INVU:

25 September 2008

Invu PLC

Interim Results for the six months ended 31 July 2008

Invu PLC (INVU.L, the 'Group' or the 'Company'), the document management software provider, announces its interim results for the six month period ended 31 July 2008.

Financial Highlights

- Revenue broadly flat at £2.48m (H1 2007: £2.64m)
- Loss before tax of £0.68m (H1 2007: profit of £0.04m), following planned period of investment and product development
- High levels of gross margins maintained in the period at 94.6% (H1 2007: 96.6%)
- Recurring revenue from INVUCare increased 24% to £0.83m (H1 2007: £0.67m)
- Deferred revenue up 8% to £2.05m (H1 2007: £1.89m)
- 99.3% of Invu Inc shares converted or cashed following corporate reorganisation

	6 months ended 31 July 2008	6 months ended 31 July 2007
Revenue	£2.48 m	£2.64m
(Loss) / Profit before tax	£(0.68)m	£0.04m
Loss after tax	£(0.66)m	£(0.11)m
(Loss) per share	(0.597) p	(0.106)p

Operational Highlights

- 325 new customer sites (H1 2007: 311), including Arsenal F.C., British Nuclear Fuels, The Western General Hospital, Southern Cross Healthcare Group, Paignton Zoo, Enterprise Group and Mivan Keir JV Ltd.
- 215 repeat sites (H1 2007: 263), including Morgan Est, HSBC Insurance, Capita Group, Bibby International Services, Keir Building Services, and Portsmouth NHS Trust
- A total of 4,025 end user sites representing 79,434 individual end users (H1 2007: 3,284 end user sites and 67,702 individual end users)
- 22% increase in sales to firms of accountants
- 19 new accredited partners recruited
- Increased investment in product development and sales and marketing
- Ergo first major OEM contract with Wacom and development contract awarded by Dell
- Highest ever order backlog

Daniel Goldman, Non Executive Chairman of Invu, commented:

"The first half of the year has seen the Group continue to make significant progress in developing our core products and establishing further our partner relationships. Against this backdrop of continued investment, and despite some weakening in the IFA and mortgage market, revenue in the period was broadly maintained. In addition, significant advances have been made in establishing ourselves further in the key accountancy vertical. In the next six months we will look to continue to build on the improvements of the first half."

David Morgan, Chief Executive, added:

“Performance in the first half of the year was marked by a period of continued investment which we are confident will position the Group strongly for the next six months. In the period, progress was achieved in the accountancy, legal, education and health verticals, and countered in part the slowdown in the IFA and mortgage market. Following the investment in our key products Series 6 and Ergo, the Company is now seeing significant order backlog which positions us well for the second half and puts us on track to reach full year expectations.

“We are confident that the steps taken in H1 will translate into stronger growth in H2, with attendant improved cash generation. Series 6 remains a product which has a demonstrable return on investment for its customers and we believe that potential and existing customers will appreciate this quality during difficult economic times.”

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About Invu

Invu [LSE, AIM, Symbol; INVU] develops, markets and sells software (under the brand name of Invu) for the electronic management of all types of information and documents, such as forms, correspondence, literature, faxes, e-mail, technical drawings, electronic files and web pages. Invu targets the small-to-medium size enterprise ('SME') market and individual departments of larger organisations with a range of products which the Directors believe strongly adhere to Invu's brand values of ease of use, high quality and price performance. Founded in 1997 and based in Northampton, Invu has 61 employees and operates in the UK, Ireland, The Netherlands, South East Asia, Australia, the United States of America and Africa. Invu's products have been sold to over 4,000 customers, representing nearly 80,000 licensed users. Invu has a proven reseller business model and has established a network of more than 180 Value Added Resellers, 10 of which are in Benelux.

Invu is a Microsoft Gold Certified Partner and a member of the Business Application Software Developers Association (BASDA). Its version 5.4 and Series 6 software have been accredited by the Institute of Chartered Accountants in England & Wales (ICAEW). In January 2006 Invu became the first EDM ISV to join SAP's portfolio and is certified for integration with SAP Business One. In September 2006, the Invu Series 6 product was selected by Sage to be marketed by them into the Professional Adviser market in the UK.

For more information on Invu see http://www.invu.net

Chairman's Statement

During the first half of the year we have continued to sell our core products to new and existing customers in our core markets. Alongside this effort we have continued to rebuild confidence in our dealer network following last year's technical setbacks. Included in this effort has been several key initiatives involving integration of Series 6 into other relevant applications.

We are seeing a good level of success with the accountancy vertical. The partnership with IRIS has picked up pace during the first half, strongly consolidating our position within the accountancy market. We would expect to extend this further during the second half, increasing our cooperation with IRIS within this vertical. The OEM relationship with Sage certainly started slowly. We have worked closely with the Accountants Division to restructure the relationship, adjusting it to exploit the strengths of the Sage brand combined with the expertise of the Invu dealer channel in implementing document management solutions for accountants. This change has shown signs of improving the results for Sage's private labelled product. We expect to drive these relationships further during the second half, not only within the accountancy market, but by looking at ways to extend these relationships to other markets.

We have experienced some level of slow down with the Independent Financial Adviser market, which we believe is a reflection of the slowing down of purchasing within the financial services sector. On the other hand, we continue to make progress in other verticals such as legal and education. We are constantly looking at new vertical markets to target using bespoke marketing campaigns.

Following lengthy discussions we signed our initial OEM contract for Ergo with Wacom the leading tablet manufacturer. Wacom is now shipping Ergo with their Bamboo product in Europe. In addition we received an initial development contract for Dell, which has been successfully completed. There are ongoing discussions with these and other manufacturers about introducing Ergo and its related products to various different product lines.

The key for the company during the next few months is the continuing improvement of the channel business, both in terms of end user demand and also driving the cash flow. This is alongside a growing revenue stream from the Ergo product and further OEM wins.

I take this opportunity to thank all of our employees and partners for their effort in the first half and look forward to further progress on all fronts during the second half.

Daniel Goldman

Non Executive Chairman

Chief Executive's Statement

Introduction

Trading in the first six months has been steady, with revenue coming in at broadly the same level as H1 2007, and has been characterised by further investment in improvements to our Series 6 and Ergo products. While this has resulted in a loss of £0.66m for the period, the Board is confident of reaching full year forecasts.

During the period, in addition to working on upgrades and improved functionality, we have spent time working with partners to complete a number of software applications to enable Series 6 to integrate with partner products. The time it has taken to perfect these integrated applications prior to introduction into the reseller channel has created a hiatus in revenue generation during the period. More positively, this delay has also created a high level of demand, and the Board expects the introduction of these applications in H2 to release a number of significant opportunities. The Board is pleased to note that the prospect list has never been stronger and that these prospects are expected to stimulate a high level of cash generation for the year end.

Whilst Independent Financial Advisors, Mortgage Brokers and Insurance Brokers have, unsurprisingly, shown a downturn in system purchasing, this has been countered in part by other key vertical markets such as legal, education, health and accountancy showing accelerating growth.

Firms of professional accountants, in particular, are adopting Invu in ever greater numbers. We see this as especially important, as accountants occupy a unique position as business advisers to their own SME clients. We believe that we are starting to see the benefits of being positioned alongside Sage and Iris in this market. So far, 407 firms of accountants have purchased an Invu system. Putting aside sole practitioners this represents 9% of the addressable market, with some 75% of that market still to adopt any sort of document management technology. More importantly, Invu's share of the accountancy market has grown by over 22% in H1 of this year with 85 new firms adopting the product.

We have made major changes in the way in which we recruit and manage our reseller partners.
19 partners were recruited in H1, taking the total number to 181, and we have commenced a highly structured process of development and financial management. We are more confident than ever that this process will increase the quality and breadth of our route to market.

Financial Performance

Revenue for the period was £2.48m which was broadly static compared with the restated figure for the same period last year. As discussed above, there were delays to the release of integrated Series 6 applications, which impacted reseller sales. In addition, revenue was impacted by a slowing of purchasing decisions at the end of H1, and by the challenges seen in the Independent Financial Advisor sector, particularly with mortgage brokers, as well as in the construction and transport and logistics verticals. This was mitigated in part by growth in accountancy, legal, education and health verticals.

Recognised recurring revenue from InvuCare increased by 24% to £0.83m in H1 compared to £0.67m in the same period last year. This represents a successful turnaround following the previous issues with Series 6 and represents a renewal rate of 89%. Total deferred revenue at July 31, 2008 was £2.05m, an increase of 8% over the previous year.

Gross profit margin was at 94.6% (H1 2007: 96.6%). This is again above our standard benchmark, but as previously predicted, is slightly below the corresponding period last year due to the impact of Ergo production costs.

Technical and support expenditure, which includes research and un-capitalised development, technical support and professional services, was £0.69m for H1 (H1 2007: £0.39m). This major increase reflects the group's planned investment and constant improvements in quality and functionality to Series 6, and the involvement in the development cycle of our major OEM partners, such as Dell and Wacom, in our Ergo product.

Sales and Marketing expenditure increased by 10% to £1.06m (H1 2007: £0.96m). This related to the recruitment of senior sales people in the first quarter, a new and expanded marketing team, and two new campaigns geared to improve lead generation. I am pleased to report that this investment is set to deliver significant returns in H2.

On a like for like basis, general and administrative expenses were £1.28m during the first half compared with £0.94m (adjusted for reorganisation costs of £0.17m) for the first half last year. This represents 51.6% of revenue (H1 2007: 35.7%). This increase is mainly attributable to costs associated with our demonstration centre premises, further debt provisions and additional professional fees. However, with the predicted revenue growth for H2 the overall percentage for the year should drop significantly.

Operating loss for the six month period ended 31 July 2008 amounted to £0.69m (H1 2007: profit of £0.01m). The reported loss after tax for the period is £0.66m (H1 2007: £0.11m). The loss per share for the period was 0.597p (H1 2007: 0.106p). As usual, with overheads being tightly controlled, we expect our second half performance to have a disproportionately positive effect on profits.

The cash flow statement for the period highlights the impact of the issues relating to Series 6 integration products, with net cash used in operating activities amounting to £1.34m (H1 2007: £0.77m after adjustment for repayment of erroneous Dutch tax refund). Over half the figure was due to the operating loss in H1 of £0.69m and a further £0.68m related to the reduction of year end creditors, made up predominantly of payments associated with professional fees incurred on the reorganisation. With the repurchase of Invu Inc. shares under the terms of the reorganisation, taxation and asset purchases, the net reduction of cash amounts to £2.1m. By comparison, H1 2007 showed a net increase in cash of £1.5m, mainly due to proceeds of a share issue amounting to £3.6m.

Cash receipts, and therefore, debtor days for the period have been significantly impacted by the delays to the integrated Series 6 products, forcing many partners to delay installations and thereby seriously affecting their own and Invu's cash flow. Following the release of the new products, the Group is now in a position to actively and aggressively pursue late payers with process-driven credit controls and much tighter payment terms, giving it confidence that this position will be significantly improved in H2.

Current liabilities (excluding accruals and deferred revenue) of £1.78m (H1 2007: £0.95m) were covered 6.2 times by current assets (H1 2007: 11 times covered). The Group remains virtually debt free and therefore effectively ungeared.

Taking into account the ongoing investment in the business, the Board is not proposing the payment of an interim dividend.

Following the reorganisation of the Group's corporate structure in December 2007, I am pleased to report that 99.3% of Invu Inc shares have either been converted or cashed out as at the end of July 2008.

Operations

Trading

Despite widespread economic uncertainty, total sites grew to 4,025 and total seats deployed reached 79,434. During the period the Group sold to 325 new sites (H1 2007: 311) installing a total of 7,495 new seats (H1 2007: 8,128). Repeat sales were made to 215 sites (H1 2007: 263). The Group accredited 19 new resellers in the period which increased the total resellers to 181 (H1 2007: 17 and 139 respectively).

InvuCare revenue represents an increasing proportion of invoiced sales, but the Group's revenue recognition policy still means that a high percentage of these sales are deferred. At 31st July 2008, the value of deferred revenues had increased to £2.05m and I am particularly pleased to report InvuCare renewal rates are at 89%.

Sales and Marketing

Series 6

We have invested in an expanded marketing team and made some key hires in the sales team. The new marketing team have implemented two major campaigns in the first two quarters of this year. Both campaigns have added over four hundred prospects to the channel pipeline and significant early conversions to sales suggest that these campaigns have been extremely successful.

Another key hire towards the end of H1 was Mark Palmer, as Head of New Partner Development. He has implemented a rigorous programme for partner recruitment, development and measurement. This allows the sales team to identify "star resellers" and encourages optimum use of sales time and resource.

As part of the series of integrated products developed during the half, the launch of a Series 6 web product, i600w, in H2 2008 allows users to access their documents on-line from anywhere in the world through a web browser and will allow the Group to explore further subscription revenue streams through software as a service ("SaaS") sales.

Series 6 has achieved strong market penetration in certain key vertical markets. The professional accountancy sector grew apace, with the partnerships with Sage and Iris contributing widely to our brand awareness and strength. Similarly the legal sector saw significant growth, and education and health showed increasing adoption rates.

The Netherlands initially showed a relatively slow performance. This was principally due to a problematic labour market for key reseller Bell Micro, which had difficulty recruiting dedicated sales staff in the period. This has now been remedied, and we have strong expectations of growth from Bell Micro in H2, as their reseller recruitment programme has increased considerably.

Ergo

The development of our OEM strategy continued in the period. We signed a major OEM agreement with Wacom and, following a joint development programme, shipping with Wacom's Bamboo product commenced at the beginning of H2. Additionally, Dell awarded a development contract to the Group to customize Ergo for a general desktop application, which has been successfully delivered. We are at various stages of discussion with these and other OEMs, worldwide.

Product Development

The first half of 2008 saw increased investment in product development. Series 6 was improved significantly in terms of quality and functionality. The launch of Ergo in January at CES in Las Vegas was followed by further development to satisfy the OEM requirements for both Dell and Wacom.

I am pleased to report that the investment in development of both product lines has been successful. Increased investment in product delivery, testing process and people has paid dividends, with product upgrade packs having a good reception in the sales channels.

Outlook

Further key strategic agreements, marketing initiatives and reseller recruitment and development mean that the first half of 2008 has seen the company build a platform for growth. By investing heavily in Series 6 and Ergo the company is now seeing significant order backlog, and following recent measures taken to enhance the development and financial management of our partner relationships is well positioned to increase cash generation from debtors. We are confident that the steps taken in H1 will translate into stronger growth in H2, with attendant improved cash generation. Series 6 remains a product which has a demonstrable return on investment for its customers and we believe that potential and existing customers will appreciate this quality during difficult economic times.

We are pleased with the company's position, which puts us on track to reach full year expectations, and we are poised for another exciting full year.

David Morgan
Chief Executive

25 September 2008

Consolidated interim income statement
For the period ended 31 July 2008

	Notes	For the six months ended July 31, 2008 £'000 (unaudited)	July 31, 2007 £'000 restated (unaudited)
Continuing Operations			
Revenue	**3**	2,479	2,636
Cost of sales		(135)	(90)
Gross profit		**2,344**	**2,546**
Sales and marketing costs		(1,063)	(956)
Administrative expenses		(1,976)	(1,584)
Operating (loss)/profit		(695)	6
Finance costs		(3)	(8)
Finance income		13	37
(Loss)/profit before income tax	**3**	(685)	35
Income tax credit / (expense)		25	(146)
Loss for the period	**3**	**(660)**	**(111)**
Attributable to:			
The company's equity shareholders		**(660)**	**(111)**
Loss per share			
Basic	**9**	(0.597)p	(0.106)p
Diluted	**9**	(0.597)p	(0.106)p

The notes on pages 5 to 14 are an integral part of these condensed consolidated interim financial statements.

Consolidated interim statement of recognised income and expense
For the period ended 31 July 2008

	2008	2007
	£'000	£'000
		restated
	(unaudited)	(unaudited)
Exchange differences arising on translation of foreign currency net investments	**65**	263
Net gains recognised directly in equity	**65**	263
Loss for the year	**(660)**	(111)
Total recognised income for the year	**(595)**	152
Attributable to:		
Equity holders of the Company	**(595)**	152

The notes on pages 5 to 14 form an integral part of these condensed consolidated interim financial statements.

Consolidated interim balance sheet
As at 31 July 2008

	Notes	July 31, 2008 £'000 (unaudited)	January 31, 2008 £'000 (unaudited)	July 31, 2007 £'000 restated (unaudited)
Non-current assets				
Property, plant and equipment	**4**	456	468	385
Other intangible assets	**5**	974	835	519
Deferred tax asset		331	279	170
		1,761	1,582	1,074
Current assets				
Inventories		267	258	298
Trade and other receivables		10,316	11,032	6,664
Cash and cash equivalents		466	2,569	3,648
		11,049	13,859	10,610
Total assets		**12,810**	**15,441**	**11,684**
Current liabilities				
Trade and other payables		3,479	5,736	3,111
Obligations under finance leases		32	41	36
Current taxation		490	690	-
		4,001	6,467	3,147
Non-current liabilities				
Obligations under finance leases		52	42	53
Deferred income tax liability		272	245	146
		324	287	199
Total liabilities		**4,325**	**6,754**	**3,346**
Total net assets		**8,485**	**8,687**	**8,338**
Equity attributable to the Company's equity shareholders				
Share capital	**8**	1,130	1,068	-
Share premium			-	9,903
Shares to be issued	**8**	145	1,466	-
Merger reserve	**8**	29,151	27,539	-
Reverse acquisition reserve		(20,570)	(20,570)	-
Share option reserve		356	315	236
Retained earnings	**7**	(1,731)	(1,070)	(2,064)
Foreign currency translation reserve		4	(61)	263
Total equity		**8,485**	**8,687**	**8,338**

The notes on pages 5 to 14 are an integral part of these condensed consolidated interim financial statements

Consolidated interim cash flow statement
For the period ended 31 July 2007

	Notes	For the six months ended July 31, 2008 £'000 (unaudited)	July 31, 2007 £'000 restated (unaudited)
Cash flows used in operating activities	**10**	(1,337)	(1,733)
Cash flows used in investing activities			
Interest received		10	30
Purchases of property, plant and equipment		(57)	(290)
Sale of property, plant and equipment		41	-
Purchase of intangible assets		(352)	(146)
Net cash used in investing activities		(358)	(406)
Taxation		(140)	-
Cash flows from / (used in) financing activities			
Proceeds from issue of shares		-	3,614
Repurchase of own shares		(237)	-
Repayment of obligations under finance leases		(31)	(2)
Net cash from / (used in) financing activities		(268)	3,612
Effects of exchange rate changes on cash and cash equivalents		-	7
Net (decrease)/increase in cash and cash equivalents		**(2,103)**	**1,480**
Cash and bank overdrafts at the beginning of the period		2,569	2,168
Cash and bank overdrafts at the end of the period		466	3,648

The notes on pages 5 to 14 are an integral part of these condensed consolidated interim financial statements.

1. GENERAL INFORMATION

INVU Plc is a Company incorporated in England and Wales. The group is principally engaged in the design and sale of computer software for the electronic management of information and documents.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates. Foreign operations are included in accordance with the policies set out in note 2.

These unaudited interim financial statements do not constitute statutory accounts within the meaning of s240 of the Companies Act 1985. The statutory accounts for the year ended 31 January 2008, on which the auditors have an unqualified audit report, have been filed with the registrar of Companies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This interim report was approved by the Directors on 24 September 2008. The condensed interim financial information has been prepared on the basis of the accounting policies set out in the 2008 Annual Report and Financial Statements using accounting policies consistent with International Reporting Standards. The condensed interim financial information for the six months ended 31 July 2008 and 31 July 2007 has neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board.

The financial information contained in this interim report does not constitute statutory accounts. The comparatives for the period from 1 February 2007 to 31 January 2008 are derived from but are not the Company's full statutory accounts for that period. The auditors' report on those accounts was unqualified and did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report(s) and did not contain a statement under section 237(2)-(3) of the Companies Act 1985

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements.

Basis of consolidation

On 6 December 2007 the company, INVU Plc, became the legal parent company of INVU Inc in a share-for-share transaction. Due to the relative values of the companies, the former INVU Inc shareholders became the majority shareholders of INVU Plc. Further, the group's continuing operations and executive management were those of INVU Inc. Accordingly, the substance of the combination was that INVU Inc acquired INVU Plc in a reverse acquisition.

To complete this process the Group completed a reverse acquisition, whereby INVU Plc was inserted as the legal parent company of the Group. The Group was previously headed by INVU Inc. The benefits of the corporate restructuring include a simplified share structure, the potential to pay dividends free of any US withholding tax, and the avoidance of costly reporting to the Securities and Exchange Commission (SEC) being subject to Sarbanes Oxley legislation.

- The assets and liabilities of the legal subsidiary, INVU Inc, are recognised and measured in the consolidated financial statements at the pre-combination carrying amounts, without restatement to fair value;
- The retained earnings recognised in the consolidated financial statements represents those of INVU Inc to date of the combination, 6 December 2007, and from this date to the year end represent those of INVU Inc and INVU Plc;
- The equity structure appearing in the consolidated financial statements reflects the equity structure of the legal parent, INVU Plc, including the equity instruments issued as part of the acquisition of INVU Inc;
- Comparative numbers presented in the consolidated financial statements are those reported in the financial statements of the legal subsidiary, INVU Inc, for the year ended 31 January 2007; and
- The assets and liabilities of the legal parent, INVU Plc, are recognised on combination at fair value.

Under IFRS 3, "Business Combinations", the acquisition of INVU Inc by INVU Plc has been accounted for as a reverse acquisition. Although the consolidated financial statements have been prepared in the name of the legal parent, INVU Plc.

Other than the reverse acquisition of INVU Inc as described above, the consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Acquisition

On the 6 December 2007 the Group undertook a Reverse Acquisition whereby INVU Inc (the parent company up to this date) was deemed to be the acquirer of INVU Plc (the legal parent company from the 6 December 2007). The acquirer purchased the sole asset, which was a debtor of £2, of the subsidiary for a deemed consideration of £2, the goodwill arising on this transaction being NIL. No trading occurred in INVU Plc prior to the acquisition.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable in accordance with the Group's principal activities, net of VAT and trade discounts.

The initial sale of product is inclusive of maintenance for the first twelve months, with services being separately charged on the invoice, thereafter, fees for services and maintenance are charged to resellers separately from the sale of software. Revenues from the sale of software to resellers are recognised upon product shipment when fees are fixed, collectability is probable and the Group has no significant obligations remaining under the sale agreement.

For those sale agreements to resellers which provide the resellers with the right to multiple copies in exchange for guaranteed amounts, software revenues are recognised at delivery of the product master of the first copy as the reseller has no recourse to the Group after this point. Per copy royalties on sales which exceed the guarantee are recognised as earned.

Resellers are charged an accreditation fee each year for training and consulting to be provided by the Group to the resellers and this fee is recognised evenly over each accreditation period.

The Group's resellers provide primary maintenance and ongoing support to the end users. The Group provides secondary support to the end users via the resellers and charges the reseller an annual fee for this support. The fees charged by the Group to the resellers are recognised over a twelve month period. Where the end user no longer has an accredited reseller, support fees are charged by the Group to the end user and recognised over a twelve month period.

Interest income is accrued on a time basis, by reference to the principle outstanding and at the effective interest rate applicable.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses on an annual basis. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date transition to IFRSs has been retained at the previous UK GAAP amounts, subject to being tested for impairment at that date.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. Estimated useful lives of all assets is four years.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in income.

Internally-generated intangible assets – research and development expenditure
Expenditure on research activities is recognised as an expense in the period in which it incurred.

An internally generated intangible asset arising from the Group's software development is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably

Internally-generated intangible assets are amortised on a straight line basis over their useful lives, which is expected to be four years. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Intangible assets
Where computer software does not form an integral part of the machinery or computer hardware to which it relates, it is presented as an intangible asset. Computer software costs are included at cost and amortized on a straight line basis over their expected useful economic life, which are expected to be four years.

Impairment of tangible and intangible assets excluding goodwill
At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such an indication of impairment is identified, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount (higher of fair value less costs to sell and value in use of an asset) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lease. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of minimum lease payments, each determined at the inception of the lease. The corresponding liability is included in the balance sheet as a finance lease obligation.

Leasing (continued)
Lease payments are apportioned between finance charges and reduction of the lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Inventories
Inventories and work in progress are stated at the lower of cost and net realisable value, cost being determined on a first in first out (FIFO) basis. The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their location and condition at the balance sheet date. Provision for write-downs to net realisable value and losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. Reversals are recognised as a reduction in the amount previously recognised as an expense in the period in which the reversal occurs.

Cash and cash equivalents
Cash and cash equivalents in the balance sheet comprise cash at bank and cash in hand and short-term deposits with an original maturity of three months or less. At present all notice periods are one day.

Financial instruments
Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

- Trade Receivables
Trade receivables do not carry any interest and are stated at fair value or initial recognition net of transaction costs and subsequently at amortised cast using the effective interest method, less provision for impairment.

- Trade Payables
Trade payables are not interest bearing and are stated at fair value on initial recognition and subsequently at amortised cost using the effective interest method

- Bank Borrowings
Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs are accounted for on an accrual basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Share-based payments
The Group has applied the requirements of IFRS2 Share-based payments. In accordance with the transitional provisions, IFRS2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 February 2006.

The Group issues equity settled share based payments to certain employees. Equity settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Group best estimate of shares that will eventually vest.

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs
The Group operates a contracted in money purchase pension scheme. Contributions are charged to the income statement as they become payable in accordance with the rules of the schemes. At 31 July 2006 there were no outstanding contributions (2006: £nil).

The Company provided no post-retirement benefits to its employees.

Taxation
The taxation ('tax') expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are enacted or substantively enacted at the balance sheet date which are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies
The financial information is presented in pound sterling which is the presentational currency of the group.

Monetary assets and liabilities denominated in foreign currencies in each company are translated at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are translated at the rate prevailing at the date of transaction.

On consolidation, revenues, costs and cash flows of subsidiaries with a functional currency other that sterling are included in the group income statement at average rates of exchange for the year. The assets and liabilities denominated in foreign currencies are translated into sterling using rates of exchange ruling at the balance sheet date.

Exchange differences on the re-translation of opening net assets and results for the year of foreign subsidiary undertakings with a functional currency other than sterling are dealt with through reserves net of differences on related foreign currency borrowings. Other gains and losses arising from foreign currency transactions, including trading, are included in the consolidated income statement.

3 SEGMENT INFORMATION

Primary reporting format- geographical segments

The segment results for the 6 months ended 31 July 2008 are as follows:

	United Kingdom £'000	Europe £'000	Total £'000
Revenue	1,590	889	2,479
(Loss) / profit before income tax	(1,518)	833	(685)
(Loss) / profit for the period	(1,493)	833	(660)

The segment results for the 6 months ended 31 July 2007 are as follows:

	United Kingdom £'000	Europe £'000	Total £'000
Revenue	2,362	274	2,636
(Loss) / profit before income tax	(102)	137	35
(Loss) / profit for the period	(26)	137	111

4 PROPERTY, PLANT AND EQUIPMENT

	Computer equipment £'000	Motor vehicles £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost				
At 1 February 2008	604	75	241	920
Additions	22	32	3	57
Disposals	-	(24)	-	(24)
	626	83	244	953
Depreciation				
At 1 February 2008	282	45	125	452
Charge for the period	32	6	24	62
Depreciation on disposals	-	(17)	-	(17)
	314	34	149	497
Net book amount				
At 31 July 2008	312	49	95	456
At 31 January 2008	322	30	116	468

5 INTANGIBLE ASSETS

	Research and development costs £'000	Computer software £'000	Total £'000
Cost			
At 1 February 2008	916	201	1,117
Additions	283	69	352
	1,199	270	1,469
Depreciation			
At 1 February 2008	174	108	282
Charge for the period	163	50	213
	337	158	495
Net book amount			
At 31 July 2008	862	112	974
At 31 January 2008	742	93	835

6 SHARE CAPITAL

The total authorised share capital is 250,000,000 £0.01 ordinary shares.

All issued shares are £0.01 ordinary shares.

	Number of shares (thousands)
At February 1, 2008	106,776
Issue of shares (note 8)	6,182
At July 31, 2008	112,958

7 RETAINED EARNINGS

	2008 £'000
At 1 August 2007 as previously reported under IFRS	(1,083)
Adjusted deferred revenue on InvuCare maintenance contracts and deferred tax	(981)
At 1 August 2007 recognised under IFRS	(2,064)

Explanations of reconciliation between opening reserves

Deferred tax (IAS12)
Under IAS 12 we are required to show deferred tax as non-current, the balance as reported under UK GAAP has therefore been reallocated. Deferred tax has also been re-assessed in accordance with IAS 12 in relation to the deferred tax on share options.

Deferred revenue on InvuCare maintenance contracts
Revenue recognition has been reconsidered to ensure that the accounting in respect of the Group's policy for deferring revenue in relation to InvuCare maintenance, which is provided free of charge in the first year, is in line with IAS 18.

8 SHARES AND MERGER RESERVE

	Shares to be issued £'000	Share Capital £'000	Merger Reserve £'000
Balance at February 1, 2008	1,466	1,068	27,539
Shares issued relating to Reverse acquisition	(1,321)	62	1,612
At July 31, 2008	145	1,130	29,151

As part of the Group re-organisation, at the 1 February 2008, the Company was committed to issuing a further 5,584,990 £0.01 ordinary shares of a fair value of £0.2626 per share resulting in proceeds of £1,466,000 giving a merger reserve under S131 of the Companies Act 1985 of £1,411,000. The directors reflected this amount within share capital and reserves as the Company was committed to this issue at the year end.

During the 6 months to 31 July 2008, the Company issued a further 6,181,758 shares as part of the reverse acquisition following further information regarding the non-US shareholders. The excess over nominal value of the shares has been taken to the merger reserve under S131 of the Companies Act 1985.

9 (LOSS) / EARNINGS PER SHARE

	For the six months ended July 31, 2008 £'000	July 31, 2007 £'000 restated
(Loss) / profit for the period	**(660)**	**(111)**
Basic (loss) / earnings per share	(0.597)p	(0.106)p
Diluted (loss) / earnings per share	(0.597)p	(0.106)p
Weighted average number of common share outstanding	110,674,761	104,297,826
Diluted weighted average number of common share outstanding	110,674,761	104,596,365

The diluted weighted average number of common shares outstanding results from share options. The effect of the share options has not been included in the calculation of the diluted earnings per share because of their antidilutive effect.

10 CASH GENERATED FROM OPERATIONS

	For the six months ended	
	July 31, 2008 £'000	**July 31, 2007 £'000** restated
Loss for the period	(685)	(111)
Adjustments for:		
Tax	(25)	93
Depreciation	62	48
Amortisation	213	66
Foreign currency translation	4	262
Employee share scheme	41	118
Interest income	(13)	(30)
Interest expense	3	2
Changes in working capital:		
Inventories	(10)	(78)
Trade and other receivables	(262)	(523)
Trade and other payables	(665)	(1,462)
Net cash used in operating activities	(1,337)	(1,733)