

ANNUAL REPORT 2007

CUSTOMVIS™



WINNER
INNOVATION
EXCELLENCE AWARD



WINNER
EMERGING EXPORTER AWARD

CORPORATE DIRECTORY

DIRECTORS

Non-Executive Director and Chairman

Emanuel Rosen

EXECUTIVE DIRECTORS

Paul van Saarloos

Mukesh Jain

SECRETARY

Narinder Elhence

COMPANY NUMBER

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OPERATING & FINANCIAL REVIEW

INTRODUCTION

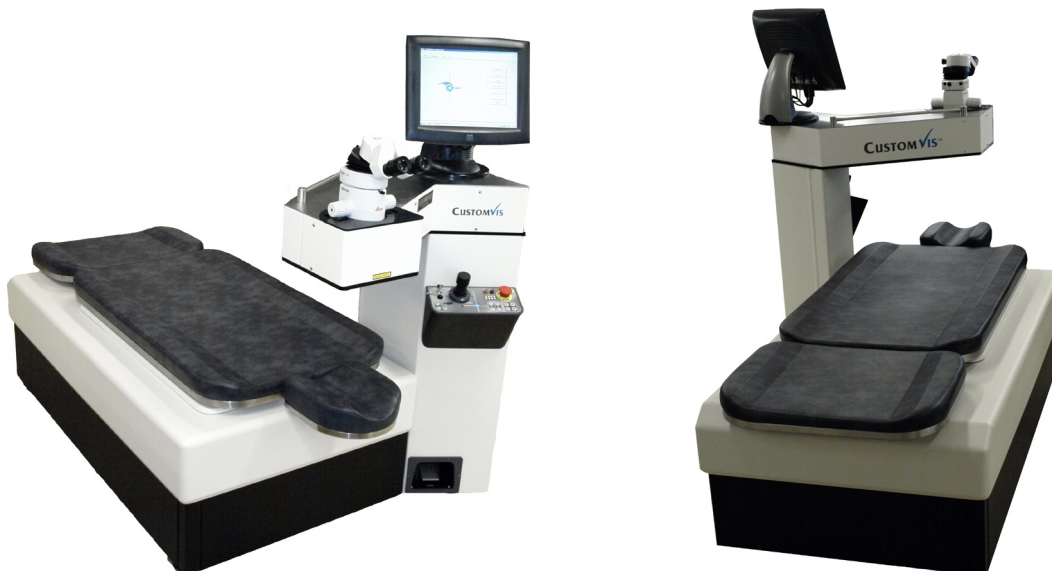
CustomVis develops, manufactures and sells laser systems for refractive surgery of the eye. It is currently the only company in the world marketing a solid state laser to perform this surgery. Solid state is widely accepted as the next generation technology for this industry and has the potential to eventually replace all the gas excimer lasers currently used for this purpose.

The CustomVis laser also has the most advanced eye tracking system in the industry, capable of tracking more types of eye movements with better accuracy and substantially higher response speeds compared with current excimer lasers. The Company's laser is the only system designed from the ground up for customised surgery, which in turn optimises the result for each eye. It is capable of correcting myopia, astigmatism and hyperopia. In addition, development work is being conducted to use the laser to correct presbyopia. The laser is currently in use in 12 countries and over a thousand eyes are treated with this new technology every month.

The CustomVis Pulzar Z1 is a solid state refractive laser. The excimer lasers in use today use fluorine gas, which is toxic, degrades quickly causing fluctuations in energy, and is increasingly difficult to ship and store. It is the Company's belief that a move away from the use of fluorine gas will become a key selling point with surgeons.

Solid state provides a far more reliable laser that is much simpler to use. It can be quickly turned on at any time with virtually no cost. With fast start up times, consistent energy levels, lower running costs and faster overall treatment times, the Directors believe that solid state is a commercially superior laser for performing refractive surgery. In addition, the results from the Company's laser are not affected by the hydration state of the corneal tissue and it does less thermal damage, and consequently the Directors believe the solid state wavelength is also more suitable for refractive surgery.

Clinical results from the CustomVis laser are consistent with those of the excimer laser and have been well received by surgeons. With leading eye tracking and laser control parameters the CustomVis laser has the potential to out-perform the excimer lasers in terms of clinical results. It is the Directors' view that this potential will be reached as further experience is gained with solid state technology.



OVERVIEW OF THE TRADING YEAR

The Group made a loss for the year of £1,438,318 (2006: £2,159,919) after recognising a charge of £107,860 (2006: £3,543) arising as a result of the requirement to adopt Financial Reporting Standard 20: Share-based payments ("FRS 20") on turnover of £880,613 (2006: £89,088).

The 2006/07 financial year has seen the Company make significant progress. In June 2006, just before the start of the financial year this report covers, the Company re-launched the Pulzar Z1 laser. Progress to date includes the installation of 20 lasers, the treatment of approximately 20,000 eyes and an established sales order flow. In recent months, the Company's production capability has been shown to be in excess of three lasers per month.

During the year under review the Company raised £1,383,646 (net of issue expenses) via a placing of 30,500,000 ordinary shares at 5p per share to fund ongoing operations and growth. The net cash outflow from operating activities during 2006/07 decreased to £1,706,887 compared to £2,287,355 in the corresponding year. The Directors are confident that they will be able to fund ongoing operations and growth through existing and prospective sales and other options the Board is currently pursuing.

The recent focus of the Directors has been on increasing production to three lasers per month and to devote more time and attention to the sales and marketing effort. Since 1 July 2007 the company has made 10 firm sales. The Company has yet to achieve its internal sales target of selling three lasers a month due to the intense competitive pressures in the marketplace. However the Directors remain confident that based on the current sales pipeline they are optimistic of achieving this target for the remainder of 2007/08.

During the course of the audit of the financial statements for the year ended 30 June 2007 the Company was advised that certain sales of lasers which had previously been classified as leased sales in the Company's books, should be classified as outright sales. The interim results for the six months ended 31 December 2006 did not recognise income on this basis. Accordingly, the Directors have re-issued the interim results for the six months ended 31 December 2006 to reflect the correct accounting treatment.

In addition, we have adopted FRS 20 ("share based payments") which requires the determination of "fair value" of all employee options and share based payments and for this value to be recognised as an expense in the financial statements. The impact of this change is detailed in Note 25.

SALES AND MARKETING

In the year ended 30 June 2007, CustomVis installed 9 lasers. These sales being based on receipt by the Company of a deposit and regular payments over a fixed term, typically two years.

There are significant barriers for companies wishing to enter the laser refractive surgery market. Most of the Company's competitors are large multinational companies who are currently spending large sums of money marketing their lasers.

The lasers are high value products which are typically purchased by individual doctors. To date, doctors have tended to purchase lasers from large companies as they are more confident those companies will be better placed to service their needs during the expected useful life of the device.

The vast majority of eyes undergoing surgery using these devices are considered to be normally sighted eyes and to date excimer lasers have demonstrated reliable and consistent results. As a result, surgeons are naturally very nervous about trying new technology until it has been fully proven.

The aggressive marketing of our competitors is increasingly being directed at CustomVis. However, our growing installed base now provides evidence against claims made by our competitors that solid state does not work as effectively as excimer lasers. The Directors believe the aggressive negative marketing effort by our competitors is the strongest indication that the Company is starting to threaten the market share of those companies.

CustomVis continues to demonstrate its lasers at the world's major ophthalmic conferences and the feedback to date has been very positive. In addition, it has taken a more direct approach to some markets, providing strong clinical, technical and experienced sales support. This approach has been successful and has allowed the Company to establish a sales order flow into a limited number of countries. We intend to continue this approach in order to expand into new regions.

PRODUCTION

In recent months the CustomVis production department has been working hard to demonstrate it is able to manufacture a minimum of three Pulzar Z1 laser systems per month in order to meet what the Directors believe will be the short term future demand for the product.

The production facility has been expanded and improved to handle the storage and assembly requirements of the increased manufacturing activity.

CustomVis has recruited additional skilled production personnel in the period to ensure that manufacturing deadlines are met and that stringent quality controls are maintained. All components are thoroughly inspected and tested prior to installation in one of our laser systems.

CustomVis' engineers are dedicated to performing intensive test programs on every Pulzar Z1 refractive laser to ensure the products leaving the factory are accurate, safe and reliable products.

RESEARCH AND DEVELOPMENT

Research and development remains a key element of CustomVis. This work can be divided into three main areas; reducing the cost of production, developing new products and adding new treatment parameters to the Pulzar Z1 laser.

CustomVis is currently six months into a two year project focused upon significantly reducing the cost of production of the Pulzar Z1. The Directors are pleased with progress to date and are confident that they will be able to reduce the cost of manufacture of the Company's laser such that it will have a significant cost of goods advantage over the excimer laser products in the marketplace.

In the period under review the Company has been awarded a significant R&D grant from the Australian Federal Government to develop a multipurpose laser. This project is expected to lead to the development of a new laser system that is not only an enhanced refractive laser, but will also take advantage of the solid state nature of the laser to allow ophthalmologists to perform types of treatments excimer lasers are not currently capable of performing. The multi-purpose nature of this laser is expected to encourage those ophthalmologists who would not otherwise have made the capital investment to enter this market.

CustomVis is also working on a low cost retinal imaging device that is expected to be launched in the current financial year. Preliminary market research conducted by our distributors suggests this device has the potential to generate significant revenues within the next three years. The Company also has other products under development, which are expected to be launched in the short to medium term.

The new treatment parameter for the Pulzar Z1 laser that is generating particular interest is a treatment for people with Presbyopia. Presbyopia becomes an issue for practically all people as they age. For most, this condition occurs in their 40's. The market to treat this condition is considerable. CustomVis has developed and is trialling a new multi-zone treatment for Presbyopia. To date, the treatment parameters have undergone three adjustments during the trials. The results from all treatments when analyzed together are extremely encouraging, with 95% of those treated being satisfied or extremely satisfied with their bilateral near and far vision. More importantly, the Directors consider the preliminary results from the test group after the last adjustment of parameters to be excellent. If these results continue, then there is likely to be a very large market opportunity for the Company.

REPRESENTATIONS AT TRADESHOWS AND CONFERENCES

The attendance at trade shows and conferences is an important element of the sale and marketing efforts, as it provides the opportunity to demonstrate the ease of use of the Pulzar Z1, allowing attendees a direct comparison between the quiet operation of the Solid State Pulzar Z1 against the very noticeable noise levels generated by excimer lasers, and to also allow potential customers to appreciate the small footprint and physical size of Pulzar Z1, its turnkey operation and its simplicity of use.

The company continues to stimulate interest in the Pulzar Z1 product through attendance of relevant conferences as follows;

- The ESCRS (European Society of Cataract and Refractive Surgeons) held at EXCEL, London in September 2006.
- AAO (American Academy of Ophthalmology) in Las Vegas in November 2006
- AIOS (All India Ophthalmological Society) in Hyderabad, India in February 2007
- The ESCRS Winter Conference in Athens in February 2007
- APAO (Asia Pacific Academy of Ophthalmology) in Lahore, Pakistan in February 2007
- ARVO (The Association for Research in Vision and Ophthalmology) in Singapore in March 2007
- ASCRS (American Society of Cataract and Refractive Surgeons) in San Diego in April 2007
- IOA (Indonesian Ophthalmologist Association) in Jakarta in June 2007
- SFO (Societe Francaise d'Ophtalmologie) in Paris in May 2007
- 20th International Congress of German Ophthalmic Surgeons in May 2007
- MEACO – Middle East African Council of Ophthalmology in Dubai in March 2007

In the current year CustomVis intends to continue its strategy of exhibiting at trade conferences in order to demonstrate to the ophthalmic community the benefits and advantages of Solid State technology.

The company recently attended the ESCRS (European Society of Cataract and Refractive Surgeons) Conference in Stockholm, Sweden and the AAO (American Academy of Ophthalmology) in New Orleans, and is scheduled to attend the following trade conferences between 1 November 2007 and 30 June 2008

- RANZCO (Royal Australian and New Zealand Conference of Ophthalmology) in Perth in November
- AIOS (All India Ophthalmological Society) in Bangalore, India in January 2008
- The ESCRS Winter Conference in Barcelona in February 2008
- ASCRS (American Society of Cataract and Refractive Surgeons) in Chicago in April 2008
- WOC (World Ophthalmic Congress) & APAO (Asia Pacific Academy of Ophthalmology) in Hong Kong, in June 2008

PULZAR Z1 INSTALLED LOCATIONS



Australia Perth	India Ahmedabad Delhi	Greece Crete	Poland Warsaw
Azerbaijan Baku	Hyderabad Kanpur Mehasana	Netherlands Amsterdam	Portugal Lagoa
Colombia Medellin	Mumbai Udaipur	Pakistan Lahore	Singapore (2 Systems installed)
Indonesia Bandung	Iraq Erbil	Philippines Manilla	South Korea Jungu City Seoul

CURRENT TRADING

Since 30 June 2007 the company has signed firm sale contracts for ten lasers and is in the process of finalising sale contracts for another four lasers by end November 2007. The demand for the Company's product continues to be strong despite a highly competitive market place and the Directors are confident that they can achieve the target of selling three lasers per month.

SUMMARY

Overall the company has made solid progress during the year ended 30 June 2007:

- Turnover has increased to £880,613 compared to £89,088 in 2006.
- Other operating income has increased to £328,307 compared to £166,246 in 2006.
- Loss per ordinary share on a diluted basis has reduced to 1.80p (2006: 3.89 p)

The executive officers are to be congratulated on their continued strenuous efforts to develop the Pulzar Z1 laser to its current high performance levels and world wide sales. At the recent European Cataract & Refractive Surgeons conference in Sweden, there was a very active interest in the laser with evidence of serious intent to pursue purchases. The company now looks forward to its next stage of development.

Chairman
Emmanuel Rosen

REPORT OF THE DIRECTORS

The Directors submit their report and the financial statement for the year ended 30 June 2007.

PRINCIPAL ACTIVITY

The principal activity of the group is the manufacture and sale of laser optical equipment for use within the laser vision correction industry.

BUSINESS REVIEW

The directors' business review is set out in the Overview of the Trading Year on pages 1 and 2 of the Operating and Financial Review.

GOING CONCERN

Having considered the guidance given in the document Going Concern and Financial Reporting: Guidance for Directors of Listed Companies Registered in the UK issued in November 1994 by the Going Concern Working Group, the Directors have formed a judgement that, at the time of approving these financial statements there is a reasonable expectation that the Group has adequate resources and likely income to continue in operational existence for the foreseeable future and therefore adopt the going concern basis for the financial statements. Further details are given in Note 1.1 on Page 15.

PRINCIPAL RISKS AND UNCERTAINTIES

The key risks and uncertainties facing the business are as follows:

- Retention of key operational and executive staff.
- Ability to continuously produce, improve and sell the Lasers to meet competitive pressures.
- Ability to generate sufficient cash flows through sales and other mechanisms to support operations and growth.
- Reduce cost of production and improve margins by improving the product.

The Directors are satisfied that adequate measures are in place to mitigate the above risks and uncertainties facing the business.

KEY PERFORMANCE INDICATORS

Over the next twelve months the Group will measure its performance based on the following key performance indicators:

- The Group is targeting to produce and sell three lasers per month.
- The number of patients treated by the CustomVis solid state laser is expected to exceed 30,000.
- Research & development effort is directed to reducing the production costs by at least 10% and at least one more product should be prepared for release.
- Increase the installed base of lasers around the world from 20 to 50.

RESEARCH AND DEVELOPMENT

The group's research and development policy (all of which is dealt with by the subsidiary undertaking) is set out on Page 3 of the Operating and Financial Review.

DIVIDENDS

The Directors are unable to recommend payment of a dividend.

POST BALANCE SHEET EVENTS

Since the balance sheet date the Company has sold ten lasers and is currently in discussion with several prospective customers in Asia, the Middle East and Europe.

PAYMENT OF CREDITORS

It is the policy of the Company and the Group to settle creditors' accounts within the terms agreed with individual suppliers at the inception of a contract or order being made. As at 30 June 2007, the creditor days for the group was calculated at 30 days (2006: 25 days)

INFORMATION SUPPLIED TO AUDITORS

Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware.

FINANCIAL INSTRUMENTS

The Company's financial risk management objective is broadly to seek to make neither profit nor loss from exposure to currency or interest rate risks. Its policy is currently to finance working capital through funds raised from share issues and sales. Other than using its foreign currency accounts to pay suppliers, the company does not use hedge accounting. The Company's exposure to the price risk of financial instruments is therefore minimal. As the counterparty to all financial instruments, other than debtors and creditors, is its bankers, it is also exposed to minimal credit and liquidity risks in respect of these instruments; its cash flow risk in respect of forward currency purchases is also minimal as it aims to pay suppliers in accordance with their stated terms. The directors do not consider any other risks attaching to the use of financial instruments to be material to an assessment of the Company's and Group's financial position or results.

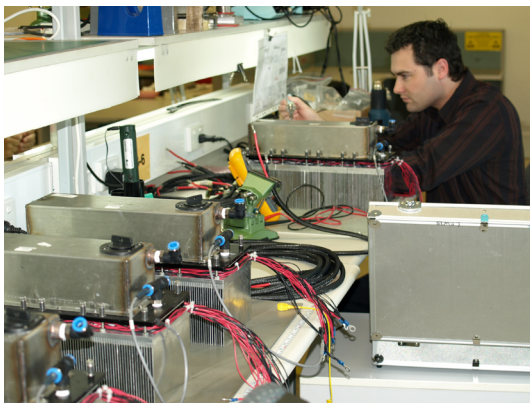
CORPORATE GOVERNANCE

During the year each Director has ensured that appropriate governance standards have been adopted in all aspects of the company operations. The company has set up a Remuneration and an Audit Committee which consist of key executives and which have met regularly during the year. The Executive Group also meets regularly to manage all aspects of the business including Production, Research & Development, Sales and Marketing, Financial & Commercial management and key risks.

PEOPLE & PREMISES

The Group continues to recruit and retain highly qualified and motivated staff. During the year the staff numbers have increased from 25 to 36. The increase in headcount has been mainly in Production. Looking forward there is a need to increase the headcount in Sales and Marketing to further enhance our selling efforts and to provide greater coverage in all parts of the world.

The Group continues to base its Production and Administration facilities in Australia, with its registered office in the United Kingdom.



DIRECTORS' REMUNERATION AND THEIR INTERESTS

The directors who served during the year and their interests in the Company at the balance sheet date and at the start of the year are as stated below:

DIRECTORS' SALARIES

Name of Directors	Salary and Fees (£)	Pension Contributions (£)	Total (£)
Emanuel Rosen	12,003	1,808	13,811
Paul van Saarloos	119,369	10,779	130,148
Mukesh Jain	140,222	12,612	152,834

DIRECTORS' SHAREHOLDINGS

	Ordinary Shares of 5p each	
	2007	2006
Paul van Saarloos	9,042,912	9,042,912
Emanuel Rosen	32,718	32,718
Mukesh Jain	-	-

DIRECTORS' OPTIONS

In addition to the above shareholdings certain of the directors who served during the year also have the following share options over ordinary shares of 5p each:

Name	Date of Grant	At 1 July 06	Options Granted/ Transferred	At 30 June 07	Exercise Price (£)
Mukesh Jain	10 Feb 05	100,000	-	100,000	0.05
Mukesh Jain	10 Feb 05	250,000	-	250,000	0.60
Mukesh Jain	01 Feb 07	-	1,000,000	1,000,000	0.05
Mukesh Jain	10 Mar 07	-	200,000	200,000	0.06
Paul van Saarloos	01 Feb 07	-	3,000,000	3,000,000	0.10

The market price of CustomVis shares at 30 June 2007 was 4.625p. During the year the share price at its highest value was 6.875p and its lowest was 1.75p.

Details of these options are given in note 25 to the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required to give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

AUDITORS

The auditors PKF (UK) LLP have indicated their willingness to continue in office.

This report was approved by the Board on 23th November 2007 and signed on its behalf by

Paul van Saarloos
Chief Executive Officer

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CUSTOMVIS PLC

We have audited the group and parent company financial statements ('the financial statements') of CustomVis plc for the year ended 30 June 2007 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. The information in the directors' report includes that specific information presented in the operating and financial review that is cross referenced from the business review section of the directors' report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the directors' report and the operating and financial review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 30 June 2007 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the directors' report is consistent with the financial statements.

EMPHASIS OF MATTER – GOING CONCERN

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosure made in note 1.1 to the financial statements concerning the company and group's ability to continue as a going concern. The group incurred a net loss of £1.44 million for the year ended 30 June 2007 and at that date its net assets totalled £ 2.40 million. As explained in note 1.1 for the group to continue as a going concern it is dependent on income from future sales. The projections prepared by the directors include assumptions on the timing and amounts of such future sales which indicate the existence of a material uncertainty which may cast significant doubt on the company and the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company and group was unable to continue as a going concern.

PKF (UK) LLP
Registered Auditors
Glasgow, UK

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2007

	Notes	2007 £	As restated 2006 £
Turnover	2	880,613	89,088
Cost of sales		(482,917)	(32,318)
Gross profit		397,696	56,770
Administrative expenses - Operational		(2,111,771)	(2,452,072)
- Share based payments		(107,860)	(3,543)
Other operating income		328,307	166,246
Operating loss	3	(1,493,628)	(2,232,599)
Interest receivable and similar income	4	55,310	72,680
Loss on ordinary activities before taxation		(1,438,318)	(2,159,919)
Tax on loss on ordinary activities	6	-	-
Loss on ordinary activities after taxation transferred to reserves	15	(1,438,318)	(2,159,919)
Loss per Ordinary Share			
Basic	7	(1.80)p	(3.89)p
Diluted	7	(1.80)p	(3.89)p

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30 JUNE 2007

	2007 £	2006 £
Loss for the financial year	(1,438,318)	(2,159,919)
Currency translation differences on foreign currency net investments	(17,777)	(14,800)
Total recognised gains and losses relating to the year	(1,456,095)	(2,174,719)
Prior period adjustment	27 (309,155)	
Total gains and losses recognised since last annual report	(1,765,250)	

All the above figures relate to continuing activities.

THE NOTES ON PAGES 15 TO 31 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

GROUP BALANCE SHEET AS AT 30 JUNE 2007

	Notes	2007		As restated 2006	
		£	£	£	£
Fixed assets					
Intangible assets	8		-		-
Tangible assets	9		218,662		296,471
			<u>218,662</u>		<u>296,471</u>
Current Assets					
Stock	11	1,117,917		945,589	
Debtors (of which £ 401,666 (2006 : £ NIL) is due after more than one year)	12	923,481		71,382	
Cash at bank and in hand		897,399		1,237,786	
			<u>2,938,797</u>		<u>2,254,757</u>
Creditors: amounts falling due within one year	13	(618,951)		(187,992)	
Net current assets			<u>2,319,846</u>		<u>2,066,765</u>
Total assets less current liabilities			<u>2,538,508</u>		<u>2,363,236</u>
Creditors: amounts falling due after more than one year	13		(139,861)		-
Net assets			<u>2,398,647</u>		<u>2,363,236</u>
Capital and reserves					
Called up share capital	14		4,765,957		3,240,957
Share premium account	15		10,301,015		10,442,369
Option reserve	15		417,015		309,155
Foreign currency translation reserve	15		127,189		144,966
Profit & loss account	15		(13,212,529)		(11,774,211)
Equity shareholders funds	16		<u>2,398,647</u>		<u>2,363,236</u>

The financial statements were approved and authorised for issue by the Board on 23th November 2007 and were signed on its behalf by

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Paul van Saarloos
Director

THE NOTES ON PAGES 15 TO 31 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

COMPANY BALANCE SHEET AS AT 30 JUNE 2007

	Notes	2007		As restated 2006	
		£	£	£	£
Fixed assets					
Tangible assets	9.1		116,864		-
Investments	10		-		-
			116,864		-
Current Assets					
Debtors (of which £1,211,222 (2006 :£ 2,717,748) is due after more than one year)	12.1	1,598,616		2,721,050	
Cash at bank and in hand		293,640		324,760	
		1,892,256		3,045,981	
Creditors: amounts falling due within one year	13.1	(128,334)		(16,267)	
Net current assets			1,763,922		3,029,714
Total assets less current liabilities			1,880,786		3,029,714
Creditors: amounts falling due after more than one year	13.1		(139,861)		-
Net assets			1,740,925		3,029,714
Capital and reserves					
Called up share capital	14		4,765,957		3,240,957
Share premium account	15		10,301,015		10,442,369
Option reserve	15		417,015		309,155
Profit & loss account	15		(13,743,062)		(10,962,767)
Equity shareholders funds	16		1,740,925		3,029,714

The financial statements were approved and authorised for issue by the Board on 23th November 2007 and were signed on its behalf by

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Paul van Saarloos
Director

THE NOTES ON PAGES 15 TO 31 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Notes	2007 £	As restated 2006 £
Reconciliation of operating loss to net cash outflow from operating activities			
Operating loss		(1,493,628)	(2,232,599)
Depreciation and amortisation	3	134,580	100,493
Loss on sale of fixed assets	3	-	13,028
Share based payments		107,860	3,543
Increase in stock		(172,328)	(11,695)
(Increase) / Decrease in debtors		(852,099)	107,233
Increase / (Decrease) in creditors		570,820	(269,976)
Exchange rate differences arising on cash balances		(2,092)	2,618
Net cash outflow from operating activities		(1,706,887)	(2,287,355)
Cash Flow Statement			
Net cash outflow from operating activities		(1,706,887)	(2,287,355)
Return on investments and servicing of finance	23	55,310	72,680
Capital expenditure	23	(72,456)	3,260
		(1,724,033)	(2,211,415)
Financing	23	1,383,646	1,484,203
Decrease in cash in the year	24	(340,387)	(727,212)
Reconciliation of net cash flow to movement in net funds			
Decrease in cash in the year		(340,387)	(727,212)
Net funds at 30 June 2006		1,237,786	1,964,998
Net funds at 30 June 2007		897,399	1,237,786

THE NOTES ON PAGES 15 TO 31 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. ACCOUNTING POLICIES

1.1 Fundamental accounting concept and basis of preparation of financial statements

At the balance sheet date the group had £ 0.90 million of cash, £0.76 million of creditors (of which £0.62 million due within one year) and no long term debt.

The Directors are encouraged by the sales made during 2006/07 and by the further sales made since the balance sheet date. The directors have prepared financial projections for the period beyond twelve months from the date of signing these financial statements. Based on the projected income to be generated from future sales and including a cost management programme the directors are pursuing, the directors believe that the going concern basis continues to be appropriate.

In addition to above the Directors' are also pursuing a number of additional funding options and are currently in discussions with several parties.

Whilst the company has historically not met its financial projections the Directors have reviewed the current forward projections and are confident that they are achievable.

The financial statements are prepared under the historical cost convention. The Group has consistently applied all relevant accounting standards, except that Financial Reporting Standard Number 20 – Share-based payment ("FRS 20") has been adopted for the first time this year.

1.2 Basis of Consolidation

The Group financial statements consolidate the financial statements of CustomVis plc and its subsidiary undertaking up to 30 June 2007. No profit and loss account is presented for CustomVis plc as permitted by section 230 of the Companies Act 1985. CLVR Pty. Ltd has been included in the Group financial statements using the acquisition method of accounting. Accordingly, the primary financial statements include the results and cash flows of CLVR Pty. Ltd. for the year. The loss incurred by the parent Company for the year ended 30 June 2007 was £2,780,295 (2006 – loss of £846,018 (as restated))

1.3 Turnover

Turnover comprises income from the following:

- The discounted contract value of lasers sold and installed in the period, adjusted for amounts attributable to warranty income ;
- Operating lease income in respect of installed lasers, which is recognised evenly over the duration of the lease agreement ;
- Service income which is recognised when the service has been provided.

The warranty element of all lasers is credited to a deferred revenue account and is recognised in turnover evenly over the warranty period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1.4 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of 5 years and is subject to annual impairment reviews. At 30 June 2007 goodwill was fully written off.

1.5 Patents

Patents are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful life of 2 years.

1.6 Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit and loss over the expected useful lives of the assets by equal annual instalments. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

1.7 Research and development

Research expenditure is written off to the profit and loss account in the period in which it is incurred. Development costs are also charged to the profit and loss account in the year of expenditure.

1.8 Tangible fixed assets and depreciation

Depreciation is provided at rates to write off the cost less residual value of each asset over its expected useful life, as follows:

Plant and machinery	18.75 to 100% reducing balance
Fixtures, fittings and equipment	15 to 50% reducing balance
Leasehold improvements	15% reducing balance
Leased assets	Over the life of the lease.

1.9 Investments

Fixed asset investments are stated at cost less accumulated impairment losses.

1.10 Stock

Stock is valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition is accounted for as follows:

Raw materials – purchase cost on a first in, first out basis; and

Finished goods and work in progress – cost of direct materials, labour and attributable overheads incurred in bringing finished goods and work in progress to its present location and condition.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1.11 Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

1.12 Financial instruments

Shares are included in shareholders' funds. Other instruments are included as liabilities if they contain an obligation to transfer economic benefits and if not they are included within shareholders' funds. The groups financial instruments comprise cash and liquid resources and various items such as debtors, trade creditors etc that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. Any finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

1.13 Foreign currencies

Company

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at the balance sheet date. All differences are taken to the profit and loss account as they occur.

Group

The balance sheet of the overseas subsidiary undertaking is translated at the rate of exchange ruling at the balance sheet date and the profit and loss account is translated at an average rate. Exchange differences arising on the retranslation of opening net assets are taken directly to reserves. All other translation differences are taken to the profit and loss account in the period in which they arise.

1.14 Deferred taxation

The charge for taxation is based on the results for the year as adjusted for tax purposes. Full provision is made for taxation deferred in respect of timing differences, except where the standard states that the provision should not be made. Deferred tax assets are not recognised where it is not certain that future profits will be sufficient to allow these balances to be recovered. Deferred tax balances are not discounted.

1.15 Pensions

The Group makes defined contributions to a group pension scheme and to a number of personal pension schemes. Pension contributions are charged to the profit and loss account as incurred. Differences between contributions payable and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

1.16 Share Based Payments

The Group has applied the requirements of Financial Reporting Standard Number 20 – Share- based payment.

The Group issues equity settled payments to certain employees. Equity settled share based payments are measured at fair value (excluding the effect of non market based vesting conditions) at the date of the grant. The fair value, determined at the grant date, of the equity settled share based payments, is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market based vesting conditions.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

2. SEGMENTAL ANALYSIS – TURNOVER

	2007 £	2006 £
Geographic Analysis by Origin:		
Australasia	880,613	89,088
	880,613	89,088
Geographic Analysis by Destination:		
UK/Europe	57,459	50,621
Australasia	273,856	38,467
Rest of the World	549,298	-
	880,613	89,088

Business Analysis

The group predominantly operates within the laser vision correction industry. An analysis of the loss before tax and net assets is given below

	2007 Profit / (Loss) before tax £	2006 Profit / (Loss) before tax £	2007 Net assets / (liabilities) £	2006 Net assets / (liabilities) £
UK	493,962	(175,481)	12,941,738	10,926,447
Australia	(1,932,280)	(1,984,438)	(10,543,091)	(8,563,211)
	(1,438,318)	(2,159,919)	2,398,647	2,363,236

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

3. OPERATING LOSS	2007	2006
	£	£
Operating loss is stated after charging:		
Depreciation	134,580	100,493
Operating lease payments – land and buildings	144,805	136,497
Foreign exchange losses / (gains)	(18,380)	36,994
Share based payments	107,860	3,543
Loss on disposal of fixed assets	-	13,028
Research and development		
- expenditure in current year	29,213	9,617
Auditors' remuneration (detailed below)		
Fees payable to the company's auditor for the audit of the company's annual accounts	7,068	5,970
Fees payable to the company's auditor and its associates in respect of :		
-The auditing of accounts of associates of the company pursuant to legislation (including that of countries and territories outside Great Britain)	24,755	15,119
-Services supplied pursuant to such legislation	1,543	3,387
-Services relating to taxation	2,644	9,285
-Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the company or any of its associates	7,500	-
-All other services	9,096	8,278
and after crediting:		
Government grants	259,605	52,056

In addition to auditors other services noted above, fees totalling £ NIL (2006: £ 15,000) were paid in respect of advice in relation to the share issue in October 2005. These amounts were deducted from the Share Premium account in accordance with relevant legislation.

4. INTEREST RECEIVABLE AND SIMILAR INCOME	2007	2006
	£	£
Bank interest	55,310	72,680

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

5. EMPLOYEES

	2007 Number	2006 Number
Number of employees		
The average monthly number of employees (including the directors) during the year was:		
Directors	3	3
Administration & Marketing	6	4
Electronics & Software	3	6
Mechanical	6	5
Research	4	2
Service	6	5
	28	25

The majority of employees are employed by the subsidiary company in Australia.

Employment costs	2007 £	2006 £
Group		
Wages and salaries	900,175	1,159,871
Compensation for loss of office	-	57,248
Social security costs	32,406	13,865
Pensions	73,372	87,110
	1,005,953	1,318,094
	2007	2006
	£	£
Company		
Wages and salaries	10,986	81,420
Social security costs	-	9,238
	10,986	90,658

5.1. DIRECTORS' EMOLUMENTS

	2007 £	2006 £
Remuneration and other emoluments	271,594	282,652
Pension contributions	25,199	26,488
	296,793	309,140

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	Number	Number
Number of directors to whom retirement benefits are accruing	3	3
The emoluments of the highest paid director during the year were as follows:	£	£
Emoluments	140,222	131,401
Pension contributions	12,612	11,826
	152,834	143,227

Details of share options held by the directors as at 30 June 2007 are disclosed in note 25. None of these options have been exercised at the balance sheet date, and accordingly no gains were made on these in the year to 30 June 2007.

6. TAX ON LOSS ON ORDINARY ACTIVITIES – GROUP	2007	2006
	£	£
Current Tax		
Overseas taxation	-	-
Factors affecting tax charge for the year		
Loss on ordinary activities before tax	(1,438,318)	(2,159,919)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(431,495)	(647,976)
Losses not utilised	396,635	641,872
Expenses not deductible for tax purposes	34,860	6,104
	-	-

Deferred taxation

The Group has losses carried forward estimated at £ 12,586,666 (2006 - £11,266,666) that give rise to a deferred taxation asset. This asset has not been incorporated into the financial statements as it is not certain at the balance sheet date that profits in the foreseeable future will be sufficient to allow this balance to be utilised.

7. LOSS PER SHARE	2007	2006
	£	£
Loss for the year attributable to shareholders	(1,438,318)	(2,159,919)
Weighted average number of shares in issue	80,069,148	55,582,984

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

The weighted average number of shares in issue for the year ended 30 June 2007 was calculated by taking into account the additional 30,500,000 ordinary shares issued in January 2007.

Diluted loss per share has been calculated using the same figures as the basic calculation. No account has been taken of options, as these potential ordinary shares are not considered to be dilutive under the definitions of the applicable accounting standards.

8. INTANGIBLE FIXED ASSETS - GROUP

	Patents £	Goodwill £	Total £
Cost			
At 1 July 2006 and 30 June 2007	23,228	1,630,214	1,653,442
Amortisation			
At 1 July 2006 and 30 June 2007	23,228	1,630,214	1,653,442
Net book value			
At 30 June 2006	-	-	-
At 30 June 2007	-	-	-

All intangible assets relate solely to the Group and not to the Company. The patents are owned by the subsidiary Company and goodwill is created upon consolidation.

9. TANGIBLE FIXED ASSETS - GROUP

	Plant & Machinery £	Fixtures, fittings & equipment £	Leasehold Improvements £	Leased Assets £	Total £
Cost					
At 1 July 2006	305,244	150,211	19,234	108,299	582,988
Exchange differences	1,386	828	-	-	2,214
Additions	6,104	3,510	-	62,842	72,456
At 30 June 2007	312,734	154,549	19,234	171,141	657,658
Depreciation					
At 1 July 2006	160,982	100,476	6,571	18,488	286,517
Exchange differences	12,322	9,745	1,027	(5,195)	17,899
Charge for the year	42,059	34,296	3,948	54,277	134,580
At 30 June 2007	215,363	144,517	11,546	67,570	438,996
Net book value					
At 30 June 2006	144,262	49,735	12,663	89,811	296,471
At 30 June 2007	97,371	10,032	7,688	103,571	218,662

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

9.1 TANGIBLE FIXED ASSETS - COMPANY

	Leased Assets £	Total £
Cost		
At 1 July 2006	-	-
Additions	171,141	171,141
At 30 June 2007	171,141	171,141
Depreciation		
At 1 July 2006	-	-
Charge for the year	54,277	54,277
At 30 June 2007	54,277	54,277
Net book value		
At 30 June 2006	-	-
At 30 June 2007	116,864	116,864

10. FIXED ASSETS INVESTMENTS – COMPANY

	£
Cost	
At 1 July 2006 and 30 June 2007	1,000,316
Accumulated impairment losses	
At 1 July 2006 and 30 June 2007	1,000,316
Net book value	
At 1 July 2006 and 30 June 2007	-

HOLDINGS OF 20% OR MORE

The Company holds 20% or more of the share capital of the following companies:

Company	Country of registration and operation	Nature of business	Class of Shares held	Proportion of shares held
Subsidiary undertaking				
CLVR Pty Ltd	Australia	Development and sale of laser optical equipment	Ordinary	100%

The above subsidiary's transactions are all included within the consolidated financial statements.

11. STOCK – GROUP

	2007 £	2006 £
Raw materials	520,002	417,043
Work in progress	33,766	46,986
Finished goods	564,149	481,560
	1,117,917	945,589

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

12. DEBTORS – GROUP	2007	2006
	£	£
Due within one year		
Trade debtors	435,397	18,716
Other debtors	86,418	52,666
	521,815	71,382
Due after more than one year		
Trade debtors	401,666	-
	923,481	71,382
<hr/>		
12.1 DEBTORS – COMPANY	2007	2006
	£	£
Due within one year		
Trade debtors	380,326	-
Other debtors	7,068	3,302
	387,394	3,302
Due after more than one year		
Trade debtors	401,666	-
Amounts owed by group undertaking	809,556	2,717,748
	1,598,616	2,721,050
<hr/>		
13. CREDITORS – GROUP	2007	2006
	£	£
Amounts falling due within one year		
Trade creditors	335,743	154,226
Directors' accounts	20,398	16,537
Other creditors	155,784	15,266
Accruals and deferred income	107,026	1,963
	618,951	187,992
Amounts falling due after more than one year		
Accruals and deferred income	139,861	-
	139,861	-
<hr/>		
13.1 CREDITORS – COMPANY	2007	2006
	£	£
Amounts falling due within one year		
Trade creditors	21,308	14,304
Accruals and deferred income	107,026	1,963
	128,334	16,267

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

Amounts falling due after more than one year

Accruals and deferred income	139,861	-
	139,861	-

14. SHARE CAPITAL - GROUP AND COMPANY	2007	2006
	£	£
Authorised		
200,000,000 (2006:100,000,000) Ordinary shares of 5p each	10,000,000	5,000,000
Allotted, called up and fully paid		
95,319,148 (2006 – 64,819,148) Ordinary shares of 5p each	4,765,957	3,240,957

On 23 January 2007, at an extraordinary general meeting, the company increased its authorised share capital by £5,000,000 beyond its existing share capital by the creation of a further 100,000,000 ordinary shares at 5p each.

Subsequently on 27 January 2007, the company issued 30,500,000 ordinary shares of 5p each at an issue price of 5p per share. The funds raised were used to provide additional working capital.

15. RESERVES - GROUP	Share premium account £	Option reserve £	Foreign currency reserve £	Profit and loss account £	Total £
At 1 July 2006 (as previously stated)	10,442,369	-	144,966	(11,465,056)	(877,721)
Prior period adjustment (Note 27)	-	309,155	-	(309,155)	-
At 1 July 2006 (as restated)	10,442,369	309,155	144,966	(11,774,211)	(877,721)
Loss for the year	-	-	-	(1,438,318)	(1,438,318)
Share based payments	-	107,860	-	-	107,860
Foreign currency translation loss arising in the year	-	-	(17,777)	-	(17,777)
Costs arising from share issue	(141,354)	-	-	-	(141,354)
At 30 June 2007	10,301,015	417,015	127,189	(13,212,529)	(2,367,310)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

RESERVES – COMPANY	Share premium account	Option reserve	Profit and loss account	Total
	£	£	£	£
At 1 July 2006 (as previously stated)	10,442,369	-	(10,653,612)	(211,243)
Prior period adjustment (Note 27)	-	309,155	(309,155)	-
At 1 July 2006 (as restated)	10,442,369	309,155	(10,962,767)	(211,243)
Loss for the year	-	-	(2,780,295)	(2,780,295)
Share based payments	-	107,860	-	107,860
Costs arising from share issue	(141,354)	-	-	(141,354)
At 30 June 2007	10,301,015	417,015	(13,743,062)	(3,025,032)

16. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS - GROUP

	£
At 1 July 2006 (as previously stated)	2,363,236
Prior period adjustment (Note 27)	(309,155)
Option reserve (Note 27)	309,155
Equity shareholders funds at 1 July 2006 (as restated)	2,363,236
Loss for the year	(1,438,318)
Foreign currency translation gains arising in the year	(17,777)
Share based payments	107,860
Net proceeds of equity share issue	1,383,646
Equity shareholders' funds at 30 June 2007	2,398,647

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS – COMPANY

At 1 July 2006 (as previously stated)	3,029,714
Prior period adjustment (Note 27)	(309,155)
Option reserve (Note 27)	309,155
Equity shareholders funds at 1 July 2006 (as restated)	3,029,714
Loss for the year	(2,780,295)
Share based payments	107,860
Net proceeds of equity share issue	1,383,646
Equity shareholders' funds at 30 June 2007	1,740,925

17. TRANSACTIONS WITH DIRECTORS

One of the directors, Paul van Saarloos, has a credit balance of £17,398 (2006:£16,537) with the subsidiary company, CLVR Pty Ltd. This relates to undrawn salary. One of the directors, Emanuel Rosen, has a credit balance of £3,000 (2006:£nil) with the company. This relates to undrawn salary. These amounts are disclosed within directors' accounts in Note 13. No interest is charged on these balances. The year end balances are the highest balances during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

18. RELATED PARTY TRANSACTIONS

Other than as detailed in note 17 above, there were no related party transactions during the year other than transactions between group companies. There are no cross guarantees between the parent and the subsidiary. The Group has taken advantage of the exemptions afforded by Financial Reporting Standard No.8 Related Party Transactions and accordingly transactions between the companies within the Group are not disclosed.

19. POST BALANCE SHEET EVENTS

Subsequent to the year end the company has entered into contracts for the sale of 10 Lasers with payments spread over terms ranging from two to three years.

20. CONTROLLING INTEREST

Following flotation of the Company on 8 July 2003, no individual party has overall control of the Company.

21. FINANCIAL INSTRUMENTS

Other than using its foreign currency bank accounts to pay certain suppliers, the Group did not use financial instruments as a hedging mechanism during the financial year ended 30 June 2007. The Group may commence some foreign exchange hedges in the next financial year depending on the level of sales made under finance arrangements and the currencies in which these are denominated. These are likely to be forward contracts in Australian dollars. Details of other financial instruments used by the Company and the Group are given in Report of the Directors.

22. LEASING COMMITMENTS

At 30 June 2007 the Group had an operating lease arrangement associated with office premises in Perth, Western Australia. The annual commitments are as follows:

	Land & Buildings	
	2007	2006
	£	£
Operating leases which expire:		
In two to five years	115,945	97,319
	<hr/>	<hr/>
	115,945	97,319

In order to reduce future commitments, the Group is currently sub-leasing some of the office space associated with the lease. Under the terms of the lease, if the lease is cancelled, any termination payment is subject to negotiation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

23. GROSS CASH FLOWS – GROUP

	2007 £	2006 £
Returns on investments and servicing of finance		
Interest received	55,310	72,680
Capital expenditure		
Proceeds from sale of tangible fixed assets	-	7,992
Payments to acquire tangible fixed assets	(72,456)	(4,732)
	(72,456)	3,260
Financing		
Issue of ordinary share capital (net of issue expenses)	1,383,646	1,484,203

24. ANALYSIS OF CHANGES IN NET FUNDS - GROUP

	Opening Balance £	Cash Flows £	Closing Balance £
Cash at bank and in hand	1,237,786	(340,387)	897,399

25. SHARE BASED PAYMENTS

The Company has a share option scheme for all employees of the Group. At 30 June 2007, there were option agreements in place for the purchase of **6,858,933** (2006: 2,948,704) Ordinary Shares of 5p each.

FRS 20 requires that the options be valued and an expense be recognised in the financial statements as share-based payment transactions in respect of those options that had been granted after 7 November 2002 and remain unvested on 1 January 2006. Based on an independent valuation report the company has expensed £ 107,860 in the current year, £3,543 in the year ended 30 June 2006 and £305,612 has been charged to the profit and loss reserve in respect of prior periods and the total amount of £417,015 has been credited to an Option reserve account. All options have been valued using the trinomial model.

Inputs to the trinomial model are as follows:

Weighted average share price	0.247
Weighted average exercise price	0.210
Weighted average life	9.157
Expected volatility	50%
Weighted average risk free rate	4.37%
Dividends	0%

Details of share options outstanding during the year are as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

DIRECTORS	Number of Options	Exercise Price £	Exercise Period
Paul van Saarloos	3,000,000	0.10	By 31 January 2017
Mukesh Jain	1,000,000	0.05	By 31 January 2017
Mukesh Jain	200,000	0.06	By 27 April 2017
Mukesh Jain	100,000	0.05	By 14 January 2013
Mukesh Jain	250,000	0.60	By 14 January 2013
TOTAL	4,550,000		

Details of the remainder of the options, in respect of **2,308,933** shares, are as follows:

	Number of Options	Exercise Price £	Exercise Period
	694,383	0.91	By 8 July 2008
	350,000	0.62	By 8 July 2013
	180,000	0.06	By 26 April 2015
	780,000	0.06	By 27 April 2017
	304,550	0.05	By 23 January 2012
TOTAL	2,308,933		

	Number of share options	2007 Weighted average exercise price (£)
Outstanding at beginning of year	2,948,704	0.49
Granted during the year	5,464,550	0.08
Forfeited during the year	(647,000)	0.60
Expired during the year	(907,321)	0.05
Outstanding at the end of the year	<u>6,858,933</u>	0.21
Exercisable at the end of the year	<u>5,698,933</u>	0.08

26. MONETARY ASSETS

The table below shows the Group's currency exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the operating (or "functional") currency. As at 30 June 2007, these exposures were as follows:

Net foreign currency monetary assets / (liabilities) (£)

Functional currency of Group operation	2007			2006		
	US Dollar	Other	Total	US Dollar	Other	Total
Sterling	774,126	219,314	993,440	24,210	92,429	116,639
Australian Dollar	-	-	-	-	-	-
Total	<u>774,126</u>	<u>219,314</u>	<u>993,440</u>	<u>24,210</u>	<u>92,429</u>	<u>116,639</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

The currency exposures for the company are those represented by the Sterling functional currency balances.

27. PRIOR PERIOD ADJUSTMENT

The company is required to adopt the provisions of Financial Reporting Standard 20: Share-based payment, which has given rise to a charge in the profit and loss account in the current year and prior year and a prior period adjustment in respect of preceding years.

The impact of this adjustment in the current year has been to reduce the profit and loss reserve by £107,860 and to increase the share option reserve by the same amount. The loss for the year has been increased by £107,860.

In respect of the prior period the profit and loss reserve has been reduced by £3,543, the share option reserve has been increased by £3,543 and the loss for the year increased by £3,543.

Amounts arising in respect of periods ended prior to the year ended 30 June 2006 have reduced the profit and loss reserve by £305,612 and given rise to a share option reserve of £305,612 at 30 June 2005.



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