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Amino Technologies plc

Annual Report & Accounts for the eleven-month period ended 30 November 2004

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2004

Broader thinking

Financial highlights

Turnover jumped to £13.25m (2003: £1.0m)

Shipments of AmiNET products for the period were 174,000 (2003: 11,500)

Profit before tax and exceptional items was £0.53m (2003: loss of £3.39m)

Basic earnings per share were 3.0p (2003: loss of 13.0p)

Net cash balances were £6.4m (2003: £4.3m)

Our business

Amino (www.aminocom.com) is a designer and supplier of electronic systems and consultancy, specialising in consumer-end technologies and hardware platforms that enable delivery of digital broadcast and on-demand programmes and movies over Internet Protocol ("IPTV").

Our range of small, low cost, high functionality set-top boxes and system and application products is designed for consumer applications in telecommunication, satellite and digital terrestrial broadcast systems, as well as hospitality, healthcare, retail and education markets.

Amino also provides systems consultancy and partners with world-leading companies in content aggregation, middleware, conditional access and head-end systems.

IPTV market

IPTV is a new way of delivering television services and is one of the most rapidly expanding content distribution channels throughout the world. It enables operators to offer the widest choice of broadcast and on-demand television programmes and movies, games, interactive services, and Internet access direct to consumers' homes via cable, satellite or telephone networks.

Consumer Digital TV

IPTV gives telecoms, cable and satellite operators the opportunity to generate additional revenues by providing new services over their existing networks. The "triple-play" of voice, data and video is key to this strategy, and IPTV is uniquely positioned to deliver these services across all three-distribution channels.

Hospitality Solutions

IPTV gives hospitality providers (hotels and hospitals) the opportunity to generate additional revenues by providing their residents with pay-to-view broadcast and on-demand programmes and movies, games and interactive services. Amino's all-digital technologies for guest-room entertainment systems enable operators to offer these services cost effectively, both in terms of reduced capital expenditure and operating costs, together with a substantially improved consumer experience as compared to existing systems. Service operators can also monitor their systems performance, change content to suit changes in customer demand and collect payment via debit or credit card, all over the Internet.

Education, Government, Enterprise

Amino's solutions for enterprise, education and government enable delivery of seminars, information and promotional material, exactly where and when it is needed, over both low and high-speed networks.

Our business (continued)

Amino's advantages

Software Technologies

Amino's proprietary software technologies are increasingly recognised as enabling the most robust, integrated and affordable IPTV consumer-end solutions. Service providers value our reputation for reducing risk and enabling fast start-up of their IPTV services.

Our proprietary software technologies also enable service providers to deploy Amino's hardware platforms with the widest choice of market leading third party video server, encoder, conditional access, middleware and browser technologies. This provides our customers with choice, flexibility and performance and makes Amino's technologies central to a successful IPTV system.

Hardware Platforms

The AmiNET range of IP set-top boxes are renown for their low-cost design and reliability, materially reducing service providers' capital expenditure. Their unique and attractive design ensures that they are well received by consumers.

Amino bases its hardware platforms around a limited range of video decoders, maximising reuse of research and development effort and reducing manufacturing costs.

Systems Expertise

Amino's expertise in specifying IPTV systems, integrating client technologies, and experience gained from successful customer deployments world-wide make us uniquely placed to advise and support customers through all stages of deployment of their IPTV service.

Commercial Flexibility

To provide our customers with the right commercial solution, Amino offers a range of business models including:

> direct and OEM product sales;

> hardware and software licensing; and

> licensing of complete software solutions for IPTV client.

Delivering new technologies to enable market growth

2004 has seen strong market acceptance of the AmiNET range of MPEG-2 based products, which are now integrated with a wide range of middleware and conditional access technologies – proven, robust solutions which are deployable today.

With our first Windows Media Video 9 products launched in October 2004, and a full range of MPEG-4 AVC products for launch in 2005, Amino is poised to address the transition to new encoding technologies – making large-scale deployments across the majority of networks a reality, with the first truly cost-effective solutions.

Amino's Personal Video Recorder solutions give consumers full control of the viewing experience, integrated DVB-T capability provides the ideal platform for expanding European markets, and ability to handle high-definition content addresses technology-conscious North American markets.

Partners

Video Servers

anevia
bitbond
concurrent
eona
infovalue EXPERTS
kasenna
nCUBE
SeaChange

Encoders

Harmonic
Minerva Networks
optibase Video Innovations
SKYSTREAM NETWORKS
TANDBERG

System Integrators

ALCATEL
Lucent Technologies Bell Labs Innovations
NEC
NORTEL
SIEMENS

Conditional Access

Crypto Works
irdeto access
Latens
NAGRAVISION KUDELSKI GROUP
NDS
SecureMedia
verimatrix
WIDEVINE

Middleware

ALCATEL
eona
INFOGATE
Minerva Networks
MYRIO
ORCA

Browsers

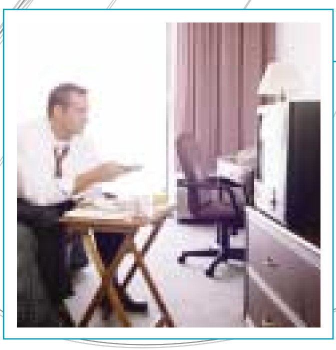
ant
espial
OPERA software

A year of progress

AmiNET500 PVR Product Launch
31 August 2004
The AmiNET500 offers the ability to record and play back content using its built-in hard disk drive, and can also act as a central storage device in a networked home.

Opening of US Office
5 May 2004
Our Atlanta office is the headquarters of our US subsidiary, Amino Communications LLC, and provides sales and technical support for the Americas.

AIM Flotation
9 June 2004
Amino Technologies plc floated successfully at an issue price of 120p.



Partnership with NEC for UK Hospitality Deployments
23 February 2004
NEC's TALIA system offers guests access to true, video-on-demand and audio programming – enabling them to watch what they want, when they want to watch it. Amino provides guest-room equipment, technology and services as part of the Talia system.

Opening of Hong Kong Office
28 October 2004
Located in the Bank of China Tower, our Hong Kong office provides sales and technical support for the Asia Pacific region.

AmiNET120 Product Launch
17 November 2004
The AmiNET120 is the first of a new range of products to support advanced video coding technologies, with greater data compression, which offer the ability to reach more subscribers over existing networks.

Reference customers

DynamicCity™
Own the Future

UTOPIA Project

DynamicCity has been charged with designing, building and operating UTOPIA, the largest municipally sponsored, all-fibre telecommunications infrastructure in the United States. Amino's cost effective yet comprehensive product line was the obvious choice to deliver digital TV services in an all fibre, Open Service Provider Network model.

SureWest®

Broadband TV

SureWest provides local telephone, long distance, Internet, wireless, digital TV and high-speed data services in the greater Sacramento metropolitan region. Amino set-top box products are used to deliver digital TV services in SureWest customers' homes.

miVision

miVision

CYTA's miVision is a pioneering triple-play service, which offers subscribers in Cyprus digital entertainment through an ADSL telephone line and an Amino set-top box. The service offering includes 22 TV channels, movies-on-demand, and live broadcasting of Cypriot, Greek, Brazilian and Italian league football.

Chairman's report

for the period ended 30 November 2004

Introduction

Amino is pleased to present its first annual results since its admission to AIM in June 2004. Despite still being at a relatively early stage in the commercialisation of IPTV (internet protocol TV) technologies and services, Amino is able to report a profit for the eleven-month period as a whole. This is a considerable achievement given the increased level of investment that Amino has been making to exploit the explosive growth potential of the marketplace.

Results and finance

As Amino has changed its financial year-end from 31 December to 30 November, the results now reported are for the eleven months to 30 November 2004 (comparatives are for the 12 months to 31 December 2003). Total shipments of AmiNET products for the period were 174,000, up from 11,500 in 2003 resulting in turnover that jumped from £1.0m to £13.25m. Turnover included the first licence sale.

Profit before tax and exceptional items was satisfactory, although lower than expected at £0.53m (2003: loss of £3.39m). The results were partially affected by the fact that the bulk of Amino's revenues are denominated in US dollars where there was continued weakness against sterling. In addition, the Board has made decisions over the past six months which affect short term profitability but which it believes are important to build on Amino's initial market leadership – particularly as large scale opportunities in tier 1 and tier 2 telecoms companies emerge in several countries worldwide. As of January 2005, Amino was engaged in trials and roll-outs with 216 customers versus just 45 only twelve months ago.

After an exceptional charge of £0.33m (2003: £1.04m) associated with the cost of admission to AIM, the profit before tax was £0.20m (2003: loss of £4.43m). Earnings per share were 3.0p (2003: loss per share of 13.0p).

Net cash balances were £6.42m (2003: £4.24m).

Looking forward to 2005, Amino will continue to invest in building on and maintaining our market leadership. The issues affecting short-term predictability of shipment volumes and product mix are expected to begin settling down as the market matures, particularly during the second half of the year, with resulting increased efficiencies.

Strategy and business development

The core strategy is to position Amino as the provider of choice of technology and products for the delivery of digital TV and on-demand content over broadband networks with a primary focus on the consumer end of the system.

Telecoms companies are beginning to invest heavily in IPTV systems in order to increase revenues in the face of intensifying competition for traditional voice and data services. The end-to-end market place for IPTV systems requires technologies, products and services from a variety of suppliers. A particular strength of Amino's people and technology is the ability to partner with and rapidly integrate most suppliers of the different elements of the IPTV system, irrespective of the mix chosen by a particular telecom company. In addition to the ease of integration it offers, Amino's architecture allows it to develop much lower cost products for its end customers, with increased competitiveness to their business models as a result. As the market expands, Amino's challenge is to ensure that new customers continue to recognise the real enduring advantages that employing its technology offers.

The key elements of these technology advantages are software based. At present, customers have access to Amino's technology through its own hardware products, the AmiNET series. Looking forward, it is a key element of Amino's strategy to offer its key technology to the widest range of IPTV users possible – from the direct provision of consumer set-top boxes, through OEM arrangements, and in the licensing of software and hardware designs to those customers wishing to incorporate the technology within other equipment.

Board and employees

I would like to thank all employees and the Board for their hard work in successfully coping with a very rapid rate of expansion and in establishing Amino as a leader in its field.

Outlook

The IPTV market is developing at an exceptionally fast rate and the number of opportunities Amino is actively engaged with has grown faster than anticipated. However, the early stage of the market's development makes it difficult to predict forward delivery volumes and product mix as these depend on the speed that customers roll out their IPTV services. In time, forward prediction will become more certain as our customers' programmes become more defined.

All our key business metrics point towards a sharp increase in sales volumes in the year to 30 November 2005. The current year started with a strong order book with a substantial pipeline of significant opportunities. Based on forward delivery schedules and indications received, we anticipate a substantial bias in our results towards the second half-year of 2005.

Amino has successfully established itself as a leading supplier of IPTV technology at a time when the prospects are outstanding. Our challenge now is to manage the expected growth of the business.

Grant Masom
Chairman

Chief Executive's report

for the period ended 30 November 2004

Overview

Within a short period Amino has established itself as one of the key players within the IPTV arena and is recognised as the reference point and market leader for client-end IPTV products and software technologies. At the outset of our first year as a public company we set ourselves very ambitious objectives. We sought to:

> transition from a promising start-up to an established, profitable business;

> develop a 3 year growth strategy to build upon and strengthen Amino's initial leadership position;

> develop market awareness of Amino as a value added and innovative solutions supplier; and

> gain a first class reputation for the quality of our products and services.

We have achieved these goals; Amino's name is now well established throughout our worldwide market.

Company development

Amino is very fortunate to have a committed and enthusiastic staff and management team. Their skill and experience mix is well suited to the needs of an international, dynamic and fast growing high-tech company.

In May 2004 we expanded our international operations and opened our first international office in Atlanta, Georgia, USA. An office in Hong Kong for our Asia Pacific activities followed in September.

During the course of the period the headcount has grown from 51 as of December 2003 to 75 at 30 November 2004. We have strengthened our sales force, customer support functions and the management of partner relationships with experienced executives. The benefit of these recent hires will be realised during 2005.

The contract manufacturing arrangements for Amino hardware products are working well with our Far-Eastern manufacturing partner achieving high quality and low return rates. During the first-half of 2005 we expect to commence manufacturing with a second supplier, particularly for the Americas.

Business propositions

We have three main business propositions:

> To date our primary business has been to supply to telecommunication operators a hardware and software platform (set-top box) that delivers IPTV. During the eleven month FY 2004 Amino sold 174,000 units.

> The second element is the hospitality market to which we supply hardware and software to companies that offer a complete solution to the industry. This market has demonstrated Amino's capability to develop a Systems and Systems Integration business. Amino scopes, specifies, designs, integrates, verifies and warrants a System Solution for a digital pay-to-view experience that is being marketed by NEC under their brand name of Talia®.

> The third element is to license our proprietary software and hardware to major OEM's and tier 1 telecommunication operators. We have entered into early stage discussions with organisations that recognise and value the commercial benefits that are offered by Amino's technologies, particularly our software, that quickly and robustly integrate third party products. Our hardware licensing model enables our customers to drive down costs by adopting a multi-vendor competitive sourcing business model.

Product evolution

Innovation has been the key to Amino's initial success. During the period we launched five new products including the world's first IPTV PVR (personal video recorder) box, the AmiNET 500. We also have reduced the cost of our first generation products.

At IBC (Amsterdam, September 2004) and TelcoTV (Florida, November 2004) Amino demonstrated the AmiNET 120, our next generation MPEG-4 and WM-9 (Microsoft compatible) products. Within the near future we are planning to release several new products that are compliant with H.264 (now adopted as the industry reference point for MPEG-4). We have designed variants of these new products that are capable of supporting high definition television (HDTV). These new products will be available with and without PVR; hybrid options that incorporate digital terrestrial, satellite or cable decoders are also planned. These new hybrid products will have particular appeal to the emerging tier 1 customers and may open up licensing opportunities to the traditional satellite and cable industry suppliers who do not have the software technology and know-how to develop their own IPTV platforms.

Another key requirement to enable the growth of IPTV is the 'Home Network'. Amino's roots were founded and nurtured in the home gateway arena. We continue to research and hone our plan to expand our product range with an affordable home networking product range. Market research indicates that the average home has three TV viewing stations and it is our intent that an Amino IPTV platform and associated software solution will address this opportunity.

Market development

We have been pleased with our penetration into those companies which have been the early adopters of IPTV. Generally, as in all new technologies, these pioneers have tended to be the smaller, more nimble regional operators. Our technologies and products have been evaluated, trialled and deployed in more than 50 countries.

During 2004, mainly due to the projected availability of the next generation of low bit-rate encoders (MPEG-4, WM-9), the larger telecoms companies started to show interest in IPTV. Triple-play (TV, data and voice) has been on their agenda for some time and it is now becoming commercially viable on a large scale. By offering products which are compliant with the latest standards, Amino has been able to enter into early stage discussions with many of these major telecommunications operators within Europe, North and South America and the Far East. We have tendered for a number of opportunities, often in partnership with the traditional telecommunications equipment suppliers.

Outlook and our plans

The introduction of triple-play (voice, data & video) services has become a clear goal of virtually all telecommunications operators worldwide. The tier 1 players are entering the market and momentum continues to accelerate. Amino is well established with the first generation of technologies and is sampling the next generation of MPEG-4 and WM-9 products.

Our early stage success has created a wealth of market and customer credibility that will enable us to offer and deliver the value added services that our technology facilitates. We will continue to grow and develop the structure of our organisation to exploit these opportunities.

Bob Giddy
Chief Executive Officer

Finance Director's report

for the period ended 30 November 2004

Results for the period

The Group recorded a profit before taxation and exceptional items of £0.53m (2003: loss of £3.39m), an improvement of £3.92m over the previous period. Included in selling, general and administrative expenses is £0.33m (2003: £1.04m) of exceptional costs relating to IPO legal and professional fees. Profit before tax was £0.20m (2003: loss of £4.43m), an improvement of £4.63m.

Turnover

Turnover for the eleven-month period increased to £13.25m from £1.04m from the sale of set-top boxes, technology licensing and systems integration services. The Group shipped 174,000 set-top boxes (2003: 11,500). The geographical mix of sales was not as expected and the continuing weakness of the US dollar combined to reduce average revenue per unit.

Cost of sales

Cost of goods sold was £0.77m greater than expectations reflecting higher than expected sales of premium products and the deferral of implementing design changes to reduce the cost of the current product range. Engineering resources were prioritised to bring forward the development of set-top boxes that support low bit-rate encoding to meet the expected demand from tier 1 and tier 2 service operators.

Operating expenses

Research and development expenses are written-off as incurred. Expenditure during the eleven-month period of £1.44m (2003: £1.26m), represents an annualised increased investment in new technology and product development of 25 per cent.

At the period end total headcount was 75 (2003: 51). The average number of employees during the period was 68 (2003: 42).

Taxation

There was a small corporation tax charge in the year, although no tax liability arises on the trading profit for the financial period because the Group is able to offset tax losses brought forward. At 30 November 2004 the Group had approximately £8.97m of losses available to set against future taxable profits, subject to agreement with the Inland Revenue. The tax credit of £1.13m is almost entirely due to the deferred tax asset relating to losses expected to be utilised in the coming financial year.

Earnings per share

Basic earnings per share was 3.0p and diluted earnings per share for the period was 2.8p (2003: basic and diluted loss 13.0p). The increase reflects the move to profitability of the Group plus the deferred tax credit referred to above under taxation. If the effect of the deferred tax credit is excluded, basic earnings per share would have been 0.3p (2003: loss of 14.8p).

Working capital

The Group ended the period with net cash balances of £6.42m (2003: net cash of £4.24m). In the period, the Group raised £6.63m from the private placement of ordinary shares at the time of its IPO.

Trade debtors of £3.60m (2003: £0.40m) reflect the substantial increase in turnover, particularly near the period end. The Group has continued to maintain credit insurance, where possible, to cover the majority of its trade debtors. However, as expected, it has not been possible to gain insurance cover for some of our customers or on all of the exposure to those customers covered.

The substantial increase in trading also resulted in a significant increase in stock of £1.13m, including both long lead-time components and finished goods. Stock at the year-end amounted to £1.36m (2003: £0.23m).

Pensions

The Group offers all employees the opportunity to participate in a group or personal pension scheme. As the Group's contribution is defined there are no circumstances in which the Group will face a future pension liability.

Foreign exchange

The Group receives the significant majority of its revenue in US dollars, substantially all of the Group's costs of sales are paid in US dollars and the majority of the Group's operating costs are paid in pounds sterling. To date the Group has relied upon the natural hedge created by this combination to manage the foreign currency exposure but will consider using financial instruments as required.

IFRS

Amino Technologies plc will have the option but not the requirement to adopt IFRS in the financial statements for the year ending November 2006. The board has begun considering the difference between UK accounting standards and IFRS and has initially identified accounting for share options and research and development costs as two areas that could impact on the Group's financial statements.

Stuart Darling
Finance Director

Board of Directors

Bob Giddy
Chief Executive Officer

Age 57. Bob joined Amino as Managing Director in November 2001. Bob has thirty years' experience in the semiconductor industry with senior management and board level positions held at NEC Electronics, inSilicon and National Semiconductor. Bob was Director and General Manager at NEC Electronics for 14 years during which he established ASIC, microprocessor and multimedia design centres. After leaving NEC, Bob established the European operations for inSilicon, a silicon IP vendor.

Stuart Darling
Finance Director

Age 41. Stuart joined Amino as Finance Director in June 2001. Stuart's track record is in strategic planning and financial management for fast-growth technology businesses. He joined Amino from Cartezia Limited, a provider of services and technology to existing and new digital businesses and ventures. He previously worked for CyberLife Technology Limited, in the field of artificial life technology, a spin-out from Millennium Interactive Limited, a developer and publisher of entertainment software. After qualifying as a Chartered Accountant with Price Bailey, Stuart spent five years at Coopers&Lybrand, where he specialised in fast-growth companies and corporate recovery.

Grant Masom, MA
Non-executive Chairman

Age 48. Grant joined Amino as Chairman in February 2001. Until June 2004, Grant acted as Executive Chairman and now serves as Non-executive Chairman. Grant has 25 years' experience in the technology industry, over 15 years of which has been spent in board level positions. He has been Chief Executive Officer of two venture capital backed companies that both achieved successful trade sale exits. He has wide experience across the technology and IT services sectors, and has worked with a number of companies as an independent Chairman, achieving four further successful exits. He is currently Chairman of Comunica Holdings plc, TIS Software Holdings Ltd, ePOINT Group Ltd and Phonologica Ltd.

Nick Kuenssberg, OBE, BA(Hons), FCIS, CCMI, FIoD, FRSA
Non-executive Director

Age 62. Nick joined Amino in January 2004 and is currently Chairman of iomart Group plc, GAP Group Ltd, a Director of Chamberlin & Hill plc, RingProp plc and Keronite Ltd, and Chairman of The Glasgow School of Art and Deputy Chairman of the Scottish Environment Protection Agency. He was with Coats Viyella plc for 27 years, during which time he worked in Europe and South America, was Chairman of Dynacast International and main Board Director between 1986 and 1991, and subsequently Chairman of David A Hall Ltd, Stoddard International plc and the Institute of Directors, Scotland and a Director of Standard Life Assurance Company, Scottish Power plc, Dawson International plc and other companies.

Colin Smithers, PhD, C Eng, FIEE, M InstD, LTCL
Non-executive Director

Age 46. Colin joined Amino in March 2002. Colin is co-founder and Managing Director of Plextek Limited, one of the largest independent electronics design consultancies in Europe. At Plextek's inception, Colin filled the Technical Director role and therefore has a keen interest in technology and related issues.

Corporate Governance report
for the period ended 30 November 2004

Introduction
In July 2003 the London Stock Exchange published in the UK the revised Combined Code on Corporate Governance, the culmination of the various reviews that took place in 2002 and 2003, including the Higgs and Smith Reports. The Listing Rules require compliance with the new Combined Code on Corporate Governance for reporting periods on or after 1 November 2003.

The Listing Rules require that listed companies (but not companies traded on the Alternative Investment Market (AIM)) incorporated in the UK should state in their report and accounts whether they comply with the Code of Best Practice and identify and give reasons for any area of non-compliance. The Company is listed on AIM and therefore no disclosure is required. However some voluntary disclosures have been given.

The Board supports the principles and aims of the Code and intends to ensure that the Group observes the provisions of the Code as it grows, as far as is practical. However, the Board considers that at this stage in the Group's development the expense of full compliance with the new Combined Code is not appropriate.

Directors and Board
The Board directs the Group's activities in an effective manner through regular Board meetings and monitors the executive team and the Group's performance through timely and relevant reporting procedures. Where it deems it necessary, the Board requests reports on specific areas in addition to the normal reporting regime.

The Board comprises two executive and three non-executive directors. The roles of chairman, non-executive and chief executive are separate appointments and it is Board policy that this will continue.

The non-executive directors bring their independent judgement to bear on issues of strategy, performance, appointments, resources and standards of conduct.

There is a formal schedule of matters specifically reserved for decision by the Board.

All directors have access to the advice and services of the Company Secretary and there is an agreed procedure for directors to take independent professional advice at the Group's expense if necessary.

Board committees
The Board has established two committees, the Audit and the Remuneration Committees. Both committees have written terms of reference agreed by the Board.

Nick Kuenssberg is Chairman of the Audit Committee, the other members of which are Grant Masom and Colin Smithers.

Grant Masom chairs the Remuneration Committee, the other members of which are Nick Kuenssberg and Colin Smithers.

Audit
The Audit Committee has written terms of reference setting out its remit, authority and duties and its intention is to meet at least three times a year with the external auditors.

Corporate Governance report (continued)
for the period ended 30 November 2004

Internal financial control
The Group has established policies covering the key areas of internal financial control and the appropriate procedures, controls, authority levels and reporting requirements which must be applied throughout the Group.

The key procedures that have been established in respect of internal financial control are:

- internal control: the directors review the effectiveness of the Group's system of internal controls on an annual basis;
- financial reporting: there is in place a comprehensive system of financial reporting based on the annual budget approved by the Board. The results for the Group are reported monthly along with an analysis of key variances and year-end forecasts are updated on a regular basis; and
- investment appraisal: applications for capital expenditure are made in a prescribed format which places emphasis on the commercial and strategic justification as well as the financial returns. All significant projects require specific board approval.

No system can provide absolute assurance against material mis-statement or loss but the Group's systems are designed to provide reasonable assurance as to the reliability of financial information, ensuring proper control over income and expenditure, assets and liabilities.

Risk management
The Board is currently introducing an ongoing process for the identification, evaluation and management of all significant risks faced by the Group.

This is not a statement of compliance as required by the Combined Code and should therefore not be relied upon to give the disclosures that would normally be made.

Directors' remuneration report
for the period ended 30 November 2004

Introduction
In framing its remuneration policy and the reporting of remuneration, the committee has given consideration to the Combined Code.

Remuneration committee
The remuneration committee, chaired by Grant Masom and including Nick Kuenssberg and Colin Smithers, determines the Group's policy for executive remuneration and the individual remuneration packages for executive directors. In setting the Group's remuneration policy, the committee considers a number of factors including the following:

- salaries and benefits available to executive directors of comparable companies;
- the need to both attract and retain executives of appropriate calibre; and
- the continued commitment of executives to the Group's development through appropriate incentive schemes.

Remuneration of executive directors
Consistent with this policy, benefit packages awarded to executive directors comprise a mix of basic salary and performance-related remuneration that is designed as an incentive.

The remuneration packages comprise the following elements:

- base salary: the remuneration committee sets base salaries to reflect responsibilities and the skills, knowledge and experience of the individual;
- bonus scheme: the executive directors are eligible to receive a bonus dependent on both individual and Group performance as determined by the remuneration committee;
- car allowance, Company contribution into a personal pension scheme, life assurance, private medical insurance and permanent health insurance; and
- share options: the remuneration committee awards share options to reflect the responsibilities and the skills, knowledge and experience of the individual.

The executive directors are engaged under separate contracts which require a notice period of six months given at any time by the Company or the individual.

Remuneration of non-executive directors
The fees paid to the non-executive directors are determined by the Board. The non-executive directors do not receive any other forms of benefits such as health cover or pension. The notice periods of the non-executive chairman and non-executive directors are six months and three months respectively.

Directors' detailed emoluments and compensation

	11 Months to 30 November 2004					
	Salary and fees	Benefits	Bonus	Sub-total	Pension contributions	Total
Bob Giddy	116,600	1,234	–	117,834	5,500	123,334
Stuart Darling	95,975	657	–	96,632	4,469	101,101
Grant Masom	56,397	–	–	56,397	–	56,397
Colin Smithers	16,282	–	–	16,282	–	16,282
Nick Kuenssberg	17,140	–	–	17,140	–	17,140
	302,394	1,891	–	304,285	9,969	314,254

Directors' remuneration report (continued)
for the period ended 30 November 2004

	Year to 31 December 2003					
	Salary and fees	Benefits	Bonus	Sub-total	Pension contributions	Total
Bob Giddy	96,000	894	374,000	470,894	4,500	475,394
Stuart Darling	81,000	604	187,000	268,604	4,000	272,604
Grant Masom	81,964	865	400,000	482,829	–	482,829
Colin Smithers	15,000	–	–	15,000	–	15,000
Nick Kuenssberg	–	–	–	–	–	–
	273,964	2,363	961,000	1,237,327	8,500	1,245,827

Contributions were made to the personal pension schemes of two of the directors (2003: four), in accordance with their employment contracts.

There were no bonuses paid or accrued to directors in the period to 30 November 2004.

Grant Masom became Non-executive Chairman on admission of Amino Technologies plc to the Alternative Investment Market. Pursuant to a consultancy agreement entered into between Grant Masom and Amino Holdings Limited on 27 February 2001, Grant Masom was paid a bonus of £400,000 on flotation provided for in the year to 31 December 2003.

Colin Smithers' fees are paid to Plextek Limited.

Nick Kuenssberg's fees are paid to his management company, Horizon Co-Invest.

Directors and their interests in shares

The directors held the following interests in Amino Technologies plc at the end of the period:

	30 November 2004		1 January 2004	
	Ordinary shares of 1p each Number	Options over ordinary shares of 1p each Number	Ordinary shares of 1p each Number	Options over ordinary shares of 1p each Number
Grant Masom	304,779	631,602	274,779	598,750
Bob Giddy	–	1,029,116	73,031	1,438,000
Stuart Darling	–	500,000	–	440,000
The CIT fund (for Dr C Smithers)	40,000	79,959	–	55,000
Nick Kuenssberg	25,000	60,000	–	–

Directors' remuneration report (continued)
for the period ended 30 November 2004

All executive and non-executive directors have been awarded share options. Full details of the options over ordinary shares of 1p each are detailed below.

Director	Date granted/ date exercised	Exercise price	Options over 1p ordinary shares of 1p each 30 November 2004 Number	Options over 1p ordinary shares of 1p each 1 January 2004 Number
Grant Masom	1 September 2003	£0.20	130,000	130,000
	16 September 2003	£0.20	468,750	–
	1 February 2004	£0.32	162,852	468,750
	20 May 2004	£0.20	(130,000)	–
			631,602	631,602
Bob Giddy	19 September 2003	£0.20	499,999	499,999
	20 September 2003	£0.20	938,001	938,001
	1 February 2004	£0.32	391,116	–
	9 June 2004	£0.20	(800,000)	–
			1,029,116	1,438,000
Stuart Darling	19 September 2003	£0.20	375,000	375,000
	25 September 2003	£0.20	65,000	65,000
	1 February 2004	£0.32	119,674	–
	9 June 2004	£0.32	(59,674)	–
			500,000	440,000
The CIT fund (for Dr C Smithers)	1 September 2003	£0.20	55,000	55,000
	1 February 2004	£0.32	14,959	–
	20 May 2004	£0.70	10,000	–
			79,959	55,000
Nick Kuenssberg	1 February 2004	£0.32	50,000	–
	20 May 2004	£0.70	10,000	–
			60,000	–

Notes:
Following Amino Technologies plc's admission to the Alternative Investment Market on 9 June 2004, the above options have vested in full and are exercisable until expiry, being 10 years from date of grant. No share options relating to the directors lapsed in the year.

Gains made by directors on the exercise of share options are noted below:

	11 months to 30 November 2004 £	Year to 31 December 2003 £
Bob Giddy	800,000	–
Stuart Darling	52,513	–
Grant Masom	65,000	–
	917,513	–

The market price of share options exercised by Grant Masom was £0.70 and the market price for share options exercised by Bob Giddy and Stuart Darling was £1.20.

Grant Masom
Chairman
Remuneration Committee

Directors' report
for the period ended 30 November 2004

The directors present their report and the audited financial statements for the eleven-month period ended 30 November 2004.

Basis of preparation
The Group has changed its year-end from 31 December to 30 November in order to overcome the logistical challenges presented by the year-end holiday period. The directors will report results made up to 31 May and 30 November each year.

Principal activities
Amino (www.aminocom.com) is a designer and supplier of electronic systems and consultancy, specialising in products for digital broadcast and on-demand TV, IPTV (telecommunication triple-play applications) and in-home multimedia distribution.

Its range of small, low-cost, high functionality set-top boxes and system and application products is designed for consumer applications in telecommunication, satellite and digital terrestrial broadcast markets, as well as on-demand systems for hotels and hospitality markets, healthcare, retail and education. Amino also provides systems consultancy and partners with world-leading companies in content aggregation, middleware, conditional access and head-end systems.

Business review
A review of the Group's performance during the financial period and future prospects are contained in the Chairman's report, Chief Executive's report and Finance Director's report.

On 24 March 2004, Amino Technologies plc (formerly known as Musicgold plc) was established and on 28 May 2004 Amino Technologies acquired all of the ordinary shares of 1p each of Amino Holdings Limited in exchange for new ordinary shares of 1p each in the share capital of Amino Technologies plc.

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

Research and development
The Group has continued to make significant progress in the development of its proprietary software technologies which are currently taken to market in the AmiNET range of Internet Protocol set-top boxes. In the opinion of the directors, the investment in these software technologies and hardware designs will maintain and generate significant revenues both from licensing and product sales in future years.

Post balance sheet events
Subsequent to 30 November 2004 the Company entered into a new 10 year property lease on 1 December 2004. The lease encompasses the ground and first floor of Prospect House, Buckingway Business Park, Anderson Road, Swavesey, Cambridgeshire, CB4 5UQ.

Directors
The directors of Amino Technologies plc who served during the period were as follows:

Grant Masom	Non-executive Chairman
Bob Giddy	Chief Executive
Stuart Darling	Finance Director and Company Secretary
Dr Colin Smithers	Non-executive Director
Nick Kuenssberg	Non-executive Director (appointed 26 January 2004)

Policy and practice on payment of creditors
The Group does not follow any code; creditors are paid in accordance with the terms of the contract agreed between the two parties. Trade creditors of the Group at 30 November 2004 were equivalent to 39 days' purchases for the Group (2003: 26 days). The Company has no trade creditors (2003: £nil).

Directors' report (continued)
for the period ended 30 November 2004

Substantial shareholdings
As at 15 February 2005 the following shareholders had each notified that they held an interest of 3% or more in the Company's ordinary share capital.

	Number of ordinary shares	Percentage of issued share capital
Chase Nominees Limited	9,610,379	18.8
Museion Forvalting AB	5,035,324	9.9
BBHISL Nominees Limited	4,700,372	9.2
Walbrook Trustees (Guernsey) Limited	3,465,961	6.8
HSBC Global Custody Nominee (UK)	3,265,632	6.4
Vidacos Nominees Limited	2,180,302	4.3
Nutraco Nominees Limited	2,160,380	4.2
KAS Nominees Limited	2,055,774	4.0
BNY (OCS) Nominees Limited	1,800,119	3.5
	34,274,243	67.1

Political and charitable donations
The Group made no political or charitable donations in the period (2003: £nil).

Statement of directors' responsibilities
Company law requires the directors to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the eleven-month period ended 30 November 2004 and that applicable accounting standards have been followed.

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

The maintenance and integrity of the Amino Technologies plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors
In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors of the Group and the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board,

Bob Giddy
Director

Stuart Darling
Director

23 February 2005

Prospect House
Buckingway Business Park
Cambridge
CB4 5UQ

Independent auditors' report to the members of Amino Technologies plc for the eleven-month period ended 30 November 2004

We have audited the financial statements which comprise the consolidated profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 company 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements. The other information comprises only the Chairman's report, the Chief Executive's report, the Finance Director's report, the Corporate Governance report and the Directors' remuneration report.

Basis of audit opinion

We conducted our audit in accordance with 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 company'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 mis-statement, 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 November 2004, and of the profit and cash flows of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cambridge

28 February 2005

Notes:

(a) The maintenance and integrity of the Amino Technologies plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated profit and loss account
for the period ended 30 November 2004

	Notes	11 months to 30 November 2004 £	Year to 31 December 2003 £
Turnover	2	13,247,054	1,036,598
Cost of sales		(7,779,916)	(739,911)
Gross profit		5,467,138	296,687
Selling, general and administrative (non-exceptional expenses)		(3,739,718)	(2,498,774)
Selling, general and administrative (exceptional expenses)	3	(331,254)	(1,043,400)
Selling, general and administrative expenses		(4,070,972)	(3,542,174)
Research and development expenses		(1,444,513)	(1,259,828)
Other operating income		94,873	45,535
Group operating profit/(loss)		46,526	(4,459,780)
Interest receivable and similar income	4	185,625	45,501
Interest payable and similar charges	4	(35,117)	(15,490)
Group profit/(loss) on ordinary activities before taxation	5	197,034	(4,429,769)
Tax on profit/(loss) on ordinary activities	8	1,130,829	540,000
Group profit/(loss) on ordinary activities after taxation being profit/(loss) for the financial period	24	1,327,863	(3,889,769)
Basic earnings/(loss) per 1p ordinary shares	9	3.0p	(13.0)p
Diluted earnings/(loss) per 1p ordinary shares	9	2.8p	(13.0)p

Statement of total recognised gains and losses
for the period ended 30 November 2004

	Notes	11 months to 30 November 2004 £	Year to 31 December 2003 £
Profit/(loss) for the financial period		1,327,863	(3,889,769)
Exchange translation difference on consolidation	24	(36,185)	–
Total recognised gains and losses for the period		1,291,678	(3,889,769)

All amounts above relate to continuing activities.

The accompanying notes are an integral part of these financial statements.

Balance sheets
as at 30 November 2004 and 31 December 2003

	Notes	Group 30 November 2004 £	Company 30 November 2004 £	Group 31 December 2003 £
Fixed assets				
Intangible assets	12	186,759	–	32,617
Tangible assets	13	833,884	–	354,710
Investments	14	–	452,047	–
		1,020,643	452,047	387,327
Current assets				
Stocks	15	1,361,339	–	232,047
Debtors: amounts falling due after one year	16	161,563	6,629,360	82,250
Debtors: amounts falling due within one year	16	6,127,561	–	1,447,210
Trade debtors subject to financing stated net of non-returnable amounts received	16	–	–	190,004
		6,127,561	–	1,637,214
Short-term investments	17	430,000	–	3,730,000
Cash at bank and in hand		5,999,752	–	1,214,926
		14,080,215	6,629,360	6,896,437
Creditors: Amounts falling due within one year	18	(2,305,485)	–	(2,740,346)
Net current assets		11,774,730	6,629,360	4,156,091
Total assets less current liabilities		12,795,373	7,081,407	4,543,418
Creditors: Amounts falling due after more than one year	19	(117,281)	(1,222,676)	(141,188)
Net assets		12,678,092	5,858,731	4,402,230
Capital and reserves				
Called-up share capital	22	510,380	510,380	442,672
Share premium account	23	6,571,027	6,571,027	–
Merger reserve	23	16,388,755	–	16,098,130
Profit and loss account	23	(10,792,070)	(1,222,676)	(12,138,572)
Equity shareholders' funds	24	12,678,092	5,858,731	4,402,230

The financial statements on pages 21 to 40 were approved by the Board of directors on 23 February 2005 and were signed on its behalf by:

Grant Masom
Chairman

Stuart Darling
Director

The accompanying notes are an integral part of these financial statements.

Consolidated cash flow statement
for the period ended 30 November 2004 and year ended 31 December 2003

	Notes	11 months to 30 November 2004 £	Year to 31 December 2003 £
Net cash outflow from operating activities	25	(3,836,286)	(4,068,455)
Returns on investments and servicing of finance			
Interest received		185,625	45,501
Interest paid		(35,117)	(15,490)
Net cash inflow from returns on investments		150,508	30,011
Taxation		–	231,816
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(603,340)	(378,640)
Purchase of intangible fixed assets		(184,810)	(37,494)
Sale of tangible fixed assets		–	2,415
Net cash outflow for capital expenditure and financial investment		(788,150)	(413,719)
Net cash outflow before use of liquid resources and financing		(4,473,928)	(4,220,347)
Management of liquid resources			
Decrease/(increase) in short-term deposits with banks	26	3,300,000	(2,826,502)
Financing			
Issue of ordinary share capital		6,999,999	7,310,098
Expenses of share issue deducted from share premium		(370,639)	(398,254)
Cash received from exercise of share options		354,824	–
(Decrease)/increase in other borrowings		(23,907)	176,270
(Decrease)/increase in bank borrowings	26	(1,001,523)	1,007,652
Net cash inflow from financing		5,958,754	8,095,766
Increase in net cash	26	4,784,826	1,048,917
Reconciliation of net cash flow to movement in net funds			
Opening net funds		3,937,259	1,069,492
Increase in net cash		4,784,826	1,048,917
(Decrease)/increase in deposits		(3,300,000)	2,826,502
Decrease/(increase) in borrowings		1,001,523	(1,007,652)
Closing net funds	26	6,423,608	3,937,259

Notes to financial statements

1 Accounting policies

Basis of preparation

The consolidated financial statements of Amino Technologies plc have been presented under merger accounting rules. This means that the financial statements of Amino Technologies plc and those of its wholly owned subsidiary, Amino Holdings Limited, have been aggregated and presented as if the two companies have always existed as a group. Accordingly, although Amino Technologies plc acquired the entire share capital of Amino Holdings Limited on 28 May 2004 in exchange for new ordinary shares of 1p each in the share capital of Amino Technologies plc, the results of both companies are reflected in the Group financial statements for the 11-month period to 30 November 2004 and the comparative amounts, for the year to 31 December 2003, are presented on the same basis.

On 24 March 2004, Amino Technologies plc (formerly known as Musicgold plc) was established and on 28 May 2004 Amino Technologies plc acquired all of the ordinary shares of 1p each of Amino Holdings Limited in exchange for new ordinary shares of 1p each in the share capital of Amino Technologies plc.

Accounting policies

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been reviewed by the Board of Directors in accordance with Financial Reporting Standard (FRS) 18, 'Accounting policies', is set out below. There have been no changes to accounting policies in the period to 30 November 2004.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents the invoice value of goods sold and services provided in the period, the value of sales of licences, royalties arising from the resulting sale of licensed products, and support and maintenance, stated exclusive of value added tax.

- Income from the sale of products is recognised when goods are delivered in accordance with the terms and conditions of sale agreed with the customer.

- Licence revenues under non-cancellable licence agreements are recognised once the licensed hardware and/or software has been delivered and no material further obligations remain outstanding. Where the agreement provides for continuing material obligations to be fulfilled over a period of time, income is deferred until such time as the obligations have been fulfilled.

- Non-refundable advance royalties are recognised over the period in which they are receivable. Royalties received in excess of advance royalties are recognised over the period in which they are earned.

- Income from support and maintenance is recognised over the period in which the service is provided.

Deferred taxation

Provision is made for deferred taxation, using full provision accounting when an event has taken place by the balance sheet date which gives rise to an increased or reduced tax liability in the future, in accordance with FRS 19 ('Deferred taxation'). Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets and liabilities are not discounted.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date or at the contractual rate.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. When the Company uses short-term financial instruments to assist in the management of foreign exchange, the related asset or liability is translated at the contractual rate. All differences are taken to the profit and loss account.

The assets and liabilities of subsidiaries denominated in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Profit and loss accounts of overseas subsidiary undertakings are translated at the closing exchange rate for the year. Differences on exchange arising from the retranslation of the opening net investment in subsidiary companies are taken to reserves and reported in the statement of Group total recognised gains and losses.

Government grants

Government grants are credited to the profit and loss account as other operating income in the period in which they are receivable.

Notes to financial statements (continued)

1 Accounting policies (continued)

Leases
Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Pension scheme arrangements
The Group operates a stakeholder pension scheme and contributes to a number of personal pension schemes on behalf of its employees. The Group provided no other post retirement benefits to its employees. Pension costs are charged to the profit and loss account in the period to which they relate.

Research and development
Research and development expenditure is written off as incurred.

Share options: UITF 38 (Accounting for ESOP Trusts)
The Group's Employee Share Ownership Plan (ESOP) is a separately administered trust which is funded by a loan from the Group, and the assets of which comprise shares in the Company. In accordance with Urgent Issues Task Force Abstract 38 ('Accounting for ESOP trusts'), the Company recognises the assets and liabilities of the ESOP in its own accounts and shares held by the trust are recorded at cost as a deduction in arriving at the shareholders' funds until such time as the shares vest unconditionally to employees.

Share options: UITF 17 (Employee share schemes)
In accordance with the provisions of Urgent Issues Task Force Abstract 17 ('Employee share schemes'), the Company makes charges to the profit and loss account when options are granted, unless vesting is determined by performance criteria where the charge is spread to match the vesting period. The charge is the estimated market value of the shares at the date of grant less the exercise price of the options.

Short-term investments
Deposits, which are not repayable on demand, are treated as short-term investments in accordance with Financial Reporting Standard 1 (Revised 1996) 'Cash flow statements'.

Stocks
Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and sale. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Intangible fixed assets – technology access fees
Technology access fees represent purchased software licences capitalised at cost and amortised over their useful economic life. For the assets held at the balance sheet date this is three years.

Tangible fixed assets
Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment in value.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected economic useful life. The principal annual rates used for this purpose are:

Computer equipment	33⅓% per annum
Development software	33⅓% per annum
Office equipment	25% per annum
Leasehold improvements	Period of lease

Taxation
UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

Notes to financial statements (continued)

2 Segmental analysis

Turnover is wholly attributable to the Group's principal activity. In the opinion of the directors, the Group currently has only one class of business. The analysis of turnover by destination is set out below.

Geographical analysis	11 months to 30 November 2004 £	Year to 31 December 2003 £
United Kingdom, Europe and Africa	5,001,383	385,548
Americas	6,467,504	412,747
Asia Pacific	1,778,167	238,303
	13,247,054	1,036,598

3 Exceptional selling, general and administrative expenses

Included in selling, general and administrative expenses is an amount of £331,254 in respect of exceptional costs incurred by Amino Technologies plc. These exceptional costs primarily relate to legal and professional fees incurred as a result of the admission of Amino Technologies plc to the Alternative Investment Market on 9 June 2004. A further £370,639 of exceptional costs relating to the admission were charged against the share premium account (see note 23).

Exceptional costs incurred of £1,043,400 in the year ended 31 December 2003 were in respect of exceptional accrued bonuses for directors, for preparing the company for flotation.

4 Interest and similar items

	11 months to 30 November 2004 £	Year to 31 December 2003 £
Interest payable on bank loans and overdrafts	(20,404)	(473)
Other interest payable	(14,713)	(15,017)
	(35,117)	(15,490)
Interest receivable and similar income	185,625	45,501
Net interest receivable and similar items	150,508	30,011

Notes to financial statements (continued)

5 Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging:

	11 months to 30 November 2004 £	Year to 31 December 2003 £
Depreciation of owned tangible fixed assets	124,166	84,839
Amortisation of intangible fixed assets	30,668	4,874
Loss on disposal of tangible fixed assets	–	5,134
Loss on disposal of intangible fixed assets	–	3
Operating lease rentals		
– hire of plant and machinery	53,327	28,312
– other	148,861	105,893
Auditors' remuneration:		
Audit services (Company £500 (2003: £nil))	26,000	18,000
Non-audit sevices (Company £nil (2003: £nil))	87,342	–
Taxation services: compliance	10,250	6,650
Taxation services: general advice	4,916	–
Share option compensation charges	–	12,098

Note:
Non-audit services relate to costs associated with the admission of Amino Technologies plc to the Alternative Investment Market included in exceptional costs. (An additional £47,294 of non-audit services were charged against the share premium account.)

6 Staff costs

The year end and average monthly number of employees (including executive directors) was:

	As at 30 November 2004 Year-end Number	As at 31 December 2003 Year-end Number	11 months to 30 November 2004 Average Number	Year to 31 December 2003 Average Number
Selling, general and administration	49	30	44	20
Research and development	26	21	24	22
	75	51	68	42

	11 months to 30 November 2004 £	Year to 31 December 2003 £
Their aggregate remuneration comprised:		
Wages and salaries (non-exceptional)	2,502,356	1,979,355
Social security costs (non-exceptional)	287,719	208,629
Pension costs	67,599	78,840
	2,857,674	2,266,824
Wages and salaries (exceptional – see note 3)	–	925,000
Social security costs (exceptional – see note 3)	–	118,400
Share options granted at less than fair value	–	12,098
	2,857,674	3,322,322

Notes to financial statements (continued)

7 Directors' emoluments

Details of aggregate directors' emoluments for the year are as follows:

	11 months to 30 November 2004 £	Year to 31 December 2003 £
Aggregate emoluments (non-exceptional)	304,285	467,249
Aggregate emoluments (exceptional bonus payable on successful admission to the Alternative Investment Market, see notes 3 and 6)	–	925,000
Company contributions to personal pension schemes	9,969	16,500
	314,254	1,408,749
Gains made by directors on exercise of share options	917,513	–

Contributions were made to the personal pension schemes of two of the directors (2003: four), in accordance with their employment contracts.

Highest-paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	11 months to 30 November 2004 £	Year to 31 December 2003 £
Aggregate emoluments (non-exceptional)	117,834	82,829
Aggregate emoluments (exceptional bonus payable on successful admission to the Alternative Investment Market, see note 3)	–	400,000
Company contributions to personal pension schemes	5,500	–
	123,334	482,829
Gains made by highest paid director on exercise of share options	800,000	–

8 Tax on profit on ordinary activities

	11 months to 30 November 2004 £	Year to 31 December 2003 £
UK Corporation tax charge at 30% (2003: 30%)	(48,171)	–
Total current tax charge	(48,171)	–
Deferred tax credit (see note 21)	1,179,000	540,000
Tax credit on profit/(loss) on ordinary activities	1,130,829	540,000

The directors have recognised an increased deferred tax asset in respect of taxable losses based on their expectation of the Group generating taxable profits in the future.

8 Tax on profit on ordinary activities (continued)

Current taxation

	11 months to 30 November 2004 £	Year to 31 December 2003 £
Factors affecting the tax charge/(credit) for the period:		
Profit/(loss) on ordinary activities before tax	197,034	(4,429,769)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporate tax in the UK of 30% (2003: 30%)	59,110	(1,328,931)
Effects of:		
Expenses not deductible for tax purposes	35,125	23,348
Tax losses unutilised in the period	50,593	1,285,829
Tax losses utilised in the period	(86,461)	–
Difference between capital allowances and depreciation	(15,229)	19,754
Other short term timing differences	12,558	–
Tax at marginal rate	(7,525)	–
Current tax charge for financial period	48,171	–

9 Earnings/(loss) per share

	Group 11 months to 30 November 2004 £	Group Year to 31 December 2003 £
Earnings/(loss) attributable to shareholders	1,327,863	(3,889,769)
Weighted average number of shares (Basic)	43,662,984	29,975,156
Weighted average number of shares (Diluted)	48,174,055	–

The calculation of basic earnings/(loss) per share is based on profit/(loss) after taxation and the weighted average of ordinary shares of 1p each in issue during the period.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has only one category of dilutive potential ordinary share options: those share options where the exercise price is less than the average market price of the Company's ordinary shares during the period. There is no dilutive effect in respect of the year ended 31 December 2003 as the Group was loss making.

10 Dividends

The directors have not declared a dividend for the current financial period. In future they expect to operate a progressive dividend policy, profitability permitting.

11 Holding company

The directors have taken advantage of the exemption available under section 230 of the Companies Act 1985 and have not presented a profit and loss account for the Company alone. The Company made a profit of £nil.

Notes to financial statements (continued)

12 Intangible fixed assets

Group	Software licences £
Cost	
At 1 January 2004	80,944
Additions	184,810
At 30 November 2004	265,754
Amortisation	
At 1 January 2004	48,327
Charge for the period	30,668
At 30 November 2004	78,995
Net book amount	
At 30 November 2004	186,759
At 1 January 2004	32,617

As at the balance sheet date the Company had no intangible fixed assets.

13 Tangible fixed assets

Group	Computer equipment £	Development software £	Office equipment £	Leasehold improvements £	Total £
Cost					
At 1 January 2004	193,397	8,025	36,246	307,117	544,785
Additions	198,419	104,475	45,997	254,449	603,340
At 30 November 2004	391,816	112,500	82,243	561,566	1,148,125
Depreciation					
At 1 January 2004	127,109	7,024	18,160	37,782	190,075
Charge for the period	57,680	23,255	12,792	30,439	124,166
At 30 November 2004	184,789	30,279	30,952	68,221	314,241
Net book amount					
At 30 November 2004	207,027	82,221	51,291	493,345	833,884
At 1 January 2004	66,288	1,001	18,086	269,335	354,710

As at the balance sheet date the Company had no tangible fixed assets.

Notes to financial statements (continued)

14 Fixed asset investments

	Interests in group undertakings Company 2004 £	Company 2003 £
Cost at 1 January 2004	–	–
Additions	452,047	–
At 30 November 2004	452,047	–

Interests in group undertakings

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of shares held by the Group
Amino Holdings Limited	England and Wales	Ordinary shares of 1p each	100%
Amino Communications Limited	England and Wales	Ordinary shares of £1 each	*100%
Amino Communications L.L.C.	Delaware, USA	Ordinary shares of $1 each	*100%
Amino Communications Employee Benefit Trust	England and Wales	Ordinary shares of £1 each	*100%

*indirectly held

Amino Holdings Limited is a non-trading intermediate holding company. On 28 May 2004, Amino Technologies plc acquired all of the ordinary shares of 1p each in Amino Holdings Limited in exchange for new ordinary shares of 1p each in the share capital of Amino Technologies plc.

The principal activity of Amino Communications Limited is the provision of price competitive, flexible and rapidly deployable designs and enabling technology to manufacturers and vendors of set-top boxes, home gateways and other communications devices.

The principal activity of Amino Communications L.L.C. is the distribution of products of Amino Communications Limited in North and South America.

The principal activity of Amino Communications Employee Benefit Trust is to enable a number of shares in the Company to be held by the trustees of the scheme for the benefit of the employees and former employees of the Company and its subsidiaries and their relations and dependents, to provide employees with the opportunity of acquiring shares in the Company and such other benefits (whether of a similar nature or not) as the trustees of the scheme might in their absolute discretion decide.

15 Stocks

	Group As at 30 November 2004 £	Group As at 31 December 2003 £
Raw materials	516,299	–
Finished goods	845,040	232,047
	1,361,339	232,047

Notes to financial statements (continued)

16 Debtors

	Group As at 30 November 2004 £	Company As at 30 November 2004 £	Group As at 31 December 2003 £
Amounts falling due after more than one year:			
Other debtors (rent deposit)	161,563	–	82,250
Amounts owed by group undertakings	–	6,629,360	–
Amounts falling due within one year:			
Trade debtors (not subject to financing)	3,602,001	–	214,383
VAT recoverable	56,232	–	47,664
Deferred tax (see note 21)	1,719,000	–	540,000
Other debtors	23,196	–	3,317
Prepayments and accrued income	727,132	–	641,846
	6,127,561	–	1,447,210
Amounts falling due within one year:			
Trade debtors subject to financing	–	–	495,536
Less: Non-returnable amounts received	–	–	(305,532)
	–	–	190,004

Amounts owed to the parent Company are unsecured, interest free and repayable on demand, however the parent Company has confirmed that it will provide continuing financial support to its subsidiary undertaking, Amino Communications Limited for a period of not less than two years from the date of approval of these financial statements.

In the prior year the Group operated a discounted invoice finance facility to provide additional working capital. Trade debtors subject to financing represent amounts discounted by banks in the ordinary course of business, subject to strictly limited recourse so that the majority of cash received by the Group on discounting is not returnable and carries interest at variable rates. The non-returnable element of the proceeds is shown as a deduction from trade debtors. The Group will not make good any losses over and above the agreed recourse limit. This facility was terminated on 30 November 2004.

The bank has agreed in writing that it will seek recourse to both principal and interest only to the extent that sufficient funds are guaranteed by specific debts it has financed.

The Group incurred interest charges of £19,891 (2003: £473) and service charges of £24,072 (2003: £1,943) in respect of the financing.

17 Short-term investments

	Group As at 30 November 2004 £	Group As at 31 December 2003 £
Short-term investments	430,000	3,730,000

Short-term investments comprise bank and similar deposits that are not repayable on demand.

18 Creditors: Amounts falling due within one year

	Group As at 30 November 2004 £	Group As at 31 December 2003 £
Bank loans and overdrafts	6,144	702,135
Other loans	35,082	35,082
Deposits received from customers	–	386,263
Trade creditors	1,377,088	314,599
Taxation and social security	163,342	67,806
Corporation tax	48,171	–
Other creditors	644	–
Accruals and deferred income	675,014	1,234,461
	2,305,485	2,740,346

Bank loans and overdrafts are secured by a fixed and floating charge over the assets of Amino Communications Limited.

Included within accruals and deferred income is an amount of £nil (2003: £4,500) in respect of contributions due to employee personal pension schemes in the current period.

Also included within accruals and deferred income is an amount of £nil (2003: £1,043,400) in respect of management bonuses due on admission to the Alternative Investment Market (see note 3).

19 Creditors: Amounts falling due after more than one year

	Group As at 30 November 2004 £	Company As at 30 November 2004 £	Group As at 31 December 2003 £
Other loans	117,281	–	141,188
Amounts owed to Group undertakings	–	1,222,676	–

Other loans comprise unsecured borrowings from a third party at a fixed interest rate of 4.56%.

Amounts owed to subsidiaries are unsecured, interest free and repayable on demand, however Amino Holdings Limited has confirmed that it will not require repayment of the loan for a period of not less than two years from the date of approval of these financial statements.

Borrowings are repayable as follows:

	Group As at 30 November 2004 £	Group As at 31 December 2003 £
Other loans		
Between one and two years	38,689	39,016
Between two and five years	78,592	102,172
	117,281	141,188
On demand or within one year	35,082	35,082
	152,363	176,270

Notes to financial statements (continued)

20 Financial Instruments

The Group's financial instruments comprise cash and short-term bank deposits, bank overdraft, confidential invoice finance facility (facility ended 30 November 2004) and other loans, as well as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's future operations.

The financial risks faced by the Group include interest rate risk, currency risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks.

The Group's main objectives in using financial instruments are the maximisation of returns from funds held on deposit and, when appropriate, the generation of additional cash resources for the Group's operations through financing arrangements for capital assets and through the issue of shares and debt instruments.

The Group's policy is to raise cash in advance of when it is required and when market conditions are appropriate, using whatever financial instruments can be negotiated with the providers of finance at that time. During the period covered by these financial statements these instruments have included both debt and equity shares.

Short-term debtors and creditors have been excluded from all of the following disclosures as permitted by Financial Reporting Standard 13 ('Derivatives and other financial instruments').

Interest rate risk profile of the Group's financial liabilities

The interest rate risk profile of the Group's financial liabilities for the period was:

	Total £	Fixed rate financial liabilities £	Financial liabilities on which no interest is paid £
Currency			
Sterling	878,405	176,270	702,135
At 31 December 2003	878,405	176,270	702,135
Weighted average interest rate (%)	–	4.56	–
Weighted average period for which rate is fixed (years)	–	4.25	–
Weighted average period until maturity (years)	–	–	1.0
Sterling	158,507	152,363	6,144
At 30 November 2004	158,507	152,363	6,144
Weighted average interest rate (%)	–	4.56	–
Weighted average period for which rate is fixed (years)	–	3.25	–
Weighted average period until maturity (years)	–	–	1.0

The Group's maximum overdraft facility is £2,000,000 (2003: £2,000,000).

All of the Group's creditors falling due within one year (other than bank and other borrowings) are excluded from the above tables either due to the exclusion of short-term items or because they do not meet the definition of a financial liability, such as tax balances.

Notes to financial statements (continued)

20 Financial Instruments (continued)

Interest rate risk profile of the Group's financial assets

	As at 30 November 2004			As at 31 December 2003		
	Cash at bank and in hand £	Short term deposits £	Total £	Cash at bank and in hand £	Short term deposits £	Total £
Currency						
Sterling	5,191,180	430,000	5,621,180	914,856	3,730,000	4,644,856
US dollars	510,234	–	510,234	283,043	–	283,043
Euro	298,338	–	298,338	17,027	–	17,027
	5,999,752	430,000	6,429,752	1,214,926	3,730,000	4,944,926

Short-term deposits in sterling were placed with banks on a one- to six-month basis and earned interest at fixed rates between 3 per cent and 5 per cent. Cash at bank earns interest based on relevant LIBOR equivalents.

Maturity of financial liabilities

The maturity profile of the carrying amount of the Group's financial liabilities, other than short-term trade creditors and accruals was as follows:

	As at 30 November 2004			As at 31 December 2003		
	Debt £	Other financial instruments £	Total £	Debt £	Other financial instruments £	Total £
Within one year or on demand	6,144	35,082	41,226	702,135	35,082	737,217
Between 1 and 2 years	–	38,689	38,689	–	39,016	39,016
Between 2 and 5 years	–	78,592	78,592	–	102,172	102,172
	6,144	152,363	158,507	702,135	176,270	878,405

Fair value of financial assets and financial instruments

The fair value of the financial assets and financial liabilities are not materially different from their carrying values. This is justified by the fact that all of the financial asset is cash at bank or short-term investment and the financial liabilities are a small bank overdraft and an unsecured loan relating to the business property. Both the financial assets and the liabilities are recognisable and easily valued.

Notes to financial statements (continued)

21 Deferred taxation

The Group had recognised deferred tax and had potential unrecognised deferred tax assets as follows:

Group	As at 30 November 2004 Amount recognised £	As at 30 November 2004 Amount unrecognised £	As at 31 December 2003 Amount recognised £	As at 31 December 2003 Amount unrecognised £
Tax effect of timing differences because of:				
Excess of capital allowances over depreciation	–	2,140	–	18,086
Tax losses carried forward	1,719,000	972,274	540,000	2,209,979
Other short-term timing differences	–	13,908	–	2,302
Deferred tax asset	1,719,000	988,322	540,000	2,230,367

The Company had no recognised deferred tax or potential unrecognised deferred tax assets/liabilities.

Factors that may affect the future tax charge

The directors have recognised a deferred tax asset in respect of taxable losses based on their expectation of the Group generating taxable profits in the period ahead.

22 Called-up share capital

Company	As at 30 November 2004 £
Authorised	
100,000,000 (on incorporation: nil) ordinary shares of 1p each	1,000,000
Allotted, called up and fully paid	
51,038,000 (on incorporation: nil) ordinary shares of 1p each	510,380

The Company was incorporated as Musicgold plc on 24 March 2004 and changed its name to Amino Technologies plc with effect from 21 April 2004.

Authorised

On 26 April 2004, the Company subdivided its ordinary £1 shares into 1p shares and increased the authorised share capital to £1,000,000, comprising 100,000,000 ordinary shares of 1p each.

Allotted, called up and fully paid

On 28 May 2004, the Company allotted 45,204,719 ordinary shares of 1p each, pursuant to the acquisition and share exchange of the entire share capital of Amino Holdings Limited, receiving 45,204,719 ordinary shares in aggregate.

On 9 June 2004, the Company allotted 5,833,333 ordinary shares of 1p each at 120p per share for cash consideration of £6,999,999 and was admitted to the Alternative Investment Market in order to provide increased credibility and balance sheet strength. The net proceeds of the private placement amounted to £6,629,360 after costs of £370,639 charged to the share premium account.

Notes to financial statements (continued)

22 Called-up share capital (continued)

Employee share options

On 8 June 2004, the Company established an Unapproved Scheme and Enterprise Management Incentive Scheme for employees and certain former employees of Group companies, replacing those schemes operated by Amino Holdings Limited. The Company also operates individual share option schemes for certain non-executive directors.

Options granted under these schemes will mainly be satisfied out of ordinary shares of 1p each issued to an Employee Benefit Trust set up in February 2003. The Employee Benefit Trust was set up to encourage and facilitate the acquisition and holding of shares in the Company by and for the benefit of the employees and certain former employees of the Company and any other company within the Group.

The number of shares held by the Employee Benefit Trust is as follows:

	As at 30 November 2004 Number	As at 31 December 2003 Number
Shares held by the Employee Benefit Trust:		
At start of financial period	4,562,500	–
Issued	937,500	4,562,500
Exercised	(2,044,039)	–
At end of financial period	3,455,961	4,562,500

The number of subsisting options are as follows:		
Current and former employees and non-executive directors	4,524,503	4,302,441
Sales representatives	30,000	60,000
Other options granted	118,812	118,812
	4,673,315	4,481,253

Options granted to current and former employees and non-executives were under the following schemes:

	As at 30 November 2004 Number	As at 31 December 2003 Number
Granted:		
Unapproved Share Option Scheme	1,717,193	1,366,545
Approved Discretionary Share Option Scheme	–	30,604
Enterprise Management Incentive Scheme	2,044,851	2,187,792
Individual Share Option Schemes	762,459	717,500
	4,524,503	4,302,441

Notes to financial statements (continued)

22 Called-up share capital (continued)

The number of options relating to current and former employees and non-executives over ordinary shares of 1p each, granted, lapsed or cancelled during the year was as follows:

Date granted	Exercise price	As at 1 January 2004	Granted	Exercised	*Transferred to employee	Lapsed	As at 30 November 2004	Notes
January 2001	£0.05	272,917	–	(272,917)	–	–	–	(a)
January 2001	£0.05	320,209	–	(176,877)	–	–	143,332	(a)
January 2001	£0.60	20,000	–	–	–	–	20,000	(a)
January 2001	£2.02	23,842	–	–	–	(23,842)	–	
March 2001	£2.02	6,094	–	–	–	(6,094)	–	
May 2001	£0.05	33,750	–	–	–	–	33,750	(a)
May 2001	£2.02	668	–	–	–	(668)	–	
March 2002	£0.77	30,000	–	–	–	–	30,000	(a)
September 2003	£0.20	2,881,211	–	(1,298,078)	30,000	–	1,613,133	(a)
September 2003	£0.20	713,750	–	(130,000)	–	–	583,750	(a)
February 2004	£0.32	–	1,277,457	(172,491)	10,000	–	1,114,966	(a)
May 2004	£0.70	–	31,028	(3,676)	–	–	27,352	(a)
June 2004	£1.20	–	335,000	–	–	(10,000)	325,000	(b)
September 2004	£1.71	–	62,500	–	–	–	62,500	(c)
November 2004	£2.45	–	570,720	–	–	–	570,720	(c)
		4,302,441	2,276,705	(2,054,039)	40,000	(40,604)	4,524,503	

Notes:

(a) Following Amino Technologies plc's admission to the Alternative Investment Market on 9 June 2004, these options have vested in full and are exercisable until expiry, being 10 years from date of grant.

(b) Vest in equal tranches on first and second anniversary of date of grant.

(c) Vest in equal tranches on first, second and third anniversary of date of grant.

* During the period a third party sales representative became a full-time employee, the relevant share options have therefore been transferred from 'sales representatives' to 'current and former employees'.

Other options granted

In addition to those options granted to current and former employees and non-executive directors, the Company has granted options as follows:

118,812 options were granted to KBC Peel Hunt on 27 July 2000 in consideration for services to the Group in connection with a placing of ordinary shares. These options can be exercised at a price of 202p per share for a period of seven years commencing from 9 June 2004, the date of the Company's admission to the AIM.

A total of 20,000 (2003: 60,000) options were granted to certain third party sales representatives in consideration for services to Amino Communications Limited.

Date granted	Exercise price	As at 1 January 2004	Granted	Exercised	Transferred as employee	Lapsed	As at 30 November 2004
September 2003	£0.20	60,000	–	–	(30,000)	–	30,000
February 2004	£0.32	–	20,000	(10,000)	(10,000)	–	–
		60,000	20,000	(10,000)	(40,000)	–	30,000

23 Reserves

Group	Share premium account £	Merger reserve £	Profit and loss account £	Total £
As at 1 January 2004	–	16,098,130	(12,138,572)	3,959,558
Share issues	6,941,666	–	–	6,941,666
Expenses of equity share issues	(370,639)	–	–	(370,639)
Profit for the financial period	–	–	1,327,863	1,327,863
Exchange differences on consolidation	–	–	(36,185)	(36,185)
Issue of share capital to Employee Benefit Trust	–	–	(300,000)	(300,000)
Exercise of employee share options	–	–	354,824	354,824
Movement on merger reserve	–	290,625	–	290,625
As at 30 November 2004	6,571,027	16,388,755	(10,792,070)	12,167,712

Company	Share premium account £	Profit and loss account £	Total £
On incorporation	–	–	–
Share issues	6,941,666	–	6,941,666
Expenses of equity share issues	(370,639)	–	(370,639)
Cost of own shares held by Employee Benefit Trust (see note 24)	–	(1,577,500)	(1,577,500)
Exercise of employee share options	–	354,824	354,824
As at 30 November 2004	6,571,027	(1,222,676)	5,348,351

Offset within the profit and loss reserve at 30 November 2004 is an amount of £1,222,676 (2003: £nil) representing cost of own shares held.

24 Reconciliation of movements in shareholders' funds

	Group 11 months to 30 November 2004 £	Company 11 months to 30 November 2004 £	Group Year to 31 December 2003 £
Opening shareholders' funds	4,402,230	–	1,368,057
Profit/(loss) for the period	1,327,863	–	(3,889,769)
Exchange differences on consolidation	(36,185)	–	–
Issue of ordinary share capital – capital	67,708	510,380	247,486
Issue of ordinary share capital – share premium	6,941,666	6,941,666	–
Issue of ordinary share capital to Employee Benefit Trust	(300,000)	(1,577,500)	(1,277,500)
Expenses of share issue	(370,639)	(370,639)	–
Exercise of employee share options	354,824	354,824	–
Reversal of share compensation charge	–	–	12,098
Movement on merger reserve	290,625	–	7,941,858
	12,678,092	5,858,731	4,402,230

Investment in own shares

On 31 January 2004, Amino Holdings Limited allotted 937,500 ordinary shares of 1p each at 32p per share to the Amino Communications Employee Benefit Trust, consideration for which was satisfied by way of an interest free loan of £300,000 from Amino Communications Limited. Following the share-for-share exchange, in accordance with UITF38 ('Accounting for ESOP Trusts'), the cost of own shares was transferred to Amino Technologies plc. Offset within the group profit and loss reserve at 30 November 2004 is an amount of £1,222,676 (2003: £1,277,500) representing the cost of own shares held. Offset within the company profit and loss reserve at 30 November 2004 is an amount of £1,222,676 (2003: £nil) representing the cost of own shares held.

Notes to financial statements (continued)

25 Reconciliation of operating profit/(loss) to net cash outflow from operating activities

Group	11 months to 30 November 2004 £	Year to 31 December 2003 £
Operating profit/(loss)	46,526	(4,459,780)
Share compensation charge	–	12,098
Depreciation and amortisation charge (including loss on disposals)	154,834	94,850
(Increase) in stocks	(1,129,292)	(173,874)
(Increase) in debtors	(3,085,128)	(1,097,421)
Increase in creditors	212,959	1,555,672
Exchange differences on consolidation	(36,185)	–
Net cash outflow from continuing operating activities	(3,836,286)	(4,068,455)

26 Analysis of net funds

Group	As at 1 January 2004 £	Cash flow £	As at 30 November 2004 £
Cash at bank and in hand	1,214,926	4,784,826	5,999,752
Short-term investments	3,730,000	(3,300,000)	430,000
Bank loans and overdrafts	(1,007,667)	1,001,523	(6,144)
Net funds	3,937,259	2,486,349	6,423,608

27 Operating lease commitments

At 30 November 2004 the Group was committed to make the following annual payments under non-cancellable operating leases.

Group	Land and buildings 2004 £	Other 2004 £	Land and buildings 2003 £	Other 2003 £
Leases which expire within 1 year	–	20,528	–	8,723
Leases which expire within 2 and 5 years	19,000	2,820	114,982	53,642
Leases which expire after 5 years	235,000	–	–	–
	254,000	23,348	114,982	62,365

28 Pension commitments

Refer to note 6 for the cost of contributions to the Group's pension scheme. An amount of £nil (2003: £4,500) is included in accruals and deferred income being the outstanding contributions to the scheme at 30 November 2004.

29 Related party transactions

No loans are outstanding from directors (2003: £6,223). The loan outstanding at 31 December 2003 was to a former director of both Amino Holdings Limited and Amino Communications Limited and was repaid in full during the current period. The loan was unsecured and interest free until it became due.

30 Capital commitments

No capital expenditure is committed as at 30 November 2004 (2003: £nil).

31 Post balance sheet events

Subsequent to 30 November 2004 the Company entered into a new 10-year property lease on 1 December 2004. The lease encompasses the ground and first floor of Prospect House, Buckingway Business Park, Anderson Road, Swavesey, Cambridgeshire, CB4 5UQ.

Contents

Shareholder information

Directors	Grant Masom Non-executive Chairman Bob Giddy Chief Executive Stuart Darling Finance Director Nick Kuenssberg Non-executive Director Colin Smithers Non-executive Director
Registered Office	Prospect House Buckingway Business Park Anderson Road Swavesey Cambridge CB4 5UQ
Secretary	Stuart Darling
Nominated Adviser and Stockbroker	KBC Peel Hunt Ltd 111 Old Broad Street London EC2N 1PH
Auditors	PricewaterhouseCoopers LLP Abacus House Castle Park Cambridge CB3 OAN
Solicitors to the Company	Hewitsons Shakespeare House 42 Newmarket Road Cambridge CB5 8EP
Principal Bankers	Royal Bank of Scotland plc 280 Bishopsgate London EC2M 4RB
Registrars and Receiving Agents	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
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