UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington D. C. 20549

FORM 10-QSB

(Mark One)

x QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2006

¨ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT
For the transition period from to

COMMISSION FILE NUMBER: 0-30983

ADVANT-E CORPORATION

(Exact name of small business issuer as specified in its charter)

DELAWARE	**88-0339012**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

2680 Indian Ripple Rd.

Dayton, Ohio 45440

(Address of principal executive offices)

(937) 429-4288

(Issuer s telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of May 15, 2006 the issuer had 6,403,714 outstanding shares of Common Stock, $.001 Par Value.

Transitional Small Business Disclosure Format: Yes ¨ No x

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

ADVANT-E CORPORATION AND SUBSIDIARY

CONSOLIDATED CONDENSED STATEMENTS OF INCOME (Unaudited)

	Three Months Ended March 31, 2006	2005
Revenue	$ 1,262,169	1,039,488
Cost of revenue	407,868	389,044
Gross margin	854,301	650,444
Marketing, general and administrative expenses	595,855	475,335
Operating income	258,446	175,109
Other income, net	16,975	
Income before taxes	275,421	175,109
Income tax expense	107,715	70,000
Net income	$ 167,706	105,109
Basic earnings per share	$ 0.03	0.02
Diluted earnings per share	$ 0.03	0.02
Weighted average shares outstanding	6,403,174	6,268,250
Weighted average shares outstanding, assuming dilution	6,426,009	6,268,250

The accompanying notes are an integral part of the consolidated condensed financial statements.

ADVANT-E CORPORATION AND SUBSIDIARY

CONSOLIDATED CONDENSED BALANCE SHEETS

	March 31, 2006 (Unaudited)	December 31, 2005
Assets		
Current Assets:		
Cash and cash equivalents	$ 1,672,125	1,763,435
Short-term investments	243,928	225,902
Accounts receivable, net	400,356	351,482
Prepaid expenses and deposit	21,840	25,128
Total current assets	2,338,249	2,365,947
Software development costs, net	190,368	160,656
Property and equipment, net	245,000	262,523
Total assets	$ 2,773,617	2,789,126
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	$ 64,532	44,838
Accrued salaries and other expenses	132,306	115,510
Income taxes payable	77,644	375,652
Deferred income taxes	44,883	26,000
Deferred revenue	103,599	76,173
Total current liabilities	422,964	638,173
Deferred income taxes	158,621	136,000
Total liabilities	581,585	774,173
Shareholders equity:		
Common stock, $.001 par value; 20,000,000 shares authorized; 6,403,714 outstanding	6,403	6,403
Paid-in capital	1,551,606	1,551,606
Accumulated other comprehensive income	14,988	5,615
Retained earnings	619,035	451,329
Total shareholders equity	2,192,032	2,014,953
Total liabilities and shareholders equity	$ 2,773,617	2,789,126

The accompanying notes are an integral part of the consolidated condensed financial statements.

ADVANT-E CORPORATION AND SUBSIDIARY

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)

	Three Months Ended March 31, 2006	2005
Cash flows from operating activities:		
Net income	$ 167,706	105,109
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation	29,553	23,383
Amortization of software development costs	32,383	66,397
Loss on disposal of assets	24,221	
Net realized gains on available-for-sale investments	(4,241)	
Deferred income taxes	35,723	(28,000)
Increase (decrease) in cash arising from changes in assets and liabilities:		
Accounts receivable	(48,874)	(4,692)
Prepaid expenses	3,288	(4,613)
Accounts payable	19,694	18,327
Accrued salaries and other expenses	16,796	50,453
Income taxes payable	(298,008)	72,000
Deferred revenue	27,426	(39,537)
Net cash flows from operating activities	5,667	258,827
Cash flows from investing activities:		
Purchases of available-for-sale investments	(35,545)	
Proceeds from sale of available-for-sale investments	36,914	
Purchases of equipment	(28,697)	(17,227)
Software development costs	(69,649)	(16,313)
Net cash flows from investing activities	(96,977)	(33,540)
Cash flows from financing activities:		
Issuance of common stock		60,250
Net cash flows from financing activities		60,250
Net increase (decrease) in cash and cash equivalents	(91,310)	285,537
Cash and cash equivalents, beginning of period	1,763,435	944,892
Cash and cash equivalents, end of period	$ 1,672,125	1,230,429
Supplemental disclosures of cash flow items:		
Income taxes paid	$ 370,000	

The accompanying notes are an integral part of the consolidated condensed financial statements.

ADVANT-E CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

March 31, 2006

Note 1: Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of Advant-e Corporation and its wholly-owned subsidiary Edict Systems, Inc. (the Company). Inter-company accounts and transactions are eliminated in consolidation.

The statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and the instructions to Form 10-QSB. Accordingly, they do not include all of the information and notes to financial statements required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, the unaudited consolidated condensed financial statements include all adjustments considered necessary for a fair presentation of financial position, results of operations, and cash flows for the interim periods.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Results of operations for the three months ended March 31, 2006 are not necessarily indicative of the results to be expected for the full year ending December 31, 2006. These unaudited consolidated condensed financial statements should be read in conjunction with the consolidated financial statements, accounting policies, and financial notes thereto included in Advant-e Corporation s 2005 Form 10-KSB filed with the Securities and Exchange Commission.

Note 2: Software Development Costs

Software development costs at March 31, 2006 and the changes during the three months then ended are summarized as follows:

		Accumulated	
	Cost	**Amortization**	**Net**
Balance, January 1, 2006	$ 1,296,485	1,135,829	160,656
Additions	69,649		69,649
Disposals	(18,130)	(10,576)	(7,554)
Amortization		32,383	(32,383)
Balance, March 31, 2006	$ 1,348,004	1,157,636	190,368

The unamortized costs relate exclusively to internal use software and costs associated with web site development and related enhancements.

The ongoing assessment of recoverability of capitalized software development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, anticipated future revenues, estimated economic life and changes in software and hardware technologies. Impairment of asset value is considered whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Note 3: Income taxes

Income tax expense consists of the following:

	Three Months Ended March 31, 2006	2005
Current expense	$ 71,992	98,000
Deferred expense (benefit)	35,723	(28,000)
Total income tax expense	$ 107,715	70,000

The following is a reconciliation of income tax at the federal statutory rate of 34% to the income tax expense:

	Three Months Ended March 31, 2006	2005
Income taxes at federal statutory rate	$ 93,643	60,000
State income taxes	14,072	10,000
Income tax expense	$ 107,715	70,000

Note 4: Earnings per share

The reconciliation of the numerators and denominators of the basic and diluted earnings per share calculations for the three months ended March 31, 2006 and 2005, respectively, follows:

	Income (Numerator)	Average Shares (Denominator)	Per Share Amount
Three months ended March 31, 2006			
Basic earnings per share:			
Net income available to shareholders	$ 167,706	6,403,174	$ 0.03
Effect of potentially dilutive securities:			
Outstanding warrants		22,835	
Diluted earnings per share:			
Net income available to shareholders plus assumed exercise of warrants	$ 167,706	6,426,009	$ 0.03
Three months ended March 31, 2005			
Basic and diluted earnings per share:			
Net income available to shareholders	$ 105,109	6,268,250	$ 0.02
Effect of potentially dilutive securities:			
Outstanding warrants			
Net income available to shareholders plus assumed exercise of warrants	$ 105,109	6,268,250	$ 0.02

Warrants for 50,000 shares at $1.205 per share were exercised in February 2005 resulting in proceeds of $60,250.

At March 31, 2006 the Company has 95,000 outstanding warrants for the purchase of the Company s common stock, as follows: 75,000 shares at $1.205 per share which expire on December 6, 2006, and 20,000 shares at $1.48 per share which expire on June 25, 2006.

Note 5: Comprehensive income

The components of comprehensive income, net of tax, were as follows:

	Three Months Ended March 31, 2006	2005
Net income	$ 167,706	105,109
Other comprehensive income:		
Net unrealized gain on available-for-sale securities (net of taxes of $7,399)	11,996	
	(2,623)	

Reclassification adjustment for net realized gain on sale of available-for-sale securities included in net income (net of taxes of $1,618)		
Total comprehensive income	$ 177,079	105,109

The sole component of accumulated other comprehensive income, net of tax, of $14,988 at March 31, 2006 is accumulated net unrealized holding gain on available-for-sale investments.

ITEM 2 - MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Statements

This Form 10-QSB contains forward-looking statements, including statements regarding the expectations of future operations. For this purpose, any statements contained in this Form 10-QSB that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, words such as may, will, expect, believe, anticipate, estimate, or continue or comparable terminology a intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, and actual results may differ materially depending on a variety of factors, many of which are not within the Company s control. These factors include, but are not limited to, economic conditions generally and in the industries in which the Company may participate, competition within the chosen industry, including competition from much larger competitors, technological advances, and the failure to successfully develop business relationships. In light of these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. This item should be read in conjunction with Item 1. Financial Statements and other items contained elsewhere in this report.

Products and services

The Company, through its wholly-owned subsidiary Edict Systems, Inc., is a provider of business-to-business (B2B) electronic commerce (e-commerce) products and services, offering Electronic Data Interchange (EDI) based and proprietary solutions for businesses of all sizes. The Company develops, markets, and supports B2B e-commerce software products and provides Internet-based communication and data processing services that enable businesses to process transactions electronically.

The Company provides consultative services for its customers, generally small and medium sized suppliers of larger companies, where the Company interfaces between its customers and the buyers to facilitate the EDI connectivity required for document processing.

The following comprise the Company s three principal business products/services:

Web EDI Internet-based supply chain solution for the grocery and other industries

EnterpriseEC®`® Internet-based Electronic Business Transaction Network Services

Value-Added Applications Internet-based solutions that enhance the value of electronic commerce capabilities

Critical Accounting Policies and Estimates

Revenue recognition

The Company recognizes revenues in accordance with the Securities Exchange Commission Staff Accounting Bulletin 101 (SAB 101), which requires the Company to recognize revenue when, in addition to other criteria, delivery has occurred or services have been rendered.

Revenues from software product sales are recognized when the product is shipped. Ongoing software license fees are recognized ratably over the license period, generally twelve months.

Revenues from Internet-based products and services (Web EDI and EnterpriseEC, etc) are comprised of four components account activation and trading partner set-up fees, monthly subscription fees, usage based transactional fees and customer payments for the Company s development of applications designed to meet specific customer specifications.

Revenues earned from account activation and trading partner set-up fees are recognized after the Company performs consultative work required in order to establish an electronic trading partnership between the customer and their desired trading partners. Trading partnerships, once established, require no ongoing effort on the part of the Company and customers are able to utilize the electronic trading partnerships either directly with their customers or via a service provider other than the Company.

Revenue from monthly subscription fees is recognized over the period to which the subscription applies.

Revenue from usage-based transaction fees is recognized in the period in which the transactions are processed.

Revenue from customer payments for the Company s development of applications designed to meet specific customer specifications is recognized over the twelve-month to twenty-four-month contract period.

Software Development Costs

The Company accounts for the costs of computer software that it develops for internal use and costs associated with operation of its web sites in accordance with the American Institute of Certified Public Accountants Statement of Position (SOP) 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use and Emerging Issues Task Force (EITF) No. 00-2 Accounting for Web Site Development Costs . Such capitalized costs represent solely the salaries and benefits of employees working on the graphics and content development stages, or adding functionality or features. Under SOP 98-1 and EITF No. 00-2, overhead, general and administrative and training costs are not capitalized. The Company accounts for the costs of computer software that it sells, leases and markets as a separate product in accordance with Financial Accounting Standards Board Statement No. 86, Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed . Capitalized costs are amortized by the straight-line method over the remaining estimated economic lives of the software application, generally three years, and are reported at the lower of unamortized cost or net realizable value.

Results of Operations

The Company s revenue grew by $222,681, or 21%, in the first quarter of 2006 compared to the first quarter of 2005. On a quarter-to-quarter basis, revenue in the first quarter of 2006 increased by 5% over revenue in the fourth quarter of 2005. The increase reflects continued market acceptance of the Company s core Web EDI and EnterpriseEC® services to small and medium size suppliers of large grocery and other retailers, automotive manufacturers and other large buying organizations.

Revenue from GroceryEC, which comprised 70% of the first quarter 2006 revenue, increased by 11% compared to the first quarter of 2005. Revenue from industries other than grocery grew by $74,808, or 119%, primarily on the strength of accelerated growth of automotive Web EDI, which comprised 7% of the first quarter 2006 revenue, and grew by $59,771, or 244%, compared to the first quarter of 2005.

Revenue from EnterpriseEC, the Company s Electronic Trading Network service, comprised 14% of the first quarter 2006 revenue, and grew by 71% compared to the first quarter of 2005.

The Company s gross margin, as a percent of revenue, was 68% in the first quarter of 2006 compared to 63% in the first quarter of 2005. The gross margin in the first quarter of 2006 benefited from reduced amortization expense and increased revenue.

Marketing, general and administrative expenses increased by $120,520, or 25%, in the first quarter of 2006 compared to the first quarter of 2005, while remaining relatively constant as a percent of revenue. This increase occurred as a result of the Company s spending on its sales and marketing personnel and programs to support revenue growth in the grocery, automotive and other industries; for additional personnel; for salary increases for key personnel; and for implementation of a quarterly incentive bonus plan for non-senior management personnel.

The Company s ratio of income before taxes to revenue (pre-tax profit) was 22% in the first quarter of 2006 compared to 17% in the first quarter of 2005. This improvement resulted primarily from increased revenue, reduced amortization expense, and investment-related income.

Net income in the first quarter of 2006 of $167,706 increased by $62,597, or 60%, over net income reported in the first quarter of 2005 of $105,109.

Capitalized Development Costs

The following table sets forth the cost and accumulated amortization of the products comprising the Software Development Costs asset at March 31, 2006:

Product	Cost	Accumulated Amortization	Net
Web EDI and enhancements	$ 877,343	686,975	190,368
EnterpriseEC	470,661	470,661	
Total	$ 1,348,004	1,157,636	190,368

Web EDI, including GroceryEC, is the Company s largest and primary source of revenue and has continued to grow. Sales of EnterpriseEC continued to grow substantially in the three months ended March 31, 2006.

Liquidity and Capital Resources

In the first three months of 2006, net cash flows from operating activities was $5,667 compared to $258,827 in the first three months of 2005. This decline was caused primarily by the payment of Federal income taxes applicable to 2005 of $320,000 and the payment of State income taxes applicable to 2006 of $50,000 in the first quarter of 2006, whereas no such payments were required in the first quarter of 2005.

ITEM 3. Controls and Procedures

Attached as exhibits to the Form 10-QSB are certifications of the Company s Chief Executive Officer (CEO) and Chief Financial Officer (CFO), which are required in accordance with Rule 13a-14 of the Securities Exchange Act of 1934, as amended (the Exchange Act). These Controls and Procedures section includes information concerning the controls and controls evaluation referred to in the certifications, and it should be read in conjunction with the certifications for a more complete understanding of the topics presented.

The CEO and the CFO have conducted an evaluation of the effectiveness of the Company s disclosure controls and procedures as of the end of the period covered by this Form 10-QSB. Disclosure controls and procedures are designed to reasonably assure that information required to be disclosed in our reports filed under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms. Disclosure controls and procedures are also designed to reasonably assure that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosures.

Based upon the controls evaluation, our CEO and CFO have concluded that the Company s disclosure controls and procedures were effective to ensure that information required to be disclosed in reports that the Company files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to the Company s management, including the Company s chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure; and that the Company s disclosure controls and procedures were effective during the period covered by the Company s report on Form 10-QSB for the quarterly period ended March 31, 2006.

During the period covered by this report, there were no changes in the Company s internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K

Exhibit Number	**Description**	**Method of Filing**
3(i)	Amended Certificate of Incorporation	Previously filed (A)
3(ii)	By-laws	Previously filed (B)
4	Instruments defining the rights of security holders including indentures	Previously filed (C)
4.1	Amendment to warrant certificated dated August 9, 2005	Previously Filed(D)
31.1	Rule 13a-14(a)/15d-14(a) Certification	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification	Filed herewith
32.1	Section 1350 Certification	Filed herewith

32.2	Section 1350 Certification	Filed herewith

(A) Filed with Amendment No. 2 to Form 10-SB filed as of October 13, 2000
(B) Filed with Amendment No. 1 to Form 10-SB filed as of July 17, 2000
(C) Filed with Form 10-SB filed as of July 1, 2000.
(D) Filed with Form 10-QSB for the quarterly period ended September 30, 2005 as of November 14, 2005.

Signatures

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Advant-e Corporation
(Registrant)

May 15, 2006	By: /s/ Jason K. Wadzinski Jason K. Wadzinski Chief Executive Officer Chairman of the Board of Directors
May 15, 2006	By: /s/ James E. Lesch James E. Lesch Chief Financial Officer Principal Accounting Officer Member of the Board of Directors