

nCipher plc**Unaudited preliminary financial results for the full year ended 31 December 2006**

Cambridge, UK – 22 February 2007 – nCipher plc (LSE: NCH), a global leader in protecting critical enterprise data, announces its unaudited preliminary financial results for the full year ended 31 December 2006.

Financial summary for the full year ended 31 December 2006 (IFRS)

- Sales revenue £21.1 million (2005: £17.4 million)
 - Abridgean sales £0.5 million consolidated
- Operating profit £0.5 million (2005: £1.9 million)
 - Abridgean loss £1.6 million consolidated
- Positive net cash from operating activities £1.2 million (2005: £1.2 million)
- Total assets of £52.1 million, £43.1 million in cash (2005: £58.8 million, £40.6 million in cash)
- Abridgean investment impaired leading to charge of £7.3 million

Corporate News

- Company proposes to return £34 million cash to shareholders by tender offer
- Robert Jeens appointed as Chairman

Operational News

- British Library selects nCipher to help protect National Digital Library
- Solution delivered to Délégation Générale de l'Armement (DGA), part of the French Ministry of Defence, to secure its online trading exchange
- nCipher helps to secure miSense biometric airport security system at Heathrow Airport

Commenting on the results Alex van Someren, Chief Executive Officer, said:

"In 2006, nCipher's tenth anniversary year, the Company has delivered its highest ever revenues. The performance of nCipher's core business in cryptographic security products, including hardware, software and services, has remained strong.

"I believe that the uncertainty following last year's aborted offer is now past and that the Company has a clear strategy for expanding its business into areas with the potential for strong growth. Therefore, in 2007 we intend to increase our internal investment to develop and further refine our product portfolio."

Robert Jeens, Chairman, said:

"I am very pleased to have joined nCipher as another successful year of growth came to a close. We have examined carefully the level of current cash balances appropriate to deliver our strategy and propose that £34 million be returned to shareholders by means of a tender offer. The tender offer will be made to all shareholders as soon as we receive Court approval."

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About nCipher

nCipher protects critical enterprise data for many of the world's most security-conscious organisations. Delivering solutions in the fields of identity management, data protection, enterprise key management and cryptographic hardware, nCipher enables businesses to identify who can access data, to protect data in transit and at rest, and to comply with the growing number of privacy-driven regulations. nCipher plc is listed on the London Stock Exchange (LSE:NCH).

Chief Executive Officer's review for the twelve months ended 31 December 2006

All comments relate to the Company's unaudited accounts prepared according to IFRS

In 2006, nCipher's tenth anniversary year, the Company has delivered its highest ever revenues. The performance of nCipher's core business in cryptographic security products, including hardware, software and services, has remained strong despite the adverse effect of the significant shift in Sterling/Dollar exchange rates during the year.

Total sales revenues for the year amounted to £21.1 million, an increase of 21.1% compared with total revenues in 2005, driven by growth in sales of both products and services. Our business continues to be a global one, with revenues from Europe, the Middle East and Africa representing 44.4% of the total, the United States & Canada representing 44.0% and Asia and the Pacific Rim the remaining 11.6%.

Gross margin was 84.4% compared with 79.4% in the previous year. However, this unusually high level of margin results from a highly favourable product mix and we expect the margin to return to historic levels in due course. Operating overheads grew by 38.7% during the year to £16.5 million. nCipher's total assets at year end were £52.1 million, including £43.1 million of cash. The Company's operations generated £1.2 million of cash during the year after deploying £1.4 million in support of Abridgean (US) Inc.

2006 was a very eventful year for the Company and it is a tribute to the commitment of its customers and the tenacity of our employees that we have delivered good results in the face of significant distraction. In early 2006 the Company received a cash offer from the US-based competitor SafeNet, Inc. which after due consideration was recommended by your board but ultimately lapsed following the referral to the Office of Fair Trading (OFT) on market share grounds. Conditions imposed by this offer, coupled with the distraction it provided, resulted in Abridgean missing its operational and financial targets and consequently we have not completed the acquisition of the remaining share of the business.

By consolidating Abridgean's losses we have shown an operating profit of £0.5 million for the full year. However, we are pleased that the core business of the Company in high-end encryption hardware has remained strong, delivering its best ever sales revenues, and continuing to provide a solid foundation for future growth.

Business strategy and market environment

nCipher is a world leader in IT security, specialising in data encryption, helping to protect critical enterprise data for customers who are among the world's most security-conscious organisations. By delivering solutions in the fields of credential management, data protection, enterprise key management and cryptographic hardware, nCipher enables businesses to control who can access sensitive data, to protect that data whether in transit or at rest, and to achieve compliance with the growing number of legal- and privacy-driven regulations.

A report from Forrester Research, Inc.¹ highlights the need for companies to make it a priority to protect data, no matter where it may reside. Business and security pressures are forcing the industry to adopt a more "data-centric" approach in which information classification and encryption become central components of IT security.

The year has seen many high profile announcements from organisations about the unintentional loss or disclosure of confidential personal data. We believe that the technology of encryption, in which nCipher specialises, is becoming the mainstream technology for the protection of confidential data. Our business has been built on the sale of hardware and software security products which protect and process sensitive data. As our customers deploy encryption more widely, the ability to manage centrally exactly who can access encrypted data also becomes paramount. In addition, it is essential to maintain accurate audit trails to enable and demonstrate compliance with legislation and best practice.

¹ Forrester, "Secure the Data, Not Just the Underlying Infrastructure", May 2006

June 2006 marked the first anniversary of the Payment Card Industry Data Security Standard (PCI DSS), the initiative from the major payment card associations designed to improve the security of stored credit card details. Despite the threat of penalties only one third of the largest merchants were PCI compliant by mid-2006 according to a Visa spokesperson². Data protection solutions such as our CipherTools™ software toolkits and card payments products such as the nCipher payShield™ can help significantly enhance the security of our customers' financial systems.

During 2007 we intend to increase our investment in Research & Development to enable us to develop independently our own solutions to meet customers' requirements for credential management and data protection, whilst continuing to evolve our products for enterprise key management and cryptographic hardware still further.

nCipher's customers

We can count many of the largest and best-known companies as our customers, including all of the world's ten largest financial institutions. However, as a vendor of security products we are obliged to preserve the anonymity of our customers where they prefer it, which significantly limits our potential for publicity. Nevertheless, during 2006 customers including the British Library, The French Government, and the miSense consortium did agree to discuss our role in their projects publicly:

British Library

The importance of securing digital data well into the future was well illustrated when the British Library selected nCipher to help protect the integrity of its National Digital Library. The Library will contain everything from digitised versions of centuries-old manuscripts to digital journals and web archives and is expected to amass up to 300 terabytes of content over the next five years. nCipher's DSE200 document sealing engine has been deployed to timestamp and digitally sign every item stored in the Library to ensure that electronic documents and other materials are authentic and that they have not been modified from the original.

French DGA

We continue to see the increasing deployment of public key infrastructures (PKIs) where digital certificates are being used to identify parties and to prove authenticity and data integrity. nCipher helped to deliver a security solution to Délégation Générale de l'Armement (DGA), part of the French Ministry of Defence, to secure its online trading exchange. The DGA online trading exchange is considered one of the largest public marketplaces in Europe with the Ministry of Defence purchasing €15-17 billion of goods and equipment each year. In this system nCipher's nShield™ hardware security modules provide a high-performance and tamper-resistant environment for the cryptographic processes that enable users to access and sign tenders by proving integrity and authenticity.

miSense Immigration System

Our encryption and database security technology has been deployed as part of the miSense biometric airport security system at London's Heathrow Airport. By using biometric technology, including fingerprint, face and iris recognition, miSense aims to simplify and speed up airport check-in and boarding while further strengthening levels of security. During check-in, passengers can scan their passport and right index fingerprint at a miSense self-service kiosk. This biometric information along with the boarding pass will then be used to verify them at security control and when boarding the aircraft. Participating is easy, free of charge and only takes a few minutes to enrol. nCipher's Hardware Security Modules (HSMs) have been deployed in the miSense system to generate and protect the unique cryptographic keys that are used to identify and validate each traveller based on their biometric information. In addition, nCipher's SecureDB database encryption solution is being used to protect stored passenger information and passport details in order to ensure compliance with data protection legislation.

² Gartner, Inc., "Answers to Common Questions About PCI Compliance", December 2006

nCipher products and solutions

keyAuthority

Our keyAuthority™ software delivers automation, scalability and availability for widespread data encryption. nCipher's enterprise key management solution addresses some of the fundamental data security challenges that arise as organisations open their networks to customers, partners and remote employees. nCipher's keyAuthority addresses the challenges of key management by consolidating and automating the management of these keys and credentials in a transparent manner across large and diverse populations of device end-points and applications. As a result, keyAuthority replaces manual key management processes, reducing cost and complexity, enabling organisations to manage risk by expanding the role of encryption across the enterprise in scalable, auditable and less error-prone manner. We are currently involved in several "proof of concept" trials of keyAuthority and we anticipate winning initial sales contracts with this product over the coming months.

miniHSM

During 2006 we announced the availability of miniHSM™ – the world's first embedded hardware security module. Designed to provide original equipment manufacturers (OEMs) with a simple, secure, drop-in solution for data encryption, digital signing and strong authentication, the miniHSM allows nCipher's customers to integrate pre-validated cryptographic security into a diverse range of product areas, including digital cinema projectors, electronic voting terminals, retail point-of-sale infrastructure, immigration border control and document processing machinery. miniHSM may be about the size of a pack of chewing gum, but it provides embedded HSM functionality to enable a simplified and highly cost effective means to enable tamper-resistant hardware protection of encryption keys with a pre-validated FIPS 140-2 level 3 security rating. The small footprint and ease of integration of miniHSM allows manufacturers to embed HSM functionality into devices where space and power are at a premium.

Classified Document Security Appliance

A standalone network-attached hardware appliance bringing together technology components from Adobe®, Geotrust and nCipher, the Classified Document Security Appliance simplifies the roll-out of strong document security within an enterprise. This product enables organisations to provide consumers with information and documentation in electronic format whilst proving to recipients that the document really does come from a trusted source, that the information has been kept secret and has not been changed en-route.

nFast, nForce & Britestream

Towards the end of 2006 the Company acquired the trade and certain assets of Britestream Networks, Inc., which predominantly comprised stock, fixed assets and intellectual property, for a total consideration of £0.17 million. This acquisition enables nCipher to take full ownership of its line of cryptographic accelerator solutions, nFast® and nForce. These products, originally developed jointly by Britestream and nCipher and introduced by nCipher in August 2005, will be manufactured by nCipher following this acquisition.

Board changes and management team development

The Board saw two departures during the year. Dr Ossama Hassanein was involved with the business from an early stage, becoming the first chairman when the Company listed in 2000. He brought both boardroom wisdom and a great depth of relevant industrial expertise. Ian Smith was a key early member of the executive team, serving the Board initially as company secretary and then as an executive director with wide ranging responsibilities. I would like to pay tribute to the contribution made by each of them to the successful development of the Company and wish them well for the future.

In December 2006, the Board welcomed Robert Jeens to the Board as non-executive Chairman. Kenneth Prenty was appointed Chief Financial Officer and Company Secretary earlier in the year. As the Company continues to grow we anticipate that additional management resources will be required. With this in mind, we have begun to recruit a new Chief Operating Officer to join the executive team, and we expect further additions to the team will be made during 2007 to support the delivery of our strategy.

Abridean business update

The Group holds a 61% stake in software developer Abridean (US) Inc. ("Abridean"), acquired in November 2005, which is a loss-making early-stage business. During 2006 the nCipher sales force secured initial orders for the Abridean Provisor solution for Identity Management and Password Provisioning in both Europe and North America, and Abridean has continued to generate modest revenues from continuing business commitments. As a result, the total revenues recognised by nCipher from Abridean during the year were £0.5 million. However, Abridean has contributed a loss of £1.6 million to the Group's results.

A review by the nCipher Board of the business of Abridean (US) Inc. in December 2006 formally confirmed that Abridean's business has developed considerably more slowly than anticipated. The nCipher Board believes that this pattern is likely to continue in 2007 and therefore now considers it likely that the achievement of breakeven by Abridean will take significantly longer than previously expected, as announced on 18 December 2006. In view of the developments noted above we are not planning to purchase any further equity stake in Abridean

nCipher continues to provide short term funding for Abridean in accordance with the commitment made in November 2005. This obligation remains until April 2007. The Board continues to believe that there is potential to build on the intellectual property developed by Abridean. However, as a result of the continuing underperformance of the Abridean business, the Board feels that it is appropriate to write off entirely the goodwill and intangible assets of Abridean arising on consolidation, which leads to a charge of £7.3 million before minority interests, and contributed to a net loss before tax of £4.7 million.

Balance sheet structure

The Board has determined that the Company's current cash reserves are considerably in excess of its requirements for the short- to medium-term execution of its strategy and therefore that the Company proposes to return £34 million in cash to its shareholders through a tender offer. Our aim is to conclude this process, allowing time for Court and shareholder approval to be gained, before 30 June 2007.

Prospects

The Board believes that the uncertainty following last year's aborted offer is now past and that the Company has a clear strategy for expanding its business into areas with the potential for strong growth. Therefore, in 2007 we intend to increase our internal investment to develop and further refine our product portfolio. The Board is very conscious of the consolidation that is taking place in the broader security market, particularly amongst larger companies, but believes that major customers will continue to value high quality enterprise offerings from independent specialist suppliers.

Alex van Someren
Chief Executive Officer
nCipher plc

Financial Review

Summary

Revenue for the year was £21.1 million (2005: £17.4 million), the loss for the period attributable to common shareholders was £4.3 million (2005: profit £3.1 million), the basic loss per share was 15.27 pence (2005 earnings per share: 10.97 pence) and the diluted loss per share 14.90 pence (2005 diluted earnings per share: 10.62 pence).

The loss for the period has been caused by the decision of the Directors to recognise an impairment charge against the intangible assets and goodwill arising on the acquisition of a majority stake in the Abridgean operation amounting to £7.3 million.

Revenues

Total revenue for the year ended 31 December 2006 amounted to £21.1 million, an increase of 21.1% compared with the total revenues in the year ended 31 December 2005 (2005: £17.4 million). This increase resulted from improved product sales, which were 24.1% higher than in 2005, and a 14.1% increase in the sale of services (mainly customer support contracts).

All geographical regions showed improved revenue performance. Revenue from the Europe, Middle East and Africa region increased by 10.9% and the region contributed 44.4% of total revenue (2005: 48.4%). Revenue from the Asia Pacific Rim region increased by 25.0% and represented 11.6% of the total revenue in 2006 (2005: 11.3%). Revenue from the United States increased by 32.3% and represented 44.0% of total revenue (2005: 40.3%).

We continued to serve a broad customer base with no one customer representing more than 10% of our revenue during 2006. Our top ten customers in 2006 represented 31.3% of our total revenues (2005: 36.0%).

Gross Margins

Gross margins were 84.4% in 2006 compared with 79.4% in 2005. Product margins were 85.2% in 2006 compared with 77.9% in 2005 due to an unusually favourable product mix. The service business achieved a gross margin of 82.2% in 2006 compared with a gross margin of 83.2% in 2005.

Operating Expenses

Sales and marketing, research and development and general and administrative expenses increased by 38.7% to £16.5 million in 2006 (2005: £11.9 million). The inclusion of Abridgean accounted for an additional £1.7 million of this increase in expenditure.

The majority of this increase was in sales and marketing expenses, which increased to £8.5 million representing 40.2% of revenue in 2006 (2005: £6.7 million representing 38.7% of revenue).

Research and development expenses were £4.0 million representing 19.2% of revenue in 2006 (2005: £2.8 million representing 16.3% of revenue). Expenditure in product development at Abridgean during the year contributed £1.1 million to this total.

General and administrative expenses increased to £3.9 million in 2006 representing 18.7% of revenue (2005: £2.3 million representing 13.2% of revenue). Abridgean contributed £0.6 million to the 2006 total. In addition there were a number of non-recurring items in the year and these included the cost of the lapsed offer from SafeNet, Inc. which amounted to £0.3 million; charges of £0.2 million for temporary labour and executive recruitment; £0.1 million for compensation for loss of office for a former director. In addition we have charged £0.9 million before minority interests as amortisation of Abridgean intangible assets.

nCipher's key resource, and consequently its most significant cost, is its people. Headcount increased during the year to 171 (2005: 123) of which 44 were employees of Abridgean. Payroll costs are the most significant cost in the business, accounting for 62.4% of total operating expenses in the year (2005: 67.2%).

Operating Margins

The operating profit of £0.5 million compares with an operating profit of £1.9 million in 2005.

Finance Income

Interest income increased to £2.2 million in 2006 (2005: £1.9 million) reflecting slightly improved cash balances. In addition we have re-valued the outstanding forward contracts on our books to market value and this has resulted in a gain of £0.1 million being included in interest income.

Taxation

The loss before tax was £4.7 million; however, a tax charge arose primarily because the group generates taxable profits in the UK and has losses outside the UK which cannot be offset against these profits.

Balance Sheet and Cash Flow

Net assets decreased from £47.1 million in 2005 to £41.4 million in 2006, the most significant reduction being the write off of the goodwill and intangible assets arising on the acquisition of Abridean. This is partially offset by a reduction in the contingent liability for the earn-out consideration for the acquisition and the write back of deferred tax liabilities and minority interest associated with the goodwill and intangible assets.

The Balance Sheet includes £1.3 million of long term debt representing amounts due on loans at nil interest rate from Atlantic Canada Opportunity Agency made to Abridean.

Cash and cash equivalents increased to £43.1 million (2005: £40.6 million). There was a net cash generation of £2.3 million during the year compared with a consumption of £1.8 million in 2005. Net cash from operating activities was £1.2 million compared with £1.2 million in 2005. During the year nCipher advanced sums of £1.4 million to Abridean (2005: £1.3 million) of which £0.1 million was used for debt repayment (2005: £0.9 million), and the remainder was utilised in operations.

Cash per ordinary share was £1.50 based on the 28,681,070 ordinary shares in issue at the end of the year.

nCipher plc
Preliminary results for year ended 31 December 2006

Unaudited Consolidated Income Statement

	Note	nCipher operations 31 Dec 06 Unaudited £'000	Abridean operations 31 Dec 06 Unaudited £'000	Year ended 31 Dec 06 Unaudited £'000	Year ended 31 Dec 05 Audited £'000
Continuing operations					
Revenue		20,532	518	21,050	17,380
Cost of sales		(2,862)	(429)	(3,291)	(3,577)
Gross profit		17,670	89	17,759	13,803
Sales and marketing costs		8,452	8	8,460	6,731
Research and development costs		2,976	1,069	4,045	2,835
Administrative costs		3,369	578	3,947	2,298
Amortisation of intangibles		857	-	857	71
Total administrative costs		4,226	578	4,804	2,369
		15,654	1,655	17,309	11,935
OPERATING PROFIT/(LOSS)		2,016	(1,566)	450	1,868
Finance income		2,151	-	2,151	1,882
Loss on impairment of investment in subsidiary		(7,312)	-	(7,312)	-
Preference share dividends		(9)	-	(9)	(11)
(LOSS) / PROFIT BEFORE TAX		(3,154)	(1,566)	(4,720)	3,739
Tax		(773)	-	(773)	(725)
(LOSS) / PROFIT FOR THE PERIOD		(3,927)	(1,566)	(5,493)	3,014
Attributable to:					
Equity holders of the parent		(2,713)	(1,566)	(4,279)	3,058
Minority Interest		(1,214)	-	(1,214)	44
		(3,927)	(1,566)	(5,493)	3,014
(Loss) / earnings per share					
Basic (pence)	2			(15.271)	10.969
Diluted (pence)	2			(14.895)	10.619

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Preliminary results for year ended 31 December 2006

Unaudited Consolidated Balance Sheet

	31 Dec 2006 Unaudited £'000	31 Dec 2005 Audited £'000
Non-current assets		
Intangible Assets - Identified	-	6,316
Intangible Assets - Goodwill	-	3,626
Property, plant and equipment	468	445
Deferred tax assets	516	1,087
	<u>984</u>	<u>11,474</u>
Current assets		
Inventories	1,238	1,101
Trade and other receivables	6,821	5,630
Cash and cash equivalents	43,098	40,587
	<u>51,157</u>	<u>47,318</u>
Total assets	<u><u>52,141</u></u>	<u><u>58,792</u></u>
Current liabilities		
Trade and other payables	640	730
Accrued payroll and related expenses	1,280	1,424
Deferred service contract revenue	5,246	3,947
Corporation tax	858	556
Other accrued liabilities	976	1,448
Borrowings	232	312
Short term provisions	167	167
Debt	87	41
	<u>9,486</u>	<u>8,625</u>
Net current assets	<u>41,671</u>	<u>38,693</u>
Long term debt	1,252	1,391
Deferred tax liabilities	-	790
Contingent liability	-	907
Net assets	<u><u>41,403</u></u>	<u><u>47,079</u></u>
EQUITY		
Share capital	151	148
Share premium account	22,694	22,172
Exchange revaluation reserve	(1,084)	41
Own shares	(794)	(853)
Equity reserve	1,849	1,491
Capital redemption reserve	130	130
Special reserve	14,761	14,761
Merger reserve	15,937	15,937
Profit and loss account	(12,241)	(7,962)
Equity attributable to equity holders of the parent	<u>41,403</u>	<u>45,865</u>
Minority Interest	-	1,214
Total equity	<u><u>41,403</u></u>	<u><u>47,079</u></u>

nCipher plc
Preliminary results for year ended 31 December 2006

Unaudited Consolidated Cash Flow Statement

	Year ended 31 Dec 2006 unaudited £'000	Year ended 31 Dec 2005 audited £'000
NET CASH FROM OPERATING ACTIVITIES	1,191	1,230
INVESTING ACTIVITIES		
Interest received	1,983	1,886
Purchases of property, plant and equipment	(228)	(297)
Acquisition of subsidiary	-	(4,160)
Income taxes paid	(543)	-
NET CASH FROM / (USED IN) INVESTING ACTIVITIES	1,212	(2,571)
FINANCING ACTIVITIES		
Dividends paid on redeemable B shares	(9)	(6)
Proceeds on issue of ordinary shares	524	929
Purchases of own shares	-	(432)
Redemption of B shares	(80)	(109)
Repayment of borrowings	(93)	(835)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	342	(453)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	2,745	(1,794)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	40,587	42,251
Effects of foreign exchange rate changes	(234)	130
CASH AND CASH EQUIVALENTS AT END OF YEAR	43,098	40,587

Reconciliation of Operating Profit to Net Cash form Operating Activities

	Year ended 31 Dec 2006 Unaudited £'000	Year ended 31 Dec 2005 Unaudited £'000
Operating profit	450	1,868
Adjustments for:		
Loss on operations attributable to minority interest	-	(44)
Depreciation of property plant and equipment	205	179
Amortisation of intangibles	857	71
Equity-settled share based payment transactions	146	129
Foreign currency movements	40	-
Proceeds from issuance of treasury shares	59	-
Operating cash flows before movements in working capital	1,757	2,203
Increase in inventories	(137)	(528)
Increase in receivables	(1,023)	(1,331)
Increase in payables	594	891
Cash generated from operations	1,191	1,235
Income taxes paid	-	(5)
Net cash from operating activities	1,191	1,230

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Unaudited Statement of changes in equity

	Called up share Capital £'000	Own shares £'000	Share premium account £'000	Translation reserve £'000	Special reserve £'000	Merger reserve £'000	Capital redemption reserve £'000	Equity reserve £'000	Minority interest £'000	Retained earnings £'000	Total £'000
At 1 January 2006	148	(853)	22,172	41	14,761	15,937	130	1,491	1,214	(7,962)	47,079
Profit for the year	-	-	-	-	-	-	-	-	-	(4,279)	(4,279)
Translation adjustments	-	-	-	(1,125)	-	-	-	-	-	-	(1,125)
New shares issued to satisfy options exercised	3	-	522	-	-	-	-	-	-	-	525
Sale of own shares to satisfy options exercised	-	59	-	-	-	-	-	-	-	-	59
Share based payments	-	-	-	-	-	-	-	358	-	-	358
Minority interest	-	-	-	-	-	-	-	-	(1,214)	-	(1,214)
At 31 December 2006	151	(794)	22,694	(1,084)	14,761	15,937	130	1,849	-	(12,241)	41,403

Notes to the unaudited preliminary financial results

1. Statutory accounts

The financial information set out in the announcement does not constitute the company's statutory accounts for the year ended 31 December 2006. The financial information for the year ended 31 December 2005 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under s. 237(2) or (3) Companies Act 1985. The statutory accounts for the year ended 31 December 2006 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the company's annual general meeting.

2. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data

	2006	2005
	£'000	£'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share being:		
(Loss)/profit for the period attributable to ordinary shareholders	(4,279)	3,014
	<hr/>	<hr/>
Number of shares		
	No.	No.
Weighted average number of ordinary shares for the purpose of basic earnings per share	28,019,718	27,477,000
Effect of dilutive potential ordinary shares:		
Share options	709,000	906,000
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of fully diluted earnings per share	28,728,718	28,383,000
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