

**Tersus Energy Plc**  
**(“Tersus Energy” or “the Company”)**

**Preliminary results for the year ended 31 December 2005**

Tersus Energy Plc (AIM:TER), formerly MCC Energy Plc, today announces preliminary results for the year ended 31 December 2005.

**Highlights**

**Operational**

- Admitted to AIM in February 2005 raising £3million; an additional £4million raised in December 2005
- £4.5million invested in eight acquisitions / investments
- JVs agreed for renewable energy project developments in China and India and with global bioenergy technology partners

**During 2005**

- |  |   |
|--|---|
| <ul style="list-style-type: none"><li>• <b>Tersus Asian Renewables</b></li><li>• <b>Tersus BioEnergy</b></li><li>• <b>Tersus Energy Controls</b></li></ul> | <ul style="list-style-type: none"><li>• Investment in Tang Group, the Asian project developer</li><li>• Development agreement with Tang Group for wind and clean coal projects in China</li><li>• Investment in Dynamotive Energy Systems in process of being realised in 2006 at profit</li><li>• Development JV with Dynamotive Energy Systems, a Canadian biofuels technology provider</li><li>• Acquisition of Navitas Technologies, a Canadian developer and manufacturer of electronic energy control equipment for electric powered vehicles</li></ul> |
|--|---|

**Since 31 December 2005**

- |  |   |
|--|---|
| <ul style="list-style-type: none"><li>• <b>Tersus Asian Renewables</b></li><li>• <b>Tersus BioEnergy</b></li><li>• <b>Tersus Energy Controls</b></li></ul> | <ul style="list-style-type: none"><li>• Investment in Chinese wind industry through HT Blade</li><li>• Jasfour Power joint project development company for wind projects in India established</li><li>• Investment in UK agricultural waste-to-electricity technology provider Enviro-Control</li><li>• JV for development of Enviro-Control global project pipeline</li><li>• Investment in Thor, a US-based developer of electric motor systems</li><li>• Acquisition of Envinta, a US-based developer of energy and environmental information software</li></ul> |
|--|---|

**Financial**

- Retained loss for year £901,801 (2004 – loss of £1,448,201)
- Operating loss of £1,022,835 (2004 – loss of £1,448,201) on the continuing business of Tersus Energy Plc and MCC Energy Group, Inc.
- Navitas operating profit in the 2005 post-acquisition period of £67,672
- These figures do not include the benefit of the unrealised profit on the short term investment in Dynamotive, which is being realised in 2006. The profit is subject to future changes in the Dynamotive share price but, based on the 31 December 2005 share price, the unrealised pre-tax profit was £396,000, and on the 30 April 2006 share price, £910,000.

**John Devaney, Non-Executive Chairman of Tersus Energy Plc, said:**

*“We are pleased to announce our first set of annual results since we began trading on AIM in February last year. 2005 was a transformational year for Tersus Energy. We have progressively broadened our emphasis from advisory work to include investing, operating and project development and have [established the foundations of three operating businesses, focused on what we believe are the most attractive and significant areas of the renewable and alternative energy sector.](#)”*

*High fossil fuel prices and concerns about energy security and climate change have given accelerating momentum to the renewable and alternative energy markets and, via our three businesses, we intend to participate fully in their growth and future profitability, and in doing so create significant value for shareholders.”*

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## **Chairman's statement**

### **Introduction**

I am pleased to report on a period of real progress and the continuing evolution of our business.

We started the year as a privately owned clean energy advisory company. We listed on London's Alternative Investment Market in February 2005, raising £3million, with the purpose of further capitalising on our clean energy expertise to build up our investment activity.

Over the course of the year we have achieved this aim, progressively switching the emphasis of our activity from advisory work to include investing, operating and project development. We raised an additional £4million in December 2005 as further opportunities arose. Since our IPO in February 2005 we have invested £4.5million in eight investments and have joint venture agreements for project development with Tang Group (Chinese wind and clean coal), Jasfour Power (Indian wind), Dynamotive (biofuels from agricultural residues) and ECL (electricity from agricultural waste).

### **Financial results**

- Retained loss for year £901,801 (2004 – loss of £1,448,201)
- Operating loss of £1,022,835 (2004 – loss of £1,448,201) on the continuing business of Tersus Energy Plc and MCC Energy Group, Inc.
- Navitas operating profit in the 2005 post-acquisition period of £67,672
- These figures do not include the benefit of the unrealised profit on the short term investment in Dynamotive, which is being realised in 2006. The profit is subject to future changes in the Dynamotive share price but, based on the 31 December 2005 share price, the unrealised pre-tax profit was £396,000, and on the 30 April 2006 share price, £910,000.

In 2005 the management team established the foundations of three operating businesses, focused on what we believe are the most attractive and significant areas of the renewable and alternative energy sector: Tersus Asian Renewables, Tersus BioEnergy and Tersus Energy Controls.

### **Tersus Asian Renewables (TAR)**

TAR aims to exploit the exceptional demand for renewable energy in Asia. It is focusing on wind, biomass and clean coal, principally in China and India. TAR will be developing, investing in and operating a portfolio of renewable energy project streams with chosen joint venture partners.

- TAR first invested US\$500,000 in Tang Group LLP (“Tang Group”), a US and Beijing based project developer focused on wind and clean coal projects in Asia, primarily in China. The investment terms included the right to invest in Tang Group's subsequent projects. We continue to work with Tang Group to create opportunities to invest, to procure project finance, and to co-develop those projects.
- TAR then invested, via a US partnership, US\$2million in a leading Chinese wind blade manufacturer ZhongHang (Baoding) Huiteng Wind Power Equipment Co., Ltd (“HT Blade”). HT Blade develops, manufactures and sells 600kW to 1.5MW rated wind blades and related parts and components to domestic and international customers in China, and intends to expand sales to other selected Asian markets. HT Blade is currently established as a Chinese joint

venture company and is restructuring as a share limited company in anticipation of implementing a series of measures in accordance with its stated intention of achieving an IPO in the next 2-3 years.

- TAR's Indian joint venture made good progress in 2005. The joint venture, Jasfour Power, is aiming to become a major developer, owner and operator of wind power generation projects in India. Jasfour is in advanced stages of developing a 75MW wind energy project in Tamil Nadu, of which TAR will own a 40-50% interest. Going forward the joint venture has identified more than 300MW of projects for development, in which TAR expects to have a 50% interest subject to the performance requirements of any given project. In addition to these equity positions TAR is also exclusively contracted to provide development advisory and fundraising services.
- TAR also has a 25.5% interest in a joint venture developing a 160MW wind project in the northern tip of the Ilocos Norte province of the Philippines; and a 20% interest in a joint venture developing a 24MW clean coal fired co-generation project in Jinzhou, China. TAR is also contracted to provide development and financial advisory services to these initiatives. Both of these developments made progress in 2005.

The economic growth of Asian countries is creating demand for power that is greatly in excess of current supply. Renewables are expected to play a meaningful role in meeting this demand. Between 2004 and 2005 China's installed wind capacity grew from 764MW to 1.1GW, is expected to reach 2.2 GW in 2006 and 30GW by 2020 (making it the world's biggest wind energy market) and will contribute to China's stated intent of obtaining 15% of its energy through renewable sources by 2020. The Indian wind market is growing in excess of 35% per annum, contributing to the Indian Government's stated intent of obtaining 30% of its energy from renewable sources by 2022. TAR is well positioned to benefit from this exceptional growth and we continue to look for additional project and investment opportunities in the region.

### **Tersus BioEnergy (TBE)**

TBE aims to exploit the accelerating demand for non fossil fuel based supplies of energy. It is focusing on biofuels (bioethanol and biodiesel) and biomass-to-electricity from forest, agricultural, municipal and industrial waste feedstocks. TBE is developing, investing in and operating a portfolio of BioEnergy assets with chosen joint venture partners.

- TBE has invested £750,000 in Enviro-Control Limited ("ECL"), a UK-based world-leading animal waste-to-energy developer utilising patented anaerobic digestion. ECL will receive licence fees from each project. The investment terms include options, the exercise of which would give us 20% of the company. The investment terms also include a commitment to establish two joint venture companies in which we will have a direct 50% interest: one focused upon developing current and future ECL projects, and one focused upon marketing and selling the organic fertiliser and other by-products. TBE will now focus upon developing ECL's significant pipeline of projects at the same time as sourcing additional ones.
- TBE invested US\$500,000 in Dynamotive Energy Systems Corporation, a Canadian based company whose technology converts biomass into a renewable, environmentally friendly fuel.

We continue to develop our joint venture opportunities with Dynamotive which will provide us with opportunities to invest in their projects and to bring suitable projects to them.

The market for bioenergy came of age in 2005 driven by concerns over security of supply and climate change. The EIA forecasts the use of biomass for electricity generation in the US to grow from 6GW in 2002 to between 12GW-96GW by 2025. Having grown 126% between 2001-05, the US set targets in 2005 to double fuel ethanol consumption from 4bn gallons in 2005 to 7.5bn gallons by 2012. In Europe the biomass for electricity target states growth to 150 Mtoe by 2010 (compared with 69 Mtoe in 2003), and for biofuels from 5.75% of petrol and diesel consumption by end 2010 to 20% by end 2020. By partnering with key technology providers TBE is well positioned to develop a significant and attractive portfolio of projects to meet this demand.

### **Tersus Energy Controls (TEC)**

TEC aims to exploit the opportunity presented by the increasing focus on energy efficiency and management of electricity consumption. It is focusing on efficiency applications for mobile (eg. hybrid and electric vehicles, automatic guided vehicles, fork lift trucks) and stationary (eg. building controls, energy management information) end users.

- TEC's first investment was to acquire 100% of the business of Navitas Technologies for approximately US\$1million. Navitas is a Canadian developer and manufacturer of electronic energy control equipment for electric powered vehicles. Operating the business directly, we moved it from loss making to profitability, and the business is well positioned for future growth.
- TEC has invested in Thor Power Corporation. Based in Pennsylvania, Thor specialises in the development of highly efficient electric motor systems of up to 5kW. Thor offers revenue and cost synergies with Navitas, and represents both an attractive product line extension into a key market for TEC as well as an expansion of TEC's research and development activities in electric motor system technologies. TEC also has options, the exercise of which would give us 21% of the company.
- TEC has decided to expand its pursuit of the mobile energy controls market and product opportunity through Navitas. As a result, we have recruited a new CEO and a new Head of Engineering and intend to invest up to US\$1m in product and business development.
- TEC's most recent investment is in the energy management information sector, acquiring 100% of Envinta for US\$2.1million (US\$1.5million in cash and \$US0.6million in Tersus shares). Envinta is a US-based developer of energy and environmental information software. Its software has been sold to over 100 utilities and large commercial, industrial, government and institutional clients.

Electric motors consume over 50% of the annual generation of energy in North America. As macro-economic forces increasingly focus customers on optimising energy use, there is significant opportunity for those businesses able to help customers to manage their energy consumption. Looking forward, TEC intends to continue to build upon its mobile and stationary platforms through organic growth and acquisition.

**Advisory**

Our advisory business continues to contribute to revenue as well as keeping us at the forefront of market developments. Over the year we have worked on and won a number of advisory mandates in sectors including bioenergy, gas storage and wave power with income including retainers, success fees and client equity and options.

As previously, for accounting purposes, no value has been attributed to the portfolio of equity positions obtained and obtainable in return for providing advisory services. The directors continue to consider that these interests have significant value.

**Name change**

We changed the name of your Company from MCC Energy Plc to Tersus Energy Plc in November 2005. This was to reflect the change in focus from advisory work (for which the MCC Energy brand had a strong reputation) to investment and operational activities. Tersus means 'clean' in Latin and is therefore a very suitable name for our development and investment activities in our chosen areas of energy efficiency and alternative fuels/renewable energy.

**Board changes**

Early in 2006 Anthony Moore and Kenneth Denos resigned from the Board. The board changes reflect the Company's successful evolution since its listing in February 2005 to become an investor, developer and operator through its renewable energy businesses. I would like to express my gratitude to Tony and Ken for their contributions to Tersus Energy's development.

**Conclusion**

2005 was a transformational year for Tersus Energy. We look forward to the future with confidence. High fossil fuel prices and concerns about energy security and climate change have given accelerating momentum to the renewable and alternative energy markets and, via our three businesses, we intend to participate fully in their growth and future profitability, and in doing so create significant value for shareholders.

John Devaney

Chairman

8 May 2006

**TERSUS ENERGY Plc**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 December 2005**

	Note	2005 £	2005 Acquisitions £	2005 Total £	2004 (unaudited) £
<b>Turnover</b>	2	<b>1,234,899</b>	<b>1,499,242</b>	<b>2,734,141</b>	1,655,317
Cost of sales		<b>(1,032,845)</b>	<b>(1,010,029)</b>	<b>(2,042,874)</b>	(875,129)
<b>Gross profit</b>		<b>202,054</b>	<b>489,213</b>	<b>691,267</b>	780,188
Administrative expenses		<b>(1,224,889)</b>	<b>(421,541)</b>	<b>(1,646,430)</b>	(2,228,389)
<b>Operating profit/(loss)</b>		<b>(1,022,835)</b>	<b>67,672</b>	<b>(955,163)</b>	(1,448,201)
Net interest				<b>53,362</b>	-
<b>Loss on ordinary activities before taxation</b>				<b>(901,801)</b>	(1,448,201)
Taxation	3			-	-
<b>Retained loss for the year</b>				<b>(901,801)</b>	(1,448,201)
<b>Loss per share</b>	5				
Basic				(3.5p)	(12.5p)
Diluted				n/a	n/a

Note: Of the loss on ordinary activities before taxation for the year ended 31 December 2005, £884,920 is attributable to Group trading for the 11 months since the Company's shares were admitted to AIM.

All transactions arose from continuing operations.

**TERSUS ENERGY Plc**  
**CONSOLIDATED BALANCE SHEET**  
**At 31 December 2005**

	Note	2005 £	2004 (unaudited) £
<b>Fixed assets</b>			
Intangible assets	6	429,463	-
Tangible assets	7	35,802	-
Investments	8	337,625	-
		<b>802,890</b>	-
<b>Current assets</b>			
Stocks		397,380	-
Debtors	9	1,333,893	455,145
Investments	10	319,181	-
Cash at bank and in hand		3,387,575	65,886
		<b>5,438,029</b>	521,031
<b>Creditors: amounts falling due within one year</b>	11	<b>(761,390)</b>	(387,745)
<b>Net current assets</b>		<b>4,676,639</b>	133,286
<b>Total assets less current liabilities</b>		<b>5,479,529</b>	133,286
<b>Capital and reserves</b>			
Called up share capital		186,307	7,042
Share premium account		6,075,603	1,570,480
Merger reserve		1,499,766	-
Profit and loss account		(2,282,147)	(1,444,236)
<b>Equity shareholders' funds</b>		<b>5,479,529</b>	133,286

**TERSUS ENERGY Plc**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**For the year ended 31 December 2005**

	Note	2005 £	2004 (unaudited) £
<b>Net cash outflow from operating activities</b>	12	<b>(1,021,184)</b>	(1,609,148)
<b>Returns on investments and servicing of finance</b>			
Interest received		37,764	-
Interest paid		(426)	-
<b>Net cash inflow from returns on investments and servicing of finance</b>		<b>37,338</b>	-
<b>Capital expenditure and financial investment</b>			
Sale of marketable investments		-	64,474
Purchase of intangible fixed assets		(73,169)	-
Purchase of tangible fixed assets		(23,866)	-
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(97,035)</b>	64,474
<b>Acquisitions and disposals</b>			
Purchase of Navitas business, including associated costs		(500,981)	-
Purchase of fixed asset investments and associated costs		(336,920)	-
Purchase of current asset investments and associated costs		(319,181)	-
<b>Net cash outflow from acquisitions and disposals</b>		<b>(1,157,082)</b>	-
<b>Cash outflow before financing and management of liquid resources</b>			
<b>Management of liquid resources</b>		<b>(2,237,963)</b>	(1,544,674)
Purchase of short-term deposits		(3,250,000)	-
<b>Financing</b>			
Issue of shares:			
- on listing		3,000,000	-
- on placing in December 2005 (a)		3,335,000	-
- other		75,001	1,611,716
Share issue expenses		(913,092)	-
New bank loan		62,743	-
<b>Net cash inflow from financing</b>		<b>5,559,652</b>	1,611,716
<b>Increase in cash</b>	14	<b>71,689</b>	67,042

(a) Balance of £665,000 received in January 2006

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**For the year ended 31 December 2005**

	2005 £	2004 (unaudited) £
<b>Loss for the financial year</b>	<b>(901,801)</b>	(1,448,201)
Exchange differences	63,890	79,771
<b>Total recognised gains and losses for the year</b>	<b>(837,911)</b>	(1,368,430)

## **1 BASIS OF PREPARATION**

The financial information set out above does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

The results for the year ended 31 December 2005 and the balance sheet at that date have been extracted from the statutory accounts of the group for that year, upon which the Company's auditors, Grant Thornton UK LLP, have issued an unqualified audit report under Section 235 of the Companies Act 1985. The accounts for the period ended 31 December 2005 will be filed with the Registrar of Companies following the Annual General Meeting. The accounts for the year ended 31 December 2005 have been prepared in accordance with applicable accounting standards and under the historic cost convention.

The financial information consolidates the accounts of the Company and its subsidiary undertakings as at 31 December 2005. The Company's subsidiary undertaking, MCC Energy Group, Inc., has been consolidated using merger accounting rules, with the acquisition method of accounting being used for other subsidiaries.

The Company was incorporated on 15 December 2004 as MCC Energy Limited. On 21 January 2005, MCC Energy Group, Inc. entered into a group reconstruction whereby MCC Energy Limited became the new parent undertaking of the Group. All shareholders of MCC Energy Group, Inc. became shareholders of MCC Energy Limited. The transaction qualified as a group reconstruction and was accounted for using merger accounting. MCC Energy Limited was subsequently converted to a public limited company and listed on AIM on 4 February 2005. The name of the Company was changed to Tersus Energy Plc on 1 November 2005.

The Group financial statements are prepared as if the Company has always been in existence. This represents a departure from the Companies Act 1985 as the Company has not been in existence for the full period covered by the current and comparative period. The directors consider that this presentation is necessary in order to give a true and fair view because the ownership of the Group remained unchanged as a result of the group reconstruction.

The full year to 2004 figures shown as comparative figures are unaudited, but incorporate the figures for the nine months to 30 September 2004 which were audited and included in the Admission Document issued prior to the Admission of the Company's shares to AIM.

## 2 TURNOVER

Turnover, which excludes value added tax and other sales taxes, represents the invoiced value of goods and services supplied and excludes intra-group sales. The turnover and pre-tax loss are wholly attributable to the ordinary activities of the various businesses within the Group. Navitas sales comprise battery control products for battery powered vehicles while USA and UK income arises from the Group's strategic and financial advisory services.

Segmental information on turnover by origin and losses before taxation:

By geographical area of origin	2005	2005	2004	2004
	Turnover	Profit/ (loss) before taxation	Turnover (unaudited)	Loss before taxation (unaudited)
	£	£	£	£
Canada - Navitas	1,499,242	67,672	-	-
USA – advisory services	1,227,597	(932,854)	1,655,317	(1,448,201)
UK - advisory services	7,302	(89,981)	-	-
	<b>2,734,141</b>	<b>(955,163)</b>	1,655,317	(1,448,201)
Net interest		<b>53,362</b>		-
	<b>2,734,141</b>	<b>(901,801)</b>	1,655,317	(1,448,201)

There is no material difference between the origin and destination of turnover with the exception of Navitas sales, of which £1,379,000 was supplied from Canada to USA.

## 3 TAXATION

There was no charge to corporate taxation due to the losses incurred.

## 4 DIVIDENDS

No dividends were paid or proposed during either 2005 or 2004.

## 5 EARNINGS PER SHARE

The calculation is based on a loss of £901,801 (2004 - loss of £1,448,201) and on a weighted average number of shares in issue of 25,599,499 (2004 - 11,565,896). The number of shares has increased from the comparative period as a result of the merger and subsequent floatation.

## 6 INTANGIBLE FIXED ASSETS

	Goodwill	Research and development	Total
	£	£	£
<b>Cost</b>			
<b>At 31 December 2004</b> (unaudited)			
Additions at cost	306,360	73,169	379,5
Exchange movements	42,653	7,281	49,
<b>At 31 December 2005</b>	<b>349,013</b>	<b>80,450</b>	<b>429,4</b>
<b>Net book amount at 31 December 2005</b>	<b>349,013</b>	<b>80,450</b>	<b>429,4</b>
Net book amount at 31 December 2004 (unaudited)	-	-	

Capitalised goodwill relates to the acquisition on 20 April 2005 of the assets and trade of SRE Limited, subsequently renamed Navitas Technologies Limited, a company incorporated in Ontario, Canada. This has been accounted for as an acquisition. Details are as follows:

	Book value	Fair value adjustment	Fair value
	£'000	£'000	£'000
<b>Assets and liabilities acquired:</b>			
Fixed assets	16	-	16
Debtors	128	-	128
Stocks	12	39	51
Net assets acquired	156	39	195
<b>Consideration:</b>			
Cash			475
Capitalised costs associated with acquisition			26
Fair value of consideration paid			501
Goodwill as at the date of acquisition			306

Stock acquired was adjusted to its replacement cost value.

## 7 TANGIBLE FIXED ASSETS

	Furniture & fixtures £	Tools & equipment £	Total £
<b>Cost</b>			
Acquired on acquisition of assets and trade of SRE Limited (see note 6)	2,159	14,250	16,409
Additions	415	23,451	23,866
Exchange movements	370	4,501	4,871
<b>At 31 December 2005</b>	<b>2,944</b>	<b>42,202</b>	<b>45,146</b>
<b>Depreciation</b>			
Provided in the year	446	8,052	8,498
Exchange movements	45	801	846
<b>At 31 December 2005</b>	<b>491</b>	<b>8,853</b>	<b>9,344</b>
<b>Net book amount at 31 December 2005</b>	<b>2,453</b>	<b>33,349</b>	<b>35,802</b>
Net book amount at 31 December 2004 (unaudited)	-	-	-

## 8 INVESTMENTS

	Investments at cost (a) £
<b>Cost</b>	
At 31 December 2004 (unaudited)	-
Additions at cost	336,920
Exchange movements	705
<b>At 31 December 2005</b>	<b>337,625</b>

(a) The fixed asset investments comprise strategic investments which have been made in line with the Group's business strategy of focusing on the energy efficiency and alternative fuels/ renewable energy sectors, with some being obtained in return for providing advisory services.

The investments include both investments in shares and convertible loans on which interest is payable. The terms on which some investments have been made include the right for the Group to participate in future projects.

The directors consider that the investments, while not realisable in the short-term, have a long-term valuation significantly in excess of their book value.

## 9 DEBTORS

	2005	2004
		(unaudited)
	£	£
<b>Amounts falling due within one year</b>		
Trade debtors	422,636	452,271
Called up share capital not paid (a)	665,000	-
Accrued income	16,024	-
Prepayments and other debtors	230,233	2,874
	<b>1,333,893</b>	455,145

(a) includes £30,000 received from J F Devaney and £30,000 from D T Wilson in January 2006.

## 10 CURRENT ASSET INVESTMENTS

The investments comprise a convertible loan to and shares in Dynamotive Energy Systems Corporation, a NASDAQ traded company. The convertible loan was made as a short-term investment during 2005 and, subsequent to the year-end, the Group exercised its conversion rights, receiving both warrants and shares. After allowing for amounts payable under incentive arrangements on realisation of the investment, the net value of the investment, excluding warrants, at 31 December 2005 was £658,000, based on the market value of the shares at that date, a surplus of £339,000 over cost. A further net surplus of £57,000 arises on inclusion of the warrants, after allowing for the costs of exercising them, so that the total surplus, based on the year-end market value of the shares, is £396,000.

## 11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
		(unaudited)
	£	£
Bank loans and overdrafts	62,743	-
Trade creditors	515,414	387,745
Other creditors	63,507	-
Other taxation and social security	26,010	-
Accruals and deferred income	93,716	-
	<b>761,390</b>	387,745

## 12 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2005	2004 (unaudited)
	£	£
Operating loss	(955,163)	(1,448,201)
Loss on disposal of investment	-	8,466
Depreciation	8,498	-
Exchange differences written off	(17,049)	-
Increase in stock	(308,609)	-
Increase / (decrease) in debtors	4,343	(441,250)
Increase in creditors	246,796	271,837
Net cash outflow from operating activities	(1,021,184)	(1,609,148)

## 13 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2005	2004 (unaudited)
	£	£
Increase in cash in the year	71,689	63,407
Increase in liquid resources	3,250,000	-
Inflow from new bank loan	(62,743)	-
	3,258,946	63,407
Net funds at beginning of the year	65,886	2,479
Net funds at end of the year	3,324,832	65,886

## 14 ANALYSIS OF CHANGES IN NET FUNDS

	At 31 December 2004 (unaudited)	Cash flow	At 31 December 2005
	£	£	£
Cash at bank and in hand	65,886	3,321,689	3,387,575
Less: short term deposits	-	(3,250,000)	(3,250,000)
	65,886	71,689	137,575
Short term deposits	-	3,250,000	3,250,000
Bank loans	-	(62,743)	(62,743)
	65,886	3,258,946	3,324,832

A copy of the Annual Report and accounts will be sent to all shareholders. A copy of the Annual Report will also be available from the Company's registered office: 14 Hay's Mews, London W1J5PT.