ANT plc

Interim Report 2006

Six months ending June 2006

Highlights 2006

> Shipments of ANT-enabled devices up by 84% to 660k units
(H1 2005: 359k, FY 2005: 790k)

> 12 new licences signed in the period
(H1 2005: 13, FY 2005: 29)

> Turnover increased by 21% to £1.42m
(H1 2005: £1.17m, FY 2005: £2.51m)

> Gross margin increased to 84.1%
(H1 2005: 72.2% FY 2005: 77.3%)

> Loss before tax increased by 11% to £0.98m
(H1 2005: £0.88m, FY 2005: £1.81m)

> Loss per share increased to 4.6p
(H1 2005: 4.2p, FY2005: 9.0p)

> Cash position at 30 June 2006 £8.0m
(30 June 2005: £9.8m, 31 December 2005: £9.2m)

Contents

01 Chief Executive’s Review
04 Consolidated Profit and Loss Account
05 Consolidated Balance Sheet
06 Consolidated Cashflow Statement
07 Reconciliation of Net Cashflow to Movement in Net Cash (Debt)
08 Notes to the Interim Financial Statements
10 Directors and Advisors

Chief Executive's Review

Overview

I am pleased to report that, in the first half of 2006, ANT has seen significant growth in the volume of shipments of its products. The 84% increase in volume shipments over the same period in 2005 relates in the main to ANT Fresco, the Group's long-established embedded browser software. Deployments of ANT Galio-enabled products are due to come on stream in the second half of the year, as discussed in the 2005 annual report and we recently announced the first large scale deployment of personal media players utilising ANT PurePlay. The size, nature and stage of development of this market means that growth forecasts are still subject to significant variation but the expected growth I alluded to in the 2005 interim and annual reports has indeed now beginning.

During this period, we have announced the selection of ANT Fresco for HanseNet's terrestrial deployment of its Alice TV service in Germany and the selection of ANT Galio for deployment across a range of Xerox devices, thus effectively demonstrating some of the breadth of ANT Galio's applicability not only to the interactive TV market but also to the wider consumer electronics market where flexible user interface applications are required.

In ANT's core IPTV market, it is encouraging to note that established networks are signing new customers and expanding at a faster rate than has been the case for some time and that new networks are being planned and deployed by operators in many regions around the world.

Continuing ANT's response to the need for products and technologies that respond to the challenges of providing the consumer with simple mechanisms through which to manage and enjoy complex collections of the consumer's own and third party media, ANT PurePlay is now starting to ship in volume. Through an agreement with Philips ANT PurePlay being deployed as the software platform for a high volume range of portable consumer media products.

Financials

The Group has achieved satisfactory results for the first six months of the year.

Turnover grew by 21% to £1.42m in the period to 30 June 2006 (H1 2005: £1.17m, FY 2005: £2.51m), accompanied by an increase in gross profit of 41% to £1.20m (H1 2005: £0.85m, FY 2005: £1.94m). The overall gross profit margin has increased to 84.1% (H1 2005: 72.3%, FY 2005: 77.3%) partly because of a change in the proportion of revenues towards higher margin royalties and partly because of a shift in sales channel reducing the level of agency commission payable.

The mix of revenue has moved substantially towards royalties which made up 51% of the Group's revenue in the period to 30 June 2006 (H1 2005: 28%, FY 2005: 45%). The Group continues to account for advance royalties (payments by customers made in advance of shipments being made in order to secure advantageous ongoing royalty rates) on receipt where the requisite revenue recognition criteria are satisfied. As a result, a number of the Group's customers, while shipping in volume, are utilising advance royalty payments previously made. This means that the Group's royalty revenue growth in any period is not necessarily proportional to the growth in shipment volumes as those advance payments are worked through.

The increase in shipments has been across a range of customers as is demonstrated by the following:

	H1 2004	H2 2004	H1 2005	H2 2005	H1 2006
No. customers shipping in the half year	9	9	10	11	18
No. customers shipping over 10,000 units in the half year	4	5	5	6	7

Heavily influenced by the increase in royalty income, licence fees from the signing of new licences fell as a proportion of overall revenue for the period to 22% (H1 2005: 40%), representing a fall in absolute terms of 35% to £0.31m (H1 2005: £0.47m). The Group signed 12 new licences in the period (H1 2005: 13, FY 2005: 29), all of which relate to ANT Galio. The relative immaturity of the market continues to make the precise timing of closure of licences difficult to predict but negotiations continue with a significant number of new licencees as well as with existing ANT Fresco licensees wishing to take advantage of the improved functionality of ANT Galio.

Professional services revenue, focused on assisting customers with porting of ANT software to their hardware platforms and thus optimising time to market for new devices, represented 27% of revenues in the period (H1 2005: 32%, FY 2005: 30%), and a 2.6% increase on the same period in 2005.

Headcount increased from 42 at the end of June 2005 to 48 at 31 December 2005, falling back again to 42 as at 30 June 2006 as the Group took action to re-focus its cost based to provide and more effective and efficient service to its customers. New opportunities for development of ANT Galio Client mean that the second half of 2006 will see investment in careful expansion of the Group's employee numbers once more.

The Group's balance sheet indicates cash of £8.0m at the period end (H1 2005: £9.8m, FY 2005: £9.2m) and net assets of £8.3m (H1 2005: £10.2m, FY 2005: £9.3m).

The Directors do not recommend the payment of a dividend.

Operational review

During the period under review, ANT has not only continued to attract significant licensees for its Fresco and Galio TV applications but, as announced on 30 June through its contract with Xerox, has begun to widen the scope of its technology into markets where flexible user interface design in consumer electronics devices is required. While the principal focus of the Group continues to be in IPTV and the wider digital TV market, opportunities in other markets will be aggressively pursued when they arise.

As announced in June, ANT was also successful in beginning to open opportunities for its products in the non IP-based TV Market, working with ADB and HanseNet to deliver IPTV functionality to HanseNet's existing digital terrestrial (DTT) Alice deployment.

ANT PurePlay is now seeing market traction through ANT's agreement with Philips and it is anticipated that, from these initial volume deployments, there will be further growth achieved through an encouraging range of additional opportunities for the product. The consumer electronics trend of increased complexity in user interface design coupled with ever increasing pressures on product time-to-market are now demonstrating the relevance of PurePlay's flexibility and wide range of supported industry standards. ANT's traditional licence and royalty business model continues to apply to this product category as in ANT's other market activity.

Board changes

In April, the Company announced the appointment of Colin Shave to the Board as Sales Director. With his experience of international sales of interactive TV software with NDS, Colin has made an immediate impact in strengthening ANT's reputation in the market place and will continue to contribute significantly to ANT's success in the future.

At the same time, the group announced the resignation of Stephen Reeder from the Board as Director of Product Strategy. Steve made an valuable contribution to ANT in the three years he was with the Group and the Directors thank him for his efforts in that time.

Outlook

The IPTV market is at last showing the kind of growth which was expected at the time when ANT was admitted to AIM in 2005 although the growth rate continues to be difficult to predict with certainty. In addition to the IPTV sector, the opportunities for ANT lie in broadening its scope to encompass both the developing IPTV market and the existing cable, satellite, terrestrial and media-centric consumer electronics markets. There is a substantial market for innovative software solutions which facilitate improved content creation through better device interfaces (and thus speed to market for device manufacturers and network operators) as well as enhanced interactivity. ANT is working closely with middleware providers and equipment manufacturers to develop broader client solutions which will achieve these aims.

Complementing existing customer product offerings, there are the significant opportunities for the ANT Galio Client, which presents operators and set top box manufacturers with significantly enhanced abilities to manage new deployments based on open standards pioneered by ANT. ANT Galio will generate growing licence revenue and high royalties for ANT in 2007 and beyond but will require investment in enhanced software development resource in a shorter time scale. At the point where ANT's revenue is benefiting from the growth in the Group's core market, it is appropriate for the Group to invest in carefully targeted and managed headcount growth to provide the ability to take advantage of the opportunities now offered. The Board remains confident of the Group's continued success in its chosen markets and of its medium to long term prospects.

S A Woodward
Chief Executive Officer
14 September 2006

Consolidated Profit and Loss Account

for the six months to 30 June 2006

	Notes	**6 months to 30 June 2006 £**	6 months to 30 June 2005 £	Year to 31 Dec 2005 £
Turnover	2	**1,421,725**	1,172,604	2,506,331
Cost of sales		**(226,436)**	(324,957)	(569,216)
Gross profit		**1,195,289**	847,647	1,937,115
Administrative expenses	5	**(2,359,627)**	(1,857,207)	(4,097,757)
Operating loss		**(1,164,338)**	(1,009,560)	(2,160,642)
Interest receivable		**184,562**	139,329	354,185
Interest payable and similar charges		**–**	(4,689)	(3,857)
Loss on ordinary activities before taxation		**(979,776)**	(874,920)	(1,810,314)
Tax on loss on ordinary activities		**(190)**	55,795	41,198
Retained loss on ordinary activities		**(979,966)**	(819,125)	(1,769,116)
Loss per ordinary share	3	**(0.05)**	(0.04)	(0.09)

Consolidated Balance Sheet
as at 30 June 2006

	Notes	**As at 30 June 2006 £**	As at 30 June 2005 £	As at 31 Dec 2005 £
Fixed assets				
Tangible assets		**163,475**	162,962	181,812
		163,475	162,962	181,812
Current assets				
Debtors		**1,046,768**	880,143	935,126
Cash at bank and in hand		**7,996,035**	9,813,557	9,191,083
		9,042,803	10,693,700	10,126,209
Creditors: amounts falling due within one year		**(869,621)**	(684,017)	(1,038,946)
Net current assets		**8,173,182**	10,009,683	9,087,263
Total assets less current liabilities		**8,336,657**	10,172,645	9,269,075
Creditors: amounts falling due after more than one year		**–**	–	–
Net assets/(liabilities)		**8,336,657**	10,172,645	9,269,075
Capital and reserves				
Called up share capital	4	**1,214,318**	1,214,318	1,214,318
Share premium account	4	**12,066,990**	12,068,195	12,066,990
Merger reserve	4	**9,787,208**	9,787,208	9,787,208
Share option reserves	4,5	**47,548**	–	–
Profit and loss account		**(14,779,407)**	(12,897,076)	(13,799,441)
Shareholders' funds/(deficit) – all equity		**8,336,657**	10,172,645	9,269,075

Consolidated Cashflow Statement
for the six months to 30 June 2006

	Notes	**6 months to 30 June 2006 £**	6 months to 30 June 2005 £	Year to 31 Dec 2005 £
Net cash outflow from operating activities		**(1,320,834)**	(1,274,920)	(2,118,866)
Returns on investments and servicing of finance				
Interest received		**161,500**	99,510	326,499
Interest paid		**–**	(4,689)	(3,857)
		161,500	94,821	322,642
Taxation				
Research and development tax credit		**(190)**	55,795	68,816
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets		**(35,924)**	(108,282)	(174,673)
Receipts from sales of tangible fixed assets		**400**	–	600
		(35,524)	(108,282))	(174,073)
Net cash outflow before financing		**(1,195,048)**	(1,232,586)	(1,901,481)
Issue of ordinary share capital		**–**	11,222,945	10,370,011
Transfer to short term deposits		**379,437**	–	(7,155,222)
Share issue costs		**–**	(899,355)	–
		379,437	10,323,590	3,214,789
Increase in cash		**(815,611)**	9,091,004	1,313,308

Reconciliation of Net Cashflow to Movement in Net Cash/(Debt)

	Notes	**6 months to 30 June 2006 £**	6 months to 30 June 2005 £	Year to 31 Dec 2005 £
Increase /(decrease) in cash		**(815,611)**	9,091,004	1,313,308
Transfer to short-term deposits		**(379,437)**	–	7,155,222
Cash inflow from increase in loan stock		**–**	–	–
Repayment of long-term loans and accrued interest		**–**	–	–
Change in net debt resulting from cash flows		**(1,195,048)**	9,091,004	8,468,530
Other		**–**	–	–
Movement in net debt		**(1,195,048)**	9,091,004	8,468,530
Net debt at 1 January		**9,191,083**	722,553	722,553
Net cash/(debt) at end of period		**7,996,035**	9,813,557	9,191,083

Notes to the Interim Financial Statements

1. Accounting policies and basis of preparation

The consolidated financial statements for the six months to 30 June 2006 have been prepared using the merger accounting basis as set out in FRS 6. The effect of this is that the financial statements for ANT plc and its wholly-owned subsidiaries, ANT Software Limited, ANT Communications Inc and ANT Employee Benefits Limited have been aggregated and presented as if the companies had always been together.

The figures for the six month periods to 30 June 2006 and 2005 have not been audited. Those for the year ended 31 December 2005 are the consolidated audited results for ANT plc.

These interim financial statements have been prepared in accordance with the accounting policies set out in the consolidated financial statements for ANT plc for the year ended 31 December 2005. They do not, however, represent statutory accounts for the purpose of s240 Companies Act 1985.

2. Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the Group's 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:

	6 months to 30 June 2006 £	6 months to 30 June 2005 £	Year to 31 Dec 2005 £
United States	**400,040**	218,076	315,845
Europe	**619,307**	405,059	1,295,719
Rest of the World	**402,378**	549,469	894,767
	1,421,725	1,172,604	2,506,331

3. Earnings/(loss) per share

	Notes	**6 months to 30 June 2006 £**	6 months to 30 June 2005 £	Year to 31 Dec 2005 £
Loss for the Period		**(979,966)**	(819,125)	(1,769,116)
Weighted average number of shares in issue		**21,437,870**	19,429,167	19,600,019
Basic and diluted earnings/(loss) per share (pence)		**(4.6)**	(4.2)	(9.0)

4. Reconciliation of shareholders funds and movement on reserves

	Share capital £	Share premium £	Merger account £	Profit and loss account £	Total shareholders funds £
At 1 January 2005	631,454	9,787,208	–	(9,750,472)	668,190
Proceeds from issue of shares (excl. EBT)	444,008	10,744,991	–	33,946	11,222,945
Proceeds from issue of shares to EBT	138,856	2,222,559	–	–	2,361,415
Share issue costs	–	(899,355)	–	–	(899,355)
Merger accounting reserve	–	(9,787,208)	9,787,208	–	–
Own shares held by EBT	–	–	–	(2,361,425)	(2,361,425)
Retained loss for the period	–	–	–	(819,125)	(819,125)
At 30 June 2005	1,214,318	12,068,195	9,787,208	(12,897,076)	10,172,645
Proceeds from issue of shares/exercise of options	–	–	–	47,615	47,615
Issue of shares to EBT	–	–	–	11	11
Share issue costs	–	(1,205)	–	–	(1,205)
Retained loss for the period	–	–	–	(949,991)	(949,991)
At 31 December 2005	1,214,318	12,066,990	9,787,208	(13,799,441)	9,269,075
Proceeds from issue of shares/exercise of options	–	–	–	–	–
Issue of shares to EBT	–	–	–	–	–
Share option scheme reserve	–	–	–	47,548	47,548
Retained loss for the year	–	–	–	(979,966)	(979,966)
At 30 June 2006	**1,214,318**	**12,066,990**	**9,787,208**	**(14,731,859)**	**8,336,657**

5. Share option

In accordance with the provisions of Financial Reporting Standard 20, a charge of £47,548 (H1 2005: £nil, FY 2005: £nil) has been made to the consolidated profit and loss account in respect of options granted to staff.

Directors and Advisors

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