

27 July 2011

Avisen plc (AIM: AVI)

(“Avisen”, “the Group” or “the Company”)

Final results for the year ended 31 January 2011

The Board of Directors (the “Board”) of Avisen Plc, the AIM quoted business technology and profit improvement specialist, is pleased to announce the Company's audited final results for the year ended 31 January 2011.

Highlights

Current year

- Total revenues (including discontinued operations) increased from £7.2m in 2010 to £12.3m in 2011
- Revenue from continuing operations increased from £2.3m in 2010 to £2.6m in 2011
- Improvements in total adjusted* EBITDA (including discontinued operations) from an adjusted EBITDA loss of £1.7m in 2010 to an adjusted EBITDA loss of £0.3m in 2011
- Adjusted EBITDA loss from continuing operations improved from £1.6m to an adjusted EBITDA loss of £1.5m
- Operating loss from continuing operations of £7.8m (2010: £2.3m) due to a one off impairment charge of £4.5m and strategic, integration and other one-off items of £1.5m
- Acquired Xploite plc (“Xploite”) including its subsidiary undertaking Storage Fusion Ltd (“Storage Fusion”) in April 2010
- Disposed of loss making operations in South Africa in July 2010
- In September 2010 Gartner’s report, the Magic Quadrant for Storage Resource Management and SAN Management Software, Storage Fusion was noted as a new vendor within the segment
- In October 2010, successfully reached an agreement to settle a claim received by Xploite prior to acquisition by Avisen. It was settled for an immediate payment of £0.3m against an original claim amount of £4.5m. The maximum potential settlement has been capped at £0.6m. This claim was in relation to a previous acquisition made by Xploite plc. The Group no longer holds an interest in this acquisition.

*Adjusted for integration, strategic costs and other one-off items

Post Balance Sheet Highlights

- On 1 April 2011, Avisen disposed of Inca Software Ltd (“Inca”) for £7.3m of cash and the extinguishment of £1.2m of net liabilities. This provides a return on the Company’s original investment of 85 per cent. The accounting profit on disposal following the write-off of goodwill and intangible assets of £7.6m is expected to be approximately £0.5m.
- In July 2011, Avisen entered into a contract with Unilever to supply a global cost to serve solution for Unilever’s global supply chain and customer service function. The contract comprised the sale of a perpetual software licence and the provision of services over a three year period.

Commenting on the results announcement Mark Battles, Chairman of Avisen, said:

“I am pleased to report improvements in the Group’s results for the year ended 31 January 2011. The Board believes that the disposal of Inca is an excellent result for the Group, in light of a backdrop of pressure on margins and the need for significant investment in the business in order to remain aligned with new Software as a Service (‘SaaS’) technologies.

The Group’s business strategy has been to continue to grow organically and acquisitively and convert this growth into higher profit and cash flow for distribution to shareholders. Whilst the Board has a clear vision and direction for organic growth of Avisen and Storage Fusion, it is aware that it needs to add more scale to enhance the value of the existing business activities and therefore has identified several acquisition opportunities which it is actively pursuing.”

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Chairman's Statement

I am pleased to report marked improvements in the Group's revenue growth and adjusted results for the year ended 31 January 2011.

There have been a number of factors which have impacted on the statutory results, principally the treatment of Inca as a discontinued activity following the agreement to sell the business in January 2011, the impact of the impairment of £4.5m of the Xploite business and strategic, integration and other one off costs. In order to understand better and present the results on a comparable basis, results including Inca have also been stated in the numbers given below and the results have been provided on an adjusted basis which excludes the impact of the Xploite impairment and strategic, integration and other one off costs.

Total turnover (including turnover from discontinued operations) increased from £7.2m in 2010 to £12.3m in 2011 and turnover from continuing operations increased from £2.2m to £2.6m. The adjusted EBITDA loss (including discontinued operations) of £1.7m in 2010 improved to an adjusted EBITDA loss of £0.3m in 2011. The adjusted EBITDA loss from continuing operations improved from £1.6m to a loss of £1.5m.

The Group has however suffered an operating loss for the year of £7.8m (2010:£ 2.3m). This is as a result of a 4.5m impairment charge (on the acquisition of Xploite) and strategic and other one-off costs of £1.5m. Further details of these are given in the financial review.

The Group has also embarked upon significant corporate activity in the year with the acquisition of Xploite plc in April 2010, including its subsidiary undertaking Storage Fusion Limited and the disposal of its loss making South African operations in July 2010. I am also delighted to report the post year end disposal of Inca for £7.3m of cash and the extinguishment of liabilities of £1.2m. The Board believes that the disposal of Inca is an excellent result for the Group against a backdrop of pressure on margins and the need for significant investment in the business in order to stay aligned with new Software as a Service ('SaaS') technologies.

Strategy

The Group's strategy has been to continue to grow organically and acquisitively and convert this growth into higher profit and improved cash flow for distribution to our shareholders.

During the year ended 31 January 2011 and in the subsequent period we have been working towards delivering on this strategy. We have embarked on a number of pivotal corporate transactions and have also spent time and cash investing in our existing businesses, which has given rise to improved results.

Acquisition of Xploite plc

The first key corporate transaction of the year was the acquisition of Xploite plc. This acquisition gave us two key assets, firstly the cash which enabled us to invest in our existing businesses; secondly it gave us Storage Fusion Limited, a company which owns its own software providing software analytics to companies on a SaaS basis. We are very excited about the Storage Fusion business and I will return to this later in my report.

In July 2010 we disposed of our loss making business in South Africa. This business was not delivering on benefits we had originally hoped for and it had proven difficult to manage as a result of its location. The disposal of this business gave rise to a profit on disposal of approximately £0.1m.

Avisen

Our business technology and profit improvement business, Avisen, has seen organic growth and an improvement in its results for the year. Its outturn for the year was a small EBITDA loss of approximately £0.1m, the loss arising primarily due to the fact that a significant proportion of the year was spent piloting Acorn Systems' profitability software product to cornerstone clients. The success of the pilot scheme has been demonstrated by the signing of a three year contract to provide a global cost to serve solution to Unilever's global supply chain and customer service function, which was announced on 14 July 2011. This contract will generate significant revenues for Avisen over the next three years from the provision of a perpetual licence, managed services and ongoing consultancy.

The future of Avisen is to concentrate on leveraging the success it has had as a reseller of Acorn Systems' software and to continue to provide consulting services with a focus on profitability improvement.

Disposal of Inca

Inca was the largest UK IBM Cognos partner, providing customers with the full suite of IBM business analytics products. Its software solutions enabled companies to analyse, manage and monitor their organisation's performance.

During the year, the company saw organic growth and delivered significantly improved EBITDA of £1.4m (2010: EBITDA of £0.2m).

The Inca business comprised two acquisitions made in 2009 for a total consideration of £4m in Avisen plc shares. Since the acquisition in 2009, the Avisen management team turned the loss making business into a profitable business making it of interest to larger companies in the IBM reseller market. As a result, Avisen plc was approached in December 2010 with a cash offer for the business of £7.3m and extinguishment of net liabilities of £1.2m. The Board believed that it was in the best interests of the shareholders to accept this offer. Our decision to accept the offer was influenced by the constant margin pressure the division faced and our concerns surrounding our ability to scale the business and be up to date with the latest SaaS technologies without further significant investment. The Board also believed that the cash received from the sale of the business would provide the Group with a platform for future growth. Avisen received £6m of cash on completion of the sale on 1 April 2011 and £1.3m of deferred consideration is due on 1 April 2012. There are no conditions attached to this deferred consideration. The accounting profit on disposal following the write-off of goodwill and intangible assets of £7.6m is expected to be around £0.5m.

Storage Fusion

Storage Fusion achieved revenues of £0.2m in the year and a small EBITDA loss of £0.1m. During the year we have been analysing the market and understanding companies' needs and aspirations for our Storage Resource Analysis ("SRA") product. Our research tells us that we have a highly compelling product which, with some further enhancements, could bring significant revenues to the Group. Satisfaction with our offering was evidenced by a sale to a large bank in September 2010 and since the year end a sale to a worldwide information technology company who will be acting as one of our partners. We are also very encouraged by the pipeline of partner and storage vendor interest in our software offering and believe that this is likely to convert into sales during the second half of financial year 2012.

One key area of development during the year has been the development of SRA Enterprise Edition ("SRA EE"). Delivered as "software as a service" SRA EE is the first self-service storage assessment service and will be available from Storage Fusion and its partners from September 2011.

We will continue with the development and enhancement of SRA during 2011 and 2012.

Conclusion and outlook

Following the disposal of Inca, the Board has cash reserves available to invest in its current business and to further enable it to consider future acquisitions. The management team remains committed to the Group's wider investment strategy. The identification of the Inca acquisition, turnaround and subsequent sale has demonstrated their ability to develop businesses as well as seek the appropriate opportunity to divest where appropriate.

The company now has two main trading businesses, namely Avisen and Storage Fusion. Recent sales activity in these businesses to large Blue Chip Corporates has amply demonstrated the quality of the product and service we are providing. Following on from that success, we also now have several exciting opportunities in the pipeline.

The Board is, however aware, that it needs to add more scale to enhance the value of the existing business activities and therefore has identified several acquisition opportunities which it is actively pursuing.

I would like to take this opportunity to thank the management team and all of our employees for their hard work and dedication which has enabled us to navigate a challenging environment and strongly position Avisen for the future.

M Battles
Chairman
26 July 2011

What our businesses do and their market

The Avisen plc Group is a management consultancy and software business that provides companies with advice and solutions in order to enhance overall company profitability. It had the following trading businesses within the Group during the year:

- Avisen - Management consultancy specialising in profit improvement and exclusive distributor of Acorn Systems' Software in the UK and Ireland.
- Storage Fusion Ltd* - Independent Software Vendor specialising in storage analytics for the heterogeneous storage estate delivered using Software as a Service (SaaS) architecture.
- Inca Software Ltd - Reseller of IBM Cognos software (Discontinued operations - sold 1 April 2011).

*Avisen acquired Storage Fusion Ltd in the year as part of the Xploite plc acquisition made in April 2010.

In July 2010, Avisen plc disposed of its loss making business in South Africa.

Avisen

Overview

Avisen, the Group's management consultancy business, focuses on providing global companies with advice in relation to improving overall company profitability. One of the key tools that Avisen uses during this process is a software technology known as Acorn Systems. Based on a costing methodology designed by Harvard Professor, Prof Dr Robert Kaplan and Steve Anderson who is on the Board of the Company, Acorn uses transaction level cost allocation to reveal profit improvement opportunities across the enterprises customers, products, segments, vendors, channels and processes. This enables clients to make fact-based, profit-focused decisions which Avisen then help them implement. Although niche, the Avisen brand is uniquely positioned as it has the exclusive UK distribution rights for Acorn Systems' products and global distribution rights outside of the USA and a skilled team of Technical and Business Consultants .

As noted in the Chairman's statement, we have spent much of 2010/11 building our platform, to sell our Acorn Systems solutions by providing pilots to various Blue Chip customers including Tesco Direct and Unilever. This has proved our product offering and provided us with a platform to sell our services and resell the Acorn software across the market.

Avisen's target market and competitors

Avisen's target market is quite well defined. A typical client is a company with revenues in excess of £100m and with high-volumes of transactions where they understand the total cost of running the business but can't see how each product, customer or channel is driving up that cost. These are sectors such as fast moving consumer goods, distribution, retail, financial services, professional services and pharmaceuticals.

Avisen's competitors are distributors of other profitability management software (SAP, Oracle, Prodocapo, SAAS Institute etc). Our focus is on building recurring revenue from software sales and support contracts. This enables us to work with, and provide paid services to the "Big 4" consulting companies and other niche consultancy businesses providing profitability improvement services using Acorn. We market directly to these businesses and to the finance and operational executives of our target clients.

The Group continually assesses the demand for its products and services in the market place and adapts its product offerings and pricing strategies to support this. We have focused the business on helping the large corporate market understand the true cost and profitability of their customers, products and operations as well as providing support in reconfiguring them. Areas where we see the most interest to use our software and services are:

- Logistics and distribution, to understand the network cost of delivered and returned goods and reconfigure supply chain based on the detailed analysis that we provide.
- In FMCG and retail, to move past gross margin and understand the actual delivered margin from products and services through the supply chain in order to see true customer profitability.
- In financial services, to understand the profitability of individual customers, segments and products by allocating all costs and revenues to that grouping.

- In shared services and outsourcing, to build transparent “charge-back” mechanisms to allocate cost to the business units that consume them.
- In healthcare, to track the cost of patients through a hospital or other care setting and the actual costs associated with different procedures.

Storage Fusion

Overview

Storage Fusion is the author of SRA which provides comprehensive analytics for enterprise storage environments through an affordable SaaS service and without the need for disruptive probes and agents.

SRA cuts through the complexity of heterogeneous storage environments without the necessity for expensive on-premise software, on-going support and maintenance, a time-consuming implementation project, disruptive future upgrades and additional hardware to run the solution. This delivers detailed analytics within a matter of hours.

Storage Fusion empowers companies with the analytics they need to make informed decisions about their storage resources, thereby reducing IT expenditure and improving business operations.

With complete transparency an entire storage environment, Storage Fusion’s SRA solution enables an organisation to undertake the following business critical activities to deliver operational effectiveness:

- Storage reclaim
- Internal charge-back
- Data centre migration / consolidation
- Vendor rationalisation
- Technology swaps / refreshes
- Asset tracking
- Capacity planning
- Depreciation reporting
- Cloud migration
- Virtualization and thin provisioning analysis
- Storage tiering
- Metrics analysis and report trending
- Identification of configuration exceptions

As noted in the Chairman’s statement, the demand for our SRA product has been clearly demonstrated following the signing of contracts with a large International bank in September 2010 and since the year end a sale to a worldwide information technology company who will be acting as one of our partners.

Storage Fusion’s target market and competitors

Storage Fusion’s target market is any organisation that needs to report across their storage estate. Typically these are global companies that have multiple data centres, hardware from more than one storage vendor and in excess of 100 Terabytes of storage.

SRA is also used as a presales assessment tool by hardware vendors and partners to augment their hardware and professional services revenue.

In September 2010 Gartner’s report, the Magic Quadrant for Storage Resource Management and SAN Management Software, Storage Fusion was noted as a new vendor within the segment.

Inca

Discontinued operations – Post year end disposal

As noted in the Chairman's statement, this business was disposed on 1 April 2011 for £7.3m of cash and extinguishment of £1.2m of liabilities. This business was originally acquired for £4m of shares in August 2009. The total return from the Inca business since the start of our period of ownership is in the region of £3.5m, which gives a return on our original investment in excess of 85 per cent. The accounting profit on disposal following the write-off of goodwill and intangible assets of £7.6m is expected to be approximately £0.5m.

Strategy and objectives of the business

Our business strategy is to continue growth, both organically and by acquisition, and to convert this growth into higher profit and cash flow for distribution to our shareholders.

The management team undertook a full business review following the disposal of Inca on 1 April 2011 and developed the following key objectives for the year ahead:

- Improve organic growth in the Avisen business by:
 - Utilising our skilled workforce to deliver on key contracts.
 - Planned campaigns to increase awareness within key target sectors. Using our success with existing customers to demonstrate our abilities.
 - Re-defining key corporate messages within our target market
 - Leveraging further the success of the Acorn solution globally and optimising partner marketing activities.
 - Build on the "Big 4" accounting firm relationships as a new channel to market.

- Improve organic growth in the Storage Fusion business by:
 - Launching SRA Enterprise Edition.
 - Developing global sales network via partners.
 - Implement marketing strategy to increase product awareness, brand and sales revenue.
 - Developing additional SRA apps to enable new features that increase overall product value and sales.
 - Re-defining corporate messages and identifying key sectors to approach.
 - Developing awareness amongst the analyst community through key contacts at Gartner.

- Identify key acquisition targets which complement the current existing businesses.

Financial review

Consolidated results for the year

There have been a number of factors which have impacted on the statutory results, principally the treatment of Inca as a discontinued activity following the agreement to sell the business in January 2011 and the impact of the impairment of £4,500,000 of the Xploite business and strategic, integration and other one off costs. In order to understand better and present the results on a comparable basis, results including Inca have also been included in the numbers given below and the results have been provided on an adjusted basis which excludes the impact of the Xploite impairment and strategic, integration and other one off costs. The discontinued results also include the results of the South African subsidiary which was disposed in July 2011.

A summary of the trading results of the Continuing and Discontinued operations is set out below:

| | 2011 | | | 2010 | | |
|-------------------------------------------------------|---------------------|-----------------------|----------------|---------------------|-----------------------|----------------|
| | Continuing £'000 | Discontinued £'000 | Total £'000 | Continuing £'000 | Discontinued £'000 | Total £'000 |
| Revenue | 2,631 | 9,710 | 12,341 | 2,279 | 4,886 | 7,165 |
| Gross profit | 691 | 3,495 | 4,186 | 335 | 2,019 | 2,354 |
| Adjusted* EBITDA | (1,481) | 1,165 | (316) | (1,599) | (53) | (1,652) |
| Depreciation | (5) | (64) | (69) | (8) | (36) | (44) |
| Amortisation and impairment of intangible assets | (4,788) | (406) | (5,194) | (393) | (192) | (585) |
| Strategic, integration and other one off items | (1,500) | (232) | (1,732) | (262) | (492) | (754) |
| Operating (loss)/profit | (7,774) | 463 | (7,311) | (2,262) | (773) | (3,035) |
| Net finance cost | (27) | (115) | (142) | 0 | (34) | (34) |
| (Loss)/profit before tax | (7,801) | 348 | (7,453) | (2,262) | (807) | (3,069) |
| Tax | 159 | 110 | 269 | 2 | 54 | 56 |
| (Loss)/profit for the year | (7,642) | 458 | (7,184) | (2,260) | (753) | (3,013) |
| Other comprehensive income | - | 81 | 81 | - | 22 | 22 |
| Total comprehensive (loss)/profit for the year | (7,642) | 539 | (7,103) | (2,260) | (731) | (2,991) |

*Adjusted for strategic, integration and other one off items as detailed in Note 3.

Revenue

Total group revenue (including discontinued operations) for the year increased from £7,165,000 to £12,341,000 (72%). Revenue from continuing operations increased from £2,279,000 to £2,631,000. The Revenue from continuing operations is split as follows:

| | Avisen £'000 | Storage Fusion £'000 | Total £'000 |
|----------------------------|-----------------|-------------------------|----------------|
| Year ended 31 January 2011 | 2,401 | 230 | 2,631 |
| Year ended 31 January 2010 | 2,279 | - | 2,279 |

Avisen's revenues have improved on the prior year by £122,000 (5%) mainly as a result of increased consulting sales on Acorn pilot projects. Storage Fusion was acquired in April 2010 and therefore there was no turnover in the prior year. Storage Fusion revenues comprise sales of its SRA software.

Operating loss

The group made an operating loss in the period of £7,774,000 from continuing operations (2010: £2,262,000). Whilst the underlying Adjusted EBITDA has improved in the year, the current year had a significant impairment charge of £4,500,000 along with a number of strategic, integration and other one off costs of £1,500,000 which are mainly as a result of the Xploite acquisition and other one off costs such as redundancy. Further details of these items are given below.

Adjusted* EBITDA

Focusing on the Group's key performance measure** of Adjusted EBITDA, the following analysis by business segment can be provided:

Year ended 31 January 2011

| | Continuing operations | | | Discontinued operations | | Total £'000 |
|------------------|-------------------------|-----------------|----------------------------|-------------------------|--------------------------|----------------|
| | Head office £'000 | Avisen £'000 | Storage Fusion £'000 | Inca £'000 | South Africa £'000 | |
| Adjusted* EBITDA | (1,293) | (61) | (127) | 1,373 | (208) | (316) |

Year ended 31 January 2010

| | Continuing operations | | Discontinued operations | | Total £'000 |
|------------------|-------------------------|-----------------|-------------------------|--------------------------|----------------|
| | Head office £'000 | Avisen £'000 | Inca £'000 | South Africa £'000 | |
| Adjusted* EBITDA | (1,034) | (565) | 179 | (232) | (1,652) |

Adjusted EBITDA results improved on the prior year for all trading entities. Taking the main trading entities, Avisen improved from an Adjusted EBITDA loss of £565,000 in 2010 to a loss of £60,000 and Inca improved from an Adjusted EBITDA of £179,000 to £1,373,000. Storage Fusion (which was acquired in the year) made a small EBITDA loss of £127,000. Head office costs increased from £1,034,000 to £1,293,000 which was mainly as a consequence of additional Director costs in the first half of the year following the Xploite acquisition.

** in the prior year the main key performance measure was EBITA. This performance measure is not significantly different to EBITDA as the depreciation charge in the businesses is small. It is the Board's intention to continue with the EBITDA performance measure going forward.

Amortisation and impairment of intangible assets

Included within the 2011 figure of £5,194,000 is a £4,500,000 goodwill impairment charge arising in relation to the Xploite acquired goodwill. The acquisition comprised the trading business and SRA software of Storage Fusion Limited and the assets and liabilities of the other entities within the Xploite Group, including cash and deferred consideration receivable. The provisional fair value of the net assets acquired was £3,685,000. The residual goodwill of £5,632,000 represented the value of Xploite's management team, which were taken on board to execute a buy and build strategy; and the potential synergies that Storage Fusion would bring to Avisen. Since the majority of Xploite's original management team are no longer with the Group and the Company is now following a revised strategy, it was appropriate for the Board to consider whether the goodwill of £5,632,000 was impaired. Following a review of this, the Board has impaired the goodwill by £4,500,000.

Strategic, integration and other one off items

In accordance with the Group's policy, these costs were significant in the period and therefore they have been analysed separately in Note 3. The main components are:

Continuing operations

Strategic costs of £496,000 (2010: Nil) – The main proportion of these costs are professional and advisor fees in relation to the Xploite acquisition. In accordance with IFRS 3 (Revised) such costs are no longer able to be capitalised as part of the cost of acquisition.

Costs of duplication and integration £1,004,000 (2010: £100,000) – This cost mainly represents redundancy and compromise costs.

Discontinued operations

Costs of duplication and integration £232,000 (2010: £12,000) – This cost represents redundancies in the Inca business.

Tax

The tax credit of £269,000 in the year relates to £132,000 of deferred tax on the amortisation of intangible assets and £137,000 in relation to current tax rebates.

Other comprehensive income

Other comprehensive income of £81,000 comprises a gain on disposal of the South Africa business of £142,000 coupled with an exchange gain loss of £61,000 (2010: £22,000).

Consolidated statement of financial position

The Group's financial position at 31 January 2011 is set out in the consolidated statement of financial position. In accordance with IFRS, the financial position for Inca Software, the subsidiary which was disposed on 1 April 2011, has been disclosed within the category 'Held for Sale' (refer to note 9). This means that all assets and liabilities in relation to Inca have been classified either within current assets or current liabilities i.e. no asset or liability is classified as non-current.

Non-current assets

The most significant component of non-current assets at 31 January 2011 is the intangible asset balance of £3,014,000 (2010: £9,369,000). This relates to goodwill and intangible assets in relation to the Avisen and Storage Fusion businesses. Goodwill was assessed for impairment at the year end and the balances stated above are net of an impairment charge of £4,500,000. The Board are comfortable with the carrying amounts of Goodwill and Intangible assets which are being carried forward. The 2010 figures include goodwill and intangible assets in relation to Inca which are disclosed within current assets in 2011.

Current assets

The Group has current assets of £11,840,000 at 31 January 2011 (2010: £3,372,000). The increase in current assets is mainly as a result of classifying goodwill and intangible assets in relation to Inca of £7,847,000 as current assets. These were classified as non-current assets in the prior year.

Liabilities

The Group has total current liabilities of £7,572,000 at 31 January 2011 (2010: 7,084,000). The increase in current liabilities is largely attributable to the inclusion of Inca's deferred tax liability of £421,000 which was classified as a non-current liability in 2010.

Non current liabilities

The Group's non-current liabilities decreased from £636,000 in 2010 to £294,000 in 2011 mainly as a result of the reclassification of the Inca deferred tax as well as a reduction in overall borrowings.

Shareholders' equity

Shareholders' equity is set out in the consolidated statement of changes in equity. Key points to note in the year are the shares issued in association with the Xploite plc acquisition and the increase in the Merger reserve as a result of this. Total shareholder's equity increased from £5,122,000 at 31 January 2010 to £7,007,000 at 31 January 2011.

Consolidated statement of cash flows

The Group's cash flows are set out within the Consolidated Statement of Cash Flows. Key points to note are as follows:

Cash flows from operating activities

The group used cash of £604,000 to fund its operating activities. However, this figure includes cash costs in relation to strategic, integration and other one of items of £1,500,000. Excluding these costs, the Group would have generated cash from operations of £896,000 in the year.

Cash flows from Investing activities

The acquisition of Xploite plc gave rise to a cash inflow of £2,291,000. This arises as a result of the cash acquired net of costs of acquisition. The disposal of the subsidiary in South Africa gave rise to a cash outflow of £405,000 which reflects the cash balance disposed and associated costs of disposal.

Cash flows from Financing activities

£401,000 of borrowings and debt were repaid in the period.

Net funds/(debt)

Overall, £302,000 of cash was generated in the period. Along with the repayment of certain debt in the period, the Group is in a net funds balance at the end of the year of £231,000 (2010: £480,000 net debt).

Following the disposal of Inca in April 2011, the Group's Net funds position has significantly improved and all debt has been repaid.

Avisen plc
Consolidated statement of comprehensive income
Year ended 31 January 2011

| | Note | 2011 £'000 | 2010 £'000 |
|--------------------------------------------------------------------------------------------------|------|----------------|----------------|
| Revenue | 2 | 2,631 | 2,279 |
| Cost of sales | | (1,940) | (1,944) |
| Gross profit | | 691 | 335 |
| Administrative expenses | | (8,465) | (2,597) |
| | | (7,774) | (2,262) |
| Adjusted* EBITDA | | (1,481) | (1,599) |
| Less: depreciation | | (5) | (8) |
| Adjusted* EBITA | | (1,486) | (1,607) |
| Less: amortisation and impairment of intangible assets | | (4,788) | (393) |
| Less: strategic, integration and other one off items | 3 | (1,500) | (262) |
| Operating loss | | (7,774) | (2,262) |
| Finance income | | - | 9 |
| Finance costs | | (27) | (9) |
| Net finance cost | | (27) | - |
| Loss before tax | | (7,801) | (2,262) |
| Tax credit | 4 | 159 | 2 |
| Loss from continuing operations | | (7,642) | (2,260) |
| Discontinued operations | | | |
| Profit/(loss) from discontinued operations | | 458 | (753) |
| Loss for the year | | (7,184) | (3,013) |
| Other comprehensive income | | | |
| Exchange differences arising on translation of net assets of foreign operations | | (61) | 22 |
| Gain on disposal of subsidiary undertaking | | 142 | - |
| Other comprehensive income for the year, net of tax | | 81 | 22 |
| Total comprehensive loss | | | |
| Loss for the year | | (7,184) | (3,013) |
| Total comprehensive loss attributable to equity shareholders of the Company | | (7,103) | (2,991) |
| Loss per ordinary share expressed in pence per ordinary share from continuing operations: | | | |
| Basic | 10 | (3.69) | (1.73) |
| Diluted | 10 | (3.69) | (1.73) |
| Loss per ordinary share expressed in pence per ordinary share from operations: | | | |
| Basic | 10 | (3.47) | (2.36) |
| Diluted | 10 | (3.47) | (2.36) |

*Adjusted for strategic, integration and other one off items (note 3)

Avisen plc
Consolidated statement of financial position
As at 31 January 2011

Registered number: 5429800

| | Notes | 2011 £'000 | 2010 £'000 |
|--------------------------------------------------------------------------------------------------------|-------|----------------|----------------|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets including goodwill | 5 | 3,014 | 9,369 |
| Property, plant and equipment | | 19 | 101 |
| Total non-current assets (excluding assets classified as held for sale) | | 3,033 | 9,470 |
| Current assets | | | |
| Trade and other receivables | | 1,179 | 3,189 |
| Cash and cash equivalents | | 419 | 183 |
| Total current assets (excluding assets of disposal group classified as held for sale) | | 1,598 | 3,372 |
| Assets of disposal group classified as held for sale | 9 | 10,242 | - |
| Total current assets | | 11,840 | 3,372 |
| Total assets | | 14,873 | 12,842 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | (3,271) | (6,521) |
| Borrowings | | (44) | (563) |
| Total current liabilities (excluding liabilities of disposal group classified as held for sale) | | (3,315) | (7,084) |
| Liabilities of disposal group classified as held for sale | 9 | (4,257) | - |
| Total current liabilities | | (7,572) | (7,084) |
| Non-current liabilities | | | |
| Borrowings | | (62) | (100) |
| Deferred tax | | (232) | (536) |
| Total non-current liabilities | | (294) | (636) |
| Total liabilities | | (7,866) | (7,720) |
| Net assets | | 7,007 | 5,122 |
| Share capital and reserves | | | |
| Share capital | 6 | 11,335 | 7,162 |
| Share premium account | 6 | 6,455 | 6,463 |
| Own shares held | | (306) | - |
| Share based payment reserve | | 387 | 951 |
| Merger reserve | | 10,006 | 4,830 |
| Reverse acquisition reserve | | (11,584) | (11,584) |
| Currency translation reserve | | (39) | 22 |
| Accumulated losses | | (9,247) | (2,722) |
| Total equity attributable to shareholders of the parent | | 7,007 | 5,122 |

Avisen plc
Consolidated statement of changes in equity
Year ended 31 January 2011

| £'000 | Share Capital | Share Premium | Own shares held | Share Based Payments Reserve | Merger Reserve | Reverse Acquisition Reserve | Currency Translation Reserve | Accumulated losses | Total |
|--------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|------------------------|-------------------------------------|-----------------------|------------------------------------|-------------------------------------|---------------------------|--------------|
| Balance at 1 February 2010 | 7,162 | 6,463 | - | 951 | 4,830 | (11,584) | 22 | (2,722) | 5,122 |
| Comprehensive income | | | | | | | | | |
| Loss for the year | - | - | - | - | - | - | - | (7,184) | (7,184) |
| Other comprehensive income | | | | | | | | | |
| Gain on disposal of subsidiary (note 8) | - | - | - | (122) | - | - | - | 142 | 20 |
| Exchange differences on translating foreign operations | - | - | - | - | - | - | (61) | - | (61) |
| Total other comprehensive income | - | - | - | (122) | - | - | (61) | 142 | (41) |
| Total comprehensive income | - | - | - | (122) | - | - | (61) | (7,042) | (7,225) |
| Transactions with owners | | | | | | | | | |
| Shares issued in the year (note 6) | 4,173 | (8) | - | 75 | - | - | - | - | 4,240 |
| Premium on issuance of shares to acquire subsidiary | - | - | - | - | 5,176 | - | - | - | 5,176 |
| Transfer on lapse of share based payment | - | - | - | (517) | - | - | - | 517 | - |
| Shares held in treasury resulting from disposal of subsidiary (note 6) | - | - | (306) | - | - | - | - | - | (306) |
| | 4,173 | (8) | (306) | (442) | 5,176 | - | - | 517 | 9,110 |
| Balance at 31 January 2011 | 11,335 | 6,455 | (306) | 387 | 10,006 | (11,584) | (39) | (9,247) | 7,007 |
| £'000 | Share Capital | Share Premium | Own shares held | Share Based Payments Reserve | Merger Reserve | Reverse Acquisition Reserve | Currency Translation Reserve | Accumulated losses | Total |
| Balance at 1 February 2009 | 25 | 329 | - | - | - | - | - | 291 | 645 |
| Comprehensive income | | | | | | | | | |
| Loss for the year | - | - | - | - | - | - | - | (3,013) | (3,013) |
| Other comprehensive income | | | | | | | | | |
| Elimination of legal subsidiary's share capital and share premium on reverse acquisition | (25) | (329) | - | - | - | 354 | - | - | - |
| Introduction of legal parent's shareholders equity eliminating the brought forward reserves to the reverse acquisition reserve | 1,187 | 5,968 | - | 63 | - | (5,794) | - | - | 1,424 |
| Elimination of legal parent's investment on reverse acquisitions allowing for goodwill | - | - | - | - | - | (6,144) | - | - | (6,144) |
| Premium on issuance of shares to acquire subsidiary | - | - | - | - | 4,830 | - | - | - | 4,830 |
| Exchange differences on translating foreign operations | - | - | - | - | - | - | 22 | - | 22 |
| Total other comprehensive income | 1,162 | 5,639 | - | 63 | 4,830 | (11,584) | 22 | - | 132 |
| Total comprehensive income | 1,162 | 5,639 | - | 63 | 4,830 | (11,584) | 22 | (3,013) | (2,881) |
| Transactions with owners | | | | | | | | | |
| Shares issued in the year | 5,975 | 657 | - | - | - | - | - | - | 6,632 |
| Cost of issuing warrants | - | (162) | - | - | - | - | - | - | (162) |
| Share based payment credit | - | - | - | (63) | - | - | - | - | (63) |
| Share based payment - issue of options and warrants | - | - | - | 951 | - | - | - | - | 951 |
| | 5,975 | 495 | - | 888 | - | - | - | - | 7,358 |
| Balance at 31 January 2010 | 7,162 | 6,463 | - | 951 | 4,830 | (11,584) | 22 | (2,722) | 5,122 |

Avisen plc
Consolidated statement of cash flows
Year ended 31 January 2011

| | Notes | 2011 £'000 | 2010 £'000 |
|---------------------------------------------------------------|-------|---------------|----------------|
| Cash flows from operating activities | | | |
| Cash used in operations | (a) | (604) | (1,122) |
| Interest received | | - | 11 |
| Interest paid | | (142) | (91) |
| Tax paid | | (77) | (93) |
| Net cash used in operating activities | | (823) | (1,295) |
| Cash flows from investing activities | | | |
| Acquisition of subsidiaries (net of cash acquired) | 7 | 2,291 | 663 |
| Disposal of subsidiaries (net of cash disposal) | | (405) | - |
| Purchase of intangible assets | | - | (23) |
| Purchase of property, plant and equipment | | (175) | (26) |
| Expenditure on product development | | (185) | (17) |
| Proceeds from sale of property, plant and equipment | | - | 5 |
| Net cash generated from investing activities | | 1,526 | 602 |
| Cash flows from financing activities | | | |
| Net proceeds from issue of ordinary share capital | | - | 500 |
| Increase in overdraft | | - | 105 |
| (Increase)/decrease in factoring account | | (144) | (9) |
| Finance lease principal payments | | (7) | (5) |
| Repayment of borrowings | | (250) | (92) |
| Net cash (used in)/generated from financing activities | | (401) | 499 |
| Net decrease in cash and cash equivalents | | 302 | (194) |
| Cash and cash equivalents at start of year | | 183 | 360 |
| Effects of foreign exchange | | 8 | 17 |
| Cash and cash equivalents at end of year | (b) | 493 | 183 |
| Classified as: | | | |
| Current assets | | 419 | 183 |
| Assets held for sale (see note 9) | | 74 | - |

During the year the acquisition of Xploite plc and the disposal of Avisen Pty Limited constituted material non-cash transactions.

Cash flows from discontinued operations can be summarised for each of the main cash flow headings as follows:

| | 2011 £'000 | 2010 £'000 |
|--------------------------------------------------------|---------------|---------------|
| Cash flows from operating activities | | |
| Net cash (used in)/generated from operating activities | (651) | 267 |
| Cash flows from investing activities | | |
| Net cash used in investing activities | (571) | (15) |
| Cash flows from financing activities | | |
| Net cash used in investing activities | (244) | - |

Notes to the consolidated statement of cash flows

(a) Cash (used in)/generated from operations

| | 2011 £'000 | 2010 £'000 |
|----------------------------------------------------|----------------|----------------|
| Continuing operations | | |
| Loss before tax | (7,801) | (2,262) |
| Adjustments for: | | |
| Depreciation charge | 5 | 8 |
| Loss on disposal of property, plant and equipment | - | 1 |
| Amortisation and impairment | 4,788 | 393 |
| Share based payment charge | - | 250 |
| Decrease in trade and other receivables | 3,123 | 634 |
| Decrease in trade and other payables | (1,268) | (508) |
| Finance cost - net | 27 | 80 |
| | - | - |
| Cash used in continuing operations | (1,126) | (1,484) |
| Discontinued operations | | |
| Net loss before tax | 348 | (807) |
| Adjustments for: | | |
| Depreciation charge | 64 | 36 |
| Amortisation and impairment | 406 | 192 |
| Share based payment charge | - | 480 |
| Decrease/(increase) in trade and other receivables | (489) | (1,063) |
| Decrease/increase in trade and other payables | 78 | 1,490 |
| Finance cost - net | 115 | 80 |
| Gain on bargain purchase | - | (46) |
| Cash generated from discontinued operations | 522 | (362) |
| Cash used in operations | (604) | (1,122) |

(b) Reconciliation of net cash flow to movement in net (debt)/funds

| | 2011 £'000 | 2010 £'000 |
|-------------------------------------------------------|---------------|---------------|
| Decrease/(increase) in cash in the year | 302 | (194) |
| Net cash inflow/(outflow) from increase in bank loans | 250 | (4) |
| Net cash outflow in respect of factoring | 144 | - |
| Cash outflow in respect of finance leases | 7 | 5 |
| Changes resulting from cash flows | 703 | (193) |
| Loans and finance leases acquired with subsidiary | - | (354) |
| Factoring account acquired with subsidiary | - | (310) |
| Effect of foreign exchange | - | 17 |
| Change in net funds/(debt) | 703 | (840) |
| Net (debt)/ funds at beginning of year | (480) | 360 |
| Net funds/(debt) at end of year | 223 | (480) |
| Analysis of net funds/(debt) | | |
| Cash and cash equivalents classified as: | | |
| - Current assets | 419 | 183 |
| - Assets held for sale | 74 | - |
| Hire purchase and finance lease obligations | - | (7) |
| Factoring account | (156) | (300) |
| Bank loans and overdraft | (106) | (356) |
| Net funds/(debt) at end of year | 231 | (480) |

**Notes to the financial statements
For the year ended 31 January 2011**

1 Basis of preparation

The financial information included in this preliminary announcement does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006, but has been extracted from the statutory financial statements for the year ended 31 January 2011.

The preliminary results for the year ended 31 January 2011 have been prepared in accordance with the accounting policies set out in its annual report or the period ended 31 January 2011.

These policies have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated results have been prepared under the historical cost convention, as modified for any financial assets which are stated at fair value through profit or loss. The results have been prepared in Sterling as this represents the functional currency of the Group and figures have been rounded to the nearest thousand.

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the audited financial statements for the year ended 31 January 2011.

These accounts have been audited and the audit report is unqualified and does not contain a statement under section 498 of the Companies Act 2006.

2 Segmental information

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions.

The segment information provided to the Board for the reportable segments for the year ended 31 January 2011 is as follows:

| 31 January 2011 | Head Office £'000 | Avisen £'000 | Storage Fusion £'000 | Total £'000 |
|--------------------------------------------------------|----------------------|-----------------|-------------------------|----------------|
| Continuing operations | | | | |
| Revenue | - | 2,597 | 230 | 2,827 |
| Less intersegment sales | - | (196) | - | (196) |
| Total revenue from third parties | - | 2,401 | 230 | 2,631 |
| Cost of sales | - | (1,940) | - | (1,940) |
| Gross profit | - | 461 | 230 | 691 |
| Total administrative expenses | (7,221) | (559) | (685) | (8,465) |
| Adjusted EBITDA | (1,293) | (61) | (127) | (1,481) |
| Less: depreciation | - | - | (5) | (5) |
| Adjusted EBITA | (1,293) | (61) | (132) | (1,486) |
| Less: amortisation and impairment of intangible assets | (4,500) | (25) | (263) | (4,788) |
| Less: strategic, integration and other one-off items | (1,428) | (12) | (60) | (1,500) |
| Total operating loss | (7,221) | (98) | (455) | (7,774) |
| Finance income | - | - | - | - |
| Finance cost | (7) | (20) | - | (27) |
| Net finance cost | (7) | (20) | - | (27) |
| Loss before tax | (7,228) | (118) | (455) | (7,801) |
| Tax credit | - | 137 | 22 | 159 |
| Loss for the year from continuing operations | (7,228) | 19 | (433) | (7,642) |

Although South Africa did not meet the definition of an operating segment at year end, its results are shown below for comparative purposes.

| | Inca £'000 | South Africa £'000 | Total £'000 |
|------------------------------------------------------------|---------------|-----------------------|----------------|
| Discontinued operations | | | |
| Revenue | 9,095 | 643 | 9,738 |
| Less: intersegment sales | (19) | (9) | (28) |
| Total revenue from third parties | 9,076 | 634 | 9,710 |
| Cost of sales | (5,551) | (664) | (6,215) |
| Gross profit/(loss) | 3,525 | (30) | 3,495 |
| Total administrative expenses | (2,858) | (179) | (3,037) |
| Other operating income | 4 | 1 | 5 |
| Adjusted EBITDA | 1,373 | (208) | 1,165 |
| Less: depreciation | (64) | - | (64) |
| Adjusted EBITA | 1,309 | (208) | 1,101 |
| Less: amortisation and impairment of intangible assets | (406) | - | (406) |
| Less: strategic, integration and other one-off items | (232) | - | (232) |
| Total operating profit/(loss) | 671 | (208) | 463 |
| Finance income | - | - | - |
| Finance cost | (115) | - | (115) |
| Net finance cost | (115) | - | (115) |
| Profit/(loss) before tax | 556 | (208) | 348 |
| Tax | 110 | - | 110 |
| Post tax profit/(loss) from discontinued activities | 666 | (208) | 458 |

| 31 January 2011 | Head Office £'000 | Avisen £'000 | Storage Fusion £'000 | Inca £'000 | Total £'000 |
|-----------------------------------------|----------------------|-----------------|-------------------------|---------------|----------------|
| Segment assets | 367 | 2,129 | 2,137 | 10,242 | 14,875 |
| Segment liabilities | (2,911) | (917) | (204) | (3,836) | (7,868) |
| Segment net assets/(liabilities) | (2,544) | 1,212 | 1,933 | 6,406 | 7,007 |

| 31 January 2010 | Head Office £'000 | Avisen £'000 | Total £'000 |
|---------------------------------------------------------|-----------------------|-------------------------------|------------------------|
| Continuing operations | | | |
| Revenue | - | 2,573 | 2,573 |
| Less: intersegment sales | - | (294) | (294) |
| Total revenue from third parties | - | 2,279 | 2,279 |
| Cost of sales | - | (1,944) | (1,944) |
| Gross profit | - | 335 | 335 |
| Total administrative expenses | (974) | (1,623) | (2,597) |
| Adjusted EBITDA | (1,034) | (565) | (1,599) |
| Less: depreciation | (3) | (5) | (8) |
| Adjusted EBITA | (1,037) | (570) | (1,607) |
| Less: amortisation and impairment of intangible assets* | - | (393) | (393) |
| Less: strategic, integration and other one off items* | 63 | (325) | (262) |
| Total operating loss | (974) | (1,288) | (2,262) |
| Finance income | 8 | 1 | 9 |
| Finance cost | (1) | (8) | (9) |
| Net finance cost | 7 | (7) | - |
| Loss before tax | (967) | (1,295) | (2,262) |
| Tax credit | | 2 | 2 |
| Loss for the year from continuing operations | (967) | (1,293) | (2,260) |
| | Inca £'000 | South Africa £'000 | Total £'000 |
| Discontinued operations | | | |
| Revenue | 3,911 | 1,259 | 5,170 |
| Less: intersegment sales | (35) | (249) | (284) |
| Total revenue from third parties | 3,876 | 1,010 | 4,886 |
| Cost of sales | (1,979) | (888) | (2,867) |
| Gross profit | 1,897 | 122 | 2,019 |
| Total administrative expenses | (2,314) | (498) | (2,812) |
| Other operating income | 10 | 10 | 20 |
| Adjusted EBITDA | 179 | (232) | (53) |
| Less: depreciation | (29) | (7) | (36) |
| Adjusted EBITA | 150 | (239) | (89) |
| Less: amortisation and impairment of intangible assets* | (192) | - | (192) |
| Less: strategic, integration and other one off items* | (365) | (127) | (492) |
| Total operating loss | (407) | (366) | (773) |
| Finance income | - | 2 | 2 |
| Finance cost | (82) | - | (82) |
| Net finance cost | (82) | 2 | (80) |
| Gain on bargain purchase | - | 46 | 46 |
| Loss before tax | (489) | (318) | (807) |
| Tax credit | 54 | - | 54 |
| Post tax loss from discontinued activities | (435) | (318) | (753) |

| 31 January 2010 | Head Office £'000 | Avisen £'000 | Inca £'000 | South Africa £'000 | Total £'000 |
|-----------------------------------------|----------------------|-----------------|---------------|-----------------------|----------------|
| Segment assets | 1,174 | 2,295 | 10,402 | 877 | 14,748 |
| Segment liabilities | (960) | (2,043) | (5,592) | (1,031) | (9,626) |
| Segment net assets/(liabilities) | 214 | 252 | 4,810 | (154) | 5,122 |

*The allocations in 2010 of amortisation and impairment of intangible assets and strategic, integration and other one of items have been revised in order to show these costs in respect of the related segment.

3 Strategic, integration and other one off items

In accordance with the Group's policy for strategic, integration and other one off items, the following charges were included in this category for the year:

| | 2011 | 2010 |
|----------------------------------------|--------------|------------|
| | £'000 | £'000 |
| Continuing operations | | |
| Strategic costs | 496 | - |
| Costs of duplication and integration | 1,004 | 100 |
| Other one off items* | - | 162 |
| Total - continuing operations | 1,500 | 262 |
| Discontinued operations: | | |
| Costs of duplication and integration | 232 | 12 |
| Other one off items** | - | 480 |
| Total – discontinued operations | 232 | 492 |
| Total | 1,732 | 754 |

* 2010 share based payments charge of £250,000 less a computer supplies credit of £88,000.

** 2010 share based payment charge of £480,000.

4 Income tax credit

| | 2011 | 2010 |
|--------------------------------------|-------|-------|
| | £'000 | £'000 |
| Continuing operations | | |
| Current tax | - | (2) |
| Adjustment in respect of prior years | (137) | - |
| Deferred tax | (22) | (54) |
| | (159) | (56) |
| Discontinued operations | | |
| Current tax | - | - |
| Deferred tax | (110) | - |
| Total tax credit | (269) | (56) |

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the consolidated entities as follows:

| | 2011 | 2010 |
|----------------------------------------------------------------------------------------------|---------|---------|
| | £'000 | £'000 |
| Loss before tax – continuing operations | (7,801) | (2,262) |
| Profit/(loss) before tax – discontinued operations | 348 | (807) |
| | (7,453) | (3,069) |
| Loss before tax multiplied by the average effective rate of tax in the UK of 27% (2010: 28%) | (2,012) | (859) |
| Effect of: | | |
| Expenses not deductible for tax purposes | 997 | 342 |
| Income tax not taxable | (15) | 105 |
| Capital allowances in excess of depreciation | (266) | (4) |
| Tax losses not utilised | 1,185 | 254 |
| Relief for gain on sale | (44) | - |
| Other timing differences | 41 | 184 |
| Adjustments to tax charge in respect of previous periods | (137) | (24) |
| Impact of change in tax rate | (18) | - |
| | (269) | (2) |

5 Intangible assets including goodwill

| | Goodwill | Brands | Customer and related contracts | Software | Development costs | Total |
|-----------------------------------------------|---------------|------------|-----------------------------------------|------------|----------------------|---------------|
| At 31 January 2011 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | | | |
| At 1 February 2010 | 7,417 | 252 | 1,852 | 23 | 410 | 9,954 |
| Additions | 5,632 | - | - | 921 | 185 | 6,738 |
| Disposals | (200) | - | - | - | - | (200) |
| At 31 January 2011 | 12,849 | 252 | 1,852 | 944 | 595 | 16,492 |
| Impairment and amortisation | | | | | | |
| At 1 February 2010 | - | 17 | 175 | - | 393 | 585 |
| Impairment | 4,500 | - | - | - | 17 | 4,517 |
| Amortisation | - | 36 | 370 | 243 | 28 | 677 |
| Disposals | - | - | - | - | - | - |
| At 31 January 2011 | 4,500 | 53 | 545 | 243 | 438 | 5,779 |
| Net book amount at 31 January 2011 | 8,349 | 199 | 1,307 | 701 | 157 | 10,713 |
| Classified as follows: | | | | | | |
| Current assets | 2,156 | - | - | 701 | 157 | 3,014 |
| Assets held for sale (see note 9) | 6,193 | 199 | 1,307 | - | - | 7,699 |

For further information on goodwill additions and impairment refer to note 7.

6 Share capital and share premium

| | 2011 | 2010 |
|------------------------------------------------------------|--------|-------|
| | £'000 | £'000 |
| Authorised | | |
| 233,469,964 (2010: 150,000,000) ordinary shares of 5p each | 11,673 | 7,500 |

| | Number | Number |
|-------------------------------------------|-------------|-------------|
| Allotted, called up and fully paid | | |
| Ordinary shares of 5p each | 226,699,878 | 143,229,914 |

| | Number of shares | Allotted, called up and fully paid shares £'000 | Share premium account £'000 | Own shares held £'000 |
|------------------------|------------------|----------------------------------------------------|--------------------------------|--------------------------|
| At 1 February 2010 | 143,229,914 | 7,162 | 6,463 | - |
| Issue of shares | 83,469,964 | 4,173 | (8) | - |
| Disposal of subsidiary | - | - | - | (306) |
| At 31 January 2011 | 226,699,878 | 11,335 | 6,455 | (306) |

As noted above, the Group issued 83,469,964 shares as follows:

| Date | Description | Number of shares |
|---------------|------------------------------------------------------------------------|------------------|
| 27 April 2010 | Share issued on the acquisition of Xploite plc | 82,814,227 |
| 2 June 2010 | Subsequent issue of shares on the acquisition of Inca Holdings Limited | 655,737 |
| | | 83,469,964 |

As a result of the disposal of Avisen (Pty) SA Limited (see note 8) 3,500,000 shares with a nominal value of £175,000, were purchased during the year and are now held in treasury.

7 Business Combinations

On 27 April 2010, Avisen plc acquired Xploite for £9,317,000, with the consideration being satisfied by the issuance of shares in the Company. The acquisition comprised the trading business and SRA software of Storage Fusion Limited and the assets and liabilities of the other entities within the Xploite Group, including cash and deferred consideration receivable.

The provisional fair value of the net assets is set out below. The residual goodwill of £5,632,000 represented the value of Xploite's management team, which were taken on board to execute a buy and build strategy; and the potential synergies that Storage Fusion would bring to Avisen.

Since the majority of Xploite's original management team are no longer with the Group and the Company is now following a revised strategy, it was appropriate for the Board to consider whether the goodwill of £5,632,000 was impaired. Following a review of this, the Board has impaired the goodwill by £4,500,000.

Details of the net assets acquired and goodwill are as follows:

| | Xploite plc |
|--------------------------------------------------|--------------------|
| | £'000 |
| Non Current Assets | |
| Property, plant and equipment | 84 |
| Separately identified intangible assets * | 921 |
| Current Assets | |
| Trade receivables | 49 |
| Other receivables and prepayments | 3,111 |
| Cash and cash equivalents | 2,291 |
| Current Liabilities | |
| Trade payables | (735) |
| Other payables and accruals | (1,787) |
| Deferred tax | (249) |
| | <hr/> 3,685 |
| Net assets acquired | 3,685 |
| Goodwill arising upon acquisition | 5,632 |
| Total consideration – satisfied by shares | <hr/> 9,317 |
| Net cash inflow arising on acquisition | <hr/> 2,291 |

* Separately identifiable intangible assets on acquisition have been identified in respect of Storage Fusion software.

a) Acquisition related costs

IFRS 3 (revised) was applied to the acquisition of Xploite plc and its subsidiaries on 27 April 2010. Acquisition related costs of £406,000 have been recognised in the income statement within strategic costs.

b) Revenue and profit contribution

The acquired business contributed revenues of £230,000 and a net loss of £323,000 to the Group for the period since acquisition to 31 January 2011. If the acquisition had occurred on 1 February 2010, consolidated revenue and consolidated loss for the year ended 31 January 2011 would have been £276,000 and £417,000 respectively.

8 Discontinued operations

On 14 July 2010 the Group transferred the entire interest in its South African subsidiary Avisen (Pty) SA Limited and its subsidiary i-Centric (Pty) Limited, to K Jones, a director of Avisen (Pty) SA Limited. The consideration of 3,500,000 shares in Avisen Plc with a fair value of £306,000 has been subsequently classified as Own shares held in equity.

The results of this subsidiary were reported in the financial statements for the year ended 31 January 2010 as continuing operations. Details of the financial performance are set out within the discontinued segmental analysis in note 2.

The carrying amounts of assets and liabilities as at 14 July 2010 were:

| | £'000 |
|---------------------------------|----------------|
| Goodwill | 200 |
| Property, plant and equipment | 49 |
| Total non-current assets | 249 |
| Trade and other receivables | 327 |
| Cash and cash equivalents | 74 |
| Total current assets | 401 |
| Total assets | 650 |
| Trade and other payables | (1,062) |
| Total liabilities | (1,062) |
| Net liabilities | (412) |

The gain on disposal is shown within equity as follows:

| | As at 31 January 2011 £'000 |
|---------------------------------------------------|------------------------------------------------|
| Consideration received or receivable: | |
| Fair value of shares | 306 |
| Total disposal consideration | 306 |
| Carrying amount of net liabilities | 412 |
| Write off related assets with fellow subsidiaries | (25) |
| Write off intercompany balances waived | (342) |
| Write back of share based payment reserve | 122 |
| | 167 |
| Disposal costs | (331) |
| Gain on disposal before income tax | 142 |
| Income tax expense | - |
| Gain on disposal after income tax | 142 |

9 Disposal group

The assets and liabilities relating to Inca Software Limited have been presented as held for sale following their agreed disposal in January 2011. Completion of the transaction took place on 1 April 2011 (see note 11).

Details of the assets and liabilities are as follows:

| | £'000 |
|--------------------------------------------|----------------|
| Assets | |
| Non current assets | |
| Intangible assets including goodwill | 7,699 |
| Property, plant and equipment | 148 |
| | 7,847 |
| Current assets | |
| Trade receivables | 1,242 |
| Other receivables and prepayments | 1,079 |
| Bank and cash balances | 74 |
| | 2,395 |
| Total assets of disposal group | 10,242 |
| Current liabilities | |
| Trade payables | (1,031) |
| Other payables and accruals | (2,649) |
| Borrowings | (156) |
| Deferred tax | (421) |
| Total liabilities of disposal group | (4,257) |

10 Earnings/(Loss) per ordinary share

Basic loss per share is calculated by dividing the (loss)/profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

| | Year ended 31 January 2011 | | | Year ended 31 January 2010 | | |
|----------------------------------------------|----------------------------|-----------------------|-------------------------|----------------------------|-----------------------|-------------------------|
| | Continuing £'000 | Discontinued £'000 | Total £'000 | Continuing £'000 | Discontinued £'000 | Total £'000 |
| (Loss)/profit attributable to equity holders | (7,642) | 458 | (7,184) | (2,206) | (807) | (3,013) |
| Adjustments: | | | | | | |
| Impairment of intangible assets | 4,788 | - | 4,788 | 393 | - | 393 |
| Integration, strategic and one off costs | 1,500 | 232 | 1,732 | 262 | 492 | 754 |
| Adjusted (loss)/profit | (1,354) | 690 | (664) | (1,551) | (315) | (1,866) |
| | Pence | Pence | Pence | Pence | Pence | Pence |
| Basic (loss)/profit per share | (3.69) | 0.22 | (3.47) | (1.77) | (0.59) | (2.36) |
| Diluted (loss)/profit per share | (3.69) | 0.22 | (3.47) | (1.77) | (0.59) | (2.36) |
| Adjusted basic (loss)/earnings per share | (0.65) | 0.33 | (0.32) | (1.26) | (0.20) | (1.46) |
| Adjusted diluted (loss)/earnings per share | (0.65) | 0.33 | (0.32) | (1.26) | (0.20) | (1.46) |
| | | | Number 000's | | | Number 000's |
| Basic weighted average number of shares | | | 206,977 | | | 127,510 |
| Impact of share options and warrants | | | 689 | | | - |
| Diluted weighted average number of shares | | | 207,666 | | | 127,510 |

Where there is a loss per share, the share options are not dilutive and hence the diluted earnings per share is the same as the basic.

The EPS calculation for the year ended 31 January 2010 has been revised following a change in allocation of costs to segments as shown in note 2.

2010 impact of options and warrants

As at 31 January 2010 the Group had 14,508,054 of exercisable share options and warrants in existence at the year end. In accordance with International Accounting Standards (IAS33); options and warrants only have a dilutive effect when the average market price of ordinary shares during the year exceeds the exercise price of the options and warrants. Although the share options and warrants did have exercisable prices below the average market price of the ordinary shares at the year end; the current market price of ordinary shares is below the exercise price of all share options and warrants. On the above basis the Board consider the share options and warrants to have no dilutive effect.

11 Events after the balance sheet date

Inca Software Limited - Disposal

On 1 April 2011 the Group transferred the entire interest in Inca Software Limited, to Logicalis UK Limited.

The consideration for the sale of the share capital was £7,300,000. The Group also extinguished net liabilities of £1,243,000. We anticipate reporting a profit on disposal in 2012 of approximately £500,000 after accounting for disposal costs, write off of associated intercompany receivables and write off of goodwill and intangible assets of £7,600,000.

The proceeds from the disposal of will be used to invest in the remaining trading businesses and to fund appropriate acquisition opportunities. In accordance with IFRS 5, Inca Software has been classified as a discontinued operation in these financial statements and the assets and liabilities are classified as held for sale in the consolidated balance sheet as described in note 9.