Amino Technologies plc

Interim Report six months to May 2006

Broader thinking

Amino Technologies plc (www.aminocom.com) designs and supplies electronic systems, software and consultancy for IPTV (telco triple-play applications), on-demand video and in-home multimedia distribution delivered through three operating divisions.

➜ **Amino Communications** supplies the AmiNET™ series of high performance IPTV set-top boxes and gateways for deployment in the telecommunications, broadcast and hospitality markets. Generally, AmiNET products are supplied with the IntAct™ IPTV software stack pre-loaded.

➜ **IntAct** licenses hardware designs and the IntAct™ IPTV software stack for customer premises solutions to OEMs enabling them to supply IPTV set-top boxes and gateways for larger scale deployments and the hospitality sector.

➜ **Modelo** provides systems consultancy services.

Amino is partnered with world-leading companies in systems integration, middleware, conditional access, semi-conductor, head-end systems and browser technologies.

HIGHLIGHTS

"Amino continues to mature as a business, balancing the demands of maintaining a strong technical and market position in a dynamic market with the need to strengthen operational and financial performance. We continue to be recognised as a market leader in IPTV and one of the largest centres of excellence in this exciting arena.

We have a strong platform for continued growth and are confident of Amino's prospects in the second half of the year and beyond."

Grant Masom, Chairman

- Shipments of AmiNET products increased by 95% to 199,000 units.
- Since December 2003, over 700,000 AmiNET units have shipped.
- Turnover grew 73% to £13.5m (H1 2005: £7.8m), including £0.5m of licensing revenue.
- Gross profit doubled to £5.3m and gross profit margins up to 39.2% (H1 2005: 33.5%).
- Profit before tax was £0.1m (H1 2005: loss £0.9m), after exchange losses of £0.4m.
- Positive cash flow increased net cash to £16.8m (30 November 2005: £14.5m).
- Continued strong increase in customer adoption metrics.
- New MPEG-4 hardware and software products have been launched.

CHAIRMAN'S STATEMENT

INTRODUCTION

The marketplace for internet protocol TV ("IPTV") is growing rapidly and is global. This growth is neither linear nor entirely predictable and many of the largest near-term volume opportunities are within the smaller Tier 2 and Tier 3 telcos (less than one million subscribers) and the hospitality sector. Amino's consistent strategy has been to exploit these near-term volume opportunities and also to position itself to compete effectively for the larger Tier 2 and Tier 1 telco business for when these network operators are ready to commit to the substantial capital investment that wide-scale IPTV deployments require.

Since volume shipments began in December 2003, Amino has established itself as a clear industry benchmark in terms of both performance and price, with the principal added value being represented by its IntAct software technologies incorporated within its AmiNET hardware products. The Company has developed a global reach with customers and industry partners around the world. To date, approximately 700,000 units have been shipped to over 1,250 customers worldwide, representing a significant share of a market still in the early stages of development. The most recent report (Q1 2006) from ABI Research shows that Amino is still the number one supplier within its segment.

In order to deliver the strategy, the interests of both shareholders and the Company are served best by striking a balance between investing for the future and current profitability. The results for H1 2006 show that Amino is growing strongly in both shipments and revenue, is breaking even, gross margins are improving and it has generated cash.

The structure to support its worldwide customers is now in place. The substantial investments in new platform development, key software integrations and the extension of sales and marketing reach have been made, so the focus is on enabling customers to move into volume roll-out and on improving internal operating and financial efficiency. Although operating costs have increased by 98% and headcount has grown by 60% over the past 18 months, the increased maturity of the business means that for the future, growth in shipments and revenue should exceed the growth in the cost base to the benefit of profitability in the second half, for the full year and beyond.

RESULTS AND FINANCE

Shipments in the first half year to 31 May 2006 increased by 95% to 199,000 units (2005: 102,000). Changes in sales mix and a weakening of the US$/£ exchange rate in April and May meant that revenues grew by 73% to £13.48 million (2005: £7.78 million). However, gross margins improved to 39.2% in H1 2006, up from 33.4% in H1 2005 and 34.8% for FY 2005; gross profit more than doubled to £5.28 million. The profit before tax was £74,000 (H1 2005: loss of £882,000). The profit before tax was reduced by £371,000 as a result of adverse exchange rates.

Progress was made in improving working capital over the period with the result that net cash balances increased by £2.3 million to stand at £16.8 million at 31 May 2006 (30 November 2005: £14.5 million).

MARKETS AND OPERATIONS

The health of Amino's business and its future prospects are best measured by its key business metrics which show the progression as customers move through the various stages of adoption from field trials to volume roll-out in an implementation cycle of up to three years. These metrics have continued to grow strongly:

Number of customers	20 June 2004	30 November 2004	31 May 2005	30 November 2005	31 May 2006
Large volume roll-out (over 10,000 units)	3	5	11	15	18
Small volume roll-out (over 1,000 units)	16	19	35	43	67
Field trials (100 – 999 units)	30	44	98	140	158
Laboratory trials (10 – 99 units)	24	94	163	217	267
Total	73	162	307	415	510

In the period under review, sales have been strongest in North America and Europe. Amino holds a very strong position with Tier 3 operators currently deploying MPEG-2 systems. In previous statements, we have reported strong interest in emerging markets in the Far East, South America and Eastern Europe. These remain important areas of opportunity, but there are significant commercial barriers to successful profitable engagement. We continue to be active in these markets – particularly through our IntAct software licensing business – but it is difficult to predict the timing of major revenues.

As noted in the AGM statement, we continue to have positive discussions with a number of Tier 1 and Tier 2 telcos and systems integrators. However, deployments through large Western Tier 1 operators are hampered by a variety of system integration issues outside of Amino's control, notably the difficulties in scaling up systems to cope with millions, rather than thousands, of subscribers. Amino has chosen to focus its energies on exploiting the market opportunities that currently exist; we remain cautious about the near-term prospects for major Tier 1 revenues.

Revenues continue to be dominated by existing MPEG-2 based products. However, we anticipate a significant increase in shipments of MPEG-4 products over the next twelve months, beginning towards the latter part of the current financial year. In anticipation of this, during the first half we launched a full range of MPEG-4 enabled platforms, which we believe continue to maintain Amino's price/performance leadership. The AmiNET124, our MPEG-4/H.264 SD (standard definition) platform recently won the NAB 2006 Award for Innovation in Media. The recently launched AmiNET130, our MPEG-4/H.264 HD (high definition) product is expected to have strong appeal to Tier 1 and Tier 2 telcos and within the hospitality sector. A significant part of the increased level of investment over the past 18 months has been directed at securing Amino's long-term future as the industry moves towards MPEG-4; we are confident that these products will show a significant return on that investment over the next few years.

Our IntAct business has licensed our MPEG-4 software technologies to a set-top box ("STB") manufacturer and other discussions are ongoing. We have also completed further ports of the IntAct software stack to new generations of STB processors, including a recently announced collaboration with Texas Instruments. While these developments will not produce significant immediate revenues, we believe that they are vital to sustaining Amino's leading position in IPTV technology development over the next few years.

BOARD

We are pleased to announce today the strengthening of Amino's board by the appointment of David Gammon as a non-executive director with effect from 1 August 2006. David has more that 20 years' experience advising technology companies and working within financial markets and private equity.

OUTLOOK

Amino continues to grow rapidly and is widely regarded as a market leader in its chosen section of the IPTV market. Whilst this growth poses challenges, it creates many opportunities which Amino is well placed to exploit. The Company has successfully balanced the need for investment in worldwide sales and support, new systems and new products, with the need to achieve profitability. The board is confident about the outlook for the remainder of this year and beyond.

GRANT MASOM
CHAIRMAN
21 JULY 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 31 MAY 2006

	Notes	Six months ended 31 May 2006 unaudited £	Six months ended 31 May 2005 unaudited £	Year ended 30 November 2005 audited £
Turnover	3	13,480,815	7,784,383	23,460,756
Cost of sales		(8,196,634)	(5,179,457)	(15,292,251)
Gross profit		5,284,181	2,604,926	8,168,505
Selling, general and administrative expenses		(3,830,547)	(2,420,514)	(5,699,309)
Research and development expenses		(1,656,120)	(1,151,616)	(2,808,771)
Group operating loss		(202,486)	(967,204)	(339,575)
Interest receivable and similar income		282,743	95,448	418,782
Interest payable and similar charges		(5,864)	(10,129)	(15,293)
Group profit/(loss) on ordinary activities before taxation		74,393	(881,885)	63,914
Tax on profit/(loss) on ordinary activities		29,571	721,000	—
Group profit/(loss) on ordinary activities after taxation being profit/(loss) for the financial period		103,964	(160,885)	63,914
Basic earnings/(loss) per 1p ordinary share	4	0.19p	(0.33)p	0.1p
Diluted earnings/(loss) per 1p ordinary share	4	0.18p	(0.33)p	0.1p

STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES
FOR THE SIX MONTHS ENDED 31 MAY 2006

	Notes	Six months ended 31 May 2006 unaudited £	Six months ended 31 May 2005 unaudited £	Year ended 30 November 2005 audited £
Profit/(loss) for the financial period		103,964	(160,885)	63,914
Exchange translation difference on consolidation	8	(35,911)	89,911	(22,383)
Total recognised gains and losses for the period		68,053	(70,974)	41,531

All amounts relate to continuing activities.

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

CONSOLIDATED BALANCE SHEET
AS AT 31 MAY 2006

	Notes	As at 31 May 2006 unaudited £	As at 31 May 2005 unaudited £	As at 30 November 2005 audited £
Fixed assets				
Intangible assets	5	1,105,359	206,967	295,297
Tangible assets		1,330,166	984,733	1,023,610
		2,435,525	1,191,700	1,318,907
Current assets				
Stocks		2,653,022	2,210,216	1,460,756
Debtors: amounts falling due after one year		195,406	161,563	190,898
Debtors: amounts falling due within one year		9,951,348	8,624,120	12,846,599
Short-term investments		470,000	430,000	430,000
Cash at bank and in hand		16,308,118	17,088,485	14,038,271
		29,577,894	28,514,384	28,966,524
Creditors: amounts falling due within one year	6	(3,176,303)	(1,590,936)	(1,964,581)
Net current assets		26,401,591	26,923,448	27,001,943
Total assets less current liabilities		28,837,116	28,115,148	28,320,850
Creditors: amounts falling due after more than one year		(48,498)	(93,088)	(71,285)
Net assets		28,788,618	28,022,060	28,249,565
Capital and reserves				
Called-up share capital	7	582,630	582,630	582,630
Shares to be issued	5	471,000	—	—
Share premium account		21,807,240	21,807,240	21,807,240
Merger reserve		16,388,755	16,388,755	16,388,755
Profit and loss account		(10,461,007)	(10,756,565)	(10,529,060)
Equity shareholders' funds	8	28,788,618	28,022,060	28,249,565

The interim financial statements on pages 4 to 10 were approved by the board of directors on 21 July 2006 and were signed on its behalf by:

BOB GIDDY
DIRECTOR

STUART DARLING
DIRECTOR

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31 MAY 2006

	Notes	Six months ended 31 May 2006 unaudited £	Six months ended 31 May 2005 unaudited £	Year ended 30 November 2005 audited £
Net cash outflow from operating activities	9	3,166,675	(4,087,680)	(7,154,539)
Returns on investments and servicing of finance				
Interest received		282,743	58,380	418,782
Interest paid		(5,864)	(10,129)	(15,293)
Net cash inflow from returns on investments		276,879	48,251	403,489
Taxation		48,171	—	—
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(448,537)	(283,863)	(479,085)
Purchase of intangible fixed assets		(82,319)	(64,417)	(216,689)
Net cash outflow for capital expenditure and financial investment		(530,856)	(348,280)	(695,774)
Acquisitions net of cash acquired		(617,702)	—	—
Net cash inflow/(outflow) before use of liquid resources and financing		2,343,167	(4,387,709)	(7,446,824)
Management of liquid resources				
Increase in short-term deposits with banks		(40,000)	—	—
Financing				
Issue of ordinary share capital		—	15,843,100	15,840,250
Expenses of share issue deducted from share premium		—	(534,637)	(534,637)
Cash received from exercise of share options		—	106,479	224,329
Decrease in other borrowings		(33,320)	(18,619)	(38,455)
Increase/(decrease) in bank borrowings		—	80,119	(6,144)
Net cash inflow from financing		—	15,476,442	15,485,343
Increase in net cash		2,269,847	11,088,733	8,038,519

Reconciliation of net cash flow to movement in net funds			
Opening net funds	14,468,271	6,423,608	6,423,608
Increase in net cash	2,269,847	11,088,733	8,038,519
Increase in deposits	40,000	—	—
(Increase)/decrease in borrowings	—	(80,119)	6,144
Closing net funds	16,778,118	17,432,222	14,468,271

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MAY 2006

1. 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 been together.

The figures for the six-month periods ended 31 May 2006 and 31 May 2005 have not been audited. The figures for the year ended 30 November 2005 have been extracted from but do not constitute the consolidated financial statements of Amino Technologies plc for that year. Those financial statements have been delivered to the Registrar of Companies and included an auditors' report, which was unqualified and did not contain a statement under Section 237 of the Companies Act 1985.

2. ACCOUNTING POLICIES

These interim financial statements for the six months ended 31 May 2006, which have been prepared in accordance with the accounting policies set out in the consolidated financial statements of Amino Technologies plc for the year ended 30 November 2005, do not constitute statutory accounts for the purpose of Section 240 of the Companies Act 1985.

3. TURNOVER

Turnover is wholly attributable to the Group's principal activities of developing enabling technologies and providing price competitive, flexible and rapidly deployable designs to manufacturers and vendors of set-top boxes, home gateways and other communications devices. The analysis of turnover by destination is set out below.

	Six months ended 31 May 2006 unaudited £	Six months ended 31 May 2005 unaudited £	Year ended 30 November 2005 audited £
United Kingdom and Europe	6,455,789	3,706,678	9,903,108
North America	6,704,958	2,750,687	10,988,350
Asia Pacific and Africa	320,068	1,327,018	2,569,298
	13,480,815	7,784,383	23,460,756

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MAY 2006

4. EARNINGS/(LOSS) PER SHARE

	Six months ended 31 May 2006 unaudited £	Six months ended 31 May 2005 unaudited £	Year ended 30 November 2005 audited £
Earnings/(loss) attributable to shareholders	103,964	(160,885)	63,914
Weighted average number of shares (basic)	55,796,444	48,471,852	52,126,170
Weighted average number of shares (diluted)	57,415,012	—	54,482,187

The calculation of basic earnings/(loss) per share is based on profit/(loss) after taxation and the weighted average number 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 six months to 31 May 2005 since the Group made a loss.

5. ACQUISITION

On 21 January 2006, the Company purchased 100% of the issued share capital of SJ Consulting Limited for a total consideration of approximately £1.3m. The Company operates in the UK providing network software and systems solutions.

The goodwill arising on the acquisition of SJ Consulting Limited is being amortised on a straight-line basis over six years. The directors estimate that the book values underlying the business acquired are approximate to the fair value of the underlying assets.

	Book value and fair value £
SJ Consulting Limited acquisition	
Tangible fixed assets	14,532
Debtors	221,065
Cash	216,449
Creditors	(738)
Net assets acquired	451,308
Goodwill	853,843
Consideration	1,305,151
Consideration satisfied by:	
Shares to be issued (300,000 ordinary shares of 1p each)	471,000
Cash	834,151
	1,305,151

The shares to be issued are dependent upon continued service of the key employees.

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	As at 31 May 2006 unaudited £	As at 31 May 2005 unaudited £	As at 30 November 2005 audited £
Other loans	32,090	40,656	42,623
Trade creditors	2,317,515	537,682	1,100,453
Taxation and social security	225,804	215,932	166,029
Corporation tax	18,600	48,171	48,171
VAT	—	36,025	—
Accruals and deferred income	582,294	626,207	607,305
	3,176,303	1,590,936	1,964,581

7. CALLED-UP SHARE CAPITAL

Ordinary shares of 1p each	As at 31 May 2006 unaudited £	As at 31 May 2005 unaudited £	As at 30 November 2005 audited £
Authorised			
Nominal value	1,000,000	1,000,000	1,000,000
Number	100,000,000	100,000,000	100,000,000
Allotted, called-up and fully-paid			
Nominal value	582,630	582,630	582,630
Number	58,263,052	58,263,052	58,263,052

In respect of the acquisition of SJ Consulting Limited, the Company has the contingent obligation to issue 300,000 ordinary shares of 1p each.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MAY 2006

8. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Six months ended 31 May 2006 unaudited £	Six months ended 31 May 2005 unaudited £	Year ended 30 November 2005 audited £
Opening shareholders' funds	28,249,565	12,678,092	12,678,092
Profit/(loss) for the period	103,964	(160,885)	63,914
Exchange differences on consolidation	(35,911)	89,911	(22,383)
Issue of ordinary share capital – capital	—	72,250	72,250
Shares to be issued	471,000	—	—
Issue of ordinary share capital – share premium	—	15,770,850	15,768,000
Expenses of share issue	—	(534,637)	(534,637)
Exercise of employee share options	—	106,479	224,329
	28,788,618	28,022,060	28,249,565

9. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Six months ended 31 May 2006 unaudited £	Six months ended 31 May 2005 unaudited £	Year ended 30 November 2005 audited £
Operating loss	(202,485)	(967,204)	(339,575)
Depreciation and amortisation charge (including loss on disposals)	282,613	177,223	397,510
Increase in stocks	(1,192,266)	(848,877)	(99,417)
Decrease/(increase) in debtors	3,111,808	(1,738,491)	(6,748,373)
Increase/(decrease) in creditors	1,202,917	(800,242)	(342,301)
Exchange differences on consolidation	(35,911)	89,911	(22,383)
Net cash inflow/(outflow) from continuing operating activities	3,166,675	(4,087,680)	(7,154,539)

INDEPENDENT REVIEW REPORT
TO AMINO TECHNOLOGIES PLC

INTRODUCTION
We have been instructed by the Company to review the financial information which comprises the consolidated profit and loss account, consolidated balance sheet, consolidated cash flow statement, statement of Group total recognised gains and losses and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

DIRECTORS' RESPONSIBILITIES
The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report and the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

REVIEW WORK PERFORMED
We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company and for no other purpose. We do not, in producing this report, 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.

REVIEW CONCLUSION
On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 May 2006.

PRICEWATERHOUSECOOPERS LLP
CHARTERED ACCOUNTANTS
CAMBRIDGE
28 JULY 2006

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 interim report since it was initially presented on the website.

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

DIRECTORS AND ADVISORS

DIRECTORS

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Non-executive Chairman

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Chief Executive

STUART DARLING
Finance Director

PAUL FELLOWS
Chief Technology Officer

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