



# ANT plc INTERIM REPORT

for the six months ending 30 June 2011



# FINANCIAL HIGHLIGHT

- Revenue stable at £2.14m (H1 2010: £2.11m)
- Gross margin maintained at 84%
- Operating costs reduced by 9% to £2.11m (H1 2010: £2.32m) flat on H2 2010
- Loss before tax reduced by 43% to £0.31m (H1 2010: £0.51m)
- Cash outflow in the period reduced to £0.19m (H1 2010 £0.43m)
- Strong cash position - cash and other financial assets increased to £4.78m at 30 June 2011 (30 June 2010: £4.61m)

## ABOUT ANT PLC

ANT plc ([www.antplc.com](http://www.antplc.com)) develops and deploys embedded software solutions and services for the TV industry. The ANT Galio Suite, a browser, client and applications stack, is an open standards based, flexible application & middleware solution for a wide range of consumer TV platforms. Using its experience of TV, ANT provides powerful solutions to its customers by combining consultancy and engineering services with its highly capable platform products.

ANT enables its customers to quickly create and roll-out innovative and successful applications and TV services. ANT's software is deployed in both operator and free-to-air retail markets. By working with ANT, operators are able to attract new subscribers, reduce

churn and increase average revenue per user. Manufacturers targeting the retail market are able to differentiate their product range to increase unit sales and generate ongoing revenue opportunities. ANT's software has been extensively deployed by customers throughout the world including ADB, Amino, Bouygues Telecom, Cisco, Chunghwa Telecom, Coship, HwaCom, France Telecom, Humax, Pirelli, Sagemcom, Samsung, Technicolour, Telecom Italia and YouSee.

ANT plc's shares are listed on AIM, a London Stock Exchange regulated market, under the ticker ANTP (Reuters: ANTP.L, Bloomberg: ANTP.LN).

## OPERATIONAL HIGHLIGHTS

- Unit shipments up 13% to 1.71m (H1 2010: 1.52m)
- Number of licences sold 7 (H1 2010: 5)
- Significant increase in customer-led development work
- Potential to enter complementary new markets through significant product development

### **SIMON WOODWARD, CEO of ANT plc, commented on the results:**

“The first half of this year has seen ANT build on, and add value to, its existing capabilities and product range. ANT continues to reinforce its position within the industry supported by customer-led initiatives which are at the heart of its future development. During the period key players in the industry have selected ANT to support them in addressing the changing TV environment, broadening ANT's market reach.”

## CHAIRMAN'S REVIEW

Our first half performance continued to reflect the current transformation of the TV and content delivery markets. During the period we saw an increase in the number of licences signed and unit shipments whilst revenue remained broadly stable. A focus on reducing operating costs generated a smaller loss and the Company continues to move towards profitability while broadening its product portfolio and solidifying its position in this evolving market.

The TV market, and the market surrounding the delivery of content, is shifting its focus to utilising the channels of delivery in which ANT specialises. As a result, demand for our unique expertise in this emerging market, as not only a solution vendor but as a thought leader, is increasing. We have seen a major upturn in the period in the use of our products in new customer-led development initiatives which we believe will be reflected in the trading performance of the Company in the coming years.

The Company's long-term strategy focuses on the growing availability of combined broadcast and broadband TV services and a change in consumer behaviour towards the consumption of content. Our customers require the ability to build devices and services capable of managing far more complex forms of television which is made possible through the continued development of our products. We have aligned our roadmap to achieve this goal and we are now looking to benefit from this investment.

Product innovation continues to be critical to ANT's offering and we believe other markets, such as the companion device market, utilising devices including the Apple iPad, will also provide significant opportunities in the future.

## FINANCIAL REVIEW

In the six months to 30 June 2011 revenue remained stable at £2.14m. Licence and Royalty revenue increased by 6%, whilst revenue from Professional Services in the period fell 9%.

New licences in the period increased to 7 compared to 5 in the first half of 2010.

The total number of units shipped during the period was up 13% to 1.71m (2010: 1.52m), with the current split of units across the product range remaining stable.

The number of customers shipping over 50,000 units reduced to 5 (2010: 7), whilst the number of shipping customers has been maintained at 25.

Gross margins have been maintained at the same level as H1 2010, despite the inclusion of licence and support costs for third party software. Third party software, whilst increasing revenue generating capabilities, will increase the cost of sale when units are deployed, which in the future is likely to cause a small reduction to gross margin.

Operating costs have decreased 9%, whilst maintaining headcount, to £2.11m (H1 2010: £2.32m). Whilst customer specific R&D increased by 52%, general R&D spend in the period decreased by 23% producing an overall reduction in R&D of 14%.

Net cash outflow in H1 2011 was reduced to £0.19m (H1 2010: £0.44m), as a result of the significant fall in cash burn, causing an increase in cash balances at 30 June 2011 to £4.78m (30 June 2010: £4.61m). Whilst our focus on cash management will not change in

the second half of 2011 the cash burn is likely to increase over the rate of that in the first half of the year due to the timing of revenue and planned business relocation.

During the period the Group received cash relating to the R&D tax credit for 2010 of £0.13m. In 2010 the claim for the prior year was not received until the second half of the year.

The average Sterling/US Dollar rate for the period was \$1.62 (H1 2010: \$1.56).

Approximately 83% of the Group's business in H1 2011 was conducted outside the UK (H1 2010: 96%), the majority of which being denominated in US dollars. During the period we had a forex charge of £0.04m to the income statement (H1 2010: credit of £0.03m). Loss before tax reduced by 43% to £0.31m (H1 2010: £0.51m).

As in prior periods we have deferred and accrued revenue on the balance sheet relating to S&M contracts and shipped royalties. In addition to these amounts, and for the first time, there is also a committed order book for H2 2011, adding to the visibility of revenues in the second half.

The Directors are not proposing the payment of a dividend.

The Board considers Group revenue, Group loss before tax, Cash and cash equivalents, Other financial assets and Unit shipments to be the Key Performance Indicators which are the most effective measures of the progress towards achieving the Group's objectives.

# MARKET

## **Connected TV**

Consumer understanding and demand for connected TVs and Set-Top Boxes (STB) continues to increase, driven in part by high profile consumer advertising campaigns. Portal services are no longer limited to high-end devices. Features such as on-demand movies and additional broadcaster content through the use of 'players', like the BBC iPlayer and BSkyB's Sky Player in the UK, are creating mainstream consumer demand. This has broadened the market for ANT's product portfolio.

## **UK Free-to-Air Market**

The UK TV market is considered to be one of the most innovative TV markets in the world. This is reflected in the level of UK based activity which ANT is currently involved in, driving a material increase in revenue generated from this region. Specific UK developments have been;

- Freesat, the UK's fastest growing digital TV service with over 1.8 million customers, licensed ANT Galio for use in future Freesat branded satellite TV receivers
- Harvard International, a leading distributor of consumer electrical goods, selected ANT to provide the complete software solution for its next generation of STBs to be targeted at UK and Australian markets
- Humax, one of the world's largest STB manufacturers, added ANT Galio via an over-the-air software update to its HDR-FOX T2 set-top-boxes

## **HbbTV**

As a founder and Steering Group member ANT has an active role in the Hybrid Broadcast Broadband TV (HbbTV) consortium. Taiwanese Original Design Manufacturer (ODM) GMI (Good Mind Industries) has joined a growing number of companies which have selected the ANT Galio HbbTV Platform.

While it is clear that related unit shipments are at an early stage of adoption and therefore significant volume increases are still to be achieved, all of the German broadcasters have now launched HbbTV services, and the French major broadcasters have committed to the future launch of HbbTV services. We therefore expect to see continued interest in this standard with future royalty streams still to come.

## BROADENING PRODUCT FUNCTIONALITY

ANT's Galio Products are built into TV devices and are used by consumers to control most of the features of the TV. Until recently ANT's products have relied on what is known as 'low-level software' that needs to be pre-integrated into the TV device. Televisions and STB software systems are becoming increasingly complex, and ANT has responded to this evolution by providing a more complete solution to device manufacturers with the goal of reducing time-to-market and risk in the development of these complex devices.

ANT's complete TV solution has been developed through the integration of its existing Galio products with third party products. The new ANT solution continues ANT's tradition of offering industry standards in a pre-integrated product format. Initially the standards supported include the UK's free-to-air terrestrial and satellite standards, Freeview and Freesat respectively. In addition to the standard ANT Galio product range, the complete pre-integrated solution now includes the necessary low-level software, DVB, DSMCC and MHEG, required for all UK TVs and STBs and in many European markets.

ANT is unique in offering a pre-integrated complete solution to the market and this solution has already been selected by customers who will launch products this year.

### ***ANT Galio Move***

In parallel to the extension of functionality in ANT's complete TV solution, ANT has developed a companion device product, ANT Galio Move, for use with both the TV and STB. ANT Galio Move maximises the capabilities of today's STB or TV by providing additional TV features through the use of companion devices, such as the Apple iPad. This new product enables the user to access a wide range of interactive TV features through the companion device without interrupted main-screen TV viewing. ANT Galio Move includes features such as the ability to view live or recorded TV programmes on the companion device. The companion device can also be used to change channel on the TV from the EPG, to view additional TV programme information and manage a PVR schedule from anywhere in the home.

ANT believes that this is a unique proposition, providing the Company with an expanded addressable market. Further details regarding the product will be made at its launch at the IBC Exhibition in Amsterdam on 9-13th September 2011.

### ***Outlook***

Our continued investment in the ANT Galio Platform has enabled ANT to become a central and pivotal player in what is undoubtedly a significant phase of evolution for the television market. Today, ANT is working with major customers and market influencers who open up new markets for our products. ANT's development roadmap is a robust match to what we see as the future market requirement, giving us confidence in our positioning for the future.

## CONSOLIDATED INCOME STATEMENT

	Notes	6 Months to 30 June 2011 (unaudited) £	6 Months to 30 June 2010 (unaudited) £	Year ended 31 December 2010 (audited) £
Revenue	3	2,140,684	2,109,558	4,347,577
Cost of sales		(333,643)	(306,806)	(554,315)
Gross profit		1,807,041	1,802,752	3,793,262
Administrative expenses		(1,213,735)	(1,152,334)	(2,219,434)
Research and Development expenses		(898,514)	(1,165,104)	(2,209,423)
Loss from operations	4	(305,208)	(514,686)	(635,595)
Finance revenue		27,345	24,571	52,353
Loss before tax		(277,863)	(490,115)	(583,242)
Tax on loss on ordinary activities		91,779	(29,681)	57,386
Loss for the year		(186,084)	(519,796)	(525,856)
Basic and Diluted Loss per ordinary share	5	(0.01)	(0.04)	(0.03)

All activities relate to continuing activities

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 Months to 30 June 2011 (unaudited) £	6 Months to 30 June 2010 (unaudited) £	Year ended 31 December 2010 (audited) £
Net Income for the year	(186,084)	(519,796)	(525,856)
Other Comprehensive income for the year	-	-	-
Total Comprehensive income for the year	(186,084)	(519,796)	(525,856)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2011 (unaudited) £	As at 30 June 2010 (unaudited) £	As at 31 December 2010 (audited) £
<b>Non-current assets</b>				
Intangible assets		16,143	27,113	20,543
Property, plant and equipment		78,126	103,273	126,212
		94,269	130,386	146,755
<b>Current assets</b>				
Trade and other receivables		1,449,515	1,343,696	1,007,195
Income Tax Recoverable		-	-	-
Other financial assets	6	1,500,000	2,500,000	1,500,000
Cash and cash equivalents	6	3,279,452	2,113,566	3,472,206
		6,228,967	5,957,262	5,979,401
<b>Total assets</b>		6,323,236	6,087,648	6,126,156
<b>Current liabilities</b>				
Trade and other payables		(1,837,614)	(1,469,252)	(1,474,159)
<b>Net current assets</b>		4,485,622	4,618,396	4,651,997
<b>Non-Current liabilities</b>				
Trade and other payables		(90,000)	-	(90,000)
<b>Net Assets</b>		4,395,622	4,618,396	4,561,997
<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
Retained losses		(18,672,894)	(18,450,120)	(18,506,519)
Total equity		4,395,622	4,618,396	4,561,997

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	As at 30 June 2011 (unaudited) £	As at 30 June 2010 (unaudited) £	As at 31 December 2010 (audited) £
<b>Cash flows from operating activities</b>				
Loss before tax		(277,863)	(490,114)	(583,242)
Finance revenue		(27,345)	(24,571)	(52,353)
Loss on disposal of property, plant and equipment		-	(240)	(241)
Depreciation of property, plant and equipment		61,489	37,851	111,463
Amortisation of intangible assets		9,281	10,253	20,704
Foreign exchange differences		(11,546)	3,346	(15,231)
Share-based charge/ (credit)		19,710	8,196	(42,143)
Decrease / (increase) in debtors		(441,988)	208,088	544,825
(Decrease) / increase in creditors		363,455	(153,033)	(148,124)
<b>Cash used in operating activities</b>				
Foreign withholding tax paid		(39,825)	(59,222)	(148,103)
Research and development tax credit		131,604	29,541	205,489
<b>Net cash used in operating activities</b>				
		(213,028)	(429,905)	(106,956)
<b>Cash flows from investing activities</b>				
Interest received		27,012	24,215	51,761
Purchase of property, plant and equipment		(13,403)	(25,868)	(32,419)
Purchase of intangible assets		(4,881)	(2,871)	(6,752)
Proceeds from the sale of property, plant and equipment		-	1,124	1,124
(Disposal of) / investment in other financial assets		-	500,000	1,500,000
<b>Net cash (used in) / generated from investing activities</b>				
		8,728	496,600	1,513,714
Net (decrease) / increase in cash and cash equivalents	6	(204,300)	66,695	1,406,758
Foreign exchange differences		11,546	(3,346)	15,231
Opening cash and cash equivalents		3,472,206	2,050,217	2,050,217
<b>Closing cash and cash equivalents</b>	6	3,279,452	2,113,566	3,472,206

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Called up share capital £	Share Premium £	Merger Account £	Retained Losses £	Total Equity £
At 1 January 2010	1,214,318	12,066,990	9,787,208	(17,938,520)	5,129,996
Total Comprehensive Income	-	-	-	(519,796)	(519,796)
Share Based payment	-	-	-	8,196	8,196
At 30 June 2010	1,214,318	12,066,990	9,787,208	(18,450,120)	4,618,396
Total Comprehensive Income	-	-	-	(6,060)	(6,060)
Share Based payment	-	-	-	(50,339)	(50,339)
At 31 December 2010	1,214,318	12,066,990	9,787,208	(18,506,519)	4,561,997
Total Comprehensive Income	-	-	-	(186,084)	(186,084)
Share Based payment	-	-	-	19,710	19,710
At 30 June 2011	1,214,318	12,066,990	9,787,208	(18,672,894)	4,395,622

# NOTES TO THE FINANCIAL STATEMENTS

## at 30 June 2011

### 1. Corporate information

ANT plc is a public limited company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is Cambridge Business Park, Cowley Road, Cambridge, Cambridgeshire CB4 0WZ. ANT plc's shares are publicly traded on AIM (the Alternative Investment Market of the London Stock Exchange).

### 2. Basis of preparation and statement of compliance

The Group's interim financial statements have been prepared in accordance with the accounting policies set out in the financial statements for the year ended 31 December 2010.

The figures for the six month period to 30 June 2011 and 2010 have not been audited. Those for the year ended 31 December 2010 are the consolidated audited results from ANT plc. These accounts do not however represent statutory accounts for the purpose of s240 Companies Act 1985.

### 3. Segmental 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.

The Group has one segment, the provision of computer software licensing and consultancy, originating from the head office situated in the UK. The Chief Operating decision makers view all current activity as being related to the provision and enablement of licensed IP. The Revenue, Result, Total Assets and Liabilities of the Group all relate to this segment and are those reported in the Financial Statements. As such no reconciliation of segmental information to the Group's Financial Statements is presented.

The Group operates within three geographical markets, the United States, Europe and the Rest of the World. All of the Group's non-current assets are held in the UK.

An analysis of revenue by geographical market is given below:

	6 Months to 30 June 2011 (unaudited) £	6 Months to 30 June 2010 (unaudited) £	Year ended 31 December 2010 (audited) £
United States	319,880	654,627	1,053,294
Europe	854,911	732,175	1,380,578
Rest of the World	965,893	722,756	1,913,705
	2,140,684	2,109,558	4,347,577

	6 Months to 30 June 2011 (unaudited) £	6 Months to 30 June 2010 (unaudited) £	Year ended 31 December 2010 (audited) £
Licence and Royalty Revenue	1,546,484	1,455,343	3,118,344
Professional Services	594,200	654,215	1,229,233
	2,140,684	2,109,558	4,347,577

	6 Months to 30 June 2011 (unaudited) £	6 Months to 30 June 2010 (unaudited) £	Year ended 31 December 2010 (audited) £
No of customers contributing more than 10% revenue	2	2	1

The percentage contribution to revenue of customers contributing more than 10% during the period was 10% and 15% (H1 2010:13% and 18%).

Finance revenue generated during H1 2011 was £27,345 (H1 2010: £24,571)

#### 4. Loss from operations

This is stated after charging:

	6 Months to 30 June 2011 (unaudited) £	6 Months to 30 June 2010 (unaudited) £	Year ended 31 December 2010 (audited) £
Research and Development Cost			
- Customer Specific	223,921	147,714	157,243
- Generic	898,514	1,165,104	2,209,423
Amortisation of intangible assets	9,281	10,253	20,704
Depreciation of property, plant and equipment	61,489	37,851	111,463
Net foreign currency differences	39,629	(42,396)	(13,267)
Loss on forward contract	-	17,159	12,718
Operating Lease Rentals - land and buildings	73,103	73,103	146,205
(Profit)/Loss on disposal of tangible fixed assets	-	(240)	(241)

Research and development costs that are customer funded, and included in cost of sales, relate to customer specific modifications to which ANT retains the intellectual property.

#### 5. Loss per ordinary share

The calculations of earnings per share from continuing operations are based on the loss after tax for the first 6 months of the year of £186,084 (2010: £519,796) and the following weighted average number of shares:

	6 Months to 30 June 2011 (unaudited) £	6 Months to 30 June 2010 (unaudited) £	Year ended 31 December 2010 (audited) £
Loss for the period	(186,084)	(519,796)	(525,856)
Weighted average number of shares in issue	21,557,870	21,557,870	21,537,870
Basic and Diluted loss per share	(0.01)	(0.02)	(0.02)

The options have no dilutive effect on loss making years, and hence the dilutive loss per share is the same as the basic loss per share in these years.

## 6. Additional cash flow information

Analysis of group net Cash

	At 1 January 2011 £	Cash Flow £	At 30 June 2011 £
Cash and Short Term Deposits	3,472,206	(192,754)	3,279,452
Other Financial Assets	1,500,000	-	1,500,000
	4,972,206	(192,754)	4,779,452

	At 1 January 2010 £	Cash Flow £	At 30 June 2010 £
Cash and Short Term Deposits	2,050,217	63,349	2,113,566
Other Financial Assets	3,000,000	(500,000)	2,500,000
	5,050,217	(436,651)	4,613,566

	At 1 January 2010 £	Cash Flow £	At 31 December 2010 £
Cash and Short Term Deposits	2,050,217	1,421,989	3,472,206
Other Financial Assets	3,000,000	(1,500,000)	1,500,000
	5,050,217	(78,011)	4,972,206

Short term deposits are made for varying periods of between one day and three months.

Other Financial Assets comprise of term deposits with maturity of more than three months from commencement that relate to a known amount of cash and are subject to an insignificant risk in change in value.

## 7. Statement of Changes in equity

### Merger reserve

This represents the difference between the fair value and the nominal value of shares issued in connection with the acquisition of ANT Software Limited in March 2005.

