

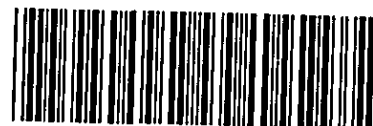
ANT SOFTWARE LIMITED

2822565

Report and Financial Statements

31 December 2006

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COMPANIES HOUSE

ANT Software Limited

Registered No. 2822565

DIRECTORS

A L Caplin	(resigned 5 March 2007)
S A Woodward	
P M R Dodd	
S M Reeder	(resigned 20 April 2006)
D Kynaston	
T Brown	
C Shave	(appointed 20 April 2006, resigned 5 March 2007)
R Hoggarth	(appointed 5 March 2007)
D A Fell	
C Maltby	(resigned 31 December 2006)
S R Williams	(appointed 5 March 2007)

SECRETARY

M Lobo

AUDITORS

Ernst & Young LLP
Compass House
80 Newmarket Road
Cambridge
CB5 8DZ

BANKERS

Barclays Bank
58 High Street
Newmarket
Suffolk
CB8 8NH

LEGAL ADVISERS

Clyde & Co
51 Eastcheap
London
EC3M 1JP

REGISTERED OFFICE

Cambridge Business Park
Cowley Road
Cambridge
CB4 0WZ

DIRECTORS' REPORT

The directors present their report and the financial statements for the year ended 31 December 2006

RESULTS AND DIVIDENDS

The loss for the year, before taxation, amounted to £629,994 (2005 £1,494,016)

The directors do not recommend the payment of a dividend (2005 £nil)

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity during the year continued to be the development and licensing of software for use in the TV-related consumer electronics market

RESEARCH AND DEVELOPMENT

The company undertakes continuous research and development activities in order to bring new innovations and to enhance the effectiveness of its software solutions in the consumer electronics market. Expenditure on research and development in 2006 amounted to £2,118,976 (2005 £1,956,923)

CREDITOR PAYMENT POLICY

The company does not have a written code or standard on payment practice. It negotiates settlement terms with each of its suppliers and payments are then made to suppliers in accordance with those terms provided the supplier has carried out the agreed obligations in a satisfactory manner.

At the year end, the company had 58 days' purchases outstanding in trade creditors (2005 36 days)

DIRECTORS AND THEIR INTERESTS

The current directors and those who served during the year are shown on page 1. The directors at 31 December 2006 with interests, including beneficial family interests, in the share capital of the parent company were as follows

	31 December 2006	31 December 2005
	Ordinary Shares	Ordinary Shares
S A Woodward	75,838	60,000
P M R Dodd	30,000	-
C Shave	13,885	-
D Kynaston	8,800	-
T Brown	8,800	-

In addition to the above interests, directors had options to purchase a number of shares in the parent company as set out in Note 4 to the financial statements

DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each

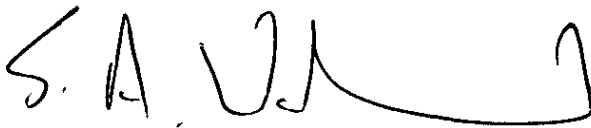
DIRECTORS' REPORT

director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting

On behalf of the board

A handwritten signature in black ink, appearing to read 'S. A. Woodward', with a long horizontal flourish extending to the right.

SA Woodward

Director

23 May, 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ANT SOFTWARE LIMITED

We have audited the financial statements (the "financial statements") of ANT Software Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

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

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

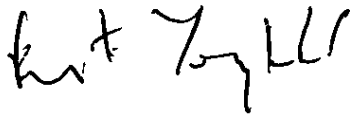
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of the group's loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

A handwritten signature in black ink, appearing to read 'Ernst & Young LLP', is written over the printed name.

Ernst & Young LLP

Registered auditor

Cambridge

23 May, 2007

PROFIT AND LOSS ACCOUNT
 for the year ended 31 December 2006

	<i>Notes</i>	<i>2006</i>	<i>2005</i>
		<i>£</i>	<i>£</i>
TURNOVER	<i>2</i>	3,704,910	2,506,331
Cost of sales		(466,802)	(569,216)
GROSS PROFIT		3,238,108	1,937,115
Administrative expenses		(3,899,994)	(3,435,239)
OPERATING LOSS	<i>3</i>	(661,886)	(1,498,124)
Interest receivable		31,942	7,965
Interest payable and similar charges	<i>6</i>	-	(3,857)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(629,944)	(1,494,016)
Tax on loss on ordinary activities	<i>7</i>	281,449	41,198
RETAINED LOSS ON ORDINARY ACTIVITIES	<i>15</i>	(348,495)	(1,452,818)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

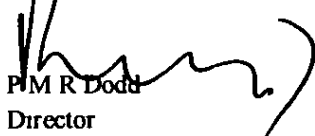
There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £348,495 (2005 loss of £1,452,818)

BALANCE SHEET
as at 31 December 2006

	Notes	2006 £	2005 £
FIXED ASSETS			
Tangible assets	8	155,827	181,812
Investments		-	69
		<u>155,827</u>	<u>181,881</u>
CURRENT ASSETS			
Debtors	10	2,100,252	901,246
Cash and short term deposits		1,569,605	756,743
		<u>3,669,857</u>	<u>1,657,989</u>
CREDITORS: amounts falling due within one year	11	(4,828,799)	(2,590,556)
NET CURRENT ASSETS		<u>(1,158,942)</u>	<u>(932,567)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(1,003,115)</u>	<u>(750,686)</u>
NET ASSETS		<u>(1,003,115)</u>	<u>(750,686)</u>
 CAPITAL AND RESERVES			
Called up share capital	14	631,454	631,454
Share premium account	15	9,787,208	9,787,208
Profit and loss account	15	(11,421,777)	(11,169,348)
EQUITY SHAREHOLDERS' FUNDS		<u>(1,003,115)</u>	<u>(750,686)</u>



S A Woodward
Director



P M R Dodd
Director

23 May, 2007

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2006

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention

The company is exempt from the requirement to prepare and deliver group financial statements by virtue of the exemption conferred by Section 228 of the Companies Act 1985. The financial statements give information about the company as an individual undertaking and not about its group.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Amounts receivable consist of advance royalties, licence fees and support and maintenance payments.

Turnover is recognised for any element of a sale when all of the basic criteria are met for that element. The four basic criteria for recognising software licence revenue are that persuasive evidence for the arrangement exists, delivery has occurred, fees are fixed or determinable and the collection of the revenue is probable. Maintenance revenue is recognised rateably over the period of the contract. Consulting revenue is recognised on the basis of work performed and contract milestones.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

Leasehold improvements	-	over 3 years
Office equipment	-	over 2 - 5 years
Computer equipment	-	over 3 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Investment

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

Research and development costs

Research and development expenditure is charged to the profit and loss account as incurred. The group accounts for Research and Development tax credits when receipt is probable.

Taxation

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

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2006

1. ACCOUNTING POLICIES (CONTINUED)

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date

All differences are taken to the profit and loss account

The financial statements of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account.

Operating lease agreements

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term

Pension costs

The company provides pension arrangements through a defined contribution scheme. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year.

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Own shares held by Employee Benefit Trust

Own shares held by the Employee Benefit Trust ("EBT") are carried at cost and disclosed within shareholders' funds. The EBT is managed by an independent trust company.

Capital instruments

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefit and if not included in shareholders' funds.

The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2006

2. TURNOVER

Turnover represents the amounts derived from the provision of goods and services which fall within the companies ordinary activities stated net of value added tax

Turnover is attributable to one continuing activity, the provision of computer software licensing and consultancy

The group operates within three geographical markets, the United States, Europe and the Rest of the World

An analysis of turnover by geographical market is given below

	2006	2005
	£	£
United States	1,087,385	315,845
Europe	1,729,524	1,295,719
Asia Pacific	888,001	894,767
	<u>3,704,910</u>	<u>2,506,331</u>

3. OPERATING LOSS

This is stated after charging

	2006	2005
	£	£
Auditors' remuneration		
-audit services – UK	14,500	10,000
- non-audit services - UK	4,765	2,675
	<u>19,265</u>	<u>12,675</u>
Research and development cost	2,118,976	1,956,293
Depreciation of owned tangible fixed assets	100,376	84,712
Operating lease rentals - land and buildings	108,401	89,538
- other	856	1,590
Profit on disposal of fixed assets	<u>1,639</u>	<u>(600)</u>

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2006

4. DIRECTORS' EMOLUMENTS

Directors' remuneration and pension entitlements

	2006	2005
	£	£
Emoluments	286,334	445,224
Company Contributions paid to defined contribution pension schemes	24,555	21,587
	<u>310,899</u>	<u>466,811</u>

During the year 6 of the Directors were members of defined contribution pension Schemes (2005 5)

The emoluments of the highest paid director are as follows

	2006	2005
	£	£
Emoluments	81,813	104,176
Company Contributions paid to defined contribution pension schemes	6,187	4,486
	<u>108,662</u>	<u>108,662</u>

5. STAFF COSTS

	2006	2005
	£	£
Wages and salaries	2,268,081	1,896,429
Social security costs	279,045	253,839
Other pension costs	<u>218,372</u>	<u>198,634</u>
	<u>2,765,498</u>	<u>2,348,902</u>

Included in wages and salaries is a total expense of share-based payments of £96,065 (2005 nil) arising from transactions accounted for as equity-settled share-based payment transactions

The monthly average number of employees during the year was as follows

	2006	2005
	£	£
Engineering	24	24
Sales	11	12
Administration	<u>9</u>	<u>6</u>
	<u>44</u>	<u>42</u>

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2006

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005
	£	£
Bank interest receivable	<u>31,942</u>	<u>7,965</u>
Other interest payable	<u>-</u>	<u>(3,857)</u>

7. TAX ON LOSS ON ORDINARY ACTIVITIES

The tax credit represents

	2006	2005
	£	£
Research and development tax credit	<u>314,843</u>	<u>68,816</u>
Foreign tax		
Current tax on income for the period	<u>(33,394)</u>	<u>(27,618)</u>
Current tax credit for the year	<u>281,449</u>	<u>41,198</u>

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the United Kingdom. The differences are explained below

	2006	2005
	£	£
Loss on ordinary activities before tax	<u>(629,944)</u>	<u>(1,494,016)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	<u>(188,983)</u>	<u>(448,205)</u>
Effect of		
Disallowed expenses and non-taxable income	21,846	19,249
Decelerated/(accelerated) capital allowances	3,698	2,327
Tax losses carried forward	168,978	421,489
Research and development tax credit	(314,843)	(68,816)
Other timing differences	(5,139)	5,140
Foreign tax	33,394	27,618
Current tax credit for the year	<u>(281,449)</u>	<u>(41,198)</u>

There are approximately £10.4 million (2005 £9.3 million) of tax losses available to be carried forward subject to the agreement of HMRC. These losses may be further adjusted to reflect the surrender of the losses relating to qualifying research and development expenditure in accordance with the research and development tax credit scheme. The company accounts for research and development tax credits when receipt is probable.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2006

8. TANGIBLE FIXED ASSETS

	Leasehold improvements £	Office equipment £	Computer equipment £	Total £
Cost				
At 1 January 2006	78,309	170,647	219,759	468,715
Additions	3,885	507	72,038	76,430
Disposals	-	123	28,057	28,180
At 31 December 2006	82,194	171,031	263,740	516,965
Depreciation				
At 1 January 2006	16,662	147,736	122,505	286,903
Charge for the year	26,848	15,706	57,822	100,376
Disposals	-	27	26,114	26,141
At 31 December 2006	43,510	163,415	154,213	361,138
Net book value				
At 31 December 2006	38,684	7,616	109,527	155,827
At 1 January 2006	61,647	22,911	97,254	181,812

9. INVESTMENTS

	2006 £	2005 £
As at 31 st December	-	69

Name of company	Holding	Country of Registration	Proportion held	Nature of business
ANT Communications Inc	Ordinary shares	USA	100%	Dormant
ANT Employee Benefits Limited	Ordinary shares	UK	100%	Dormant
ANT Software Inc	Ordinary shares	USA	100%	Trading

ANT Communications Inc has been dormant since 31 December 2001 and the investment in that company has been written down to zero (2005 £69) during the year ended 31 December 2006

10. DEBTORS

	2006 £	2005 £
Trade debtors	1,327,015	634,447
Prepayments and accrued income	773,237	266,799
	2,100,252	901,246

Included in prepayments and accrued income is an amount of £41,125 which is due after more than one year (2005 £41,125)

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2006

11. CREDITORS: amounts falling due within one year

	2006	2005
	£	£
Trade creditors	278,945	172,545
Taxation and social security	94,856	91,634
Accruals	283,053	455,306
Deferred income	570,173	260,744
Amounts payable to Group undertakings	3,601,772	1,610,327
	<u>4,828,799</u>	<u>2,590,566</u>

12. DEFERRED TAX

Deferred taxation assets provided in the financial statements and the amounts not provided are as follows

	Provided		Not provided	
	2006	2005	2006	2005
	£	£	£	£
Capital allowances in arrears of depreciation	-	-	22,339	18,030
Losses	-	-	2,445,365	2,696,241
Other short term timing differences	-	-	-	5,139
	<u>-</u>	<u>-</u>	<u>2,467,704</u>	<u>2,719,410</u>

13. OTHER FINANCIAL COMMITMENTS

Operating leases

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings		Other	
	2006	2005	2006	2005
	£	£	£	£
Expiring within one to two years	111,433	-	-	-
Expiring within two to five years	-	99,307	-	395
	<u>111,433</u>	<u>99,307</u>	<u>-</u>	<u>395</u>

14. SHARE CAPITAL

	2006	2006	2005	2005
	No	£	No	£
<i>Authorised</i>				
Ordinary shares of 5p each	28,000,000	1,400,000	28,000,000	1,400,000
	<u>28,000,000</u>	<u>1,400,000</u>	<u>28,000,000</u>	<u>1,400,000</u>
<i>Allotted, called-up and fully paid</i>				
Ordinary shares of 5p each	12,629,097	631,454	12,629,097	631,454
	<u>12,629,097</u>	<u>631,454</u>	<u>12,629,097</u>	<u>631,454</u>

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2006

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital	Share premium	Own Shares held by EBT	Profit and loss account	Total share-holders' funds
At 1 January 2005	631,454	9,787,208	(33,946)	(9,716,526)	668,190
Transfer of EBT to become a subsidiary of ANT plc	-	-	33,946	-	33,946
Retained loss for the year	-	-	-	(1,452,821)	(1,452,821)
At 1 January 2006	631,454	9,787,208	-	(11,169,347)	(750,685)
Share-based payment	-	-	-	96,065	96,065
Retained loss for the year	-	-	-	(348,495)	(348,495)
At 31 December 2006	631,454	9,787,208	-	(11,421,777)	(1,003,115)

16. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Amounts contracted for but not provided in the accounts amounted to £nil (2005 £nil)

17. PENSION COMMITMENTS

The company operates a defined contribution pension scheme for its directors and employees. The assets of the scheme are held separately from those of the company in an independently administered fund. At 31 December 2006, there were no outstanding pension contributions (2005 £17,131)

18. CASH FLOW STATEMENT

The company has taken advantage of the exemption allowed under Financial Reporting Standard 1 'Cash flow statement' not to produce a cash flow statement. A group cash flow statement is included in the financial statements of ANT plc, the ultimate parent company

19. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption conferred by FRS 8 from disclosing transactions with related parties that are part of the same group

20. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's parent undertaking and controlling party is ANT plc, which is registered in England and Wales. It has included the company in its group financial statements, copies of which are available from the registered office

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2006

21. SHARE OPTIONS

The company operates an Enterprise Management Incentive (EMI) share option scheme relating to shares in the parent company for the benefit of all its employees and employees are entitled to participate once they have completed three months' service. Options granted to non-UK based employees or in excess of the qualifying limits for EMI are unapproved options for UK tax purposes or are outside the scope of UK taxation.

Options granted after March 2005 vest over a three year period and are subject to corporate performance criteria based on an increase in group revenues over that period. The options expire after 10 years and there are no cash settlement alternatives.

The Employee Benefit Trust, managed by an independent trust company, holds 2,848,497 ordinary shares in the parent company of 5p each, all of which are the subject of options which have been granted and have vested in full. The market value of the shares in the parent company at 31 December 2006 was 75 5p per share.

The number of options relating to current employees and non-executive directors over 5p ordinary shares in the parent company granted, exercised or lapsed during the year is as follows:

Date granted	Exercise price	As at 1 January 2006	Granted	Exercised	Lapsed	As at 31 December 2006	Period of exercise
July 2004	85p	3,159,540	-	-	-	3,159,540	July 2014
Feb 2005	95p	345,824	-	-	(102,957)	242,867	Feb 2015
Mar 2005	126p	435,313	-	-	-	435,313	Mar 2015
Mar 2005	0.005p	120,000	-	-	-	120,000	Mar 2015
Mar 2005	85p	51,200	-	-	-	51,200	Mar 2015
Apr 2006	80p	-	287,000	-	(8,000)	279,000	Apr 2016
Apr 2006	74.5p	-	270,000	-	-	270,000	Apr 2016
Oct 2006	62.5p	-	115,000	-	-	115,000	Oct 2016
		4,111,877	672,000	-	(110,957)	4,672,920	

The following table shows the number and weighted average exercise prices (WAEP) of movements in share options during the year:

	2006 No	2006 WAEP	2005 No	2005 WAEP
Outstanding as at 1 January	4,111,877	£0.88	3,159,540	£0.85
Granted during year	672,000	£0.75	1,060,235	£0.93
Exercised during year	-	N/A	(50,123)	£0.95
Lapsed during year	(110,957)	£0.90	(57,775)	£0.95
Outstanding as at 31 December ¹	4,672,920	£0.86	4,111,877	£0.88

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2006

¹ Included in this balance are options over 4,060,910 shares (2005 4,111,877) for which no charge has been recognised in accordance with FRS 20 as the options vested before 1 January 2006

For the share options outstanding as at 31 December 2006, the weighted average remaining contractual life is 7.7 years (2005 8.4 years)

The weighted average fair value of options granted during the year was £0.31 (2005 N/A)

The fair value of equity-settled options is estimated at the date of grant using a Black-Scholes model, taking into account the terms and conditions on which the options were granted. The following table lists the inputs to the model used for the year ended 31 December 2006 (2005 N/A)

Dividend yield (%)	0%
Expected share price volatility (%)	57.8%
Historical volatility (%)	57.8%
Risk-free interest rate (%)	4.5%
Expected life of option (years)	6
Weighted average share price (pence)	74.8

The expected life of the options is an estimate and is not necessarily indicative of exercise patterns which may occur. The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

No other features of options granted were incorporated into the measurement of fair value.