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ANT LIMITED

Report and Financial Statements

31 December 2004

 ERNST & YOUNG



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ANT Limited

Registered No. 2822565

DIRECTORS

S A Woodward

D A Fell

P M R Dodd

S M Reeder

A L Caplin

J Hartz

M P Taylor

R Farleigh (appointed 28 April 2004; resigned 25 June 2004)

C E Chadwyck-Healey (resigned 28 April 2004)

D Kynaston (appointed 4 January 2005)

SECRETARY

P M R Dodd

AUDITORS

Ernst & Young LLP

Compass House

80 Newmarket Road

Cambridge

CB5 8DZ

BANKERS

Barclays Bank

58 High Street

Newmarket

Suffolk

CB8 8NH

REGISTERED OFFICE

Cambridge Business Park

Cowley Road

Cambridge

CB4 0WZ

DIRECTORS' REPORT

The directors present their report and the group financial statements for the year ended 31 December 2004.

RESULTS AND DIVIDENDS

The loss for the year, before taxation, amounted to £844,976 (2003: £1,020,470).

The directors do not recommend the payment of a dividend (2003: £nil).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The group's principal activity during the year continued to be computer software licensing and consultancy.

The group has continued to focus on developing a market-leading position in the provision of software for the TV-related consumer electronics market.

DIRECTORS AND THEIR INTERESTS

The current directors and those who served during the year are shown on page 1. The directors at 31 December 2004 with interests, including beneficial family interests, in the share capital of the company were as follows:


	31 December 2004 Ordinary shares No.	31 December 2003 Ordinary shares No.
S A Woodward	300,000	300,000
D A Fell	300,000	300,000

In addition to the above interests, directors had options to purchase a number of shares as set out in Note 4.

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the group's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the board


S A Woodward
Director
25 February 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the company and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANT LIMITED

We have audited the group's financial statements for the year ended 31 December 2004 which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Total Recognised Gains and Losses, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Cash Flows and the related notes 1 to 22. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the group's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the group's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group and the group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the group's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

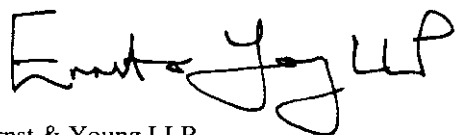
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental uncertainty – going concern

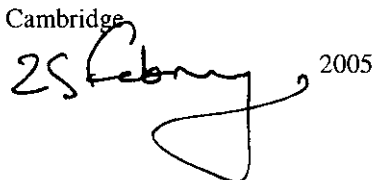
In forming our opinion we have also considered the adequacy of the disclosures made in the financial statements concerning the group's ability to continue in operational existence. The validity of the going concern basis for the financial statements depends on obtaining additional amounts of finance before cash resources are exhausted by April 2005. The directors are currently seeking to raise the additional finance required through a flotation on AIM. However, should the flotation on AIM not occur the directors are confident of obtaining additional amounts of finance from other sources, and therefore have concluded it is appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from a failure to obtain additional finance prior to current cash resources being exhausted. Details of the circumstances relating to this fundamental uncertainty are described in note 1. Our audit opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2004 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Cambridge

 25 February 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2004

		2004	As restated 2003
	Notes	£	£
TURNOVER	2	2,216,729	1,719,113
Cost of sales		(404,279)	(123,243)
GROSS PROFIT		1,812,450	1,595,870
Administrative expenses		(2,679,821)	(2,295,991)
OPERATING LOSS	3	(867,371)	(700,121)
Interest receivable		20,001	4,246
Interest payable and similar charges	6	(103,646)	(324,595)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(951,016)	(1,020,470)
Tax on loss on ordinary activities	7	106,040	–
RETAINED LOSS ON ORDINARY ACTIVITIES	18	(844,976)	(1,020,470)
Loss per ordinary share – basic and diluted	9	(0.02)	(0.16)

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the loss attributable to the shareholders of the group of £844,976 (2003: loss of £1,020,470).

CONSOLIDATED BALANCE SHEET at 31 December 2004

		2004	As restated 2003
	Notes	£	£
FIXED ASSETS			
Tangible assets	10	91,851	91,149
CURRENT ASSETS			
Debtors	12	888,653	581,924
Cash at bank and in hand		722,553	163,870
		1,611,206	745,794
CREDITORS: amounts falling due within one year	13	(1,034,867)	(482,535)
NET CURRENT ASSETS		576,339	263,259
TOTAL ASSETS LESS CURRENT LIABILITIES		668,190	354,408
CREDITORS: amounts falling due after more than one year:			
Convertible loan stock	14	–	(6,604,810)
NET ASSETS/(LIABILITIES)		668,190	(6,250,402)
CAPITAL AND RESERVES			
Called up share capital	17	631,454	68,727
Share premium account	18	9,787,208	2,586,367
Own shares held by Employee Benefit Trust	18	(33,946)	(33,946)
Profit and loss account	18	(9,716,526)	(8,871,550)
SHAREHOLDERS' FUNDS/(DEFICIT) – ALL EQUITY		668,190	(6,250,402)

S A Woodward
Director

P M R Dodd
Director

25 February

2005

COMPANY BALANCE SHEET
at 31 December 2004

		2004	As restated 2003
	Notes	£	£
FIXED ASSETS			
Tangible assets	10	91,851	91,149
Investments	11	69	69
		<u>91,920</u>	<u>91,218</u>
CURRENT ASSETS			
Debtors	12	888,653	581,924
Cash at bank and in hand		722,553	163,870
		<u>1,611,206</u>	<u>745,794</u>
CREDITORS: amounts falling due within one year	13	(1,034,936)	(482,604)
NET CURRENT ASSETS		<u>576,270</u>	<u>263,190</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>668,190</u>	<u>354,408</u>
CREDITORS: amounts falling due after more than one year:			
Convertible loan stock	14	–	(6,604,810)
NET ASSETS/(LIABILITIES)		<u>668,190</u>	<u>(6,250,402)</u>
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S A Woodward
Director

P M R Dodd
Director

25 February 2005

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2004

	<i>Notes</i>	2004 £	2003 £
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	19(a)	(591,048)	(581,888)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		20,001	4,246
Interest paid		(103,646)	(18,000)
		(83,645)	(13,754)
TAXATION			
Research and development tax credit		133,771	–
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(59,153)	(4,360)
Receipts from sales of tangible fixed assets		–	251
		(59,153)	(4,109)
NET CASH OUTFLOW BEFORE FINANCING		(600,075)	(599,751)
FINANCING			
Issue of ordinary share capital		3,448,637	215,126
Share issue costs		(30,899)	(31,451)
Issue of loan stock	19(b)	–	477,846
Repayment of loan stock	19(b)	(2,258,980)	–
		1,158,758	661,521
INCREASE IN CASH	19(b)	558,683	61,770

GROUP STATEMENT OF CASH FLOWS (continued)
for the year ended 31 December 2004

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH/(DEBT)

	<i>Notes</i>	<i>2004</i> £	<i>2003</i> £
Increase in cash		558,683	61,770
Cash inflow from increase in loan stock		–	(477,846)
Repayment of long term loans and accrued interest		2,258,980	–
Change in net debt resulting from cash flows	19(b)	2,817,663	(416,076)
Other		4,345,830	(306,595)
MOVEMENT IN NET DEBT		<u>7,163,493</u>	<u>(722,671)</u>
NET DEBT AT 1 JANUARY	19(b)	(6,440,940)	(5,718,269)
NET CASH/(DEBT) AT 31 DECEMBER	19(b)	<u><u>722,553</u></u>	<u><u>(6,440,940)</u></u>

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2004

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of preparing the financial statements

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the group will continue in operational existence, and will be able to meet its liabilities as they fall due, for the foreseeable future. In assessing that it is appropriate to adopt the going concern basis in preparing the financial statements the directors have regard to the following matters:

- cash flow forecasts for the period to 31 December 2006; and
- the requirement to obtain additional amounts of finance from new or existing investors sufficient to meet the cash requirements of the group for a period of at least 12 months from the date of approval of the financial statements.

The validity of the going concern basis for the financial statements depends on obtaining additional amounts of finance before cash resources are exhausted by April 2005. The directors are currently seeking to raise the additional finance required through a flotation on AIM. However, should the flotation on AIM not occur the directors are confident of obtaining additional amounts of finance from other sources, and therefore have concluded it is appropriate to prepare the financial statements on the going concern basis.

However, until such finance is obtained, there will remain a fundamental uncertainty as to the future trading of the group. In the event that sufficient additional finance is not obtained, then the group would not be a going concern and adjustments to the financial statements would then be necessary to reduce the carrying value of assets to their recoverable amounts, to provide for any further liabilities that might arise and to reclassify fixed assets as current assets.

Restatement and prior year adjustment

The directors believe that certain costs which have previously been included in administrative expenses would be more appropriately treated as cost of sales. Accordingly the comparative figures have been restated to reflect this change. The effect of the change is to increase cost of sales and to decrease administrative expenses by £303,037 (2003: £61,155). This change has no effect on operating profit or reserves.

During the year ended 31 December 2004 the group implemented UITF 38 "Accounting for ESOP Trusts" which requires shares held in the Trust to be shown as a reduction in shareholders' funds at original cost. The impact of this implementation is to reduce shareholders' funds by £33,946 (2003: £33,946).

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2004

1. ACCOUNTING POLICIES (continued)

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Amounts receivable consist of advance royalties, licence fees and support and maintenance payments.

Turnover is recognised for any element of a sale when all of the basic criteria are met for that element. The four basic criteria for recognising software licence revenue are: that persuasive evidence for the arrangement exists, delivery has occurred, our fee is fixed or determinable and the collection of the revenue is probable. Maintenance revenue is recognised rateably over the period of the contract, and consulting revenue is recognised on the basis of work performed and contract milestones.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

Office equipment	-	over 2 - 5 years
Computer equipment	-	over 3 years
Plant and machinery	-	over 2 - 5 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Research and development costs

Research and development expenditure is charged to the profit and loss account as incurred.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2004

1. ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

The financial statements of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account.

Operating lease agreements

The rental elements of the lease obligations are charged in the profit and loss account as incurred.

Interest on convertible redeemable loan stock

Interest on the convertible redeemable loan stock is charged at a constant rate against the outstanding balance. Further details are provided in note 14.

Pension costs

The group provides pension arrangements through a defined contribution scheme. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year.

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Own shares held in Employee Benefit Trust

Own shares held in the Employee Benefit Trust ("EBT") are carried at cost and disclosed within shareholders' funds.

Capital instruments

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefit and if not included in shareholders' funds.

The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2004

2. TURNOVER

Turnover represents the amounts derived from the provision of goods and services which fall within the companies 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:

	2004 £	2003 £
United States	731,696	494,160
Europe	1,047,120	1,078,299
Rest of the World	437,913	146,654
	<u>2,216,729</u>	<u>1,719,113</u>

3. OPERATING LOSS

This is stated after charging:

	2004 £	2003 £
Auditors' remuneration		
- audit services - UK	24,080	12,000
- non-audit services - UK	46,350	26,500
	<u>70,430</u>	<u>38,500</u>
Research and development costs	1,398,871	596,670
Depreciation of owned tangible fixed assets	58,451	80,540
Operating lease rentals - land and buildings	80,000	164,954
- other	962	962
	<u></u>	<u></u>

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2004

4. DIRECTORS' EMOLUMENTS

Directors' remuneration and pension entitlements:

	<i>Basic salary and fees</i>	<i>Benefits</i>	<i>Performance related bonuses</i>	<i>Total contributions</i>	<i>Pension</i>
<i>2004</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Executive directors:					
S A Woodward	130,000	3,732	36,684	170,416	8,337
P M R Dodd	80,000	—	1,684	81,684	7,992
S M Reeder	76,583	696	61,288	138,567	6,804
D A Fell	80,000	2,355	11,684	94,039	5,328
Non-executive directors:					
A L Caplin	43,750	—	—	43,750	—
J Hartz	15,000	—	—	15,000	—
M P Taylor	15,000	—	—	15,000	—
C E Chadwyck-Healey (1)	—	—	—	—	—
R Farleigh (2)	—	—	—	—	—
	<u>440,333</u>	<u>6,783</u>	<u>111,340</u>	<u>558,456</u>	<u>28,461</u>

(1) Resigned 28 April 2004

(2) Appointed 28 April 2004 and resigned 25 June 2004

	<i>Basic salary and fees</i>	<i>Benefits</i>	<i>Performance related bonuses</i>	<i>Total contributions</i>	<i>Pension</i>
<i>2003</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Executive directors:					
S A Woodward	100,000	4,503	—	104,503	6,497
P M R Dodd (1)	40,000	1,000	—	41,000	4,000
S M Reeder (2)	17,500	995	—	18,495	1,750
D A Fell	70,000	3,332	—	73,332	4,669
R Grossman (3)	41,955	1,102	—	43,057	3,093
Non-executive directors:					
A L Caplin	25,000	—	—	25,000	—
J Hartz	15,000	—	—	15,000	—
M P Taylor	15,000	—	—	15,000	—
C E Chadwyck-Healey	8,750	—	—	8,750	—
D MacKay (1)	—	—	—	—	—
	<u>333,205</u>	<u>10,932</u>	<u>—</u>	<u>344,137</u>	<u>20,009</u>

(1) Appointed 23 June 2003

(2) Appointed 1 October 2003

(3) Resigned 23 June 2003

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2004

4. DIRECTORS' EMOLUMENTS (continued)

	2004 No.	2003 No.
Members of defined contribution pension schemes	4	5

In addition to the above interests, directors had options to purchase the following number of ordinary shares:

Director	Plan	Options held At 31 December 2003	Options granted during the year	Options held at 31 December 2004	Exercise price
S A Woodward	EMI (a)	—	588,235	588,235	17p
	Unapproved (a)	—	6,520,725	6,520,725	17p
	Unapproved (b)	300,000	—	300,000	0.001p
S M Reeder	EMI (a)	—	588,235	588,235	17p
	Unapproved (a)	—	1,632,441	1,632,441	17p
D A Fell	EMI (a)	—	588,235	588,235	17p
	Unapproved (a)	—	2,571,303	2,571,303	17p
	Unapproved (b)	300,000	—	300,000	0.001p
P M R Dodd	EMI (a)	—	588,235	588,235	17p
	Unapproved (a)	—	517,603	517,603	17p
A L Caplin	Unapproved (a)	—	2,211,676	2,211,676	17p

- (a) Options were granted in April 2004, and were exercisable on grant. The options lapse on the earlier of the 10th anniversary of their granting or the cessation of any office or employment with ANT Limited, and there are no performance requirements prior to the right to exercise the options.
- (b) Options were granted over ordinary shares held by an existing shareholder in September 2000, and were exercisable on grant. The options lapse on the earlier of the 10th anniversary of their granting or the cessation of any office or employment with ANT Limited, and there are no performance requirements prior to the right to exercise the options.

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2004

5. STAFF COSTS

	2004 £	2003 £
Wages and salaries	1,451,640	1,201,709
Social security costs	165,182	128,160
Other pension costs	129,360	102,990
	<u>1,746,182</u>	<u>1,432,859</u>

The monthly average number of employees during the year was as follows:

	2004 No.	2003 No.
Engineering	17	14
Sales	8	3
Administration	5	13
	<u>30</u>	<u>30</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £	2003 £
Bank interest	2,983	—
Interest on convertible redeemable loan stock	100,663	324,595
	<u>103,646</u>	<u>324,595</u>

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2004

7. TAX ON LOSS ON ORDINARY ACTIVITIES

The tax credit represents:

	2004 £	2003 £
Research and development tax credit	133,771	—
Foreign tax		
Current tax on income for the period	(14,962)	—
Adjustments in respect of prior periods	(12,769)	—
	(27,731)	—
Current tax credit for the year	106,040	—

The tax assessed on the loss on ordinary activities for the period is higher than the standard rate of corporation tax in the United Kingdom ('UK'). The differences are explained below:

	2004 £	2003 £
Loss on ordinary activities before tax	(951,016)	(1,020,470)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	(285,305)	(306,141)
Effect of:		
Disallowed expenses and non-taxable income	15,000	15,000
Depreciation in excess of capital allowances	(1,313)	9,998
Tax losses	273,868	285,191
Research and development tax credit	(133,771)	—
Other timing differences	(2,250)	(4,048)
Foreign tax	27,731	—
Current tax credit for the year	(106,040)	—

There are approximately £7.8 million (2003: £6.8 million) of tax losses available to be carried forward subject to the agreement of the Inland Revenue. These losses may be further adjusted to reflect the surrender of the losses relating to qualifying research and development expenditure in accordance with the research and development tax credit scheme. The group accounts for research and development tax credits on a receipts basis.

8. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the financial statements of the parent company is £844,976 (2003: £1,020,470).

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2004

9. LOSS PER ORDINARY SHARE

The calculations of loss per ordinary share are based on losses of £844,976 (2003: £1,020,470), being the loss for the year and on 44,849,122 (2003: 6,189,287) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Both the options and the convertible loan stock have no dilutive effect in loss making years, and hence the dilutive loss per share is the same as the basic loss per share in these years.

10. TANGIBLE FIXED ASSETS

<i>Group and Company</i>	<i>Office equipment £</i>	<i>Computer equipment £</i>	<i>Plant and machinery £</i>	<i>Total £</i>
Cost:				
At 1 January 2004	197,821	188,042	50,579	436,442
Additions	8,741	50,412	–	59,153
Disposals	–	(57,798)	–	(57,798)
At 31 December 2004	206,562	180,656	50,579	437,797
Depreciation:				
At 1 January 2004	125,360	169,354	50,579	345,293
Charge during the year	34,760	23,691	–	58,451
Disposals	–	(57,798)	–	(57,798)
At 31 December 2004	160,120	135,247	50,579	345,946
Net book value:				
At 31 December 2004	46,442	45,409	–	91,851
At 1 January 2004	72,461	18,688	–	91,149

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2004

11. INVESTMENTS

Group and Company

	2004	2003
	£	£
At 31 December - subsidiaries	69	69

Name of company	Holding	Country of Registration	Proportion held	Nature of business
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ANT Communications Inc	Ordinary shares	USA	100%	Dormant
ANT Employee Benefits Limited	Ordinary shares	UK	100%	Non-trading

12. DEBTORS

Group and Company

	2004	2003
	£	£
Trade debtors	365,551	210,356
Prepayments and accrued income	523,102	371,568
	888,653	581,924

Included in prepayments and accrued income is an amount of £41,125 which is due after more than one year (2003: £64,638).

13. CREDITORS: amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Trade creditors	134,133	161,910	134,133	161,910
Taxation and social security	123,473	51,273	123,473	51,273
Accruals	529,328	201,670	529,397	201,739
Deferred income	247,933	67,682	247,933	67,682
	1,034,867	482,535	1,034,936	482,604

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2004

14. CREDITORS: amounts falling due after more than one year

Group and Company

	2004	2003
	£	£
Unsecured convertible redeemable loan stock (due within 2 to 5 years)		
2006 loan stock	–	6,104,536
2008 loan stock	–	500,274
	<u>–</u>	<u>6,604,810</u>

On 28 April 2004, £3,845,556 of the 2006 loan stock was converted into ordinary shares and the balance outstanding of £1,370,922 plus accrued interest of £980,635 was repaid, as set out in note 17. At the same date the 2008 loan stock was fully converted into ordinary shares.

Details of the 2006 and 2008 loan stock are given below:

2006 loan stock

The balance prior to conversion or repayment represented loan stock with a par value of £5,503,556 (2003: £5,503,556) less issue costs of £287,078 (2003: £287,078) plus accrued unpaid interest of £980,635 (2003: £888,058).

The 6% unsecured convertible redeemable loan stock was convertible at the direction of the stockholders into 32,373,859 fully paid up ordinary shares of the company of £0.01 per ordinary share up to and including 30 June 2006. Redemption would have occurred on an exit event, and also, subject to approval by the stockholders, the company may have redeemed at any time in tranches of £100,000.

An exit event was defined as the earlier of:

- (i) 30 June 2006;
- (ii) a Listing; or
- (iii) a Sale.

Unless previously redeemed or converted, it would have been redeemed at par on 30 June 2006.

Interest accrued at a rate of nil% per annum for the first year, 3% per annum for the second year and 6% per annum from the third year onwards. However, interest was charged to the profit and loss account at a constant rate on the carrying amount of debt, as required by FRS 4 "Capital instruments". Interest charged in the year in respect of the convertible debt amounted to £92,577 (2003: £302,167).

2008 loan stock

The balance prior to conversion represented loan stock with a par value of £500,274 (2003: £500,274). Interest has been paid quarterly.

The 5% secured convertible redeemable loan stock was secured by a fixed charge over the companies property and assets and was convertible at the direction of the stockholders into 10,005,480 fully paid up ordinary shares of the company of £0.01 per share up to and including 6 February 2008. Redemption would have occurred on an exit event, and also, subject to approval by the stockholders, the company may have redeemed at any time in tranches of £50,000.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2004

14. CREDITORS: amounts falling due after more than one year (continued)

An exit event was defined as the earlier of:

- (i) 6 February 2008;
- (ii) a Listing; or
- (iii) a Sale.

Unless previously redeemed or converted, it would have been redeemed at par on 6 February 2008.

Interest accrued daily at a rate of 5% per annum on the basis of a 365 day year. Interest is charged to the profit and loss account at a constant rate, as required by FRS 4 "Capital Instruments". Interest charged in the year in respect of 2008 convertible debt amounted to £8,067 (2003: £22,428).

15. DEFERRED TAX

Group and company

Deferred taxation assets provided in the financial statements and the amounts not provided are as follows:

	<i>Provided</i>		<i>Not provided</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	£	£	£	£
Capital allowances in arrears of depreciation	—	—	18,343	20,128
Losses	—	—	2,349,545	2,032,039
Other short term timing differences	—	—	—	2,250
	<u>—</u>	<u>—</u>	<u>2,367,888</u>	<u>2,054,417</u>

16. OTHER FINANCIAL COMMITMENTS

Operating leases

At 31 December 2004 the group had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>		<i>Other</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	£	£	£	£
Expiring within two to five years	99,307	100,000	962	962

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2004

17. SHARE CAPITAL

Group and company

	2004 No.	2004 £	2003 No.	2003 £
<i>Authorised</i>				
Ordinary shares of 1p each	140,000,000	1,400,000	50,000,000	500,000
<i>Allotted, called-up and fully paid</i>				
Ordinary shares of 1p each	63,145,433	631,454	6,872,739	68,727
<i>Warrants</i>				
Ordinary shares of 1p each	—	—	3,693,353	36,933

During the year ended 31 December 2003 the authorised share capital was increased by £400,000 by the creation of 40,000,000 ordinary shares of £0.01 each. During the year ended 31 December 2004 the authorised share capital was further increased by £900,000 by the creation of 90,000,000 ordinary shares of £0.01 each.

On 28 April 2004, as part of the equity funding round, 19,952,945 ordinary shares of £0.01 each, with an aggregate nominal value of £199,529, were issued fully paid for cash of £3,392,000 (net of share issue costs of £8,507).

During March and April 2004, 3,693,353 ordinary shares of £0.01 each, with an aggregate nominal value of £36,934, were issued fully paid for cash of £36,934, on exercise of all outstanding warrants at par in accordance with the deed of warrant.

On 28 April 2004, part of the 2006 loan stock with a par value of £3,845,556 was converted into 22,620,919 ordinary shares of £0.01 each, with an aggregate nominal value of £226,209, at a conversion rate of £0.17 per ordinary share with the balance of £1,370,922 plus accrued interest of £980,635 being repaid.

On 28 April 2004, the 2008 loan stock with a par value of £500,274 was converted into 10,005,480 ordinary shares of £0.01 each, with an aggregate nominal value of £100,055, at a conversion rate of £0.05 per ordinary share.

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2004

18. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

Group and company

	Share capital £	Share premium £	Own shares held by EBT	Profit and loss account £	Total share- holders' funds £
At 1 January 2003	26,446	2,444,973	(33,946)	(7,851,080)	(5,413,607)
Proceeds from issue of shares	42,281	172,845	—	—	215,126
Share issue costs	—	(31,451)	—	—	(31,451)
Retained loss for the year	—	—	—	(1,020,470)	(1,020,470)
At 1 January 2004	68,727	2,586,367	(33,946)	(8,871,550)	(6,250,402)
Proceeds from issue of shares	236,463	3,212,174	—	—	3,448,637
Share issue costs	—	(30,899)	—	—	(30,899)
Conversion of loan stock	326,264	4,019,566	—	—	4,345,830
Retained loss for the year	—	—	—	(844,976)	(844,976)
At 31 December 2004	631,454	9,787,208	(33,946)	(9,716,526)	668,190

19. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating loss to net cash outflow from operating activities

	2004 £	2003 £
Operating loss	(867,371)	(700,121)
Depreciation of tangible fixed assets	58,451	80,540
Loss on sale of tangible fixed assets	—	7,336
(Increase)/decrease in debtors	(334,460)	247,799
Increase/(decrease) in creditors	552,332	(217,442)
Net cash outflow from operating activities	(591,048)	(581,888)

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2004

19. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

(b) Analysis of net debt

	<i>At 1 January 2003 £</i>	<i>Cash flow £</i>	<i>Other non-cash movements £</i>	<i>At 31 December 2003 £</i>
Cash at bank and in hand	102,100	61,770	–	163,870
Convertible redeemable loan stock	(5,820,369)	(477,846)	(306,595)	(6,604,810)
	<u>(5,718,269)</u>	<u>(416,076)</u>	<u>(306,595)</u>	<u>(6,440,940)</u>
	<i>At 31 December 2003 £</i>	<i>Cash flow £</i>	<i>Other non-cash movements £</i>	<i>At 31 December 2004 £</i>
Cash at bank and in hand	163,870	558,683	–	722,553
Convertible redeemable loan stock	(6,604,810)	2,258,980	4,345,830	–
	<u>(6,440,940)</u>	<u>2,817,663</u>	<u>4,345,830</u>	<u>722,553</u>

20. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The group's principal financial instruments have comprised cash and convertible loan stock. The main purpose of these financial instruments is to raise finance for the group's operations. The group has various other financial instruments such as trade debtors and trade creditors that arise directly from its operations. The group has previously entered into derivative transactions in respect of the redeemable convertible loan stock used for funding (see note 14). The group does not enter into derivative transactions in its trading arrangements.

It is, and has been throughout the year, the group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the group's financial instruments are liquidity and foreign currency risks. Convertible loan stocks accrued interest at a fixed rate and so no interest rate risk arose on these financial instruments. The board reviews and agrees policies for managing each of these risks.

Liquidity risk

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash at bank, overdrafts and convertible loan stock.

The group's objective is to maintain a positive cash balance at a level adequate for daily operations while retaining the option to use overdraft facilities for short term flexibility as necessary.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2004

20. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

Foreign currency risk

The group makes sales in a number of overseas territories and therefore has transactional currency exposures. Such exposures arise from sales made in currencies other than the unit's functional currency. The group makes approximately 67% of its sales outside the UK, most of which is denominated in US dollars and therefore subject to foreign exchange movements.

Short term debtors and creditors have been excluded from the following disclosures, other than currency risk disclosures, as permitted by FRS 13 "Derivatives and other financial instruments".

Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the group as at 31 December is as follows:

	<i>Fixed rate financial liabilities £</i>
2004	
Sterling	—
2003	
Sterling	6,604,810

	<i>Fixed rate financial liabilities</i>	
	<i>Weighted average interest rate %</i>	<i>Weighted average period for which rate is fixed Years</i>
2004		
Sterling	—	—
2003		
Sterling	5.9	2.6

There is no interest rate profile attached to the financial assets of the group during the periods under review.

Interest rate risk and liquidity risk of the Group's financial assets

The group invests its funds in short term bank deposits and has access to these deposits at a maximum of 24 hours notice. The group's policy throughout the period has been to minimise the risk by placing funds in low risk cash deposits but to also maximise the return on funds placed on deposit.

Interest rates on deposits are at a variable rate connected to LIBOR.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2004

20. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

Currency exposures

The table below shows the group's currency exposures; in other words, those transactional (or non-structural) exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the group that are not denominated in Sterling, being the operating (or 'functional') currency of the group.

At 31 December, these currency exposures are as follows:

<i>Functional currency of group operations</i>	<i>Net foreign currency monetary assets</i>		
	<i>US dollar</i>	<i>Other</i>	<i>Total</i>
	£	£	£
2004			
Sterling	449,194	57,004	506,198
2003			
Sterling	218,357	49,768	268,125

Maturity of financial liabilities

The maturity profile of the group's financial liabilities at 31 December is as follows:

	2004	2003
	£	£
In more than two years, but not more than five	—	6,604,810

Borrowing facilities

The group has an overdraft facility available which has not been used to date. The group has no committed facilities available at 31 December 2003 or 2004.

The directors consider there to be no material difference between the fair value and carrying values of the financial instruments at the balance sheet dates.

21. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Amounts contracted for but not provided in the accounts amounted to £nil (2003: £nil).

22. PENSION COMMITMENTS

The group operates a defined contribution pension scheme for its directors and employees. The assets of the scheme are held separately from those of the group in an independently administered fund.