Cash Flow Statement for the year ended 31 December 2006

	Year ended 31 December 2006	8 month period ended 31 December 2005
Note	£	£
Net cash outflow from operating activities	A (448,049)	(381,850)
Returns on investments and servicing of finance	(246,116)	(150,700)
Taxation received	38,240	-
Capital expenditure	(56,660)	(10,610)
Acquisitions	63,855	(159,550)
Cash outflow before use of liquid resources and financing	(648,730)	(702,710)
Management of liquid resources	(589,073)	94,249
Financing		
Issue of ordinary capital including premium net of costs	1,158,215	69,250
Decrease in cash	(79,588)	(539,211)

Notes to the consolidated cash flow statement

A. Reconciliation of operating profit/(loss) to net cash outflow from operating activities.

	Year ended 31 December 2006	8 month period ended 31 December 2005
	£	£
Operating profit/(loss)	204,756	(1,209,071)
Depreciation	78,324	57,289
Amortisation	294,814	494,826
(Increase)/decrease in debtors	(1,441,054)	653,280
Increase/(decrease) in creditors	402,644	(380,794)
Other non-cash charges	12,647	2,620
Net cash outflow from operating activities	(448,049)	(381,850)

B. Purchase of subsidiary undertaking

On 16 January 2006, the Company acquired 100% of the issued share capital of Blue Curve Limited whose assets and liabilities were

	Book value £	Fair value adjustment £	Fair value £
Tangible fixed assets	4,512	-	4,512
Debtors	181,453	-	181,453
Cash at bank and in hand	124,866	-	124,866
Creditors	(216,432)	-	(216,432)
Deferred income	(97,160)	-	(97,160)
Net separable liabilities	(2,761)	-	(2,761)
Goodwill	2,519,298	-	2,519,298
Satisfied by: Consideration			<u>2,516,537</u>
Consideration comprises:			
Equity consideration			925,000
Shares to be issued			1,530,527
Costs of acquisition			61,010
Total consideration			<u>2,516,537</u>

Amounts incurred in restructuring, reorganising and integrating Blue Curve Limited since acquisition and included in the Company's financial results under restructuring costs amounted to approximately £155,000.

The consideration comprised:

a) Initial consideration of £925,000, satisfied by the issue of 5,606,060 new ordinary shares at a price of 16.5p per share; and

b) Deferred consideration of up to £2,075,000, based on Blue Curve's revenues for the year ending 31 December 2006, after deducting any shortfall adjustment, at the rate of twice the excess above minimum revenue of £1,150,000. The shortfall adjustment was defined as 1.5 times the amount by which Blue Curve's revenues for the year ending 31 December 2005 fell below £925,000. Blue Curve's revenues for the year ended 31 December 2005 were £882,567. The deferred consideration is to be satisfied by the issue of up to a further 9,003,100 new Corero ordinary shares, issued at the higher of 17p per share and a discount of 10 per cent. to the mid market price of a Corero plc ordinary share on the date of the announcement of preliminary results for the year ending 31 December 2006. The entire deferred consideration is by way of issue of 10 pence ordinary shares.

C. Free Cash Flow

	Year ended 31 December 2006 £	8 month period ended 31 December 2005 £
Operating Profit / (loss)	204,756	(1,209,071)
Add		
Amortisation	294,814	494,826
Depreciation	78,324	57,289
Restructure	170,322	90,070
Share based payments	12,647	2,620
	<hr/> 556,108	<hr/> 644,805
Less		
Capital expenditure	(56,994)	(10,610)
Interest payable	(274,167)	(150,700)
	<hr/> (331,161)	<hr/> (161,310)
Free Cash Flow from ongoing operations	<hr/> <u>429,702</u>	<hr/> <u>(725,576)</u>

1. Accounting policies

Basis of Preparation

Going Concern

These financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards, using the following accounting policies. The accounts have been prepared on a going concern basis as the Directors believe that current sales prospects combined with existing working capital resources should ensure that Corero has adequate working capital to service its existing business for the foreseeable future.

Although the Group has historically incurred significant trading losses and cash outflows, the year ended resulted in operating profits after interest, and in cash generated from operations. Improved trading conditions and successful integration of acquisitions has helped strengthen the Group's working capital position. During the year the CULS were renegotiated, with their redemption date moved to 31 October 2011.

Change in accounting policy

The Group has changed its accounting treatment for employee share options. Under Financial Reporting Standard (FRS) 20, Share Based Payment, the Group is required to recognise an expense for share-based payments in the profit and loss account. Details of the accounting policy adopted are given below. The impact of this change in accounting treatment has been to reduce the Group's operating profit for the year by £12,648 (2005: £2,620)

2. Restructuring charge

	Year ended 31 December 2006 £	8 month period ended 31 December 2005 £
Other restructuring including professional fees	13,186	65,481
Integration costs of Eclipse Learner Systems	14,646	24,589
Accrual against surplus premises arising on Blue Curve acquisition	131,733	-
Other Blue Curve integration costs	10,757	-
	<u>170,322</u>	<u>90,070</u>

3. Net interest payable and similar charges

	Year ended 31 December 2006 £	8 month period ended 31 December 2005 £
Bank interest receivable	10,452	8,486
Interest payable on other loans	(282,846)	(157,480)
Bank interest payable	(1,773)	(1,706)
Net Interest Payable	<u>(274,167)</u>	<u>(150,700)</u>
Notional charges from variation of CULS under FRS25 arising from a change in fair value assumptions	(262,395)	-
Amortisation of notional CULS interest charges and renegotiation costs under FRS25	(62,196)	(89,428)
Renegotiation of CULS	(63,234)	-
Notional Interest Expense under FRS 25	<u>(387,825)</u>	<u>(89,428)</u>
Net interest payable and similar charges	<u>(661,992)</u>	<u>(240,128)</u>

4. Tax on loss on ordinary activities

The amounts represent tax refunds in respect of research and development tax credits received during the year.

5. Loss per share

Basic loss per share for the year is based on a weighted average number of shares outstanding of 36,251,573 (Eight months ended 31 December 2005: 26,881,206) and loss after taxation £418,996 (Eight months ended 31 December 2005 restated: £1,449,199). The CULS and share options were non-dilutive for both periods and thus the diluted loss per share is the same as the basic amount.

6. Dividend

The directors do not recommend paying a dividend for the year ended 31 December 2006 (eight months ended 31 December 2005: £nil)

7. Reconciliation of movements in shareholders' deficit

	Year ended 31 December 2006	8 month period ended 31 December 2005
	£	£
Loss for the financial period	(418,996)	(1,446,579)
FRS 20 Restatement	-	(2,620)
Loss for the financial period –after restatement	<u>(418,996)</u>	<u>(1,449,199)</u>
Issue of 8,621,000 ordinary shares at par (2005: Issue of 2,086,110 ordinary shares at par)		
	862,100	208,611
Premium on new shares issued (net of expenses)	(58,968)	147,640
Merger reserve arising on acquisition of Blue Curve Limited		
	364,394	-
Equity arising on CULS re-negotiation	146,286	-
Share Options Reserve	12,647	2,620
Shares to be issued	<u>1,530,527</u>	<u>-</u>
Net addition/(reduction) to shareholders' funds	2,437,990	(1,090,328)
Opening shareholders' deficit	(2,750,350)	(1,660,021)
Closing shareholders' deficit	<u>(312,359)</u>	<u>(2,750,349)</u>

8. Sundry Information

This preliminary statement, which has been agreed with the auditors, was approved by the Board on 28 March 2007. It is not the Company's statutory accounts for the year ended 31 December 2006 but has been extracted from them. Copies of the report and accounts for the year to 31 December 2006 will be posted to shareholders shortly and may be obtained from the company's registered offices.

The statutory accounts for the year ended 31 December 2006 received an audit report which was unqualified and did not contain a statement under s237 (2) or (3) of the Companies Act 1985. The statutory accounts for the eight month period ended 31 December 2005 have been delivered to the Registrar of Companies but the audited 31 December 2006 accounts have not yet been filed.