

**29 September 2006**

**DDD GROUP PLC**

**UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006**

DDD Group plc ("DDD" or "the Company"), the 3D software and content company, announces its unaudited interim results for the six months ended 30 June 2006.

**Highlights**

Financial

- Turnover of £146,000 (2005: £283,000)
- Loss before tax of £1,028,000 (2005: £582,000)
- Loss before tax, net of FRS 20 (share based payments) implementation and research and development expenditure refunds from the Australian government, of £912,000 (2005: £685,000)
- Net cash outflow from operating activities of £844,000 (2005: £724,000)
- Net cash as at 30 June 2006 of £625,000

Operational

- Final hardware development milestone achieved with Arisawa Manufacturing Co., Ltd. ("Arisawa") of Japan for the TriDef® Vision+ 3D set top box
- Developed prototype 3D mobile phone in conjunction with Ocuity Limited, allowing comprehensive DDD Mobile™ software and content solution to be publicly demonstrated to mobile phone manufacturers and mobile phone network operators

Corporate

- Appointment of Hans R. Snook, the founder and former Chief Executive of Orange and the current Chairman of MonsterMob Group PLC, to the board of DDD as a non-executive director
- Placing of 11,500,000 ordinary shares of 10p each at a price of 11p per ordinary share raising approximately £1,182,000, after expenses

**Subsequent to the period end - highlights**

- Signed a Heads of Agreement to supply 3D mobile content to a European mobile phone network operator for a trial project
- Completed development of the TriDef Media Player software for real-time 2D to 3D conversion of high definition content
- Received a refund of research and development expenditures from the Australian government amounting to approximately £140,000

**Paul Kristensen, Chairman of DDD Group plc commented:**

"Revenues were broadly in line with projections for the first half, whilst it was anticipated that the second half would deliver a stronger result based on the assumption that the licensing royalties and content related revenues for the 3D mobile phone would be underway. This expectation was

recently revised since the current mobile phone licensee is taking longer to complete the redesign of their 3D mobile phone, a circumstance that is beyond the direct control of the Company. It now appears likely that the launch of the redesigned 3D mobile phone will be delayed until 2007.

Recognising the need to mitigate the reliance on a single licensee, the Company continues parallel discussions with other mobile phone manufacturers and mobile phone network operators worldwide. A highlight of the first half was the development of a prototype 3D handset in May that demonstrates the full capabilities of our DDD Mobile software and content solution. Mr Hans Snook joined the board at the beginning of the year and has been invaluable in assisting the Company in extending its business development efforts to the mobile phone network operators to create customer demand for the new 3D phones.

The 3D TV development project with Arisawa was completed in April 2006 and prospective licensees in Asia are evaluating the joint DDD/Arisawa solution. Based on the transition to high definition television, the new TriDef Media Player software enables the presentation of both standard definition and high definition stereo 3D content as well as real-time 3D conversion of high definition 2D content. This represents a considerable achievement by our technical team.

DDD made excellent progress in the 3D digital cinema market where it is working with high-profile technology and content companies and individuals who share the Company's vision for this commercial opportunity in the near term.

The board is pleased that the successful equity placement which raised £1.2m, after expenses, has allowed the Company to execute its commercial objectives. The Company intends to build on its market leading position and focus on the consumer market where we anticipate growing our development fees, licensing royalties and content revenues."

### **Operational update**

- Executive Summary

DDD's real-time, high quality 2D to 3D content conversion is now ready for consumers on multiple platforms including PC, mobile phone and television at both standard and high definition resolutions. This key development allows the global consumer electronics firms to develop consumer devices with 3D displays, as the lack of 3D content is no longer a constraint.

Securing further mobile phone licensees and demonstrating the capabilities to mobile phone network operators is the top priority for the Company. These demonstrations commenced in May and are already starting to yield promising commercial opportunities with prospective customers in Europe and Asia.

DDD's 3D mobile phone solution, DDD Mobile, is already available for phones that use operating systems from Qualcomm and Microsoft and a Symbian OS™ compatible solution is currently under development. It is expected that this combination will allow the company to address the majority of 3D mobile phones that are likely to be developed in the near term.

Despite the availability of competitive real-time 3D conversion solutions, predominantly from suppliers in Asia and North America, DDD's patented image processing techniques continue to yield the highest quality 3D images, allowing the Company to compete effectively for contracts on all platforms.

The Company's strategic relationship with Arisawa is expected to continue to provide many benefits, particularly in the development and management of key customer relationships in Asia. Arisawa is a successful Tokyo Stock Exchange listed company. Its financial strength, operations knowledge and Asian business development capabilities have supplemented the existing skills of DDD's management team and board of directors.

- Business Review

DDD is presently pursuing the adoption of its patented software, hardware and content conversion/creation solutions on four main platforms. The 3D market continues to shift towards consumer applications; therefore, the Company believes it is more meaningful to report its activities in terms of the technological platforms its solutions address. These are as follows.

*Consumer Handheld Devices*, refers to the emerging market for 3D mobile telephones, personal digital assistants (“PDAs”) and personal media players (“PMPs”) where the DDD Mobile™ suite of software can be used to convert, present, download and share popular mobile content such as wallpapers, animations and video in glasses-free 3D.

*Consumer Television*, refers to large flat screen LCD and plasma displays being developed and marketed by major consumer electronics companies where DDD’s real-time 2D to 3D content conversion solution is expected to provide an important bridge towards mass-market consumer adoption of 3D capable televisions.

*Desktop Displays and Notebook PCs*, refers primarily to business users, government agencies and universities who use 3D displays, and DDD’s related software, to enhance visual data in the medical, pharmaceutical, education, oil & gas and manufacturing sectors.

*3D Digital Cinema*, refers to the new market for theatrical presentation of films in a 3D digital format where DDD’s content conversion solution and 2D-compatible 3D transmission IP are intended to reduce the time and cost of converting 2D productions to 3D for the Hollywood studios and also to provide an efficient means of digital distribution to cinema owners.

- Consumer Handheld Devices

The consumer handheld devices platform was established in the second half of 2005 with the software development and licensing agreement that was secured with one of the world’s top five mobile phone manufacturers. No revenue was generated from this platform during the six months ended 30 June 2006 since the £500,000 development agreement concluded successfully in December 2005. For the six months ended 30 June 2005, this platform accounted for 53% of total turnover as a result of the achievement of the first development milestone yielding £150,000.

The mobile phone market is an attractive platform for 3D because:

- Sharp successfully launched two glasses-free mobile phones into the Japanese market in 2003/2004 with combined sales of just under 3 million units
- The global market is substantial with sales of 1 billion mobile phones forecast for 2006 (Source: Strategy Analytics, Inc.)
- Mobile phone manufacturers are eager to differentiate their product offerings
- Mobile phone network operators (“carriers”) are keen to increase data revenues. The technological performance of mobile phones is rapidly progressing, turning a mobile phone into a mobile entertainment device. This transition drives data revenues as subscribers acquire a wide range of entertainment content for mobile phones

The company’s existing mobile phone licensee has commenced the redesign of their 3D handset with an improved 3D display, as mentioned in the Company’s 2005 Annual Report. However it now appears likely that the launch of the revised mobile phone will be delayed until 2007, thereby postponing the royalty and content revenues that the company expects to generate from this product. In line with the terms of the existing license agreement, the company expects the licensee will shortly renew their exclusive rights to DDD Mobile for use in mobile phones sold in the licensee’s domestic market. The company also anticipates securing a further minor

development project with the licensee in connection with development work required to support the redesigned mobile phone.

The company has made good progress in addressing other mobile phone manufacturers and carriers with demonstrations of the prototype 3D mobile phone that was jointly developed with Ocuity Limited in May this year. Consequently, the company is in negotiations with a European division of a global carrier with the objective of being retained to assist in the development of the carrier's technology and content strategy for a 3D mobile phone. The initial feasibility phase of this project is expected to be undertaken prior to the year-end with the prospect of additional technology and content-based agreements in 2007, subject to the carrier's approval and execution of a 3D mobile phone project plan.

The company has also recently signed a Heads of Agreement to supply 3D mobile content to a further European carrier for a trial project. The mobile content will comprise 3D photos animations and video drawn from DDD's own mobile library and also from converted content through DDD's partnership with Jamster! International Sarl. The project is planned for the fourth quarter of 2006 and the company will provide further details, as permitted, following the carrier's formal announcement of the project.

Following the successful development of the DDD Mobile solution for mobile phones that use the Microsoft and Qualcomm platforms, DDD's technical team has now commenced development of a version of DDD Mobile that is compatible with the Symbian OS™ platform used in advanced smartphones sold by mobile phone manufacturers such as Nokia, Motorola, Sony Ericsson and others. Through partnerships with leading 3D display manufacturers, the company plans to soon be in a position to demonstrate the third generation of 3D mobile displays that offer wider viewing angles and high-resolution 2D and 3D images.

- Consumer Television

This platform commenced in late 2004 with the £140,000 development agreement entered into with Arisawa for the development of the TriDef Vision+ set top box. During the six months ended 30 June 2006, the final development milestone for the TriDef Vision+ set top box was achieved and several Vision+ set top boxes were sold to Arisawa for evaluation by prospective licensees in Asia, yielding revenue of £27,000 and accounting for 18% of total turnover (2005: 12% and £34,000).

The TriDef Vision+ allows real-time 2D to 3D content conversion to be applied to most types of television content, including broadcast, satellite and cable television, recorded media, such as DVD and videocassette and output from game consoles.

In recognition of the move towards high definition consumer displays, the company has released a new software product called TriDef Media Player which provides real-time 3D conversion of high definition 2D content. The release of high definition image processing capabilities is intended to coincide with the delivery of prototype high definition 3D displays using Arisawa's 3D optical materials that are expected before the year-end. By delivering a software based solution for high definition image processing, the Company is in a position to demonstrate high definition 3D content much sooner than would be possible with a hardware-based solution.

- Desktop Displays and Notebook PCs

The desktop displays and notebook PCs platform grew by 41% and accounted for 80% of total turnover at £116,000 (2005: 29% and £82,000).

DDD entered into a three-year software licensing agreement with Sharp Corporation ("Sharp") in September 2003, which was expanded in March 2005 to include DDD's TriDef DVD Player, a software product that enables the real-time 2D to 3D conversion of DVD content. The expanded licensing agreement coincided with the introduction of the Actius AL3D, Sharp's second-generation switchable 2D/3D notebook PC.

DDD resells the notebook PC and additional TriDef software applications to international business users. The AL3D is pre-loaded during manufacture with five TriDef software products, including the TriDef DVD Player. The majority of the revenues from this platform are associated with the sale of display products since Sharp has now manufactured their full quota of the Actius AL3D notebook PC and DDD has already received the related royalties.

- 3D Digital Cinema

This platform emerged in the U.S. in November 2005 upon the release of *Chicken Little*, a feature length 3D film from Walt Disney Pictures. During the first half of 2006, the Company began investigating various opportunities with prospective partners; however, no revenue was generated from this platform during the six months ended 30 June 2006.

In July this year, the company undertook the first 3D conversion trial of a digital cinema film in conjunction with a post-production partner and a major Hollywood studio. The trial demonstrated that the company's 3D conversion solution achieves an acceptable, high quality 3D result on the larger digital cinema screens.

Following the conclusion of the test, the company is involved in two separate discussions relating to the commercialisation of the 3D conversion solution for digital cinema applications. The first involves the post-production partner with whom the initial test was undertaken. The partner is now soliciting further test projects with well-known studios and film directors with whom they have pre-existing relationships. The goal is to demonstrate how first run and existing library movies can be converted to 3D for release in the emerging 3D digital cinema market.

The second project involves a California-based, public corporation that is currently involved in the supply of products in the 3D digital cinema market. This corporation has developed non-3D technologies that may yield suitable improvements in automating the 3D conversion process when integrated with DDD's existing offline conversion solution. The goal of this project is to jointly develop an improved offline 3D conversion solution, specifically targeted at the demands of digital cinema, to provide an affordable, efficient conversion solution for studios and filmmakers. Presently, both companies are identifying the technical requirements of the project with the expectation that a formal development project will be initiated for which DDD will receive development fees as specified milestones are achieved.

The Company expects to continue to focus its business development efforts on undertaking tests to gain the approval of Hollywood studios and key filmmakers to DDD's 2D to 3D conversion solution. The development effort will simultaneously be focused on the delivery of a cost effective, efficient conversion solution that meets the demands of the 3D digital cinema market.

## **NOTES TO EDITORS**

DDD, also known as Dynamic Digital Depth, is transforming the viewing experience with software applications for glasses-free 3D displays. Its patented technologies enable 3D viewing without glasses; simple integration of computer graphics applications with 3D displays; supply of 3D content through 2D to 3D conversion; and 3D content transmission over existing networks. DDD is quoted on the London Stock Exchange's Alternative Investment Market (AIM: DDD).

### Background

- A new category of flat screen LCD and plasma displays are being developed and marketed by major consumer electronics companies that provide stereoscopic 3D images without the need for the viewer to wear glasses. Stereoscopic 3D images appear to have natural in and off-screen depth. 3D displays have already been included in mobile phones in Japan and in desktop PC displays and notebook computers in North America and Japan.

- DDD's solutions provide an important bridge between conventional two-dimensional (2D) software applications and content and the new 3D displays. Normal 2D pictures, video and computer graphics images are manipulated by DDD's patented software enabling them to be displayed on 3D displays without requiring the content to be created specially for a 3D display. DDD's solutions also enable automatic conversion of virtually any media from 2D to 3D without any pre-processing of the 2D image.
- DDD licenses these software applications, marketed under the TriDef® and DDD Mobile™ brand names, to consumer electronics manufacturers for inclusion with the 3D display products supplied to their end users. DDD also licenses its software directly to end users who already own 3D displays and through an international sales channel.

#### PC

- In September 2003, DDD entered into a three-year, non-exclusive software licensing agreement with Sharp which allows them to include five of DDD's 3D software applications with their Actius range of switchable 2D/3D notebook PCs sold in Japan and North America.

#### Mobile Phone

- In 2003 and 2004, DoCoMo introduced two models of Sharp mobile phones that included 3D LCD displays developed by Sharp. DoCoMo sold approximately 2.8 million glasses-free 3D mobile phones in Japan.
- In July 2005, DDD entered into a two-year, non-exclusive, DDD Mobile software licensing agreement and a development agreement with one of the world's top five mobile phone manufacturers for a second-generation, glasses-free 3D mobile phone. The licensing arrangements are expected to yield per unit royalties once the licensee launches their 3D mobile phone.
- DDD expects to license its DDD Mobile software library to additional mobile phone manufacturers who wish to include 3D LCD displays in a variety of wireless devices, including next generation smartphones and PDAs. The licensing arrangements are expected to yield per unit royalties. These projects may also include one-time development fees for assisting the manufacturer with the integration of DDD's software into the 3D wireless device.

#### Mobile Content

- In July 2005, DDD entered into a memorandum of understanding with Jamster! for the 2D to 3D conversion of images and animations from Jamster!'s mobile content library using DDD's offline content conversion process for subsequent download by 3D mobile phone owners.
- DDD intends to enter into revenue sharing agreements with mobile phone network operators (carriers) and content providers for the conversion and delivery of existing libraries of premium wallpaper, animations and movies to wireless subscribers who download 3D content that has been converted from 2D to 3D by DDD.

#### Television

- In September 2004, DDD entered into a hardware development agreement with Arisawa for the TriDef Vision+ 3D set top box. DDD's set top box, combined with Arisawa's polarising materials applied to a large LCD television, allows for the real-time conversion of virtually any media from 2D to 3D for viewing on the switchable 2D/3D television. DDD and Arisawa intend to license this solution to global television manufacturers.

#### Digital Cinema

- DDD is currently investigating IP licensing opportunities in the 3D digital cinema market.

## **FURTHER INFORMATION**

Further information on DDD Group plc, its markets and products is available at [www.DDD.com](http://www.DDD.com).

## **ENQUIRIES**

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**DDD GROUP PLC**

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

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	Notes	Unaudited 6 months ended 30 June 2006 £'000	Restated Unaudited 6 months ended 30 June 2005 £'000	Restated Audited 12 months ended 31 December 2005 £'000
<b>Turnover</b>		<b>146</b>	283	747
Administrative expenses	3	<b>(1,183)</b>	(875)	(1,864)
<b>Operating loss</b>		<b>(1,037)</b>	(592)	(1,117)
Net interest		<b>9</b>	10	29
<b>Loss on ordinary activities before taxation</b>		<b>(1,028)</b>	(582)	(1,088)
Tax charge on ordinary activities	4	-	(21)	(74)
<b>Loss for the financial period/year</b>		<b>(1,028)</b>	(603)	(1,162)
Basic loss per share	5	<b>(1.9p)</b>	(1.3p)	(2.5p)

All transactions arose from continuing operations.

**DDD GROUP PLC**

## CONSOLIDATED BALANCE SHEET

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	Note	Unaudited as at 30 June 2006 £'000	Unaudited as at 30 June 2005 £'000	Audited as at 31 December 2005 £'000
<b>Fixed assets</b>				
Intangible assets		3	1	10
Tangible assets		69	99	85
		<u>72</u>	<u>100</u>	<u>95</u>
<b>Current assets</b>				
Debtors		93	262	202
Investment in money market deposits		241	405	76
Cash at bank and in hand		384	316	210
		<u>718</u>	<u>983</u>	<u>488</u>
<b>Creditors</b>		<u>(107)</u>	<u>(103)</u>	<u>(110)</u>
<b>Net current assets</b>		<u>611</u>	<u>880</u>	<u>378</u>
<b>Net assets</b>		<u>683</u>	<u>980</u>	<u>473</u>
<b>Capital and reserves</b>	6	<u>683</u>	<u>980</u>	<u>473</u>

**DDD GROUP PLC****CONSOLIDATED CASH FLOW STATEMENT**

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		<b>Unaudited 6 months ended 30 June 2006 £'000</b>	Unaudited 6 months ended 30 June 2005 £'000	Audited 12 months ended 31 December 2005 £'000
<b>Net cash outflow from operating activities</b>	7	<b>(844)</b>	(724)	(1,103)
<b>Returns on investments</b>				
Interest received		9	10	29
<b>Net cash inflow from returns on investments</b>		<b>9</b>	10	29
<b>Taxation</b>				
Foreign withholding taxes paid		-	-	(74)
<b>Net cash outflow from taxation</b>		<b>-</b>	-	(74)
<b>Capital expenditure</b>				
Purchase of tangible fixed assets		(4)	(65)	(68)
Sale of tangible fixed assets		1	26	26
<b>Net cash outflow from capital expenditure</b>		<b>(3)</b>	(39)	(42)
<b>Management of liquid resources</b>				
Investment in money market deposits		(473)	(612)	(76)
Sale of money market deposit		299	207	-
Sale of short-term bank deposit		-	45	47
<b>Net cash outflow from management of liquid resources</b>		<b>(174)</b>	(360)	(29)
<b>Financing</b>				
Issue of shares		1,270	-	-
Expenses paid in connection with issue of shares		(84)	-	-
<b>Net cash inflow from financing</b>		<b>1,186</b>	-	-
Increase/(decrease) in cash		<b>174</b>	(1,113)	(1,219)

**DDD GROUP PLC****CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

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	<b>Unaudited 6 months ended 30 June 2006 £'000</b>	<b>Restated Unaudited 6 months ended 30 June 2005 £'000</b>	<b>Restated Audited 12 months ended 31 December 2005 £'000</b>
Loss for the financial period/year	<b>(1,028)</b>	(603)	(1,162)
Currency differences on foreign currency net investments	<b>(64)</b>	26	60
<b>Total recognised losses for the financial period/year</b>	<b>(1,092)</b>	<b>(577)</b>	<b>(1,102)</b>

## **DDD GROUP PLC**

### **NOTES TO THE INTERIM FINANCIAL INFORMATION**

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#### **1 BASIS OF PREPARATION**

The interim financial information as at and for the six month periods ended 30 June 2006 and 30 June 2005 is unaudited and does not constitute statutory accounts for the purposes of section 240 of the Companies Act 1985. The results for the year ended 31 December 2005 are an abridged version of the full accounts for that year which have been filed with the Registrar of Companies. The auditors' report on the accounts was unqualified.

The Group has applied the requirements of Financial Reporting Standard 20 ("FRS 20"), *Share Based Payments*, in accordance with the transitional provisions, to all equity instruments granted after 7 November 2002 that had not vested as of 1 January 2006.

This interim financial information has been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. Other than noted in the preceding paragraph, the principal accounting policies have remained unchanged during all periods presented and have been consistently applied in all material respects.

#### **2 BASIS OF CONSOLIDATION**

The financial statements consolidate those of the company and of its subsidiary undertakings (the "Group") drawn up to 30 June 2006.

#### **3 ADMINISTRATIVE EXPENSES**

During the six months ended 30 June 2005 and the year ended 31 December 2005, one of the Group's Australian subsidiaries received refunds of research and development expenditures from the Australian government amounting to approximately £107,000 and £184,000, respectively. No such research and development expenditure refunds were received during the six months ended 30 June 2006. Due to the uncertainty of the timing and recoverability of research and development expenditure refunds from the Australian government, recognition occurs when receipt is certain.

As mentioned in Note 9, the Group recognised a total expense of £116,255, £3,963 and £22,401 relating to equity settled share option scheme transactions during the six month periods ended 30 June 2006 and 2005 and the year ended 31 December 2005, respectively.

#### **4 TAX CHARGE ON ORDINARY ACTIVITIES**

Tax charges of £21,000 and £74,000 were incurred during the six months ended 30 June 2005 and the year ended 31 December 2005, respectively, in connection with foreign withholding taxes on sales recorded by one of the Group's operating subsidiaries, Dynamic Digital Depth Australia Pty. Ltd. The resulting foreign tax credit is available for a maximum of five years to offset foreign taxable income of a similar nature to that which gave rise to the foreign withholding tax. No such tax charge was incurred during the six months ended 30 June 2006.

There are substantial unrelieved tax losses of approximately £20,000,000, which arise in the USA, UK, Canada and Australia. The availability to offset unrelieved tax losses against future taxable trading profits may be subject to restrictions in the respective tax jurisdictions. The potential deferred tax asset of approximately £6,400,000 has not been recognised due to the uncertainty of the timing and recoverability of the asset. The asset will be recovered in line with future profits.

## DDD GROUP PLC

### NOTES TO THE INTERIM FINANCIAL INFORMATION

#### 5 LOSS PER SHARE

The calculation of the loss per share is based on the losses attributable to ordinary shareholders divided by the weighted average number of shares in issue during each period. The weighted average number of ordinary shares outstanding during the six month periods ended June 30, 2006 and June 30, 2005 and the year ended 31 December 2005 were 55,094,880, 46,566,547 and 46,566,547, respectively.

Potential share issues arising from the Group's share option schemes are not dilutive due to the losses incurred during each financial period.

#### 6 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Unaudited 6 months ended 30 June 2006 £'000	Restated Unaudited 6 months ended 30 June 2005 £'000	Restated Audited 12 months ended 31 December 2005 £'000
Loss for the financial period/year	(1,028)	(603)	(1,162)
Exchange differences	(64)	26	60
Share options	116	4	22
Issue of shares	1,270	-	-
Expenses paid in connection with issue of shares	(84)	-	-
Net increase/(decrease) in shareholders' funds	<u>210</u>	<u>(573)</u>	<u>(1,080)</u>
Shareholders' funds at beginning of period/year	<u>473</u>	<u>1,553</u>	<u>1,553</u>
Shareholders' funds at end of period/year	<u>683</u>	<u>980</u>	<u>473</u>

#### 7 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Unaudited 6 months ended 30 June 2006 £'000	Restated Unaudited 6 months ended 30 June 2005 £'000	Restated Audited 12 months ended 31 December 2005 £'000
Operating loss	(1,037)	(592)	(1,117)
Amortisation	7	20	34
Depreciation	17	42	61
Share options	116	4	22
Gain on sale of tangible fixed assets	(1)	(26)	(26)
Decrease/(increase) in debtors	108	(169)	(108)
Decrease in creditors	(3)	(9)	(2)
Foreign exchange differences	(51)	6	33
Net cash outflow from operating activities	<u>(844)</u>	<u>(724)</u>	<u>(1,103)</u>

## DDD GROUP PLC

### NOTES TO THE INTERIM FINANCIAL INFORMATION

#### 8 ANALYSIS OF CHANGES IN NET FUNDS

	At beginning of period	Cash flow	Exchange movement	At end of period
	£'000	£'000	£'000	£'000
<b>Unaudited 6 months ended 30 June 2006</b>				
Cash at bank and in hand	210	174	-	384
Investment in money market deposits	76	174	(9)	241
	<b>286</b>	<b>348</b>	<b>(9)</b>	<b>625</b>
<b>Unaudited 6 months ended 30 June 2005</b>				
Cash at bank and in hand	1,429	(1,113)	-	316
Investment in money market deposits	-	405	-	405
Short-term deposits	45	(45)	-	-
	<b>1,474</b>	<b>(753)</b>	<b>-</b>	<b>721</b>
<b>Audited 12 months ended 31 December 2005</b>				
Cash at bank and in hand	1,429	(1,219)	-	210
Investment in money market deposits	-	76	-	76
Short-term deposits	45	(47)	2	-
	<b>1,474</b>	<b>(1,190)</b>	<b>2</b>	<b>286</b>

#### 9 SHARE BASED PAYMENTS – EQUITY SETTLED SHARE OPTION SCHEMES

The Group's share option schemes provide for an exercise price equal to the average middle market price of the Group's shares over the five dealing days prior to the date of grant. The vesting period ranges from the date of grant up to five years. If options remain unexercised after a period of five years from the date of grant, the options expire. Furthermore, if an employee or consultant leaves the Group before their options vest, the options are forfeited six months after the date of their departure.

The Group has a historical share option scheme wherein all of the related options vested on or before 27 September 2004. The Group also has a newly formed share option scheme under which options have been granted on various dates between 12 November 2003 and 6 July 2006. Only the latter share option scheme is relevant in applying FRS 20.

The Group recognised a total expense of £116,255, £3,963 and £22,401 relating to equity settled share option scheme transactions during the six month periods ended 30 June 2006 and 2005 and the year ended 31 December 2005, respectively.