



ANT plc

Interim Report  
& Financial Statements  
30 June 2007

# Chairman's Statement

ANT plc

Interim results for the six months ended 30 June 2007

The last half year has been a very challenging time for the Group. The interim results we are announcing today are frankly very disappointing, but the business remains confident of significantly stronger results as the market develops.

The underlying market for IPTV related technologies is growing, but not as fast as previously expected and this has delayed the take up of the Group's next generation software – ANT Galio Suite. Unit shipments of ANT enabled devices grew by 19% in the period.

As a consequence, we have taken actions to focus the business both in terms of working with our key clients and partners and also by reducing all non engineering related costs, to minimise our cash outflow in the year. The benefits of these actions will be seen in the second half of the year.

In the light of these results, the Board has decided to undertake a wide ranging strategic review of the business, the outcome of which we would expect to announce in March 2008 at the same time as the results for the full year, if not before.

## Overview

The results announced today are in line with the trading update issued in early June. The underlying IPTV market has continued to grow relative to last year, as reflected in the 19% growth in shipments of ANT technology enabled devices in the same period. However Tier 1 and Tier 2 Operator customers who have already deployed ANT IPTV solutions are currently waiting to see further progress in the deployment of IPTV before purchasing the next generation of the ANT Galio Suite. As a consequence of these delays, ANT sold only three new licences in the period (H1 2006: 12). We experienced similar hesitation before the first wave of IPTV deployments with ANT Fresco.

Notwithstanding these delays, we have continued to invest in our long term technology roadmap with our main clients and particularly in the development of enhanced applications as these will enable our licensees to take full advantage of the benefits and features within our next generation ANT Galio technologies.

We have licensed our solutions to all Tier 1 and most of the Tier 2 set top box manufactures in the world, and over the last 6 months, significant progress has been made in the development of television applications which enable operators to build long term value through delivery of services across a wide range of platform or media devices. In September 2006, Scientific Atlanta ("SA"), a Cisco Inc company, licensed ANT Galio Suite. ANT was chosen by SA/Cisco as a result of its' core technology and experience working with service providers, operators and device manufacturers to deliver some of the world's largest IPTV deployments. ANT is now fully established as the SA TV Operator Service Platform provider of choice.

## Strategy and Competitive Positioning

Whilst the Telecommunications market for IPTV has grown more slowly than was previously forecast, the rate of growth is starting to increase and we are seeing the first major orders with the service providers for new end to end IPTV deployments. These developments in major markets around the world are likely to continue over the next five years which will provide an excellent future for the business.

However ANT's market opportunity reaches beyond that of only IPTV and extends to the global digital TV distribution market. The ability for the ANT Galio Suite solution to deliver rich media content across any device and any distribution platform (cable, digital terrestrial, digital satellite, mobile and IPTV), together with the delivery of next generation TV applications and services, places ANT in a unique position to enable media operators and content owners and aggregators to truly take advantage of highly innovative and revenue generating TV services and applications, regardless of the television access distribution network.

## Financials

The results for the six months ended 30 June 2007 are reported under IFRS for the first time. Overall, the effect of moving from UK GAAP to IFRS has had no significant impact on the reported results either in the current period or for last year. An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, income statement and cash flows is set out in the section at the rear of this document, 'Reconciliation of UK GAAP to IFRS' together with the Group's IFRS accounting policies.

Turnover at £0.99m was 30% lower than in the period to 30 June 2006 (H1 2006: £1.42m), reflecting a reduction in the number of licences signed in the period from 12 last year to 3 in the current period. As highlighted in our trading update in June this year, customers are currently waiting to see progress in deployment of IPTV before taking out further licences for our next generation ANT Galio browser and client technologies. As a consequence, licence fee and advance royalty income (payments made by customers in advance of shipments being made in order to secure advantageous ongoing royalty rates) were both lower than reported last year.

ANT's licensees shipped 788,000 units of ANT software enabled devices – (H1 2006: 660,000), an increase of 19%. The Group continues to account for advance royalties 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 in any period is not necessarily proportional to the growth in shipment volumes as those advance payments are worked through. Royalty volumes from customers who have completed their draw down of advance royalties increased by 77% for the same period last year. During the period, of the total ANT enabled units shipped, revenues relating to 34% of those units were drawn out of advance royalties and therefore did not contribute to revenues in the period.

The number of customers shipping in the half year was 20 (H1 2006: 18) and the number of customers shipping over 10,000 units was unchanged at 7.

Headcount at 30 June 2007 was 43 (H1 2006: 42) compared with 45 at the end of December 2006.

Administrative expenses, which includes the costs of engineering as well as expenditure on sales, marketing and administrative activities was £2.9m (H1 2006: £2.4m) – an increase of 25%. Virtually all the increase was accounted for by additional expenditure on engineering as the Group continued to invest to extend the features of its core browser and client technologies as well as to support its program with

SA. Expenditure on own funded Research and Development work in the period was £1.4m (H1 2006: £1.0m) an increase of 40%.

As in previous years, the majority of the Group's revenues were in US dollars while its costs were in sterling. During the period the Group saw a 10% reduction in the average rate at which sales were converted to sterling compared with the same period last year and turnover was £99,000 lower as a result. Also within administrative expenses, the Group booked a foreign currency loss of £32,000 (H1 2006: £31,000) reflecting the impact of the weakening dollar on its balance sheet since the start of the year.

Reflecting the lower sales revenues and increased spend on R&D, the loss before tax in the period was £1.9m (H1 2006: £1.0m).

Net cash outflows before financing were £1.2m (H1 2006: £1.3m) and as a consequence cash and short term deposits were £6.5m compared with £7.5m at 31 December 2006. The Directors are not recommending the payment of a dividend.

#### **Outlook**

The Board believes that the outlook for the balance of this year remains unchanged from the position that we advised the market in mid June although unit shipments of devices containing our technology will increase year on year, compared with the broadly flat position that we indicated in our trading update.

By continuing to invest in our technology roadmap, we intend to maintain our position as the technology partner of choice for the leading operators and device manufacturers in this market and by following a 'win with winners' strategy, we intend to position the business to take advantage of the underlying growth in the market as it builds over the next two to three years.

#### **Royston Hoggarth**

Chairman

# Consolidated Income Statement

for the six months ending 30 June 2007

	Notes	6 months to 30 June 2007 (unaudited) £	6 months to 30 June 2006 (unaudited) £	Year ended 31 Dec 2006 (audited) £
<b>Revenue</b>	3	<b>994,641</b>	1,421,725	3,704,910
Cost of sales		(127,862)	(226,436)	(466,802)
<b>Gross profit</b>		<b>866,779</b>	1,195,289	3,238,108
Administrative expenses		(2,916,326)	(2,402,650)	(4,720,952)
<b>Operating loss</b>		<b>(2,049,547)</b>	(1,207,361)	(1,482,844)
Interest Receivable		172,665	184,562	369,460
<b>Loss before taxation</b>		<b>(1,876,882)</b>	(1,022,799)	(1,113,384)
Tax on loss		(6,176)	(190)	281,449
<b>Loss for the period</b>		<b>(1,883,058)</b>	(1,022,989)	(831,935)
Loss per ordinary share	5	(0.09)	(0.05)	(0.04)

All activities relate to continuing activities

# Consolidated Statement of Changes in Equity

for the six months ending 30 June 2007

	Share capital £	Share premium £	Merger account £	Profit and Loss account £	Total shareholders' funds £
<b>At 1 January 2006</b>	1,214,318	12,066,990	9,787,208	(13,799,441)	9,269,075
Share-based payments	-	-	-	47,548	47,548
Total recognised expense	-	-	-	(1,022,989)	(1,022,989)
<b>At 30 June 2006</b>	1,214,318	12,066,990	9,787,208	(14,774,882)	8,293,634
Share-based payments	-	-	-	47,084	47,084
Total recognised expense	-	-	-	191,054	191,054
<b>At 31 December 2006</b>	1,214,318	12,066,990	9,787,208	(14,536,744)	8,531,772
Share-based payments	-	-	-	25,330	25,330
Total recognised expense	-	-	-	(1,883,058)	(1,883,058)
<b>At 30 June 2007</b>	<b>1,214,318</b>	<b>12,066,990</b>	<b>9,787,208</b>	<b>(16,394,472)</b>	<b>6,674,044</b>

# Consolidated Balance Sheet

as at 30 June 2007

	As at 30 June 2007 (unaudited) £	As at 30 June 2006 (unaudited) £	As at 31 Dec 2006 (audited) £
<b>Non-current assets</b>			
Tangible assets	113,465	138,793	128,722
Intangible assets	27,214	24,682	27,105
	<b>140,679</b>	<b>163,475</b>	<b>155,827</b>
<b>Current assets</b>			
Trade and other receivables	1,177,094	1,046,768	2,131,941
Cash at bank and in hand	6,481,457	7,996,035	7,542,990
	<b>7,658,551</b>	<b>9,042,803</b>	<b>9,674,931</b>
<b>Total assets</b>	<b>7,799,230</b>	<b>9,206,278</b>	<b>9,830,758</b>
<b>Current liabilities</b>			
Trade and other payables	(1,125,186)	(912,644)	(1,298,986)
<b>Total liabilities</b>	<b>(1,125,186)</b>	<b>(912,644)</b>	<b>(1,298,986)</b>
<b>Net assets</b>	<b>6,674,044</b>	<b>8,293,634</b>	<b>8,531,772</b>
<b>Capital and reserves</b>			
Called up share capital	1,214,318	1,214,318	1,214,318
Share premium account	12,066,990	12,066,990	12,066,990
Merger reserve	9,787,208	9,787,208	9,787,208
Profit and loss account	(16,394,472)	(14,774,882)	(14,536,744)
<b>Shareholders' funds</b>	<b>6,674,044</b>	<b>8,293,634</b>	<b>8,531,772</b>

# Consolidated Statement of Cash Flows

for the six months ending 30 June 2007

	Notes	As at 30 June 2007 (unaudited) £	As at 30 June 2006 (unaudited) £	As at 31 Dec 2006 (audited) £
<b>Operating activities</b>				
Loss before tax		(1,876,882)	(1,022,799)	(1,113,384)
Interest receivable		(172,665)	(184,562)	(369,460)
Loss on sale of property, plant and equipment		1,400	1,118	1,639
Depreciation of property, plant and equipment		44,909	47,835	88,895
Amortisation of property, plant and equipment		7,778	4,907	11,481
Share based payments		25,330	47,548	96,065
(Increase)/decrease in debtors		783,527	(88,579)	(982,615)
Increase/(decrease) in creditors		(173,801)	(126,302)	257,887
Cash generated from operations		(1,360,404)	(1,320,834)	(2,009,492)
Income taxes received/(paid)		183,305	(190)	91,970
<b>Net cash flow from operating activities</b>		<b>(1,177,099)</b>	<b>(1,321,024)</b>	<b>(1,917,522)</b>
<b>Investing activities</b>				
Interest received		154,506	161,500	345,459
Payments to acquire property, plant and equipment		(31,763)	(27,472)	(58,980)
Payments to acquire intangible assets		(7,887)	(8,452)	(17,450)
Receipts from sale of property, plant and equipment		710	400	400
<b>Net cash flow from investing activities</b>		<b>115,566</b>	<b>125,976</b>	<b>269,429</b>
Decrease in cash and cash equivalents during the period		(1,061,533)	(1,195,048)	(1,648,093)
Cash and cash equivalents at the beginning of the year		7,542,990	9,191,083	9,191,083
Cash and cash equivalents at the period end	4	6,481,457	7,996,035	7,542,990

# Notes to the Financial Statements

as at 30 June 2007

## 1. Basis of preparation

The transition date to International Financial Reporting Standard (IFRS) for ANT plc is 1 January 2006. The Group will apply IFRS in its consolidated financials statement for the first time for the year ended 31 December 2007. Therefore, these interim statements for the six month period ended 30 June 2007 are prepared using accounting policies in accordance with IFRSs and IFRIC interpretations which are expected to be applicable to the consolidated financial statements for the year ended 31 December 2007. These standards remain subject to ongoing amendment and/or interpretation and therefore are still subject to change. Accordingly, the information contained in these interim financial statements may need updating for subsequent amendments to IFRS required for the first time adoption or for new standards issued post the balance date.

The financial information contained in this interim report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial information for the year ended 31 December 2006 has been extracted from the statutory accounts for the group for that year, now amended to conform with the IFRS accounting policies expected to be adopted in the consolidated financial statements for the year ended 31 December 2007. The 2006 accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies. The figures for the six month periods to the 30 June 2006 and 2007 are unaudited.

The basis of preparation and accounting policies followed in this interim report differ from those set out in the Annual Report and Accounts for the year ending 31 December 2006 which were prepared in accordance with United Kingdom accounting standards (UK GAAP). As such, these financial statements will take into account IFRS 'First time Adoption of International Financial Reporting Standards' where they relate to prior period comparatives included.

An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, income statement and cash flows is set out in the section at the rear of this document, 'reconciliation of UK GAAP to IFRS'.

A summary of significant accounting policies used in the preparation of this interim report under IFRS is provided in the explanatory notes at the rear of the document.

The financial statements are prepared under the historical cost convention.

## 2. Accounting policies

In the interim statements any variations from the previously stated policies are detailed in the IFRS reconciliations at the rear of this document. These accounts do not however represent statutory accounts for the purpose of s240 Companies Act 1985.

## 3. Segment information

Revenue represents the amounts derived from the provision of goods and services which fall within the companies ordinary activities stated net of value added tax. Revenue is attributable to one continuing activity, the provision of computer software licensing and consultancy, originating from the head office situated in the UK. The Group operates within three geographical markets, the United States, Europe and the Rest of the World.

An analysis of revenue by geographical market is given below:

	As at 30 June 2007 (unaudited) £	As at 30 June 2006 (unaudited) £	As at 31 Dec 2006 (audited) £
United States	344,925	400,040	1,087,385
Europe	325,642	619,307	1,729,524
Rest of the World	324,074	402,378	888,001
	<b>994,641</b>	<b>1,421,725</b>	<b>3,704,910</b>

#### 4. Cash and short term deposits

	As at 30 June 2007 (unaudited) £	As at 30 June 2006 (unaudited) £	As at 31 Dec 2006 (audited) £
Cash at bank and in hand	2,481,457	1,220,250	2,292,990
Short term deposits	4,000,000	6,775,785	5,250,000
	<b>6,481,457</b>	<b>7,996,035</b>	<b>7,542,990</b>

#### 5. Earning/(Loss) per share

	As at 30 June 2007 (unaudited) £	As at 30 June 2006 (unaudited) £	As at 31 Dec 2006 (audited) £
Loss for the period	<b>(1,883,058)</b>	(1,022,989)	(831,935)
Weighted average number of shares in issue	<b>21,437,870</b>	21,437,870	21,437,870
Basic and diluted loss per share	<b>(0.09)</b>	(0.05)	(0.04)

#### 6. Share options

In accordance with the provisions of IFRS 2 a charge of £25,330 (H1 2006: £47,548, full year 2006: £96,065) has been made to the consolidated income statement in respect of options granted to staff.

# Reconciliation of UK GAAP to IFRS

at 30 June 2007

	6 months to 30 June 2006			Year ended 31 Dec 2006		
	UK GAAP	Effect of transition	IFRS	UK GAAP	Effect of transition	IFRS
<b>Revenue</b>	1,421,725	-	1,421,725	3,704,910	-	3,704,910
Cost of sales	(226,436)	-	(226,436)	(466,802)	-	(466,802)
<b>Gross profit</b>	1,195,289	-	1,195,289	3,238,108	-	3,238,108
Administrative expenses	(2,359,627)	(43,023)	(2,402,650)	(4,687,007)	(33,945)	(4,720,952)
<b>Operating loss</b>	(1,164,338)	(43,023)	(1,207,361)	(1,448,899)	(33,945)	(1,482,844)
Interest receivable	184,562	-	184,562	369,460	-	369,460
<b>Loss before tax</b>	(979,776)	(43,023)	(1,022,799)	(1,079,439)	(33,945)	(1,113,384)
Tax on loss	(190)	-	(190)	281,449	-	281,449
<b>Loss for the period</b>	(979,967)	(43,023)	(1,022,989)	(797,990)	(33,945)	(831,935)
Loss per ordinary share	(0.05)		(0.05)	(0.04)		(0.04)
Conversion Effect						
IAS 19 - Employee benefit		(43,023)			(33,945)	
	As at 30 June 2006 (unaudited)			As at 31 Dec 2006 (audited)		
	UK GAAP	Effect of transition	IFRS	UK GAAP	Effect of transition	IFRS
<b>Non-current assets</b>						
Tangible assets	163,475	(24,682)	138,793	155,827	(27,105)	128,722
Intangible assets	-	24,682	24,682	-	27,105	27,105
	163,475	-	163,475	155,827	-	155,827
<b>Current assets</b>						
Trade and other receivables	1,046,768	-	1,046,768	2,131,941	-	2,131,941
Cash at bank and in hand	7,996,035	-	7,996,035	7,542,990	-	7,542,990
	9,042,803	-	9,042,803	9,674,931	-	9,674,931
<b>Total assets</b>	9,206,278	-	9,206,278	9,830,758	-	9,830,758
<b>Current liabilities</b>						
Trade and other payables	(869,621)	(43,023)	(912,644)	(1,265,041)	(33,945)	(1,298,986)
<b>Total liabilities</b>	(869,621)	(43,023)	(912,644)	(1,265,041)	(33,945)	(1,298,986)
<b>Net assets</b>	8,336,657	(43,023)	8,293,634	8,565,717	(33,945)	8,531,772
<b>Capital and reserves</b>						
Called up share capital	1,214,318	-	1,214,318	1,214,318	-	1,214,318
Share premium account	12,066,990	-	12,066,990	12,066,990	-	12,066,990
Merger reserve	9,787,208	-	9,787,208	9,787,208	-	9,787,208
Profit and loss account	(14,731,859)	(43,023)	(14,774,882)	(14,502,799)	(33,945)	(14,536,744)
<b>Shareholders' funds</b>	8,336,657	(43,023)	8,293,634	8,565,717	(33,945)	8,531,772
Conversion Effect						
IAS 19 -Employee benefit		(43,023)			(33,945)	
IAS 38 -Fixed asset -tangible		(24,682)			(27,105)	
-Fixed asset -intangible		24,682			27,105	

# Explanatory Notes to the UK GAAP to IFRS Reconciliations

## 1. Opening balance sheet reconciliation

In reviewing the adjustments required to convert from UK GAAP to the opening IFRS balance sheet no adjustments were identified which made any impact on the Profit and Loss account. The only significant difference would be a £21,136 reclassification from tangible assets to intangible assets, in line with explanatory note 5 below.

## 2. IFRS 2 – Share-based payments

For the year ending 31 December 2006 the Group has taken advantage of the transitional provisions of IFRS 2 in respect of equity-settled awards so as to apply IFRS 2 only to those equity-settled awards after 7 November 2002 that vested after 1 January 2006. This is in line with the transitional provisions previously applied under FRS 20.

## 3. IAS 19 – Employee benefits

IAS 19 requires that the Group recognise in full the liabilities generated when the total of employees' cumulative paid holiday earned exceeds the total of cumulative paid holiday taken. Under UK GAAP the Group did not adopt a policy of recognising such a liability.

This change in accounting policy has been applied retrospectively in full, starting at the 1 January 2006 transitional balance sheet. This has resulted in a charge of £43,023 in H1 2006 and a credit of £9,078 in H2 2006, due to the timing of holidays taken.

## 4. IFRS 3 – Business combinations

IFRS 1 sets out transitional rules for first time adopters, this may result in a different application of accounting policies in the December 2006 restated financial information from that which would apply if those financial statements were the first IFRS financial statements.

The Group, taking advantage of these transitional rules, has elected not to apply IFRS3, 'Business Combinations', retrospectively to business combinations that took place prior to the transitional date. The investments held on the balance sheet prior to the transition date therefore remain at their previous UK GAAP carrying value at the date of transition.

## 5. IAS 38 – Intangible assets

IAS 38 requires the identification of intangible assets including software which may be contained in or on a physical substance which historically the Group included under the general heading of tangible assets. The retrospective adjustment made to 2006 has resulted in a straight reclassification of assets, totalling £24,682 in H1 2006 and £27,105 in H2 2006, with no further impact on the Balance Sheet or Income Statement.

## IFRS ACCOUNTING POLICIES

### Research and development

Development is the application of research findings or other existing knowledge to the design of new or improved processes, systems or technologies. Development includes those activities taking place over the period from design, through implementation testing, systems integration, productisation, engineering release, and final product qualification, but ceases at the stage of formal product release.

Research costs are not capitalised. Development costs however should be capitalised if specific conditions are fulfilled. Development costs must be capitalised if it is sufficiently certain that future economic benefits to the Group will cover all selling, administrative and support costs as well as the development costs themselves. There are also certain other criteria relating to the product being developed, all of which have to be met in order to recognise a development asset.

As in previous years, these conditions have not been satisfied. The board will continue to review the nature of the Group's development activities on an ongoing basis and consider whether the conditions are being satisfied.



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