

**CustomVis plc**  
("CustomVis" or "the Group")

**Interim Results for the 6 months ending 31 December 2004**

**Chairman's Statement**

After a less than satisfying 18 months due to delays in achieving forecast commercial sales, the Board is confident of a change in fortunes for the Group in 2005. After a significant gearing up of production in 2004, together with the restructuring of the operations and executive management team, we feel we are making progress in delivering returns to our shareholders for the first time since our IPO in July 2003.

Our absolute focus is on improving the cash position of the Group. We are seeking to achieve this through a combination of accelerated laser sales and upgrades, supported by positive clinical data from the installed base as well as further cost reductions.

The initial clinical data from surgeries in Norway, Germany, Saudi Arabia and Columbia is very encouraging. To date, our lasers have treated over 300 eyes with results indicating that CustomVis' solid-state laser system is at the forefront of eye surgery. We will be progressing further upgrades and refinements to the system in 2005, which we believe will continue to improve the surgical outcome.

Since the end of the reporting period we have completed our first laser sale to a clinic in Korea, following successful trial results. Similarly, we have a pipeline of lasers currently on trial around the world which we expect to convert into sales in the coming months.

Our restructuring of the Group is almost complete. We have in this time, appointed a new executive Finance Director, John McEvoy, we have closed our UK office to focus energies and talent in our Perth headquarters, we have reduced head count from 70 to 50 and are now close to operating at our optimum cash burn rate.

We are viewing the future with renewed confidence.

**Bill Colvin**  
**Chairman**  
**CustomVis plc**

## **CustomVis Plc**

### **Interim Results for the 6 months ending 31 December 2004**

#### **Operational & Financial Review**

##### **Introduction**

CustomVis, which designs and markets surgical laser vision equipment for custom eye surgery announces its results for the six months ended 31 December 2004. Delays encountered in achieving the first sales have negatively impacted the Group's cash position.

The Group is now focusing on:

- Completion of key projects identified as impacting commercial sales.
- Reducing the cash burn rate, whilst maintaining the key skills base required to design, produce and market the CustomVis Pulzar Z1 laser.
- Increasing the number of installed lasers.
- Increasing the rate of collection of clinical data.

##### **Financial Results**

The Group recorded a loss after tax of £2.1 million for the six months ended 31 December 2004 (2003: loss of £1.2 million) on sales of £11,704 (December 2003: £1,589). This equated to a loss of 5.9p (2003: loss of 3.5p) per share.

Group net assets at 31 December 2004 were £5.5 million (December 2003: £10.4 million). This included intangible assets of £1.1 million (2003: £1.4 million) and net current assets of £4.2 million (2003: £8.7 million), which includes cash funds of £3.5 million (2003: £10.2 million). Net expenditure per month has now been reduced to approximately £0.27 million. Cost reduction measures have yet to take full effect. In July 2004 the Group repaid loan notes of £1.3 million.

The Board does not propose to pay an interim dividend.

##### **Progress Since 31 December 2004:**

Key Milestones achieved in first quarter calendar 2005:

- Sale of Pulzar Z-1 laser to Korean clinic.
- Laser upgrades projects - complete or nearing completion.
- Signing of Tracey wavefront agreement.
- Additional machines placed in Korea and Saudi Arabia. Sales receipts contracted pending satisfactory initial clinical results.
- Reduction in costs through restructuring.

##### **Operational Review**

###### **Key Projects**

A number of issues were identified as critical to achieving the first commercial sales of the CustomVis Pulzar Z1 Laser and these projects are complete or near completion, including:

- Integration with Tracey Wavefront Device: A number of leading surgeons have expressed a preference for integration of our system with the Tracey wavefront device. An agreement has recently been signed with Tracey for the integration of its system and the first machines incorporating this system have been despatched. Following on, the companies will jointly develop a topographical interface and upgraded imaging systems. We expect the first units incorporating the agreed upgrades to be delivered by Tracey Technologies to CustomVis at the end of March.

### **Cash Burn Rate**

The Group is reducing the cash burn rate whilst maintaining the key skills required. Initiatives undertaken include:

- Closure of UK office.
- Reduction in number of staff. The number of staff has been reduced from a peak of almost 70 to approximately 50.
- Merger of Perth, Australia offices and factory.

As a result of the above, and other cost saving initiatives, the cash burn rate is expected to reduce to below £250,000 per month. The Group is also pursuing additional funding through an Australian federal government Commercial Ready grant. Based on the group's prudent management of cash reserves and confirmation of the commencement of sales, the directors believe it is appropriate to prepare these accounts on a going concern basis.

### **Installed Lasers**

The Group currently has lasers installed externally in Australia, Columbia, Germany, Korea, Norway and Spain. At the date of this report the Group has four lasers in stock, essentially complete, with another three nearing completion. The lasers in Australia, Columbia and Norway are being used as test sites to collect clinical data and surgical feedback. The laser in Germany is being used for a formal clinical trial. The laser sent to Korea for the approval process was sold at the end of February, after a highly successful trial period. A laser is being sent to the Middle East on a short-term trial and the Board expects this laser to be purchased at the end of the trial period. The Group has signed distributor agreements for Korea and the Middle East, which we expect should lead to further sales in the next few years. CustomVis is looking for a new laser site in Spain to commence trials. It is planned to deliver four more lasers during the period to 30 June 2005.

### **Outlook**

Our targets for the quarter ended 30 June 2005 are:

- Additional sales into markets such as Korea and Saudi Arabia.
- The announcement of initial results from formal trials in Germany.
- Continued reduction in the net cash burn rate through sales receipts and cost control (and potential government funding).
- Finalising the implementation of laser upgrade projects.

In December 2004 the shareholders approved an Employee Share Option Plan. The directors are intending to approve the first issue of options under the plan, as soon as practicable, at a minimum exercise price of 60p.

Our targets for the remainder of 2005:

- Advance the China FDA approval process.
- Improve cash position through sales of lasers in stock and in trials.
- Source additional funds for marketing and production push.

**Commenting on the outlook, Bill Colvin, Chairman of CustomVis said:**

“Our absolute focus is on improving the cash position of the Group going forward. We seek to achieve this through a combination of accelerated laser sales and upgrades, supported by clinical data from the installed laser base as well as further cost reductions. We have made a start recovering the fortunes of the Group, aided by the restructuring of the executive management team.”

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**Notes to Editors:**

About CustomVis

CustomVis™ was set up in March 2001 to address a number of problems being experienced in the field of laser vision correction ("LVC"). LVC surgery involves the use of a laser to re-shape the cornea to try to correct visual abnormalities.

Currently, the most common form of LVC surgery utilises excimer (gas) laser technology, which the Directors believe is approaching the end of its product development cycle. This is mainly due to technological limitations including eye tracking technologies, limited gas lifetime, excessive maintenance, slower pulse rates and the larger beam spot sizes of the laser. The CustomVis PULZAR Z1™ System was designed to address these issues and meet the requirements of effective custom LVC surgery.

The CustomVis PULZAR Z1™ system incorporates a solid state laser, solid state scanning integrated with rapid eye tracking devices to track the movement of the patient's eye, and the ability to incorporate data from a variety of diagnostic systems into surgical planning software and the treatment process.

CustomVis listed on AIM, part of the London Stock Exchange in July 2003.

## **Independent Review Report to CustomVis plc**

### **Introduction**

We have been instructed by the Company to review the financial information for the six months ended 31 December 2004, which comprises the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Group Cash Flow Statement and the related notes. We have read the other information contained in the interim report and considered where it contains any apparent misstatements or material inconsistencies with the financial information.

### **Directors Responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors.

### **Review Work Performed**

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

### **Review Conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 December 2004.

**PKF**

**Registered Auditors**

**Glasgow, UK. 15 March 2005**

**Group Profit and Loss Account  
for the six months ended 31 December 2004**

	Notes	Six months to 31 Dec 2004 (Unaudited) £	Six months to 31 Dec 2003 (Unaudited) £	Year to 30 June 2004 (Audited) £
<b>Turnover and gross profit</b>		11,704	1,589	8,851
<b>Administrative expenses</b>		(2,170,636)	(1,452,400)	(4,420,528)
<b>Other operating income</b>		-	-	59,353
<b>Operating loss</b>		(2,158,932)	(1,450,811)	(4,352,324)
Interest receivable and similar income		105,163	289,201	341,392
<b>Loss on ordinary activities before taxation</b>		(2,053,769)	(1,161,610)	(4,010,932)
Tax on loss on ordinary activities	2	-	(7,610)	-
<b>Loss on ordinary activities after taxation transferred to reserves</b>		<u>(2,053,769)</u>	<u>(1,169,220)</u>	<u>(4,010,932)</u>
<b>Loss per Ordinary Share</b>				
Basic	3	<u>(5.9p)</u>	<u>(3.5p)</u>	<u>(11.6p)</u>
Diluted	3	<u>(5.9p)</u>	<u>(3.5p)</u>	<u>(11.6p)</u>

**Group Statement of Total Recognised Gains and Losses  
for the six months ended 31 December 2004**

	Six months to 31 Dec 2004 (Unaudited) £	Six months to 31 Dec 2003 (Unaudited) £	Year to 30 June 2004 (Audited) £
Loss for the financial period	(2,053,769)	(1,169,220)	(4,010,932)
Currency translation differences on foreign currency net investments	190,400	101,006	(135,650)
<b>Total recognised gains and losses relating to the period</b>	<u>(1,863,369)</u>	<u>(1,068,214)</u>	<u>(4,146,582)</u>

All the above figures relate to continuing activities.

**Group Balance Sheet  
as at 31 December 2004**

	Notes	At 31 Dec 2004 (Unaudited) £	At 31 Dec 2003 (Unaudited) £	At 30 June 2004 (Audited) £
<b>Fixed assets</b>				
Intangible assets	4	1,053,967	1,448,786	1,216,988
Tangible assets	5	<u>338,475</u>	<u>197,112</u>	<u>298,303</u>
		1,391,442	1,645,898	1,515,291
<b>Current assets</b>				
Stock		925,546	195,700	682,027
Debtors		159,484	166,310	236,199
Cash at bank and in hand		<u>3,485,100</u>	<u>10,178,076</u>	<u>6,893,905</u>
		4,570,130	10,540,086	7,812,131
<b>Creditors: amounts falling due within one year (including convertible debt)</b>		<u>(414,334)</u>	<u>(1,834,075)</u>	<u>(1,915,815)</u>
<b>Net current assets</b>		<u>4,155,796</u>	<u>8,706,011</u>	<u>5,896,316</u>
<b>Net assets less current liabilities</b>		<u><u>5,548,238</u></u>	<u><u>10,351,909</u></u>	<u><u>7,411,607</u></u>
<b>Capital and reserves</b>				
Called up share capital	6	1,735,957	1,735,958	1,735,957
Share premium account	7	10,463,166	10,450,503	10,463,166
Foreign currency translation reserve	7	74,054	(5,094)	(116,346)
Profit & loss account	7	<u>(6,724,939)</u>	<u>(1,829,458)</u>	<u>(4,671,170)</u>
<b>Equity Shareholders Funds</b>		<u><u>5,548,238</u></u>	<u><u>10,351,909</u></u>	<u><u>7,411,607</u></u>

The financial statements were approved by the Board on 15 March, 2005 and signed on its behalf by

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**Paul van Saarloos**  
**Director**

**Group Cash Flow Statement**  
for the six months ended 31 December 2004

	Six months to 31 Dec 2004 (Unaudited) £	Six months to 31 Dec 2003 (Unaudited) £	Year to 30 June 2004 (Audited) £
<b>Reconciliation of operating loss to net</b>			
<b>Cash outflow from operating activities</b>			
Operating loss	(2,158,932)	(1,450,811)	(4,352,324)
Depreciation and amortisation	204,716	211,335	400,704
Impairment of intangible fixed assets	-	-	22,247
(Increase) in stock	(243,519)	(195,700)	(682,027)
Decrease in debtors	76,715	120,235	50,346
(Decrease)/Increase in creditors	(158,637)	61,995	143,735
Exchange rate differences arising on cash balances	174,216	101,006	(124,832)
	<u>(2,105,441)</u>	<u>(1,151,940)</u>	<u>(4,542,151)</u>
<b>Net cash outflow from operating activities</b>			
 <b>Cash Flow Statement (Note 8)</b>			
Net cash outflow from operating activities	(2,105,441)	(1,151,940)	(4,542,151)
Return on investments and servicing of finance	105,163	163,797	341,392
Taxation	-	(7,610)	-
Capital expenditure	(65,683)	(191,922)	(283,749)
	<u>(2,065,961)</u>	<u>(1,187,675)</u>	<u>(4,484,508)</u>
Financing	(1,342,844)	10,592,293	10,604,955
	<u>(3,408,805)</u>	<u>9,404,618</u>	<u>6,120,447</u>
<b>(Decrease)/increase in cash in the period</b>			
 <b>Reconciliation of net cash flow to movement</b>			
<b>in net funds/(debt) (Note 9)</b>			
(Decrease)/increase in cash in the period	(3,408,805)	9,404,618	6,120,447
Cash outflow from repayment of loan notes (Note 6)	1,342,844	-	-
	<u>(2,065,961)</u>	<u>9,404,618</u>	<u>6,120,447</u>
Net funds/(debt) at 30 June	5,551,061	(569,386)	(569,386)
	<u>3,485,100</u>	<u>8,835,232</u>	<u>5,551,061</u>
Net funds at 31 December 2004			

**Notes to the Financial Statements  
for the six months ended 31 December 2004**

**1 Basis of preparation**

These accounts are unaudited and do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The interim results have been prepared in accordance with the accounting policies set out in the annual report and financial statements for the year ended 30 June 2004.

The financial information relating to 30 June 2004 has been extracted from the financial statements which have been delivered to the Registrar of Companies. The independent auditors' report on those accounts was unqualified.

**2 Taxation**

No corporation tax has been provided for in the period as the projected taxable losses for the period and taxation losses brought forward indicate that the group will have no tax liability for the period.

Deferred tax assets arising from trading losses have not been recognised on the basis that their future economic benefit is uncertain.

**3 Loss per Share**

	Six months to 31 Dec 2004	Six months to 31 Dec 2003	Year to 30 June 2004
Loss for the period attributable to shareholders	<u>£(2,053,769)</u>	<u>£(1,169,220)</u>	<u>£(4,010,932)</u>
Weighted average number of shares in issue	<u>34,719,148</u>	<u>33,414,597</u>	<u>34,439,861</u>

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.

**Notes to the Financial Statements  
for the six months ended 31 December 2004**

**4 Intangible fixed assets**

	<b>Patents £</b>	<b>Goodwill £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 July 2004 and 31 December 2004	<u>23,228</u>	<u>1,630,214</u>	<u>1,653,442</u>
<b>Amortisation</b>			
At 1 July 2004	23,228	413,226	436,454
Charge for the period	<u>-</u>	<u>163,021</u>	<u>163,021</u>
At 31 December 2004	<u>23,228</u>	<u>576,247</u>	<u>599,475</u>
<b>Net book value</b>			
At 1 July 2004	<u>-</u>	<u>1,216,988</u>	<u>1,216,988</u>
At 31 December 2004	<u>-</u>	<u>1,053,967</u>	<u>1,053,967</u>

**5 Tangible fixed assets**

	<b>Plant &amp; machinery £</b>	<b>Fixtures, fittings &amp; equipment £</b>	<b>Leasehold improvements £</b>	<b>Total £</b>
<b>Cost</b>				
At 1 July 2004	212,736	173,144	1,797	387,677
Exchange differences	12,728	8,776	101	21,605
Additions	<u>26,207</u>	<u>39,476</u>	<u>-</u>	<u>65,683</u>
At 31 December 2004	<u>251,671</u>	<u>221,396</u>	<u>1,898</u>	<u>474,965</u>
<b>Depreciation</b>				
At 1 July 2004	47,745	40,640	989	89,374
Exchange differences	3,006	2,356	59	5,421
Charge for the period	<u>11,174</u>	<u>30,390</u>	<u>131</u>	<u>41,695</u>
At 31 December 2004	<u>61,925</u>	<u>73,386</u>	<u>1,179</u>	<u>136,490</u>
<b>Net book value</b>				
At 1 July 2004	<u>164,991</u>	<u>132,504</u>	<u>808</u>	<u>298,303</u>
At 31 December 2004	<u>189,746</u>	<u>148,010</u>	<u>719</u>	<u>338,475</u>

**Notes to the Financial Statements  
for the six months ended 31 December 2004**

**6 Movement in shareholders' funds**

**Share capital**

	<b>31 Dec 2004 £</b>	<b>31 Dec 2003 £</b>	<b>30 June 2004 £</b>
<b>Authorised</b>			
100,000,000 Ordinary shares of 5p each	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>
<b>Allotted, called up and fully paid</b>			
34,719,148 Ordinary shares of 5p each	<u>1,735,957</u>	<u>1,735,957</u>	<u>1,735,957</u>

**7 Reserves**

	<b>Share premium account £</b>	<b>Foreign currency reserve £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
At 1 July 2004	10,463,166	(116,346)	(4,671,170)	5,675,650
Loss for the period	-	-	(2,053,769)	(2,053,769)
Foreign currency translation gain arising in the period	<u>-</u>	<u>190,400</u>	<u>-</u>	<u>190,400</u>
At 31 December 2004	<u>10,463,166</u>	<u>74,054</u>	<u>(6,724,939)</u>	<u>3,812,281</u>

**Notes to the Financial Statements  
for the six months ended 31 December 2004**

**8 Gross cash flows - Group**

	Six months to 31 Dec 2004 £	Six months to 31 Dec 2003 £	Year to 30 June 2004 £
<b>Returns on investments and servicing of finance</b>			
Interest received	105,163	163,797	341,392
<b>Taxation</b>			
Corporation tax and stamp duty paid	-	(7,610)	-
<b>Capital expenditure</b>			
Payments to acquire intangible assets	-	(69,454)	-
Payments to acquire tangible assets	(65,683)	(122,468)	(283,749)
	<u>(65,683)</u>	<u>(191,922)</u>	<u>(283,749)</u>
<b>Financing</b>			
Issue of ordinary share capital	-	10,592,293	10,604,955
Repayment of loan notes	1,342,844	-	-
	<u>1,342,844</u>	<u>10,592,293</u>	<u>10,604,955</u>

**9. Analysis of changes in net funds/(debt)**

	Opening Balance £	Cash Flows £	Closing Balance £
Cash at bank and in hand	6,893,905	(3,408,805)	3,485,100
Debt due within one year	(1,342,844)	1,342,844	-
Debt due after more than one year	-	-	-
	<u>5,551,061</u>	<u>(2,065,961)</u>	<u>3,485,100</u>