

30 July 2010

**Avisen plc (AIM: AVI)**

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

**Final results for the year ended 31 January 2010**

The board of directors of Avisen (the “Board”), the AIM quoted performance management specialist, is pleased to announce the Company’s final results for the year ended 31 January 2010.

**Highlights**

- Revenues increased to £7.2m (10 months ended 31 January 2009:£2.4m)
- Successfully integrated six key acquisitions
- Since the half year the new acquisitions have significantly contributed to overall Group revenues, with Inca (acquired August 2009) adding £3.9m to Group revenues for the full year
- Pre tax losses increased to £3.1m, partly due to the costs associated with integrating new acquisitions. Adjusted for exceptional items, the loss before interest and tax was £1.7m
- Significant customer wins including; Tesco Direct, MITIE, Napp Pharmaceuticals, Tullow Oil and Lloyd’s Register

**Post Balance Sheet Highlights**

- Disposed of non core business, Avisen (PTY) Limited
- Acquisition of Xploite PLC (“Xploite”), which has now been successfully integrated
- Appointed Mark Battles as Non-Executive Interim Chairman and Claire Milverton as Chief Financial Officer
- The Group is trading in line with management expectations on a monthly basis

Commenting on the results announcement Marcus Hanke, CEO of Avisen, said;

**“The results for the year ended 31 January 2010, showed a notable increase in revenue, with sales of £7.2m compared to £2.4m for the 10 months ending 31 January 2009. Despite this growth, pre tax losses also increased to £3.1m. This was influenced by the fact that the Company integrated a number of acquisitions during the period. The adjusted earnings before interest and tax figure for the year showed a loss of £1.7m.**

**“I am delighted to state the integration issues have now been addressed and the Group is trading in line with management expectations on a monthly basis. Our strategy of positioning Avisen as a niche provider of software supported solutions during the period has set the business up for robust future growth.**

**“I am proud of what we have achieved in 2009 and I am excited about the opportunities that lie ahead. Avisen has won substantial engagements with major blue chip national and international customers and I am confident that we will continue to do so.”**

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## **Chief Executive Officer's Statement**

### **Overview**

The Avisen group's ("The Group") results for the year ended 31 January 2010, showed a notable increase in revenue, with sales of £7.2m compared to £2.4m for the 10 months ended 31 January 2009. Despite this growth, pre tax losses also increased to £3.1m, which was influenced by the fact that the Company integrated a number of acquisitions during the period. The adjusted earnings before amortisation, interest and tax for the year showed a loss of £1.7m (2009: £0.04m). I am delighted to state the integration issues have now been addressed and the Group is trading in line with management expectations on a monthly basis.

Our disciplined management enabled us to take advantage of the extraordinary market conditions, ensuring that despite the economic downturn, we have positioned the business well for robust future growth. This was achieved by positioning Avisen as a niche provider of software supported solutions, in areas such as cost-to-serve and profitability management. We have focussed on gaining closer relationships with our clients in order to increase levels of customer retention. We also continued to help clients with complex, industry-leading and transformational projects such as the Heineken CIL Program, which is core to our product offering.

We have successfully executed our strategy to consolidate the IBM/Cognos software distribution channel and establish Inca as EMEA's leading distributor of the Cognos product suite. This has given the business the increased levels of recurring revenue that it needed, significantly diversifying our business risk.

### **Post Year End**

Post year end the Company disposed of Avisen (Pty) Limited SA. This was considered a non-core business and had proven difficult to manage as a result of its geographic location. The year-end EBITA loss of £239,000 substantiates this and therefore the decision was taken to divest the trading entity, to its existing management.

As announced on 3 March 2010, Avisen acquired Xploite on 27 April. Xploite's main operating business is that of Storage Fusion, a Storage Resource Analysis software business. Avisen believes that Xploite offers an excellent strategic fit and synergy potential in the performance management market. With this transaction, Avisen, intends to strengthen its position in the business and technology consultancy sector.

I would like to thank Ian Smith, Anthony Weaver and Michael Frank for their help with the successful acquisition of Xploite. Following the full integration of Xploite into the wider business, Mr. Smith, Mr. Weaver and Mr. Frank have left the Company to pursue other interests.

### **Conclusion and Outlook**

The Group has a positive cash balance as at the date of this report and in September 2010 will receive the deferred consideration due to it following the sale of the Company's Anix division which was announced by Xploite on 26 May 2009. It is anticipated that this will return £2.15m following a settlement with Affiliated Computer Services Inc.

I am proud of what we have achieved in 2009 and I am excited about the opportunities that lie ahead. Avisen has won substantial engagements with major blue chip national and international customers and I am confident that we will continue to do so.

We remain intently focused on our clients so that we can continue to generate value for them, while ensuring that we are well-positioned to take advantage of growth opportunities which will in turn generate further shareholder value.

I would like to welcome Mark Battles, who joined as Non-Executive Interim Chairman of Avisen on 26 July 2010. Additionally we would like to welcome Claire Milverton who will be taking the permanent role of Chief Financial Officer with immediate effect following her appointment as interim Chief Financial Officer in May 2010.

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

Marcus Hanke  
Chief Executive Officer  
29 July 2010

## **Business and Financial Review**

### **Business review**

Avisen is a business management consultancy and software provider that designs, implements and supports solutions that enable clients to improve their operating performance and profitability.

From small, highly targeted projects to the transformation of entire organisations – we build strong relationships with a diverse mix of clients across a broad range of sectors.

### **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 business review following the merger with Xploite and the key objectives for the year ahead are:

- Improve organic growth in software, support and services by doing the following:
  - Continue to improve customer service and support in order to attract new customers and maintain the existing customer base
  - Market the increased software portfolio offerings of IBM products and continuing to align our service offering to that of IBM
  - Service the mid market enterprises on behalf of IBM and extend our IBM channel relationship through joint marketing campaigns
  - With the support of IBM, taking affordable products and services used by large corporations to the mid market sector
  - Build a partner channel and internal team to leverage our exclusive software distribution rights
- Complete the integration process of the merged businesses
  - Consolidate processes and systems
  - Build a team culture based on customer service and delivery of excellence
  - Utilise our own methods and processes within our own organisation

### **Markets and environment**

More than 23,000 leading companies and organisations around the world choose Cognos performance management solutions. These companies use business intelligence software to understand performance and make better decisions; analytics software to model and understand business dynamics; and financial performance management software to set targets and allocate the resources to achieve them.

The Board's view is consistent with Gartner Inc, the world's leading information technology research and advisory company, in that; "Through 2011, organisations that use performance management applications to support a performance-driven culture will outperform their peers by 30%." (Gartner Predicts 2010: Business Intelligence and Performance Management Matters)

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. Currently within the large corporate market we see the following needs and demands for our services and products continuing:

- Support in developing a clear strategy and plan
- Support in focussing and aligning the Board
- Support in developing robust governance processes
- Improved management information that enables timely decision making
- Use of analytics to develop insight into market dynamics and operational performance
- An understanding of the true cost and profitability of their customers

These needs are also found within the mid market and IBM has stated that it aims to channel this service to meet demand, by offering more products and services to the mid market.

## **Brands and market position**

### **Inca**

Inca is the largest UK IBM Cognos partner, providing customers with the full suite of IBM business analytics products. IBM Cognos and business analytics software solutions enable senior level executives and their teams to analyse, manage and monitor their organisation's performance.

Inca's professional services division has implemented IBM Cognos solutions for over 400 companies across a range of industry sectors, many of which are supported by Inca's application support centre.

Inca's advisory business helps its customers to transform their processes and organisation to extract the most value from the software implementations. This differentiates Inca from other partners by increasing the value delivered and reducing the propensity for churn to other products or providers.

### **Avisen**

Avisen is a niche business and technology consultancy specialising in corporate performance management with a focus on strategy creation, development and implementation. It provides advisory services and software distribution of solutions in the corporate performance management market. Avisen provides specialist advice to enable organisations to build more effective capabilities to manage the performance of their businesses and allow them to achieve their desired targets.

Although niche, the Avisen brand is uniquely positioned as it has the exclusive UK distribution rights for Acorn Systems' products.

## **Review of the year**

Avisen was admitted to trading on AIM on 2 February 2009 following its reverse takeover of Z Group plc.

Since its admission, Avisen has pursued a "buy and build" strategy in the corporate performance management market and completed the following acquisitions during the year ended 31 January 2010:

26.02.2009	Purchase of trade and certain assets of Wexner Global Ltd for £120,000 (Strategy and performance management firm)
24.04.2009	Purchase of EON Enterprises/Infocube Ltd for £585,130 (IBM Cognos Reseller )
01.06.2009	Purchase of trade and certain assets of Quadrum Consulting (Pty) Ltd for £200,000 (IBM Cognos Reseller)
20.08.2009	Purchase of Inca Holdings Ltd for £3,500,000 (IBM Cognos Reseller)
31.10.2009	Purchase of i-Centric Consulting (Pty) Ltd for £185,989 (IBM Cognos Reseller)

During the period, Avisen's management team has focused on integrating these new businesses. This process was completed during the first half of 2010, following the acquisition of Xploite plc.

Significant customers acquired during the year were;

- Tesco Direct
- MITIE
- Lloyds TSB Asset Finance
- Napp Pharmaceuticals
- Tullow Oil
- Lloyd's Register

## Resources

The group has or seeks to develop businesses with the following key resources which assist in its pursuit of its key objectives:

“Improve organic growth in software, support and services”

- Management and employees who have extensive knowledge of the key markets
- Experienced internal sales team
- Strong distribution channels and established working relationships with business partners; primarily IBM and Acorn Systems;
- Well-established and respected brands in the target market
- Quality products and services with strong market positions
- Access to financial resources
- New Head of Support and supporting software and processes
- Proprietary methods and a knowledge base

“Complete the integration process of the merged businesses”

- Highly qualified and stable employee base
- Internal resource skilled at integration of acquisitions

## Principal risks

“Improve organic growth in software, support and services”

The principal market risks are that the current slowdown may continue and that competition may reduce the Group’s market share and margins. In order to mitigate these risks, the Group constantly monitors the market through its own sales force, through participation in industry Groups and monitoring of competitors. This information enables us to make informed decisions about where the sales force should be targeting and aids our discussions with suppliers.

Due to the recession and continuing slow-down, companies may require a robust business case before investing in information assets. This may have the effect of increasing deal cycles and reducing deal size. However, we believe this will be offset against an increase in demand for consulting services to support the clients through this process.

The growth of lower cost open source Business Intelligence (“BI”) solution will be a competitive threat to IBM BI products and the software reselling model. This is a medium term concern which the Board is actively managing.

“Complete the integration process of the merged businesses”

In the case of existing business and businesses that may be acquired the Group’s critical external relationships are with its major customers and its major suppliers. The Group maintains its relationships with its customers through the efforts of its sales force, including key account managers.

Acquisitions play a key role in the strategy and the successful integration and operation of the acquired businesses represents a commercial risk to the Group. This risk is mitigated by a very structured approach to the integration process, dedicated teams and careful monitoring of performance post acquisition.

## Operational risks

Key management and consultants may leave the business.

In order to mitigate these operational risks, the Group aims to create a rewarding working environment that will attract staff by offering competitive salaries and benefits, structured career paths, tailored training and by encouraging free thinking and innovation.

Disruptive weather or damage to the office

All files etc are backed up off site and all staff have access to laptops to continue working should such an incident occur

A major failure may adversely disrupt operations.

The Group prepares recovery plans for most foreseeable situations so that our business operations can continue should a major failure occur.

A failure of the IT infrastructure may disrupt operations.

The Group is embarking on a programme of moving all IT infrastructure, to third party providers. This will reduce the risk and cost of managing the infrastructure and the sole reliance on key individuals in the team

Unfavourable economic conditions.

In the case of unfavourable economic conditions the Group would need to assess the ongoing costs of the business and rationalise where appropriate. If these steps were not sufficient to make businesses commercially viable then the Board would have to reconsider the Group's overall strategy.

### Commercial relationships

The principal risks around our commercial relationships are that some of our offerings are dependent on third parties and are susceptible to rapid technological change. Any absence or failure of key third-party products could have a material effect on our business. To mitigate this risk, we keep under review all key commercial relationships and developments in technology in our marketplace.

### Financial review

#### Consolidated results for the year

Group revenue for the year was £7,165,000 (10 months ended 31 January 2009 £2,406,000). The operating loss for the year was £3,109,000 (10 months ended 31 January 2009 loss of £115,000). This increase was partially due to the cost of integrating acquisitions. The adjusted\* EBITA for the period was a loss of £1,770,000 (10 months ended 31 January 2009 loss of £40,000). The current year period includes the results of Avisen plc, Avisen Group Ltd, subsidiaries of Avisen Group Ltd and the acquisitions made during the year. The comparative period shows the consolidated results of Avisen Group Limited following the application of reverse acquisition accounting principles.

A summary of the results for each year by segment is set out below:

<b>Year ended 31 January 2010</b>	<b>Head office £'000</b>	<b>Avisen £'000</b>	<b>Inca £'000</b>	<b>South Africa £'000</b>	<b>Total £'000</b>
Sales	-	2,279	3,876	1,010	7,165
Gross profit	-	335	1,897	122	2,354
<b>Adjusted* EBITA</b>	<b>(845)</b>	<b>(602)</b>	<b>(84)</b>	<b>(239)</b>	<b>(1,770)</b>
Amortisation and impairment of intangible assets	(192)	(393)	-	-	(585)
One off items	63	(293)	(397)	(127)	(754)
<b>Operating loss</b>	<b>(974)</b>	<b>(1,288)</b>	<b>(481)</b>	<b>(366)</b>	<b>(3,109)</b>
Interest and gain on bargain purchase	7	(7)	(8)	48	40
Loss before tax	(967)	(1,295)	(489)	(318)	(3,069)
Tax	54	2	-	-	56
Loss for the year	(913)	(1,293)	(489)	(318)	(3,013)

<b>10 months ended 31 January 2009</b>	<b>Head office £'000</b>	<b>Avisen £'000</b>	<b>South Africa £'000</b>	<b>Total £'000</b>
Sales	-	2,112	294	2,406
Gross profit	-	1,202	101	1,303
<b>Adjusted* EBITA</b>	<b>(264)</b>	<b>196</b>	<b>28</b>	<b>(40)</b>
Amortisation and impairment of intangible assets	-	-	-	-
One off items	-	(75)	-	(75)
<b>Operating loss</b>	<b>(264)</b>	<b>121</b>	<b>28</b>	<b>(115)</b>
Interest	-	14	1	15
Loss before tax	(264)	135	29	(100)
Tax	-	5	-	5
Loss for the year	(264)	140	29	(95)

\*Adjusted for strategic, integration and other one off items as detailed in Note 3 to the preliminary statement.

#### **Adjusted\* EBITA**

Focussing on the Group's key performance measure of adjusted EBITA, the following observations can be made;

- Head office costs are significantly higher than in the previous period as the Company was not an AIM listed company in 2009 and did not have the costs of a full board and other costs associated with a listed company.
- The Avisen consulting business did not generate the revenues anticipated in 2009, this is partly due to management attention being focussed on the acquisitions. In addition, there were a number of pilot sales made in the financial year ended 2010 which did not contribute significantly to the results of 2010 but following its success will form the basis of improved revenue and gross profit in 2011.
- Inca Software Limited and Inca Technology International Limited were integrated at the end of 2010. The full benefits of the integration were not visible in 2010 due to duplication of costs.

#### **Amortisation and impairment of intangible assets**

This includes the impairment of brought forward research and development expenditures capitalised of £393,000 and the charge for the year on acquired intangibles of £192,000.

#### **One off items**

It will be the policy of the Group going forward to separately identify costs of duplication and integration so that a normalised run rate of the businesses can be established and compared on a like for like basis each year. The separation of such costs was not identified in the year ended 31 January 2010. The main one off cost in 2010 is a £730,000 share based payment charge. This charge arose as share options were granted and vested in the year to 31 January 2010 and in accordance with IFRS 2 the whole share option charge therefore has to be charged in this period. Unless new options are granted in future years, there will not be this charge going forward.

#### **Tax**

The tax credit in the year is in relation to the release of deferred tax provision on the amortisation of intangible assets. There is no current tax charge in the year.

#### **Consolidated statement of financial position**

##### **Non-current assets**

The most significant component of non-current assets is the intangible asset balance of £9,369,000 (2009: £672,000). This has mainly arisen as a result of the acquisitions made in the year. Management have carried out an impairment review which supports the carrying value of the assets. Certain brought forward research and development assets were impaired by £393,000 in the year.

##### **Net current liabilities**

The Group had net current liabilities of £3,712,000 at 31 January 2010. However, if non-financial assets and liabilities are deducted from this amount (prepayments of £775,000 and deferred income of £1,917,000), the net financial liability position is £2,570,000. Following the funding received as a result of the acquisition of Xploite and the set up of payment plans, this net liabilities position is being continually reduced on a monthly basis.

The Group's cash balance was £183,000 at 31 January 2010. It had borrowings of £663,000. The borrowings included a factoring balance of £300,000. A factoring facility of £750,000 was available at 31 January 2010.

Following the acquisition of Xploite in April 2010 and as a result of the future prospects of the Group, the Board believes that it is appropriate to prepare the financial statements on the going concern basis. The Board has prepared detailed cash flow projections to support this assumption.

#### **Non-current liabilities**

This comprises a £100,000 bank loan and a deferred tax liability of £536,000 which arises on the acquisition of intangible assets.

#### **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 and the creation of the reverse acquisition reserve.

#### **Consolidated statement of cash flows**

Whilst the Group made an operating loss before tax of £3,109,000, when certain non-cash items in the profit and loss account, such as depreciation, amortisation and the share based payment charge, are added this then equates to an outflow of £1,749,000. The Group also managed its working capital of £553,000 to reduce the operating cash used in operations to £1,196,000. The Company paid net interest of £6,000 and tax of £93,000 to give a net cash used in operating activities figure of £1,295,000 for the year.

The Group had net cash inflows of £602,000 from investing activities (primarily cash balances on the purchase of subsidiaries) and net cash inflows from financing of £499,000 (issuance of ordinary share capital).

The overall decrease in cash in the year was £194,000 which with the brought forward balance at 1 February 2009 and the effect of foreign exchange resulted in a year end combined cash balance of £183,000.

#### **Key Performance Indicators (KPIs)**

The Board is focussed on a number of KPIs that are used to measure performance.

##### **Growth in revenues - KPI met**

2010 revenues were £7.1m, 2009 revenues were £2.4m. This equates to growth of £4.7m (196%). This increase was mainly due to the growth through acquisition of the Inca business (£3.9m). Some organic growth was also made in the Avisen and South African businesses.

##### **Growth in total gross profit - KPI met**

2010 gross profits were £2.4m, 2009 gross profits were £1.3m. This equates to growth of £1.1m (46%). Again, this increase is mainly due to the acquisition of Inca which contributed £1.9m to the 2010 gross profit.

##### **Growth in total EBITA - KPI not met**

2010 had an EBITA (£1.7m loss), 2009 EBITA (£0.5m loss). The increase in the loss in the period was due to the reasons noted above which include integration costs as well as management attention being focussed on pursuit of acquisitions.

#### **Group prospects and future developments**

The management team remains committed to continuing its stated strategy of:

- Improve organic growth in software, support and services
- Continue to review any potential acquisition targets

**Consolidated statement of comprehensive income**  
**Year ended 31 January 2010**

	Note	2010 £'000	10 months ended 31 January 2009 £'000
<b>Continuing operations</b>			
<b>Group revenue</b>	2	7,165	2,406
Cost of sales		(4,811)	(1,103)
<b>Gross profit</b>		<b>2,354</b>	<b>1,303</b>
Administrative expenses		(5,483)	(1,418)
		(3,129)	(115)
Other operating income		20	-
Adjusted* EBITDA		(1,726)	(33)
Less: depreciation		(44)	(7)
Adjusted* EBITA		(1,770)	(40)
Less: amortisation and impairment of intangible assets		(585)	-
Less: strategic, integration and other one off items	3	(754)	(75)
<b>Operating loss</b>		<b>(3,109)</b>	<b>(115)</b>
Finance income		11	16
Finance costs		(17)	(1)
Finance costs - net		(6)	15
Gain on bargain purchase		46	-
<b>Loss before tax</b>		<b>(3,069)</b>	<b>(100)</b>
Tax credit	4	56	5
<b>Loss for the year</b>		<b>(3,013)</b>	<b>(95)</b>
<b>Other comprehensive income</b>			
Exchange differences on translating foreign operations		22	-
Other comprehensive income for the year, net of tax		22	-
<b>Total comprehensive income</b>			<b>-</b>
Loss for the year		(3,013)	(95)
<b>Loss for the year attributable to equity shareholders of the company</b>		<b>(2,991)</b>	<b>(95)</b>
<b>Total comprehensive income attributable to equity shareholders of the company</b>		<b>(2,991)</b>	<b>(95)</b>
<b>Earnings/(loss) per ordinary share</b>			
<b>expressed in pence per ordinary share:</b>			
- basic	7	(2.36)	(0.12)
- diluted	7	(2.36)	(0.12)

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

**Avisen plc**  
**Consolidated statement of financial position**  
**As at 31 January 2010**

	Notes	2010 £'000	2009 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets including goodwill	5	9,369	672
Property, plant and equipment		101	33
<b>Total non-current assets</b>		<b>9,470</b>	<b>705</b>
<b>Current assets</b>			
Trade and other receivables		3,189	641
Cash and cash equivalents		183	360
<b>Total current assets</b>		<b>3,372</b>	<b>1,001</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		6,521	903
Current tax liabilities		-	158
Borrowings		563	-
<b>Total current liabilities</b>		<b>7,084</b>	<b>1,061</b>
<b>Non-current liabilities</b>			
Borrowings		100	-
Deferred tax		536	-
<b>Total non-current liabilities</b>		<b>636</b>	<b>-</b>
<b>Total liabilities</b>		<b>7,720</b>	<b>1,061</b>
<b>Net assets</b>		<b>5,122</b>	<b>645</b>
<b>Shareholders' equity</b>			
Called up share capital	6	7,162	25
Share premium account	6	6,463	329
Share based payment reserve		951	-
Merger reserve		4,830	-
Reverse acquisition reserve		(11,584)	-
Currency translation reserve		22	-
Retained earnings		(2,722)	291
<b>Total equity attributable to shareholders of the parent</b>		<b>5,122</b>	<b>645</b>

**Avisen plc**  
**Consolidated statement of changes in equity**  
**Year ended 31 January 2010**

<b>£'000</b>	<b>Share Capital</b>	<b>Share Premium</b>	<b>Share Based Payments Reserve</b>	<b>Merger Reserve</b>	<b>Reverse Acquisition Reserve</b>	<b>Currency Translation Reserve</b>	<b>Retained Earnings</b>	<b>Total</b>
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 acquisition allowing for goodwill	-	-	-	-	(6,144)	-	-	(6,144)
Shares and warrants issued in the year	5,975	657	-	-	-	-	-	6,632
Cost of issuing shares and warrants in the year	-	(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

<b>£'000</b>	<b>Share Capital</b>	<b>Share Premium</b>	<b>Share Based Payments Reserve</b>	<b>Merger Reserve</b>	<b>Reverse Acquisition Reserve</b>	<b>Currency Translation Reserve</b>	<b>Retained Earnings</b>	<b>Total</b>
Balance at 1 March 2008	21	207	-	-	-	-	386	614
Shares issued in the period	4	122	-	-	-	-	-	126
Share based payment transaction	-	-	-	-	-	-	-	-
Profit/(loss) for the period	-	-	-	-	-	-	(95)	(95)
Total comprehensive income for the period	4	122	-	-	-	-	(95)	30
Balance at 31 January 2009	25	329	-	-	-	-	291	645

**Avisen plc**  
**Consolidated statement of cash flows**  
**Year ended 31 January 2010**

	Notes	2010 £'000	10 months ended 31 January 2009 £'000
<b>Cash flows from operating activities</b>			
Cash used in operations	(a)	(1,196)	(279)
Interest received		11	16
Interest paid		(17)	(1)
Tax paid		(93)	(92)
<b>Net cash used in operating activities</b>		<b>(1,295)</b>	<b>(356)</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries (net of cash acquired)		663	(25)
Purchase of intangible assets		(23)	-
Purchase of property, plant and equipment		(26)	-
Expenditure on product development		(17)	(386)
Proceeds from sale of property, plant and equipment		5	-
<b>Net cash generated from/(used in) investing activities</b>		<b>602</b>	<b>(411)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary share capital		500	61
Increase in overdraft		105	-
Decrease in factoring account		(9)	-
Finance lease principal payments		(5)	-
Repayment of borrowings		(92)	-
<b>Net cash generated from financing activities</b>		<b>499</b>	<b>61</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(194)</b>	<b>(706)</b>
Cash and cash equivalents at start of year		360	1,066
Effect of foreign exchange		17	-
<b>Cash and cash equivalents at end of year</b>	(b)	<b>183</b>	<b>360</b>

## Notes to the consolidated statement of cash flows

### (a) Cash used in from operations

	2010 £'000	10 months ended 31 January 2009 £'000
<b>Continuing operations</b>		
Operating loss	(3,109)	(115)
Adjustments for:		
Depreciation charge	44	7
Loss on disposal of fixed assets	1	-
Amortisation and impairment	585	-
Share based payment charge	730	-
Decrease/(increase) in trade and other receivables	(429)	125
Increase/(decrease) in trade and other payables	982	(296)
<b>Cash used in continuing operations</b>	<b>(1,196)</b>	<b>(279)</b>

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

	2010 £'000	10 months ended 31 January 2009 £'000
Decrease in cash in the year	(194)	(706)
Net cash inflow from increase in bank loans and overdrafts including factoring	(4)	-
Cash outflow in respect of finance leases	5	-
Changes resulting from cash flows	(193)	(706)
Loans and finance leases acquired with subsidiary	(354)	-
Factoring account acquired with subsidiary	(310)	-
Effect of foreign exchange	17	-
Change in net debt	(840)	(706)
Net funds at beginning of year	360	1,066
Net (debt)/funds at end of year	(480)	360
<b>Analysis of net funds/(debt)</b>		
Cash and cash equivalents	183	360
Hire purchase and finance lease obligations	(7)	-
Factoring account	(300)	-
Bank loans and overdraft	(356)	-
Net (debt)/funds	(480)	360

## Notes to the preliminary announcement for the year ended 31 January 2010

### 1. Basis of preparation

The preliminary results for the year ended 31 January 2010 have been prepared in accordance with the accounting policies set out in its annual report for the period ended 31 January 2009.

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.

### 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 2010 is as follows:

31 January 2010	Head Office £'000	Avisen £'000	Inca £'000	South Africa £'000	Total £'000
<b>Continuing operations</b>					
Revenue	-	2,573	3,911	1,259	7,743
Less: intersegment sales	-	294	35	249	578
<b>Total revenue from third parties</b>	-	2,279	3,876	1,010	7,165
Cost of sales	-	1,944	1,979	888	4,811
<b>Gross profit</b>	-	335	1,897	122	2,354
<b>Total administrative expenses</b>	974	1,623	2,388	498	5,483
<b>Other operating income</b>	-	-	10	10	20
Adjusted EBITDA	(842)	(597)	(55)	(232)	(1,726)
Less: depreciation	(3)	(5)	(29)	(7)	(44)
Adjusted EBITA	(845)	(602)	(84)	(239)	(1,770)
Less: amortisation and impairment of intangible assets	(192)	(393)	-	-	(585)
Less: strategic, integration and other one off items	63	(293)	(397)	(127)	(754)
<b>Total operating loss</b>	(974)	(1,288)	(481)	(366)	(3,109)
Finance income	8	1	-	2	11
Finance cost	(1)	(8)	(8)	-	(17)
Finance cost – net	7	(7)	(8)	2	(6)
Gain on bargain purchase	-	-	-	46	46
<b>Loss before tax</b>	(967)	(1,295)	(489)	(318)	(3,069)
Tax (charge)/credit	54	2	-	-	56
<b>Loss for the year from continuing operations</b>	(913)	(1,293)	(489)	(318)	(3,013)
<b>Segment assets</b>	10,303	1,271	2,297	877	14,748
<b>Segment liabilities</b>	(960)	(2,043)	(5,592)	(1,031)	(9,626)
<b>Segment net assets</b>	9,343	(772)	(3,295)	(154)	5,122
<b>Additions in the year by segment</b>					
Intangible assets	8,342	17	-	200	8,559
Property, plant and equipment	-	-	16	35	51

The segment information provided to the Board for the reportable segments for the year ended 31 January 2009 is as follows:

10 months ending 31 January 2009	Head Office £'000	Avisen £'000	South Africa £'000	Total £'000
<b>Continuing operations</b>				
Revenue	-	2,859	294	3,153
Less: intersegment sales	-	747	-	747
<b>Total revenue from third parties</b>	-	2,112	294	2,406
Cost of sales	-	910	193	1,103
<b>Gross profit</b>	-	1,202	101	1,303
<b>Total administrative expenses</b>	264	1,081	73	1,418
Adjusted EBITDA	(264)	200	31	(33)
Less: depreciation	-	(4)	(3)	(7)
Adjusted EBITA	(264)	196	28	(40)
Less: amortisation and impairment of intangible assets	-	-	-	-
Less: strategic, integration and other one off items	-	(75)	-	(75)
<b>Total operating profit/(loss)</b>	(264)	121	28	(115)
Finance income	-	15	1	16
Finance cost	-	(1)	-	(1)
Finance cost – net	-	14	1	15
<b>Profit/(loss) before tax</b>	(264)	135	29	(100)
Income tax credit/(expense)	-	5	-	5
<b>Profit/(loss) for the year from continuing operations</b>	(264)	140	29	(95)
<b>Segment assets</b>	-	1,676	29	1,705
<b>Segment liabilities</b>	-	1,060	-	1,060
<b>Segment net assets</b>	-	616	29	645
<b>Additions in the year by segment</b>				
Intangible assets	-	454	-	454
Property plant and equipment	-	-	27	27

### 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:

	2010 £'000	10 months ended 31 January 2009 £'000
Compromise agreements and redundancy payments	112	75
Computer supplies credit (one off)	(88)	-
Share based payment charge	730	-
	754	75

#### 4. Tax charge

	2010	10 months ended 31 January 2009
	£'000	£'000
<b>Continuing operations</b>		
Current tax	(2)	(5)
Deferred tax (note 16)	(54)	-
Total tax charge/(credit)	(56)	(5)

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

	2010	10 months ended 31 January 2009
	£'000	£'000
Loss before tax - continuing operations	(3,069)	(100)
Profit/(loss) before tax multiplied by the average effective rate of tax in the UK of 28% (2009: 28%)	(859)	(28)
Effect of:		
Depreciation	15	2
Amortisation	105	-
Capital allowances	(4)	-
Items disallowed for tax	327	7
Losses Group relieved	-	47
Losses carried forward	254	-
Other timing differences	184	(28)
Prior year adjustment	(24)	(5)
	(2)	(5)

## 5. Intangible assets

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 (note 20)	7,138	252	1,852	23	17	9,282
Disposals	-	-	-	-	-	-
<b>At 31 January 2010</b>	<b>7,417</b>	<b>252</b>	<b>1,852</b>	<b>23</b>	<b>410</b>	<b>9,954</b>
Impairment and amortisation						
At 1 February 2009	-	-	-	-	-	-
Impairment	-	-	-	-	393	393
Amortisation	-	17	175	-	-	192
Disposals	-	-	-	-	-	-
<b>At 31 January 2010</b>	<b>-</b>	<b>17</b>	<b>175</b>	<b>-</b>	<b>393</b>	<b>585</b>
<b>Net book amount at 31 January 2010</b>	<b>7,417</b>	<b>235</b>	<b>1,677</b>	<b>23</b>	<b>17</b>	<b>9,369</b>

## 6. Share capital and share premium

	2010 £'000	2009 £'000
<b>Authorised</b>		
150,000,000 (2009: 100,000,000) ordinary shares of 5p each	7,500	5,000
<b>Allotted, called up and fully paid</b>	<b>Number</b>	<b>Number</b>
Ordinary shares of 5p each	143,230,621	23,745,880

	Number of shares	Allocated, called up and fully paid shares £'000	Share premium £'000	Total £'000
At 1 February 2008 – legal subsidiary	2,515,100	25	329	354
At 1 March 2008 – legal parent	23,745,880	1,187	5,968	7,155
Eliminated on reverse acquisition	(2,515,100)	(25)	(329)	(354)
At 1 February 2009	23,745,880	1,187	5,968	7,155
Issue of shares	116,206,079	5,811	321	6,132
Issue of warrants	3,278,689	164	336	500
Cost of issuing warrants	-	-	(162)	(162)
<b>At 31 January 2010</b>	<b>143,230,648</b>	<b>7,162</b>	<b>6,463</b>	<b>13,625</b>

## 7. Earnings/(loss) per ordinary share

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

	<b>2010</b> <b>£'000</b>	<b>2009</b> <b>£'000</b>
Loss attributable to equity holders	(3,013)	(95)
Adjustments:		
Amortisation of intangible assets	585	-
Integration, strategic and one off costs	754	75
<b>Adjusted loss</b>	<b>(1,674)</b>	<b>(20)</b>
	<b>Pence</b>	<b>Pence</b>
Basic loss per share	(2.36)	(0.12)
Diluted loss per share	(2.36)	(0.12)
Adjusted basic loss per share	(1.31)	(0.03)
Adjusted diluted loss per share	(1.31)	(0.03)
	<b>Number</b> <b>000's</b>	<b>Number</b> <b>000's</b>
Basic weighted average number of shares	127,510	2,515
Impact of share options and warrants	*	-
Diluted weighted average number of shares	<u>127,510</u>	<u>2,515</u>

\* The Group had 14,066,694 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 period 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. In association with the above, where there is a loss per share from continuing operations, the share options and share warrants are not considered dilutive and hence the diluted earnings per share is the same as the basic.

On 28<sup>th</sup> April 2010 the company announced the purchase of the entire share capital of Xploite plc realising the issue of 82,813,525 ordinary new shares.

## 8. Events after the balance sheet date

### Xploite Plc – acquisition

On 27<sup>th</sup> April 2010, the Group acquired the entire share capital of Xploite plc, a Group of companies whose main operating business was Storage Fusion Limited, a SRA software business which owns a range of tools that are focussed on storage analytics.

Details of the acquisition are as follows:

	<b>£'000</b>
Purchase consideration:	
Value of shares issued	12,008
Total purchase consideration	12,008
Fair value of assets acquired (excluding intangible assets)	3,320
<b>Goodwill and intangible assets</b>	<b>8,688</b>

The goodwill is attributable to the management team and the synergistic benefits that can be brought to the Avisen plc Group. The intangible assets relate to customer lists and software.

The assets and liabilities arising from the acquisition, provisionally determined, are as follows:

	<b>Fair value</b>
	<b>£'000</b>
<hr/>	
<b>Assets</b>	
<b>Non current assets</b>	
Property, plant and equipment	165
<b>Current Assets</b>	
Trade receivables	49
Other receivables and prepayments	2,611
Bank and cash balances	2,292
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Trade payables	(484)
Other payables and accruals	(1,313)
	<hr/>
	3,320
	<hr/>

#### **Avisen (Pty) Limited SA and subsidiary i-centric Consulting (Pty) Limited – disposal**

On 14<sup>th</sup> July 2010 the Group transferred the entire interest in its South African subsidiary, to Mr Jones, a director of Avisen (Pty) Limited. Avisen (Pty) Limited represents the entire South African operating segment.

#### **9. Status of preliminary announcement**

The financial information set out above does not constitute the group's statutory accounts for the years ended 31 January 2010 or 2009. Statutory accounts for 2009 have been delivered to the Registrar of Companies. The auditors have reported on the 2009 accounts; their reports were (i) unqualified (ii) did not include references to any matters which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain statements under section 498(2) or (3) of the Companies Act 2006. The statutory accounts for 2010, which are being prepared under IFRSs as adopted by the EU will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies and made available on the Company's website, [www.avisen.com](http://www.avisen.com), in due course.

The Annual General Meeting of the Company will be held at the offices of Strand Hanson Limited, 26 Mount Row, London W1K 3SQ on 8 September 2010 at 12 noon.