

13 October 2010

Avisen plc (AIM: AVI)

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

Interim Results for the six month period ended 31 July 2010

The directors of Avisen (the “Board”), the AIM quoted performance management specialist, is pleased to announce the Company’s unaudited interim results for the six month period ended 31 July 2010.

Highlights

- Turnover increased to £6,054,000 (6 months 2009: £1,726,000)
- Adjusted* EBITA of £14,000 (6 months 2009: £204,000)
- Loss for the period before tax of £6,273,000, (6 months 2009: Profit of £196,000)
- The loss for the period before tax includes an impairment charge of £4,500,000 in relation to the acquisition of Xploite plc (“Xploite”)
- 70 new contracts signed during the period with an aggregate value in excess of £3,200,000
- More than £1,000,000 of annualised cost savings achieved since the acquisition of Xploite in April 2010
- Disposed of loss making South African operations resulting in a gain on disposal of £381,000
- Since the completion of the six month period the Board has successfully reached an agreement to settle a claim received by Xploite, prior to the acquisition, for an immediate payment of only £300,000 against an original claim amount of £4,500,000. The maximum potential settlement has been capped at £600,000

*Adjusted for strategic, integration and other one off items

Commenting on the results announcement Marcus Hanke, CEO of Avisen, said: **“The Board believes it has seen a marked improvement in performance of its operating businesses during the first half of this trading year. Management will continue to build a platform for growth in the second half of the year and we look forward to the future with confidence.”**

For further information, please contact:

Avisen plc

Marcus Hanke (CEO)

Tel: +44 (0)870 8802 978

Strand Hanson Limited

James Harris / Paul Cocker/ Rory Chichester

Tel: +44 (0)207 4093 494

Bishopsgate Communications

Gemma O’Hara/Siobhra Murphy

avisen@bishopsgatecommunications.com

Tel: +44 (0)20 7562 3358

Chairman's statement

I am pleased to present the results of the Group for the six month period ended 31 July 2010.

Results

Results from continuing operations for the six month period include turnover of £6,054,000 (6 months 2009: £1,726,000) (12 months 2010: £5,906,000), adjusted EBITA of £14,000 (6 months 2009: £204,000) (12 months 2010: Loss of £1,395,000) and a loss for the period before tax of (£6,273,000), (6 months 2009: Profit of £196,000) (12 months 2010: Loss of £2,751,000). The loss for the period before tax includes an impairment charge of £4,500,000 in relation to the Xploite plc acquisition. Basic loss per share from continuing operations of 3.32 pence, (6 months 2009: earnings of 0.18 pence) (12 months 2010: loss of 2.11 pence).

The Group has signed 70 new contracts with an aggregated value in excess of £3,200,000 in the 6 months to 31 July 2010, and over 23% of the Group's turnover is in relation to recurring annual support and maintenance contracts.

The continuing operations include a full six months of trading derived from the acquisitions made during the year ended 31 January 2010. They also include three months of trading from the Storage Fusion business acquired as part of the Xploite acquisition on 28 April 2010.

The discontinued operations comprise the South African operations which were disposed on 14 July 2010. The operations made a loss in the period of £378,000 (6 months 2009: Loss of £104,000) (12 months 2010: Loss of £318,000). The gain on disposal of the South African operations was £381,000.

More than £1,000,000 of annualised cost savings have been achieved since the acquisition of Xploite in April 2010, which has provided the Group with a robust infrastructure for growth.

Trading overview

We are pleased with the improvements in the continuing operations performance since quarter one (Q1). This is demonstrated by the quarterly analysis set out below:

	Consolidated			Avisen			Inca			Storage Fusion			Head office		
	Q1	Q2	Total	Q1	Q2	Total	Q1	Q2	Total	Q1	Q2	Total	Q1	Q2	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	2,741	3,313	6,054	726	918	1,644	2,015	2,303	4,318	-	92	92	-	-	-
EBITA*	(133)	147	14	42	222	264	88	378	466	-	(166)	(166)	(263)	(287)	(550)
One off items	(456)	(997)	(1,453)	-	-	-	(38)	(114)	(152)	-	-	-	(418)	(883)	(1,301)
Amortisation and impairments	-	(4,765)	(4,765)	-	-	-	-	-	-	-	-	-	-	(4,765)	(4,765)
EBIT	(589)	(5,615)	(6,204)	42	222	264	50	264	314	-	(166)	(166)	(681)	(5,935)	(6,616)
Finance costs	(40)	(29)	(69)	(5)	(3)	(8)	(33)	(27)	(60)	-	-	-	(2)	1	(1)
PBT	(629)	(5,644)	(6,273)	37	219	256	17	237	254	-	(166)	(166)	(683)	(5,934)	(6,617)

* Adjusted for strategic, integration and such items ("One Off Items").

The Board's main performance measure is adjusted EBITA as this shows the true underlying performance of the trading businesses. The consolidated EBITA for Q2 is an increase of £280,000 on Q1 at £147,000. The total adjusted EBITA for the half year is £14,000. The Board is confident that the Q2 run rate will be reflected in the full year results. Details of the performance of specific trading segments are set out below.

Avisen

Avisen has continued to provide advisory services in the period. The Q1 adjusted EBITA result was distorted by on-going sales costs. The Board is pleased to announce that several of the sales opportunities were converted to firm orders at the beginning of Q2 and the Q2 adjusted EBITA result of £222,000 is more reflective of the underlying run rate of the business than the Q1 result.

During the period, the UK distribution rights for Acorn Systems products lead to a number of software and advisory sales in the area of customer and product profitability management. These software sales will give rise to an annuity revenue support and maintenance base in the near future but whilst this base is being built up, the Avisen business is still reliant on winning new clients and generating new opportunities with its existing customer base. The un-predictable nature of the revenue and the significant lead time from initial customer interest to fulfilment is deemed to be a risk by the Board. However, the Board has a strong belief in the management team's ability to secure and fulfil such new engagements.

In addition, this risk is offset by other subsidiaries in the Group, namely from the operations of Inca Software ("Inca"), which are described below.

Inca

The Board is pleased with Inca's results in the period. The business has started to perform very well following the finalisation of a restructuring exercise during the period. The adjusted EBITA in the period was £466,000. Similarly to the Avisen business, management believe that the Q2 result of £378,000 is more reflective of the underlying run rate of the business than the Q1 result. In addition, the Inca business has historically performed better in the second half of the year, with November and December being Inca's most profitable months.

Risks in relation to Inca are less specific than the Avisen business due to the annuity revenue stream, however it still needs to secure new business which it does through its highly trained and professional sales force.

Storage Fusion

Storage Fusion, which was acquired as part of the Xploite acquisition, made an adjusted EBITA loss in the period of £166,000, which was in line with management expectations.

The Board is currently undertaking a full review of this business including pricing strategies, marketing initiatives, cost base and the management structure, with the intention of making the division profitable on a monthly basis. The Board firmly believes that there is significant value in the SRA software, however this has not been fully exploited to date.

Head office

The head office costs for the period, before one off items, were £550,000. Where possible, the Board is actively looking to reduce head office costs in the second half of the year.

One Off Items

One Off Items relate to strategic, integration and other such items which affect the ongoing run rate of the business. Management believes it is appropriate to present these items separately. The costs in the period relate to compromise and redundancy payments of £1,043,000 and Xploite transaction costs of £410,000. It is unlikely that there will be further One Off Items in the second half unless a transaction takes place or management identify further cost saving opportunities.

Acquisitions and disposals

Xploite acquisition

On 28 April 2010, Avisen 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 fair value of the net assets acquired was £3,885,000. The residual goodwill of £5,432,000 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 £5,432,000 was impaired. Following a review of this, the Board has impaired the goodwill by £4,500,000 at 31 July 2010. This is based on current provisional fair values and information available for the half year. An updated, formal impairment review will be carried out at the year end and this may give rise to further adjustment.

Avisen (Pty) Limited (South Africa) disposal

As part of the revised strategy to focus on growing the core business and securing the recurring support revenue, on 14 July 2010, Avisen disposed of its South African operations. This was considered a non-core business and had proven difficult to manage as a result of its geographic location. In addition, the Board believed that the investment required to halt the continued operating losses would be best invested in the core UK business. The disposal of this operation resulted in a gain on disposal of £381,000.

Economic outlook

Whilst the operating businesses are affected by economic cycles, the Group has little exposure to the public sector, which the Board expects to contract in the short and medium term. The Board is actively managing the businesses to ensure operational efficiency and effectiveness. In addition, the appropriate controls are in place to manage the businesses, should external economic factors have an impact on the trading businesses.

Consolidated statement of financial position and cashflows

Non-current assets

Non-current assets in the period have increased from £9,470,000 at 31 January 2010 to £10,826,000 at 31 July 2010. The main reason for this increase is the SRA software acquired as part of the Xploite acquisition which was valued at £921,000. The other key components are the Xploite acquisition goodwill of £932,000 (after impairment) and the disposal of the South Africa goodwill of £200,000. The final component is the amortisation charge for the period of £267,000.

Current assets (including cash)

Trade and other receivables in the year increased from £3,189,000 at 31 January 2010 to £6,505,000 at 31 July 2010. The most significant reason for the increase in receivables is £2,100,000 of deferred consideration receivable which was taken on as part of the Xploite acquisition balance sheet.

Cash in the period increased from £183,000 at 31 January 2010 to £689,000 at 31 July 2010. The most significant reason for the increase is the inflow of cash from the Xploite acquisition of £2,292,000, offset against the cash outflows from operating activities of £1,863,000. The operating cash outflow in the period is due to the operating loss in the period of which the 'one-off' items of £1,453,000 were the main cause of the loss.

Current and Non-current liabilities

Trade and other payables increased in the period. Increases were as a result of the Xploite acquisition balance sheet and accruals for certain compromise payments.

The current tax liability of £431,000 has arisen in the period as a result of the Xploite acquisition.

Borrowings in the period have increased slightly from £663,000 at 31 January 2010 to £837,000 at 31 July 2010. This is mainly as a result of the increased factoring draw down at 31 July 2010 of £330,000, coupled with a repayment of loans in the period of £157,000.

Net current liabilities

The Group had net current liabilities at 31 July 2010 of £2,169,000 (31 January 2010: £3,712,000). Deducting non-financial assets and liabilities from this amount (prepayments of £1,010,000 and deferred income of £2,378,000), the net financial liability position is £801,000 (31 January 2010: £2,570,000). This position has improved mainly as a result of the Xploite acquisition. The Board anticipates that this net liabilities position should continue to improve over the remainder of the year as the trading businesses improve their profitability.

Share capital and reserves

Share capital and merger reserve increased in the period from £7,162,000 and £4,830,000 at 31 January 2010 to £11,160,000 and £10,006,000 at 31 July 2010 respectively, mainly as a result of the issuance of shares as part of the Xploite acquisition. The retained loss increased from £2,722,000 to £8,918,000 as a result of the losses in the period as shown in the consolidated statement of comprehensive income.

Conclusion and outlook

The Board believes that it has seen real improved performance in the operating businesses during the first half of this trading year. The Board will continue to build a platform for growth in the second half of the year and it looks forward to the future with confidence.

Consolidated statement of comprehensive income
Six months ended 31 July 2010

	Notes	Unaudited Six months ended 31 July 2010 £'000	Audited Year ended 31 January 2010 £'000	Unaudited Six months ended 31 July 2009 £'000
Continuing operations				
Revenue		6,054	5,906	1,726
Cost of sales		(3,999)	(3,675)	(790)
Gross profit		2,055	2,231	936
Administrative expenses		(8,261)	(4,985)	(747)
Other operating income		(6,206)	(2,754)	189
		2	20	-
Adjusted* EBITDA		35	(1,358)	213
Less: depreciation		(21)	(37)	(9)
Adjusted* EBITA		14	(1,395)	204
Less: amortisation and impairment of intangible assets		(4,765)	(585)	-
Less: strategic, integration and other one off items	8	(1,453)	(754)	(15)
Operating (loss)/profit		(6,204)	(2,734)	189
Finance income		-	-	7
Finance costs		(69)	(17)	-
Finance (costs)/income - net		(69)	(17)	7
(Loss)/Profit before tax		(6,273)	(2,751)	196
Tax credit		74	56	-
(Loss)/Profit from continuing operations		(6,199)	(2,695)	196
Discontinued operations				
Loss from discontinued operations	6	(378)	(318)	(104)
(Loss)/Profit for the period		(6,577)	(3,013)	92
Other comprehensive income				
Exchange differences on translating foreign operations		(46)	22	-
Gain on disposal of subsidiary undertaking	7	381	-	-
Other comprehensive income for the period, net of tax		335	22	-
(Loss)/Profit for the period attributable to equity shareholders of the company		(6,242)	(2,991)	92
Total comprehensive income attributable to equity shareholders of the company		(6,242)	(2,991)	92
* Adjusted for strategic, integration and other one off items (note 8).				
(Loss)/Earnings per ordinary share expressed in pence per ordinary share from continuing operations:				
Basic	3	(3.32)	(2.11)	0.18
Diluted	3	(3.32)	(2.11)	0.18
(Loss)/Earnings per ordinary share expressed in pence per ordinary share from operations:				
Basic	3	(3.52)	(2.36)	0.08
Diluted	3	(3.52)	(2.36)	0.08

Consolidated statement of financial position
As at 31 July 2010

	Notes	Unaudited As at 31 July 2010 £'000	Audited As at 31 January 2010 £'000	Unaudited As at 31 July 2009 £'000
Assets				
Non-current assets				
Intangible assets	9	2,606	1,952	667
Goodwill	9	8,149	7,417	1,841
Property, plant and equipment		71	101	43
Total non-current assets		10,826	9,470	2,551
Current assets				
Trade and other receivables		6,505	3,189	1,984
Cash and cash equivalents		689	183	754
Total current assets		7,194	3,372	2,738
Liabilities				
Current liabilities				
Trade and other payables		(8,164)	(6,521)	(2,194)
Current tax liabilities		(431)	-	-
Borrowings	10	(768)	(563)	-
Total current liabilities		(9,363)	(7,084)	(2,194)
Non-current liabilities				
Borrowings	10	(69)	(100)	-
Deferred tax		(720)	(536)	-
Total non-current liabilities		(789)	(636)	-
Total liabilities		(10,152)	(7,720)	(2,194)
Net assets		7,868	5,122	3,095
Share capital and reserves				
Share capital	12	11,160	7,162	5,779
Share premium account		6,324	6,463	6,292
Retained earnings		(8,918)	(2,722)	385
Share based payment reserve		904	951	63
Merger reserve		10,006	4,830	2,167
Reverse acquisition reserve		(11,584)	(11,584)	(11,584)
Currency translation reserve		(24)	22	(6)
Total equity attributable to shareholders of the parent		7,868	5,122	3,095

Consolidated statement of changes in equity
Period ended 31 July 2010

£'000	Share capital	Share premium	Share based payments reserve	Merger reserve	Reverse acquisition reserve	Currency translation reserve	Retained earnings	Total
Balance at 1 February 2009	25	329	-	-	-	-	291	645
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 b/f 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)
Shares issued	5,975	657	-	-	-	-	-	6,632
Cost of issuing warrants	-	(162)	-	-	-	-	-	(162)
Merger reserve	-	-	-	4,830	-	-	-	4,830
Share based payment credit	-	-	(63)	-	-	-	-	(63)
Share based payment - issue of options and warrants	-	-	951	-	-	-	-	951
Currency translation reserve	-	-	-	-	-	22	-	22
Total comprehensive income	-	-	-	-	-	-	(3,013)	(3,013)
Total comprehensive income for the year	7,137	6,134	951	4,830	(11,584)	22	(3,013)	4,477
Balance at 31 January 2010	7,162	6,463	951	4,830	(11,584)	22	(2,722)	5,122
Transactions with owners in their capacity as owners:								
Shares issued	4,173	67	-	-	-	-	-	4,240
Cost of issuing warrants	-	(75)	75	-	-	-	-	-
Merger reserve	-	-	-	5,176	-	-	-	5,176
Shares to be held in treasury resulting from disposal of subsidiary	(175)	(131)	-	-	-	-	-	(306)
Gain on disposal of subsidiary	-	-	(122)	-	-	-	381	259
Currency translation reserve	-	-	-	-	-	(46)	-	(46)
Total comprehensive income	-	-	-	-	-	-	(6,577)	(6,577)
Total comprehensive income for the period	3,998	(139)	(47)	5,176	-	(46)	(6,196)	2,746
Balance at 31 July 2010	11,160	6,324	904	10,006	(11,584)	(24)	(8,918)	7,868

Consolidated statement of cashflows
Period ended 31 July 2010

	Notes	Unaudited 31 July 2010 £'000	Audited 31 January 2010 £'000	Unaudited 31 July 2009 £'000
Cash flows from operating activities				
Cash used in operations	a)	(1,794)	(1,196)	(335)
Interest received		-	11	8
Interest paid		(69)	(17)	-
Tax paid		-	(93)	(77)
Net cash used in operating activities		(1,863)	(1,295)	(404)
Cash flows from investing activities				
Acquisition of subsidiaries (net of cash acquired)	11	2,292	663	967
Disposal of subsidiaries (net of cash disposed)	7	(74)	-	-
Purchase of intangible assets		-	(23)	-
Purchase of property, plant and equipment		(29)	(26)	(9)
Expenditure on product development		-	(17)	(281)
Proceeds from sale of property, plant and equipment		27	5	-
Net cash generated from investing activities		2,216	602	677
Cash flows from financing activities				
Net proceeds from issued share capital		-	500	-
(Decrease)/Increase in overdraft		(20)	105	18
Decrease/(Increase) in factoring account		330	(9)	-
Finance lease principal payments		(27)	(5)	-
Repayment of borrowings		(130)	(92)	(12)
Net cash generated from financing activities		153	499	6
Net increase/(decrease) in cash and cash equivalents		506	(194)	279
Cash and cash equivalents at start of period		183	360	468
Effects of foreign exchange		-	17	7
Cash and cash equivalents at end of period		689	183	754

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

	31 July 2010 £'000	31 January 2010 £'000	31 July 2009 £'000
Cash flows from operating activities			
Net cash used in operating activities	(271)	(98)	(3)
Cash flows from investing activities			
Net cash used in investing activities	(74)	-	-
Cash flows from financing activities			
Net cash (used in)/generated from investing activities	-	-	-

Consolidated statement of cashflows
Period ended 31 July 2010

a) Cash used in operations	Unaudited As at 31 July 2010 £'000	Audited As at 31 January 2010 £'000	Unaudited As at 31 July 2009 £'000
Continuing operations			
Loss before tax	(6,273)	(2,751)	196
Adjustments for:			
Finance income/(cost) - net	69	6	(8)
Depreciation charge	22	44	9
Loss on property plant and equipment	39	1	-
Amortisation and impairment	4,765	585	-
Share based payment charge	-	730	-
Increase in trade and other receivables	(755)	(115)	(945)
Increase in trade and other payables	607	448	416
Gain on bargain purchase	-	(46)	-
Foreign currency adjustment	3	-	-
Cash used in continuing operations	(1,523)	(1,098)	(332)
Discontinued operations			
Net loss before tax	(378)	(318)	(104)
Decrease/(increase) in trade and other receivables	1	(314)	(202)
Increase in trade and other payables	156	534	303
Foreign currency adjustment	(50)	-	-
Cash used in discontinued operations	(271)	(98)	(3)
Cash used in operations	(1,794)	(1,196)	(335)

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

	Unaudited As at 31 July 2010 £'000	Audited As at 31 January 2010 £'000	Unaudited As at 31 July 2009 £'000
Increase/(Decrease) in cash in the period	506	(194)	279
Net cash inflow/(outflow) from increase in bank loans and overdrafts including factoring	130	(4)	-
Net cash outflow in respect of overdraft	20	-	-
Net cash inflow in respect of factoring	(330)	-	-
Cash outflow in respect of finance leases	27	5	-
Changes resulting from cash flows	353	(193)	279
Loans and finance leases acquired with subsidiary	(21)	(354)	-
Factoring account acquired with subsidiary	-	(310)	-
Effect of foreign exchange	-	17	7
Change in net funds/(debt)	332	(840)	286
Net (debt)/funds at beginning of period	(480)	360	468
Net (debt)/funds at end of period	(148)	(480)	754
Analysis of net (debt)/funds			
Cash and cash equivalents	689	183	754
Hire purchase and finance lease obligations	(2)	(7)	-
Factoring account	(630)	(300)	-
Bank loans and overdraft	(205)	(356)	-
Net (debt)/funds at end of period	(148)	(480)	754

1 Principal activity

Avisen plc is a public limited company which is listed on the AIM London Stock Exchange and is incorporated and domiciled in the UK. The address of the registered office is 20 Station Road, Gerrards Cross, Buckinghamshire, SL6 2FN. The registered number of the company is 5429800.

The principal activity of the group is the provision of business and technology consultancy with specialisms in performance management, strategy creation, development and implementation.

2 Basis of preparation

The interim results for the six months ended 31 July 2010, have been prepared on the going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future.

The accounting policies applied in the interim consolidated financial information are consistent with those of the annual financial statements for the year ended 31 January 2010 as described in those financial statements except for the impact of the standards applicable for the current financial position described below:

New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 February 2010.

IFRS 3 (revised), 'Business combinations', is effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared to IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interests proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

3 (Loss)/Earnings per share

Basic (loss)/earnings 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 period.

	Unaudited			Audited			Unaudited		
	Six months ended 31 July 2010			Year ended 31 January 2010			Six months ended 31 July 2009		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Loss attributable to equity holders	(6,199)	(378)	(6,577)	(2,695)	(318)	(3,013)	196	(104)	92
Adjustments:									
Amortisation of intangible assets	4,765	-	4,765	585	-	585	-	-	-
Integration, strategic and one off costs	1,453	170	1,623	754	-	754	15	-	15
Adjusted profit/(loss)	19	(208)	(189)	(1,356)	(318)	(1,674)	211	(104)	107
	Pence	Pence	Pence	Pence	Pence	Pence	Pence	Pence	Pence
Basic (loss)/earnings per share	(3.32)	(0.20)	(3.52)	(2.11)	(0.25)	(2.36)	0.18	(0.09)	0.08
Diluted (loss)/earnings per share	(3.32)	(0.20)	(3.52)	(2.11)	(0.25)	(2.36)	0.18	(0.09)	0.08
Adjusted basic earnings/(loss) per share	0.01	(0.11)	(0.10)	(1.06)	(0.25)	(1.31)	0.19	(0.09)	0.10
Adjusted diluted earnings/(loss) per share	0.01	(0.11)	(0.10)	(1.06)	(0.25)	(1.31)	0.19	(0.09)	0.10
			Number			Number			Number
			000's			000's			000's
Basic weighted average number of shares			186,928			127,510			110,412
Impact of share options and warrants			-			-			-
Diluted weighted average number of shares			186,928			127,510			110,412

4 Nature of financial information

The interim information set out above is neither audited nor reviewed and does not represent the statutory financial statements within the meaning of section 435 of the Companies Act 2006 for Avisen plc or for any of the entities comprising the Avisen Group for the period ended 31 July 2010.

The statutory financial statements for the preceding financial year ended 31 January 2010 were filed with the Registrar and included an unqualified auditors' report.

5 Dividends

No dividend is proposed for the six months ended 31 July 2010 (31 January 2010: nil; 31 July 2009: nil).

6 Segmental information

Six months ended 31 July 2010	Head office £'000	Avisen £'000	Inca £'000	Storage Fusion £'000	Total £'000
Continuing operations					
Revenue	-	1,822	4,359	92	6,273
Less: intersegment sales	-	178	41	-	219
Total revenue from third parties	-	1,644	4,318	92	6,054
Cost of sales	-	(1,055)	(2,876)	(68)	(3,999)
Gross profit	-	589	1,442	24	2,055
Total administrative expenses	(6,616)	(327)	(1,128)	(190)	(8,261)
Other operating income	-	2	-	-	2
Adjusted EBITDA	(550)	264	487	(166)	35
Less: depreciation	-	-	(21)	-	(21)
Adjusted EBITA	(550)	264	466	(166)	14
Less: amortisation and impairment of intangible assets	(4,765)	-	-	-	(4,765)
Less: strategic, integration and other one off items	(1,301)	-	(152)	-	(1,453)
Total operating (loss)/profit	(6,616)	264	314	(166)	(6,204)
Finance income	-	-	-	-	-
Finance cost	(1)	(8)	(60)	-	(69)
Finance cost - net	(1)	(8)	(60)	-	(69)
(Loss)/Profit before income tax credit	(6,617)	256	254	(166)	(6,273)
Tax credit	74	-	-	-	74
(Loss)/Profit for the period from continuing operations	(6,543)	256	254	(166)	(6,199)
Loss for the period from discontinued operations	-	(378)	-	-	(378)
Total (loss)/profit for the period	(6,543)	(122)	254	(166)	(6,577)
Discontinued operations					£'000
Revenue					634
Less: intersegment sales					-
Total revenue from third parties					634
Cost of sales					(664)
Gross loss					(30)
Total administrative expenses					(349)
Other operating income					1
Adjusted EBITDA					(208)
Less: depreciation					-
Adjusted EBITA					(208)
Less: amortisation and impairment of intangible assets					-
Less: strategic, integration and other one off items					(170)
Total operating loss					(378)
Finance cost - net					-
Loss before tax					(378)
Tax credit					-
Post tax loss from discontinued activities					(378)

12 months ended 31 January 2010	Head office £'000	Avisen £'000	Inca £'000	Total £'000
Continuing operations				
Revenue	-	2,573	3,911	6,484
Less: intersegment sales	-	294	35	329
Total revenue from third parties	-	2,279	3,876	6,155
Cost of sales	-	(1,944)	(1,979)	(3,923)
Gross profit	-	335	1,897	2,232
Total administrative expenses	(974)	(1,623)	(2,388)	(4,985)
Other operating income	-	-	10	10
Adjusted EBITDA	(842)	(597)	(55)	(1,494)
Less: depreciation	(3)	(5)	(29)	(37)
Adjusted EBITA	(845)	(602)	(84)	(1,531)
Less: amortisation and impairment of intangible assets	(192)	(393)	-	(585)
Less: strategic, integration and other one off items	63	(293)	(397)	(627)
Total operating loss	(974)	(1,288)	(481)	(2,743)
Finance income	8	1	-	9
Finance cost	(1)	(8)	(8)	(17)
Finance cost - net	7	(7)	(8)	(8)
Gain on bargain purchase	-	-	-	-
Loss before income tax credit	(967)	(1,295)	(489)	(2,751)
Tax credit	54	2	-	56
Loss for the year from continuing operations	(913)	(1,293)	(489)	(2,695)
Loss for the period from discontinued operations	-	(318)	-	(318)
Total loss for the year	(913)	(1,611)	(489)	(3,013)
Discontinued operations				£'000
Revenue				1,259
Less: intersegment sales				249
Total revenue from third parties				1,010
Cost of sales				(888)
Gross profit				122
Total administrative expenses				(498)
Other operating income				10
Adjusted EBITDA				(232)
Less: depreciation				(7)
Adjusted EBITA				(239)
Less: amortisation and impairment of intangible assets				-
Less: strategic, integration and other one off items				(127)
Total operating loss				(366)
Finance income				2
Finance cost				-
Finance cost - net				2
Gain on bargain purchase				46
Loss before tax				(318)
Tax credit				-
Post tax loss from discontinued activities				(318)
Gain on disposal of trade and assets				-
Loss from discontinued operations				(318)

7 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 Mr K. Jones, a director of Avisen (Pty) SA Limited.

The results of this subsidiary were reported in the financial statements for the half year ended 31 July 2009 and the year ended 31 January 2010 as continuing operations. Details of the financial performance are set out within the discontinued segmental analysis in note 6.

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

	14 July 2010
	£'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)
Current tax liabilities	-
Total current liabilities	(1,062)
Non-current liabilities	
Borrowings	-
Total non-current liabilities	-
Total liabilities	(1,062)
Net liabilities	(412)

The gain on disposal as shown within equity is as follows:

	31 July 2010
	£'000
Consideration received or receivable:	
Fair value of shares	306
Total disposal consideration	306
Disposal costs	(97)
Carrying amount of net liabilities sold	412
Write off related assets with fellow subsidiaries	(25)
Write off of intercompany balances	(337)
Write back of share based payment charge made in prior years	122
Gain on disposal before income tax	381
Income tax expense	-
Gain on disposal after income tax	381

In accordance with IAS 32 paragraph 23, as the consideration was received in the form of treasury shares the entire gain is shown within equity as this represents a transaction with the company's shareholders.

8 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 period:

	Six months ended 31 July 2010 £'000	Year ended 31 January 2010 £'000	Six months ended 31 July 2009 £'000
Continuing operations			
Integration costs (mainly compromise agreements and redundancy payments)	1,043	112	15
Computer supplies credit (one off)	-	(88)	-
Share based payment charge	-	730	-
Transaction costs	410	-	-
	1,453	754	15
Discontinued operations			
Integration costs (mainly compromise agreements and redundancy payments)	170	-	-
	1,623	754	15

9 Intangible assets including goodwill

At 31 July 2010	Goodwill £'000	Brands £'000	Customer and related contracts £'000	Software £'000	Development costs £'000	Total £'000
Cost						
At 1 February 2010	7,417	252	1,852	23	410	9,954
Additions (note 11)	5,432	-	-	921	-	6,353
Disposals	(200)	-	-	-	-	(200)
At 31 July 2010	12,649	252	1,852	944	410	16,107
Impairment and amortisation						
At 1 February 2010	-	17	175	-	393	585
Amortisation	-	178	22	67	-	267
Impairment	4,500	-	-	-	-	4,500
At 31 July 2010	4,500	195	197	67	393	5,352
Net book amount at 31 July 2010	8,149	57	1,655	877	17	10,755

The goodwill of £5,432,000 in relation to the Xploite acquisition (note 11) 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 £5,432,000 was impaired. Following a review of this, the Board has impaired the goodwill by £4,500,000 at 31 July 2010 as noted above. This is based on current provisional fair values and information available for the half year. An updated, formal impairment review will be carried out at the year end and this may give rise to further adjustment.

At 31 January 2010

	Goodwill £'000	Brands £'000	Customer and related contracts £'000	Software £'000	Development costs £'000	Total £'000
Cost						
At 1 February 2009	279	-	-	-	393	672
Additions	7,138	252	1,852	23	17	9,282
At 31 January 2010	7,417	252	1,852	23	410	9,954
Impairment and amortisation						
At 1 February 2009	-	-	-	-	-	-
Amortisation	-	-	-	-	393	393
Impairment	-	17	175	-	-	192
At 31 January 2010	-	17	175	-	393	585
Net book amount at 31 January 2010	7,417	235	1,677	23	17	9,369

10 Borrowings

	As at 31 July 2010 £'000	As at 31 January 2010 £'000
Current		
Bank borrowings and overdrafts	136	256
Other borrowings - factoring	630	300
Finance leases	2	7
	768	563
Non-current		
Bank borrowings	69	100
Finance leases	-	-
	69	100
Total borrowings	837	663

The maturity of total borrowings is as follows:

	Bank borrowings and overdrafts £'000	Hire purchase and finance leases £'000	Other borrowings - factoring £'000	Total £'000
31 July 2010				
Within one year	136	2	630	768
Between one and two years	69	-	-	69
	205	2	630	837
31 January 2010				
Within one year	256	7	300	563
Between one and two years	83	-	-	83
Between two and five years	17	-	-	17
	356	7	300	663

Bank borrowings

Interest on the bank overdraft is charged at 3.45% over Natwest's base rate. Interest on the other borrowings is charged at 2.75% above the greater of LIBOR, the base rate or 4%.

At 31 July and 31 January 2010 total bank borrowings were secured by a debenture comprising a fixed and floating charge over all the assets of the group including all present and future freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital both present and future.

At 31 July and 31 January 2010 total borrowings in respect of other borrowings were secured by a debenture comprising a fixed factoring facility.

The factoring facility available to the group at 31 July and 31 January 2010 was £750,000. At 31 July 2009 there was no factoring facility.

Fair values

The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant.

Foreign currency

The carrying amounts of all the group's borrowings in both 2010 and 2009 are denominated in UK Sterling.

Facilities

The group had £120,000 (31 Jan 2010: £450,000) of un-drawn factoring facilities at 31 July 2010. There were no facilities at 31 July 2009.

11 Business combinations

On 28 April 2010, Avisen Plc acquired the entire share capital of Xploite plc, a group of companies whose main operating business is Storage Fusion Limited, a SRA software business which own a range of tools that are focussed on storage analytics.

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

	£'000
Purchase consideration:	
Value of shares issued in Avisen plc	9,317
Total purchase consideration	9,317

The provisional fair value of the assets and liabilities recognised as a result of the acquisition are as follows:

	Provisional Fair value £'000
Cash and cash equivalents	2,292
Property, plant and equipment	83
Intangible assets - Software	921
Receivables	2,915
Payables	(2,069)
Deferred tax on software intangible asset	(257)
Net identifiable assets acquired	3,885
Goodwill	5,432
	9,317

IFRS 3 (revised) was applied to the acquisition of Xploite plc and its subsidiaries on 28 April 2010. Acquisition related costs of £410k have been recognised in the income statement as detailed in note 8. These would previously have been included in the consideration for the business combination.

12 Share capital

	As at 31 July 2010 £'000	As at 31 January 2010 £'000
Authorised		
233,469,964 (Jan 2010: 150,000,000) ordinary shares of 5p each	1,673	7,500
Allotted, called up and fully paid		
226,699,878 (Jan 2010: 143,230,616) ordinary shares of 5p each	11,335	7,162
3,500,000 ordinary shares to be held in treasury	(175)	-
	11,160	7,162

13 Post balance sheet events

Settlement of claim

As disclosed in the Company's circular released in respect of the acquisition of Xploite in April 2010, on 19 February 2010, Xploite received details of potential claims amounting to approximately £4.5 million in relation to an ongoing dispute between VBHG Limited a former subsidiary of Xploite, and Cantono PLC ("Cantono").

Avisen has continued to negotiate with Cantono since the date at which the Circular was issued with a view to reaching a settlement which is agreeable to both parties. As a result of these negotiations, it was agreed on 12 October 2010 that an amount of £300,000 will be paid to Cantono in the near term, with a further potential payment of £300,000, only payable in certain circumstances relating to an exit or disposal within 3 years, in full and final settlement of the claim, to be satisfied from the Group's existing resources.

Allotment of shares

On 4th August 2010, the Company allotted 1,430,688 ordinary shares of 5p in the Company in consideration for the cancellation of all loan stock, in relation to the acquisition of i-Centric Consulting (Proprietary) Limited.