Invu PLC

Interim Results for the six months ended 31 July 2011

Invu PLC (INVU.L, the 'Group' or the 'Company'), the document management software provider, announces its interim results for the six months period ended 31 July 2011 (H1 2012).

Key Financial Points

- Revenue £1.32m (H1 2011: £1.26m)
- Operating loss £0.2m (H1 2011: £0.4m)
    - Adjusted EBITDA breakeven (H1 2011: Loss of £0.2m)
- Net cash (cash net of borrowings) £0.7m (H1 2011: net borrowings £2.4m)

Commercial Highlights

- Capital reorganisation increases equity by £3.05 million
- IRIS contract making a significant contribution to sales
- Sale of software and services to a major stockbroker

Colin Gallick, Chief Executive Officer of Invu, commented:

"We continue to make steady progress in the improvement of the trading performance while the loan note conversion has significantly strengthened our balance sheet and provided us with a sound financial base going forward."

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About Invu

Invu [LSE, AIM, Symbol: INVU] develops software that incorporates document management, content management, workflow, automation and collaboration specialising in solutions for the mid-market and smaller businesses.
Also known as the paperless office, Invu typically gives a return on investment in under six months, allowing companies to see efficiency savings in terms of both money and time.
Invu's Open Search integration allows SharePoint users to utilise fully the benefits of WSS or MOSS whilst retaining the functions of specialist document and content management.
Invu's solutions enable automated scan, capture and management, processing and output transformation.
Invu also integrates with all major accounting systems including ERP and CRM systems.
For more information about Invu: www.invu.net

Chairman's Statement

The achievement of a first half adjusted EBITDA breakeven, positive operating cash flow of £0.1 million and revenue growth of 4.5% demonstrates the continued progress towards our goal of developing a profitable, self sustaining and growing business.

The capital reorganisation, as described below, was completed in the period and this significantly strengthens the balance sheet as well as reducing the interest burden. The reduction in interest expense in future periods should make a major contribution towards the group's ability to deliver profit attributable to equity holders of the company in future years.

The capital reorganisation included investment of an additional £3,050,000 in the company by way of non-voting A shares. This investment included the conversion of loans, including interest, amounting to £2,353,412, and a subscription (cash payment) of £696,588. Part of the subscription monies have been subsequently (August 2011) used to repay a £500,000 loan from certain Puma VCT's, and the balance will be used to pay withholding taxes arising on the deemed payment of interest and professional fees related to the issue of the shares. The creation of the A shares, the conversion and the subscription, were approved by shareholders at a General Meeting on 29 July 2011.

Following the capital reorganisation, the company's issued share capital is 163,472,662 ordinary shares at £0.01 each and 305,000,000 of A ordinary shares at £0.01 each. The A ordinary shares rank in priority to the ordinary shares, with respect to any distribution of assets of the Company on a winding-up, and will have no rights to attend and vote at general meetings of shareholders of the Company, but will otherwise rank pari passu in all respects with the issued ordinary shares, including the right to receive all dividends and other distributions declared, made or paid on the Company's share capital.

Following the capital reorganisation, the company borrowings were £631,000 of which £500,000 has subsequently been repaid (see above) leaving £131,000 of borrowings outstanding at the date of this announcement, which represents the debt element of the convertible loan issued in August 2009. The total value of this convertible loan was £500,000 and this is convertible into equity at 2.5 pence per share in August 2014.

Daniel Goldman
Non Executive Chairman
22 September 2011

Chief Executive's Statement

Invu remains focussed on cash generation and therefore we consider the group's measure of adjusted EBITDA (earnings before interest, tax, depreciation, amortisation, share option expenses and exceptional costs) to be a key business metric. In the period, we achieved a significant improvement in adjusted EBITDA, reporting a breakeven result compared to a £0.2 million loss in H1 2011.

There has been continuing improvement in productivity in the period. This was represented by an improvement in revenue up 4.5% at £1.32m (H1 2011: £1.26m), from a lower (13.1 % lower) operating cost base (cost of sales plus other administrative expenses) which demonstrates that we continue to make better use of our resources than in prior periods.

Operations

During the period the business has continued to be focused on, the design, development and distribution of software that enables customers to manage paper and electronic documents and information, as well as business process workflow, in a simple and effective way.

Our market

We have carried out the great majority of our business in the United Kingdom.

We appointed Kompro as our exclusive reseller in the Netherlands with effect from March 2011 with a view to maintaining and growing our business in the Netherlands.

Small and Medium sized businesses

Our software is designed to address the needs of small and medium sized businesses.

We continue to improve our sales mix towards the larger companies in the small and medium sized business sector. During the period we won deals with 84 new customers, (last year 112 new customers) and saw our average deal size increase by 26 %.

We continue to serve our existing customer base with 1,681 customer sites at 31 July 2011, covered by an InvuCare contract which provides them software support and software assurance, and 191 existing customer sites adding additional seats and software during the period.

Sales model

Our primary route to market is through our reseller channel, with 78.4% of sales through resellers.

Over the last two years we have reorganised this channel (a reduction from 200 to 50 reseller partners was implemented in 2010) and we now see 93% of our of reseller sales through our top 20 resellers (H1 2011: 91.4%).

Vertical Markets

Invu document management software can yield significant business benefits to any business in any sector and consequently our reliance on any particular sector is limited.

We have developed a strong vertical market in the accountancy sector and this market has consistently represented more than 10% of our new software sales over the last three years. On 30 April 2010, we announced a new white-label agreement with IRIS, the UK's largest private software house. Under the agreement, IRIS provide Invu's document management product to the UK accountants market as an integrated offering under the IRIS brand. In the first half of this year IRIS has been responsible for 20% of our sales to new customer sites.

During the period our most significant individual new software sale was to the stockbroker Redmayne-Bentley, who are using the software to remove their dependence on paper-based filing, improve systems through electronic document flow, to improve search and retrieval, and to enhance workflow and FSA reporting.

Delivering market-driven innovation

The latest release of the software (released in the first quarter of 2011) has been well received by customers who have given particularly good feedback on Invu Web Approval and Invu Email Manager.

The next major software release is scheduled for the first quarter of 2012.

Outlook

In the balance of this financial year to 31 January 2012 we intend to continue to build on the stable base we have created during the first half of the year.

Colin Gallick
Chief Executive Officer
22 September 2011

Finance Review

The Consolidated Income Statement shows an operating loss of £0.2 million compared to a loss of £0.4 million in the first half of last year. The loss for the period included £0.1 million of exceptional costs related to professional fees incurred on the capital reorganisation.

Revenue in the period was up by 4.5% to £1.32 million compared to £1. 26 million reported in the first half of last year.

Revenue comprises the sale of software and related implementation and installation services, and the sale of annual software support contracts. The Group reported sales of software and related services of £0.5million (H1 2011: £0.6 million). The revenue arising from the sale of support contracts is recognised evenly over the life of the contract and represented £0.8 million (H1 2011: £0.7 million) in the period. The key performance metric for the sale of software support contracts is the renewal rate which was 89% compared to 90% last year.

The cost of sales includes the direct costs of the delivery of services which form the majority of revenue. The gross margin percentage is stable at 78.2% (H1 2011 78.3%).

The Group incurred £0.1m in professional fees related to the Capital reorganisation which was approved by shareholders on 29 July 2011. This reorganisation resulted in an addition to share capital of £3.05 million as a result of the conversion of debt and related interest (£2.35 million), and a subscription for shares (£0.7 million). The major part of the subscription monies have subsequently been used to repay (in August 2011) a £0.5m loan from certain Puma VCT's, with the remainder to pay withholding taxes due on interest paid and the professional fees related to the issue. These professional fees have been shown as an exceptional cost in the income statement.

Other administrative expenses have decreased by 16.8% from £1.36 million to £1.13 million as a result of the full period impact of the cost reduction program implemented in December 2010

Finance costs were stable at £0.2 million. Following the capital reorganisation these costs are expected to be significantly less in future periods.

There is a tax credit of £0.04 million for the period (H1 2011 charge £0.1 million) arising from payment of a research and development tax credit repayment claim by HMRC.

The Group Balance Sheet shows total shareholders' equity as a deficit of £0.84 million (last year end £3.7 million) funded principally by borrowings and working capital.

Trade receivables are stable at £0.5 million with days sales outstanding, measured using the exhaustion method, from 70 days at 31 January to 67 days at 31 July.

The net cash flow generated by operating activities in the period was £0.1 million compared to £0.1 million consumed in the first half last year.

Ian Smith
Finance Director
22 September 2011

CONSOLIDATED INTERIM INCOME STATEMENT (Unaudited)

FOR THE SIX MONTHS ENDED 31 JULY 2011

Continuing operations	**Notes**	**For the six months ended July 31, 2011 £'000**	**July 31, 2010 £'000**
Revenue	2	1,315	1,256
Cost of sales		(287)	(272)
Gross profit		**1,028**	**984**
Exceptional costs		(72)	-
Other Administration expenses		(1,128)	(1,356)
Total Administration expenses		(1,200)	(1,356)
Loss from operations		(172)	(372)
Finance costs		(159)	(162)
Loss before income tax	**2**	(331)	(534)
Income tax expense		42	(97)
Loss for the period	**2**	**(289)**	**(631)**
Attributable to:			
Equity holders of the Company		**(289)**	**(631)**
Loss per share			
Basic and diluted (pence per share)	**3**	(0.177)	(0.386)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
FOR THE SIX MONTHS ENDED 31 JULY 2011

For the six months ended	July 31, 2011 £'000	July 31, 2010 £'000
Loss for the period	(289)	(631)
Other comprehensive income		
Exchange differences on translating foreign operations	(3)	(-)
Total comprehensive loss for the period, net of tax	**(292)**	**(631)**
Attributable to:		
Equity holders of the Company	**(292)**	**(631)**

CONSOLIDATED BALANCE SHEET AT 31 JULY 2011 (Unaudited)

	July 31, 2011 £'000	January 31, 2011 £'000	July 31, 2010 £'000
Assets			
Non-current assets			
Intangible assets	143	210	244
Property, plant and equipment	27	42	101
Deferred tax asset	-	-	64
	170	252	409
Current assets			
Trade receivables	493	494	558
Other receivables	58	87	128
Trade and other receivables	551	581	686
Cash and cash equivalents	1,316	470	343
	1,867	1,051	1,029
Total assets	**2,037**	**1,303**	**1,438**
Liabilities			
Current liabilities			
Trade and other payable	2,290	2,182	2,109
Obligations under finance leases	-	-	14
Borrowings	524	2,667	2,666
Current Taxation	30	30	30
	2,844	4,879	4,819
Non-current liabilities			
Borrowings	77	77	88
Deferred tax liability	-	-	64
	77	77	152
Total liabilities	**2,921**	**4,956**	**4,971**
Total net liabilities	**(884)**	**(3,653)**	**(3,533)**
Capital and reserves attributable to equity holders of the company			
Share capital	4,685	1,635	1,635
Convertible loan notes	375	375	375
Share to be issued	29	29	29
Share premium	412	412	412
Merger reserve	29,260	29,260	29,260
Share option reserve	244	233	235
Reverse acquisition reserve	(20,570)	(20,570)	(20,570)
Retained earnings	(15,379)	(15,090)	(14,972)
Foreign currency translation reserve	60	63	63
Total deficit	**(884)**	**(3,653)**	**(3,533)**

CONSOLIDATED CASH FLOW STATEMENT (Unaudited)

FOR THE SIX MONTHS ENDED 31 JULY 2011

	Notes	**For the six months ended July 31, 2011 £'000**	**July 31, 2010 £'000**
Net Cash flows from operating activities	4	104	(84)
Taxation		76	-
Investing activities			
Purchases of property, plant and equipment		(7)	-
Net cash used in investing activities		(7)	-
Financing activities			
Issue of shares		697	-
Borrowings		(18)	(18)
Interest paid		(6)	(26)
Repayment of obligations under finance leases		-	(17)
Net cash from financing activities		673	(61)
Net increase/(decrease) in cash and cash equivalents		**846**	**(145)**
Cash and cash equivalents at the beginning of the period		470	488
Cash and cash equivalents at the end of the period		1,316	343

ACCOUNTING POLICIES

1. Basis of preparation

The financial information in these interim results is that of the holding company and all of its subsidiaries (the Group). It has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards as adopted for use in the EU (IFRSs). The accounting policies applied by the Group in this financial information are the same as those applied by the Group in its financial statements for the year ended 31 January 2011, and which will form the basis of the 2011/12 financial statements.

There are no new published standards, or interpretations and amendments to published standards, that are not yet effective, that once effective would materially affect the Group.

The comparative financial information presented herein for the year ended 31 January 2011 does not constitute full statutory accounts for that period. The Group’s Annual Report for the year ended 31 January 2011 has been delivered to the Registrar of Companies. The Group’s Independent Auditors’ report on those accounts was unqualified, did include a reference to an emphasis of matter due to uncertainty over going concern, and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006. The financial information for the half years ended 31 July 2011 and 31 July 2010 have neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board.

2. SEGMENT INFORMATION

The Group has one operating segment, the design, sale and support of computer software for the electronic management of information and documents.

The segment results are as follows:

	2011 £’000	2010 £’000
Sales through resellers to end users	1,340	1,341
Net effect of stock deployed	(25)	(85)
Revenue	1,315	1,256
Loss before income tax	(331)	(534)
Loss for the period	(289)	(631)

Included in revenue above are £39,000 (H1 2010 £5,000) related to sales in Europe. All other revenue relates to the UK.

Include in revenue above are sales of software and related services £0.5 million and (H1 2011: £0.6 million). The remaining revenue comprised software maintenance contracts £0.8 million (H1 2011: £0.7 million).

All non-current assets and liabilities are held within the UK.

The Group had one reseller who was responsible for 18 percent (last year 25%) of the Group's sales through resellers to end users. No other reseller was responsible for more than ten percent of the Group's sales through resellers to end users.

3. LOSS PER SHARE

	For the six months ended July 31, 2011 £'000	July 31, 2010 £'000
Loss for the period	**(289)**	**(631)**
Basic loss per share	(0.177)p	(0.386)p
Diluted loss per share	(0.177)p	(0.386)p
Weighted average number of common share outstanding	163,472,662	163,472,662
Diluted weighted average number of common share outstanding	163,472,662	163,472,662

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.

4. CASH GENERATED FROM OPERATIONS

	For the six months ended	
	July 31, 2011	July 31, 2010
	£'000	£'000
Loss for the period	(289)	(631)
Adjustments for:		
Tax	(42)	97
Depreciation	17	59
Amortisation	72	107
Employee share scheme	11	6
Interest expense	159	162
Changes in working capital:		
Inventories	-	17
Trade and other receivables	(15)	39
Trade and other payables	191	60
Net cash used in operating activities	**104**	**(84)**

5. ADJUSTED EBITDA

	For the six months ended	
	July 31, 2011	July 31, 2010
	£'000	£'000
Loss for the period	(289)	(631)
Adjustments for:		
Interest expense	159	162
Tax	(42)	97
Depreciation	17	59
Amortisation	72	107
Employee share scheme	11	6
Exceptional item	72	-
	-	**(200)**