

ATV.L
28 March 2007

Antonov plc
(“Antonov” or the “Company”)

Preliminary Results Announcement
Year ended 31 December 2006

Antonov plc announces its unaudited financial results for the year ended 31 December 2006.

Key Points:

- Net Losses under IFRS reduced by 38% to £3.2 million (2005: £5.2 million)
- Funding facilities as at 31 December 2006 of £6.1m in place, which in addition to anticipated business revenues underpins commercialisation strategy
- Net cash balance of £0.2 million (2005: £0.3 million)
- Capitalised development expenditure in 2006 totalled £1.2 million (2005: £0.4 million)
- Production programme for TX6 six speed automatic transmission with Geely progressing well
- First after-market application for RTX Supercharger for Hummer H3 launched at SEMA in Las Vegas with production design now validated
- Distribution agreement with Emporio for the German market
- Additional opportunities for 2007 include development of:
 - Front End Accessory Drive
 - Low Cost 4 Speed Automatic
 - Additional Supercharger Applications
- Technical team strengthened and relocated to UK to implement production programmes

John Moore, Antonov’s CEO, commented:

“Antonov has continued the rapid level of change started in 2005 and this has already shown results in the progress to production of the TX6. The consolidation of the programme engineering into a new UK facility will enable the Company to attract the talent needed to deliver these programmes successfully. We are also very pleased to have secured the agreement with Emporio International Sarl and GTI Green Tec International AG which will bring us access to the key German performance engineering market for our supercharger drives.”

Copies of this announcement are available for collection from Dawnay, Day Corporate Finance Limited's offices at 17 Grosvenor Gardens, London, SW1W 0BD and electronic copies can be obtained from the Company's website www.antonovat.com.

Notes to Editors:

Antonov plc is a technology exploitation company originally created to develop the inventions of its founder, Roumen Antonov. It now holds a broad intellectual property portfolio in mechanical power transmission. Among its current development and commercialisation projects are:

TX6 Six Speed Automatic Transmission

Antonov has granted a Production Licence Agreement to Geely and is working with them to develop a six speed automatic transmission based on Antonov's AAD technology. The AAD is an innovative automatic power transmission which delivers, amongst other performance and mechanical benefits, the potential for increased fuel efficiency at high speeds and lower build cost.

RTX Two Speed Supercharger Drive

Antonov has developed a compact auto-shifting two speed drive unit based on the Company's AMM technology for use with engine superchargers. The unit increases the torque output from an engine at low speeds, thereby delivering increased performance. This unit is being produced by NZWL in Leipzig and is being marketed through distributors in the US and Europe.

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Chief Executive's statement

Operations

The Operational focus for 2006 has been on the delivery of the TX6 and RTX production programmes.

The demands of production programmes are very different from the conceptual engineering work previously undertaken by the Antonov team in Paris. This had shown up some weaknesses in the internal organisation early in the year. Rapid action was taken to correct this, both strengthening the production engineering team and downsizing the conceptual engineering team to control costs. By the year end, 9 technical and 2 administrative posts had been made redundant in the French subsidiary.

Permanent recruitment is underway into a new UK technical centre to provide the core skills needed to ensure reliable and cost effective delivery of production programmes. This will be supplemented with strategic outsourcing to cover specialist skills and intermittent resource demand. The decision to base this team in the UK has been driven by the availability of suitable staff and service providers.

Production Programmes

TX6 Six Speed Automatic Transmissions

The first production programme for the Antonov TX6 transmission is underway with Geely. Production prototypes will be running in vehicles by September 2007.

Work started with Geely in November 2006 but prior to this, the TX6 programme had been initiated in January 2006 with Great Wall Motors. Unfortunately GWM decided in June 2006 that they could not commit to the production programme. However, the Board decided to continue to invest in the design work to maintain the programme timing. This decision has paid off with the Geely application able to pick up the programme with little loss of time.

RTX Two Speed Supercharger Drive

The planned launch of the supercharger drive was delayed by quality issues experienced in the first half of the year. The impact of these adjustments on the design has been very minor and related to the lubrication distribution within the unit.

One of the key strategic purposes of the RTX programme is to demonstrate the potential for the Antonov Mechanical Module in order to gain access to larger potential markets. As such, the Board felt it was prudent to take this delay rather than risk unreliable products entering the market. These issues have now been resolved.

Despite this delay, we have been able to demonstrate the unit effectively in both the 4.8 litre V8 Mustang and the 1.8 litre Chevrolet Lacetti, two very different cars but both of which show the drivability and performance available from the 2 speed supercharger.

The first commercial kit for a vehicle application has been prepared by Wheel to Wheel for enhancement of the GM I5 engine used in the Hummer H3 and GM Canyon SUVs.

A significant event late in the year was the conclusion of a distribution agreement with Emporio International Sarl covering the German market. Emporio are delivering access to key potential customers in Germany and also supporting the product application engineering. The revenue from this Agreement will also support further product development. The first payment under the agreement is due on satisfactory completion of testing of the production units. This is now expected to be complete within the next two months.

Opportunities

Over the course of 2006, the Company has pursued a number of opportunities for the Antonov technology. In all cases however the heavy demands on the engineering capacity has limited our ability to divert resource to these new programmes and this has slowed commercial progress. However, in all cases, the interest in our technology is building and with it, our ability to secure client funding for initial exploratory projects.

The major opportunities being pursued are as follows:

Front End Accessory Drive

The potential fuel saving from a two speed drive to the engine accessories (water pump, alternator, power steering pump, air conditioning pump) has been established and strong interest received from vehicle makers. We continue to seek a supplier partner to progress the technology but need to undertake some further work of our own to generate a production capable design.

Low Cost 4 Speed Automatic

The early embodiment of the Antonov Mechanical Module to a 4 speed Automatic transmission for small cars was not taken up by car makers due to the move to 6 speed transmissions but there is an emerging market for low cost cars where a simple, low cost 4 speed is of great interest. Discussions are underway with potential customers.

Additional Supercharger Applications

Discussions are at an early stage with several supercharger manufacturers regarding the application of the RTX technology to their superchargers.

Other opportunities are being found as Antonov is engaging much more closely with the automotive market. These include new areas of innovation as well as new applications for the existing Antonov technology.

Financials

Group operating losses during 2006 were £4.1 million, against £3.8 million in 2005. The overall net loss for the year of £3.2 million benefited from a net finance credit of £1.5 million that resulted from the application of IFRS accounting rules. The loss per share for the period was 9.0p (2005: 17.3p).

During the first six months of 2006 the Group was primarily funded using its convertible loan facilities. However, as a consequence of the adverse impact of IFRS accounting rules on the 2005 financial statements, during the second half of 2006 new issues of convertible loan notes have been converted into ordinary shares. At the year end the Group's cash balance was £226,000 (2005: £0.3 million).

Operating losses of £4.1million (2005: £3.8 million) include a number of one-off costs:

- Review of patents produced a write-off of non-relevant patents of £0.4 million
- Re-structuring costs totalled £0.2 million
- Prospectus costs of £0.3 million
- Total costs associated with the Toyota case were £0.2 million

Fundraising

During 2006 the Group extended its convertible loan facilities by a further £2.4 million (€3.6 million) and was granted a share finance facility agreement amounting to £2.7 million (€4.0 million) with an option for a further £2.7 million (€4.0 million). The remaining balance on these and other facilities at the end of 2006 was £6.1 million (€9.1 million). The Directors of the Group believe that, along with revenues expected to be generated from client programmes,

these facilities will meet the needs of the Group as it continues the commercial development of the business.

Outlook

Antonov technology has now made the transition from interesting concepts to production applications. This transition has also required significant changes in the way the Company operates but by the end of Q1 2007 the programme work will have been relocated to its new home in the UK and the team continues to be strengthened as we recruit talented engineers into the team.

The production programmes are both now progressing well and are on course to generate significant revenues in 2007 and there continues to be a wide range of new opportunities for the Company to pursue.

The Board looks forward to updating shareholders in due course on further progress.

Antonov plc
Unaudited consolidated income statement for the year ended 31 December 2006

	2006 £'000	2005 £'000
Revenue	30	75
Cost of sales	-	-
	<hr/>	<hr/>
Gross profit	30	75
Administrative expenses	(4,126)	(3,869)
	<hr/>	<hr/>
Loss from operations	(4,096)	(3,794)
Finance costs	1,150	(1,796)
	<hr/>	<hr/>
Loss before tax	(2,946)	(5,590)
Tax (charge) / credit	(287)	372
	<hr/>	<hr/>
Loss for the year	(3,233)	(5,218)
	<hr/>	<hr/>
Attributable to:		
- Equity holders of the parent	(3,233)	(5,218)
	<hr/>	<hr/>
Loss per share		
- Basic (pence)	(9.0p)	(17.3p)
- Diluted (pence)	(9.0p)	(17.3p)

Antonov plc
Unaudited consolidated balance sheet at 31 December 2006

	2006	2005
	£'000	£'000
ASSETS		
Non-current assets		
Property, plant and equipment (PPE)	370	258
Intangible assets	2,212	1,380
Total non-current assets	<u>2,582</u>	<u>1,638</u>
Current assets		
Inventories	-	114
Trade and other receivables	396	919
Cash and short term deposits	226	270
Total current assets	<u>622</u>	<u>1,303</u>
Total assets	<u>3,204</u>	<u>2,941</u>
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	1,248	1,739
Total current liabilities	<u>1,248</u>	<u>1,739</u>
Non-current liabilities		
Financial liabilities	-	1,348
Convertible loan stock	9	2,410
Total non-current liabilities	<u>9</u>	<u>3,758</u>
Total liabilities	<u>1,257</u>	<u>5,497</u>
Equity attributable to equity		
Holders of the parent company		
Share capital	8,728	6,163
Share premium reserve	25,494	20,467
Capital redemption reserve	2,587	2,587
Foreign exchange reserve	59	(85)
Retained losses	(34,921)	(31,688)
Total equity	<u>1,947</u>	<u>(2,556)</u>
Total liabilities and equity	<u>3,204</u>	<u>2,941</u>

1 Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) issued by the International Accounting Standards Board (IASB), as adopted by the European Union, and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS.

2 Accounting policies

The following principal accounting policies have been applied consistently in the preparation of these financial statements:

Going concern

The accounts have been prepared on a going concern basis which assumes that the Group will continue in operational existence for the foreseeable future.

At 31 December 2006, the Group had cash of £0.2 million (2005: £0.3 million) and an undrawn committed borrowing facility in respect of convertible loan notes of approximately £2.0 million (2005: £3.2 million) and £4.2 million from a committed share finance facility agreement (2005: £ nil). Since 31 December 2006 the Group has received £0.3 million from ordinary share warrants that have been exercised, £1.1 million from the share finance facility agreement and draw downs of convertible loan note facility totalling £nil. The directors are of the opinion that the working capital now available to the Group is sufficient for all its foreseeable requirements. The directors therefore consider that it is appropriate for the accounts to be prepared on a going concern basis.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured.

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Basis of consolidation

The consolidated financial statements incorporate the results of business combinations using the purchase method drawn up to 31 December each year. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained.

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries ("the group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The financial statements of subsidiaries are prepared for the same reporting year as the parent company using consistent accounting policies.

Foreign currency

Transactions entered into by group entities in a currency other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rate ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in a separate component of equity (the "foreign exchange reserve").

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the income statement as part of the profit or loss on disposal.

The functional currency and the presentational currency of the Group is sterling.

Financial assets / other financial liabilities

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), but also incorporate other types of contractual monetary asset. They are carried at amortised cost using the effective interest method if the time value of money is significant less any provision for impairment.

Other financial liabilities: These include trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently remeasured at amortised cost using the effective interest method.

Convertible debt

Convertible loan notes are denominated in a currency other than the functional currency of the entity or will be settled by delivering a variable amount of shares. Accordingly, they are considered to have a variable price and as such are recorded as a liability, measured at the fair value of the shares into which they will convert, with any movements on subsequent measurement through the income statement.

Warrants

Where warrants are denominated in the functional currency of the parent entity, sterling, with a fixed price they are treated as equity.

Where instruments are denominated in a currency other than the functional currency of the entity, they are considered to have a variable price and as such are recorded as a liability at fair value, with any movements on subsequent measurement through the income statement.

Share-based payments – equity settled transactions

Where share options are awarded to employees, the cost is measured by reference to the fair value of the options at the date of grant and is charged to the income statement over the vesting period. Fair value is determined by an external valuer using an appropriate pricing model. 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 recognised 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 vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

An option pricing model is used to measure the group's liability at each balance sheet date, taking into account the terms and conditions on which the cash-settled share based payments are awarded and the extent to which employees have rendered service. Movements in the liability are recognised in the income statement.

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. No reduction is recognised if the fair value decreases. Where an equity settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

Leased assets

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to the income statement on a straight-line basis over the lease term.

Income tax

The tax expense represents the sum of the tax currently payable and deferred tax, together with research and development tax credits received.

Income tax is charged to equity or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statements.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantially enacted by the balance sheet date.

Deferred taxation

Deferred tax assets and liabilities are recognised on all temporary differences arising between the carrying amount of an asset or liability in the balance sheet differs to its tax base, except for differences arising on:

- the initial recognition of goodwill;
- goodwill amortisation which is not tax deductible;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

A deductible temporary difference arises on share-based payments calculated as the difference between the tax base of the remuneration expense (being the option's intrinsic value at its future exercise date) and its carrying value of nil on the balance sheet. This gives rise to a deferred tax asset. As the tax deduction is based on the unknown future share price at the date of exercise, the tax base is estimated on the basis of the entity's share price at each balance sheet date. Where this amount exceeds the cumulative amount of the remuneration expense on equity-settled transactions recognised in the income statement and credited to equity, the excess deferred tax is recognised in equity in accordance with the principle that the tax follows the item. The deferred tax effects of cash settled transactions are always recognised in the income statement.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either the same taxable group company; or different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Patents and trademarks

Intangible assets represent patent and trademark costs and are stated at cost, reduced by a provision for amortisation over the period of their expected useful lives of 20 years. The directors review the carrying value of all such assets for impairment when events or changes in circumstances indicate that the carrying value may be impaired.

Research and development costs

Expenditure on research and development activities that do not meet the criteria as stated below, is recognised as an expense in the Income Statement in the period in which it is incurred.

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the group expects to benefit from selling the products developed. The amortisation expense is included within the cost of sales line in the income statement. The carrying value of capitalised development expenditure is reviewed for impairment annually before being brought into use.

The significant intangibles recognised by the group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	Useful economic life	Amortisation method
Patent and trademark applications	20 years	Straight line basis
Software	3 years (fully amortised)	Straight line basis
Development costs	5 years	Straight line basis

Property, plant and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided on all other items of property, plant and equipment is to write off the cost, less estimated residual value based on prices prevailing at the balance sheet date, evenly over their expected useful economic lives of three to seven years.

Impairment of assets

The carrying value of property, plant and equipment and intangible assets are reviewed for impairment if events or changes in circumstances indicate the carrying value is not recoverable. An impairment loss is recognised for the amount by which the assets carrying value exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Trade receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method where the true value of money is material. Appropriate allowances for estimating irrecoverable amounts are recognised in the Income Statement when there is evidence that the asset is impaired. This impairment would be recognised within administrative expenses.

Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise of cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible into know amounts of cash and are subject to an insignificant risk of changes in value. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. The carrying amount of the equity component is not re-measured in subsequent years.

3 Loss from operations

	2006	2005
	£'000	£'000
This has been arrived at after charging/(crediting):		
Staff costs (see note 4)	1,932	1,518
Depreciation of property, plant and equipment	130	15
Amortisation of intangible fixed assets	85	500
Foreign exchange differences	3	-
Research and developments costs written off as incurred	-	1,088
Operating lease expense		
• Property	187	100
Audit fees	30	50
Fees paid to the company's auditors for non-audit services provided to the company and UK subsidiaries	15	25

4 Staff costs

	2006	2005
	£'000	£'000
Staff costs (including directors) comprise:		
Wages and salaries	1,312	1,065
Share-based payment expense	242	108
Social security costs	348	344
Pension costs	30	1
	<u>1,932</u>	<u>1,518</u>

All of the share based payment expense relates to equity settled schemes.

The average number of employees (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2006	2005
	Number	Number
Administration	8	16
Research and development	16	8
	<u>24</u>	<u>24</u>

5 Finance (credit) / costs

	2006	2005
	£'000	£'000
Finance Expense	48	-
Convertible debt	(246)	597
Euro warrants	(952)	1,199
	<u>(1,150)</u>	<u>1,796</u>

6 Loss per share

	2006	2005
	£'000	£'000
<i>Numerator</i>		
Loss for the year	(3,233)	(5,218)
	<hr/>	<hr/>
Loss used in basic EPS and diluted EPS	(3,233)	(5,218)
	<hr/>	<hr/>
<i>Denominator</i>		
	Number of	Number of
	Shares	Shares
Weighted average number of shares used in basic and diluted EPS	35,836,277	30,108,590
	<hr/>	<hr/>
<i>Contingently issuable shares</i>		
		Number of
		Shares
Convertible debt		-
Share options		1,045,082
Warrants		7,325,472
		<hr/>
		8,370,554
		<hr/>

All the contingently issuable shares have not been included in the calculation of the weighted average number of shares for diluted EPS as they are anti-dilutive for the periods presented.

The significant ordinary shares issued after the year end are detailed below:

There have been 1,600,716 shares issued after the year end in relation to:

	Number of
	Shares
Exercise of warrants	790,903
Issued under the terms of convertible loan stock	809,813
	<hr/>
	1,600,716
	<hr/>

7 Property, plant and equipment

	Office Equipment £'000	Motor Vehicles £'000	Total £'000
<i>At 31 December 2005</i>			
Cost or valuation	449	129	578
Accumulated depreciation	(234)	(86)	(320)
Net book value	<u>215</u>	<u>43</u>	<u>258</u>
<i>At 31 December 2006</i>			
Cost or valuation	612	208	819
Accumulated depreciation	(329)	(121)	(450)
Net book value	<u>283</u>	<u>87</u>	<u>370</u>
<i>Year ended 31 December 2005</i>			
Opening net book value	113	-	113
Additions	169	46	215
Disposals	(60)	-	(60)
Depreciation	(11)	(4)	(15)
Exchange differences	4	1	5
Closing net book value	<u>215</u>	<u>43</u>	<u>258</u>
<i>Year ended 31 December 2006</i>			
Opening net book value	215	43	258
Additions	175	81	256
Disposals	(12)	(2)	(14)
Depreciation	(95)	(35)	(130)
Exchange differences	-	-	-
Closing net book value	<u>283</u>	<u>87</u>	<u>370</u>

8 Intangible assets

	Development costs £'000	Software £'000	Patent and trademark application costs £'000	Total £'000
<i>At 31 December 2005</i>				
Cost	415	123	2,828	3,366
Accumulated amortisation	-	(102)	(1,884)	(1,986)
Net book value	<u>415</u>	<u>21</u>	<u>944</u>	<u>1,380</u>
<i>At 31 December 2006</i>				
Cost	1,604	123	2,944	4,671
Accumulated amortisation	-	(109)	(2,350)	(2,459)
Net book value	<u>1,604</u>	<u>14</u>	<u>594</u>	<u>2,212</u>
<i>Year ended 31 December 2005</i>				
Opening net book value	-	21	1,383	1,404
Additions				
- Internally developed	415	-	-	415
- Externally acquired	-	-	50	50
Disposals	-	(7)	-	(7)
Amortisation	-	(7)	(493)	(500)
Exchange differences	-	14	4	18
Closing net book value	<u>415</u>	<u>21</u>	<u>944</u>	<u>1,380</u>
<i>Year ended 31 December 2006</i>				
Opening net book value	415	21	944	1,380
Additions				
- Internally developed	1,189	-	-	1,189
- Externally acquired	-	-	116	116
Disposals	-	-	(384)	(384)
Amortisation	-	(7)	(78)	(85)
Exchange differences	-	-	(4)	(4)
Closing net book value	<u>1,604</u>	<u>14</u>	<u>594</u>	<u>2,212</u>

9 Trade and other payables - current

	2006 £'000	2005 £'000
Trade creditors	114	335
Other creditors and accruals	1,134	1,404
	<u>1,248</u>	<u>1,739</u>

10 Share capital

	2006 Number	Authorised		2005 £'000
		2006 £'000	2005 Number	
	60,000,000	12,000	60,000,000	12,000
	2006 Number	Issued and fully paid		2005 £'000
		2006 £'000	2005 Number	
<i>Ordinary shares of 20p each</i>				
At beginning of the year	30,813,526	6,163	28,385,762	5,677
Debt conversion rights exercised	4,117,697	824	-	-
Issue of shares	8,707,383	1,741	2,427,764	486
At end of the year	43,638,606	8,728	30,813,526	6,163

Shares are reserved to issue under share option contracts. The terms and conditions:

Senior Executive Share Options

At 31 December 2006 the following share options were outstanding in respect of the ordinary shares:

Date of grant	Number of shares	Period of option	Price per Share
2002	364,125	September 2002 – April 2007	€1.07
2005	73,334	May 2006 – January 2008	120p
2005	108,333	December 2006 – November 2007	€1.60
2006	400,000	February 2006 – February 2009	120p

Contingently issuable shares (after 4:1 share conversion)

Year ended 31 December 2006:

	At the beginning of the year	New in the year	Exercised In the Year	Lapsed In the Year	At the end of the year	Exercise Period	Exercise price
Warrants issued pursuant to placings							
- unlisted	3,422,181	1,056,867	(764,035)	(455,750)	3,259,263	to Dec '09	€0.58-€0.80
- listed	3,591,209	475,000	-	-	4,066,209	to Dec '09	124p-336p
Options granted to directors and employees:							
R. Antonov	175,571	75,000	-	-	250,571	to 18.04.07	€1.07
D. Bovell	25,000	75,000	-	-	100,000	to Feb '09	€1.07
J.N. Dickens	10,000	-	-	-	10,000	to 25.04.12	40p
M. Emmerson	266,764	-	-	-	266,764	to 18.04.07	41p to 84p
J. Haag	25,000	75,000	-	-	100,000	to Feb '09	107p-120p
K.E. Ludvigsen	10,000	-	-	-	10,000	to 25.04.12	40p
C. Minnar	10,000	-	-	-	10,000	to 25.04.12	40p
J. Moore	33,334	100,000	-	-	133,334	to Feb '09	120p
C. Ross	50,000	75,000	-	-	125,000	to Feb '09	107p-120p
Employee share options	39,413	-	-	-	39,413	to 20.05.09	40p-108.5p
	<u>7,658,472</u>	<u>1,931,867</u>	<u>(764,035)</u>	<u>(455,750)</u>	<u>8,370,554</u>		

Year ended 31 December 2005:

	At the beginning of the year	New in the year	Exercised In the Year	Lapsed In the Year	At the end of the year	Exercise Period	Exercise Price
Warrants issued pursuant to placings							
- unlisted	4,818,111	3,012,500	(250,000)	(4,158,430)	3,422,181	to Dec '09	€0.58- €0.80
- listed	-	3,591,209	-	-	3,591,209	to Dec '09	124p-336p
- Quivest BV	125,000	-	(125,000)	-	-		
Options granted to directors and employees:							
R. Antonov	142,238	33,333	-	-	175,571	to 30..11.07	€1.60- €4.28
D. Bovell	-	25,000	-	-	25,000	to Feb '09	120p
J.N. Dickens	10,000	-	-	-	10,000	to 25.04.12	160p
M. Emmerson	266,764	-	-	-	266,764	to 18.04.07	124p-336p
J. Haag	-	25,000	-	-	25,000	to Feb '09	€1.60
K.E. Ludvigsen	10,000	-	-	-	10,000	to 25.04.12	160p
C. Minnar	10,000	-	-	-	10,000	to 25.04.12	160p
J. Moore	-	33,334	-	-	33,334	to Feb '09	120p
C. Ross	-	50,000	-	-	50,000	to Feb '09	€1.60
Employee share options	39,413	-	-	-	39,413	to 20.05.09	120p-434p
	<u>5,421,526</u>	<u>6,770,376</u>	<u>(375,000)</u>	<u>(4,158,430)</u>	<u>7,658,472</u>		

** On 1 March 2005, there was a 4 to 1 share consolidation.

11 Reserves

	Share premium £'000	Capital redemption reserve £'000	Foreign exchange reserve £'000	Retained losses £'000
Restated at 1 January 2005	18,455	2,587	(42)	(26,478)
Proceeds on share issue	2,012	-	-	-
Translation differences on overseas operations	-	-	(43)	-
Share based payment expense	-	-	-	8
Loss for the year	-	-	-	(5,218)
At 31 December 2005	<u>20,467</u>	<u>2,587</u>	<u>(85)</u>	<u>(31,688)</u>
Proceeds on share issue	5,027	-	-	-
Translation differences on overseas operations	-	-	-	-
Share based payment expense	-	-	144	-
Loss for the year	-	-	-	(3,233)
At 31 December 2006	<u>25,494</u>	<u>2,587</u>	<u>59</u>	<u>(34,921)</u>

The following describes the nature and purpose of each reserve within owners' equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Capital redemption	Amounts transferred from share capital on redemption of issued shares.
Foreign exchange	Gains/losses arising on retranslating the net assets of overseas operations into sterling.
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement.