

9 January 2009

CustomVis Plc
("CustomVis", "the Group" or "the Company")

Final Results for the year ended 30 June 2008

CustomVis (AIM: CUS) develops, manufactures and sells laser systems for refractive surgery of the eye. The Directors believe 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 as it overcomes known shortcomings of the gas excimer lasers currently used for this purpose.

HIGHLIGHTS

- Revenue increased 32 per cent. to £1,161,312 (2007: £880,613)
- Profit before tax of £1,056,296 (2007: loss of £1,438,318) after recognising a gain on foreign exchange of £2,481,397
- Cost of production reduced by 20 per cent. due primarily to R&D reducing costs of some parts and better management of suppliers and processes
- Installed laser base is 35 in 18 countries at present
- Over 90,000 eyes now operated on
- Re-establishing distribution model via new global sales team – move away from direct sales model
- Improved clinical results and greater laser stability following upgrade to scanner control
- Portable retinal camera for human and veterinary retinal screening to be in production in 2009

Paul van Saarloos, CEO of CustomVis, commented, "CustomVis has made some significant developments during the period under report. We now have 35 lasers installed and have treated over 90,000 eyes, plus improved clinical results due to recent improvements to the laser. A new management team with a strong focus on sales and marketing should bring the promise of this enhanced technology to fruition and the Company is poised to make significant sales. Finally, the payments flowing from our growing installed laser base, coupled with favourable exchange rate variations and increasing deposit amounts, provide the basis of a solid financial year ahead."

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CHAIRMAN'S STATEMENT

Introduction

It is the Directors' belief that the Company's core product, Pulzar Z1, remains the only solid state refractive laser on the market. The market belief that solid state lasers will take over this industry in the future remains unchanged and CustomVis is not aware of any other solid state laser replacement under development. Long development times and a strong and improving patent position provide a barrier for competitors to introduce a similar system.

The installed base of Pulzar Z1 solid state refractive lasers has now increased to 35. The Directors estimate that approximately 90,000 eyes have been treated on this platform to date, with approximately 70,000 eyes in the last year. This demonstrates an increasing acceptance of solid state at the 213nm wavelength, which provides for less tissue damage and faster recovery than the excimer laser at 193nm, as a viable alternative to the established excimer laser technology. The worldwide installed base of excimer lasers currently stands at around 5500, with approximately 800 new lasers being sold every year. This provides a considerable market to sell the Pulzar Z1 into.

An important recent development for the Company relates to its new scanner controller. This was designed to improve the reliability of the laser and was the only hardware upgrade required in preparing the lasers for a future upgrade for faster pulse repetition rates. It also works more accurately and precisely than the previous controller. It was put into production earlier this year to correct for the effects of a batch of scanners that were not functioning at the optimum level. The significant result of this upgrade has been that most surgeons reported an immediate and substantial improvement in clinical results.

Therefore, a plan was implemented to upgrade all of the installed lasers to the new scanner control, which is now approximately 80 per cent complete. The clinical results published to date have been based on treatments using our old scanner system and yet they have consistently matched clinical results published by our competitors using their current excimer lasers. With this new improved scanning technology, we believe the future for CustomVis is exciting.

Overview of the Trading Year

Results for the year

The Group made a profit before taxation for the year of £1,056,296 (2007: £1,438,318 loss) after recognising an unrealised gain on foreign exchange of £2,481,397 (2007: £18,380). Sales revenue was £1,161,312 (2007: £880,613), which is an increase of 32 per cent. on the previous year, and the gross profit for the year ended 30 June 2008 was £628,742, an increase of 58 per cent. over the previous year (2007: £367,696). Earnings per share for the year ended 30 June 2008 were 0.6p (2007: loss 1.9p).

During the year ended 30 June 2007, the Group installed 11 lasers, resulting in an increase of the worldwide installed base to 28 lasers at 30 June 2008. Since then the Group has installed a further seven lasers, so that at present the worldwide installed base is now 35 lasers.

During the year under review the Company raised £2.24 million (net of issue expenses) via a placing of 73,846,700 ordinary shares at 3.25p per share to fund ongoing operations and growth. The net cash outflow from operating activities during 2007/08 increased to £1,887,185 compared to £1,706,887 in the corresponding year and, at 30 June 2008, the

Group had cash in hand of £1.5 million. 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.

Following a review of the prior year tax computations, it was discovered that the prior year tax position has been materially understated.

CustomVis has an Australian subsidiary; CLVR Pty Ltd ("CLVR"), with whom CustomVis has an intercompany loan account to fund the subsidiary's trading operations. Interest is payable on the loan account by CLVR and has been booked as interest receivable in the CustomVis accounts since the year ended 30 June 2004.

Due to the loss-making nature of CLVR, it has not been able to make the necessary interest payments. CustomVis therefore provided in full against the interest receivable in the accounts from the year ended 30 June 2005 and 30 June 2006, effectively netting off the interest receivable in the P&L account.

The tax computations of CustomVis for the years ended 30 June 2005 and 30 June 2006 failed to adjust for both the intercompany interest receivable and the corresponding provisions against this interest in the tax computations that were originally submitted.

As a result the tax position of the Company was understated in these years, resulting in an underpayment of tax of approximately £78,000 in the year ended 30 June 2006 and a large reduction in the carried forward trading losses for tax purposes. This situation is under review and the Company is anticipating the possibility of penalties being levied.

The correct treatment of the interest and corresponding provisions has been applied in the tax computation for the year ended 30 June 2007 onwards. The 2007 tax computation of CustomVis had yet to be completed upon approval of the Company's 2007 financial statements. These financial statements did not include a tax expense for the year to 30 June 2007 for CustomVis. Upon discovering the underpayment of tax for the June 2005 and June 2006 years, the Directors reviewed the draft 2007 tax computation and understand that there is a tax liability of approximately £184,000 (exclusive of any penalties that may be levied by UK tax authorities) for the year ended 30 June 2007.

Sales and Marketing

In the past, CustomVis has predominately been selling lasers directly to its customers and managing all related service and warranty programmes. This strategy was required initially, as distributors did not have the knowledge and skills to introduce this new technology to their markets.

With the expanding installed base, the Company has been implementing a plan of moving from direct sales to sales and service through a network of distributors. Distributors have good local knowledge with their sales people in regular contact with the surgeons in their region. Distributors generally attend the national ophthalmic conferences.

The Company believes this is an appropriate and cost-effective model for its current stage of development. There is a cash flow benefit to CustomVis as distributors only receive commission once the Company has received the proceeds from the sale. The distributors are required to provide a trained service engineer, and are responsible for most of the service.

With increasing clinical and scientific publications now available, distributors have the information required to initiate sales. In order to manage the Company's expanding

distributor network, we have appointed new sales representatives in Latin America, the Asia Pacific region and the Middle East region. Furthermore, the Company has established an internal global marketing capability to support the Regional Sales and Distributor Network.

This strategic shift in the sales functions coincided with the departure in September of Dr Jain, the Company's Chief Operating Officer who was also the Sales Director. A temporary slow down in sales flow has been experienced due to the time taken to re-engage existing, as well as identify and appoint new distributors and to get the new team members up to speed. However, countering this has been a significant increase in interest in the Pulzar Z1 laser.

Refractive surgeons are typically dealing with normally sighted eyes and hence they are often very conservative in their approach to new technologies. It is difficult to predict therefore, when these surgeons will see enough clinical evidence of performance, safety and efficacy, to make the decision to buy a Pulzar Z1 laser. However, as further strong clinical evidence is obtained, the new sales strategy of sales, distribution / service and marketing is expected to reap results soon.

World Economic Crisis

The world economic crisis has both positive and negative aspects for CustomVis. Most laser sales are quoted in US dollars and the relatively stronger US dollar, coupled with the economic uncertainty, has delayed some sales.

On a positive note, most of the deferred payments receivable on installed lasers are in US\$, so these payments are covering a larger proportion of our costs which are mainly denominated in Australian dollars. Importantly, our solid state laser provides a real economic advantage compared to excimer lasers. The direct and indirect running costs are lower for solid state lasers. In the past this was not usually an important part of the surgeons buying decision, but more recently, we have noticed that this has become an important factor for surgeons which may present some good opportunities for CustomVis.

It is also worth noting the end of the mining boom in Western Australia. This had created significant upward pressure on local salaries and made it very difficult to attract and retain good staff. This problem appears to have passed for the time being.

Production

The production process has been refined and can smoothly deal with a minimum of three lasers per month. During the period under report the cost of production of a laser has been reduced by 20 per cent. by the research and development team reducing the cost of some OEM parts and better management of suppliers and production processes. The improved production processes have also resulted in lower technical risks and decreased production run-time.

Retinal Camera

CustomVis has developed a new low cost portable digital camera for photographing the retina of the eye. The camera has been demonstrated at three major ophthalmic trade shows receiving a high level of interest. Feedback from these demonstrations has been incorporated into the design of the device and a test production run is now underway. It is planned to put the camera into production in early to mid 2009.

The camera has applications in screening for glaucoma and diabetic retinopathy. The portability also allows screening and storage of retinal images from patients who are difficult to access using existing camera systems, such as those patients who are bed ridden.

The Company believes the camera does not have a close competitive product in either cost or portability. Interest has been shown from ophthalmology, optometry and veterinary areas. Our distributors believe there is a large market for these devices. We expect to be in full production before the end of the current financial year. CustomVis believes this camera will generate meaningful revenues at reasonable gross margins in the future.

Medical Advisory Board

Recently the Company determined to establish a Medical Advisory Board to advise on key technological and medical issues relevant to the Company's position in the industry. Professor Emanuel Rosen will chair this Advisory Board of international key opinion leaders whose meetings will coincide with major international conferences. Amongst his many professional appointments, Professor Rosen is a past president of the European Society of Cataract and Refractive Surgeons and is co-editor of the Journal of Cataract and Refractive Surgery.

Research and Development

The past year has been a successful one for the CustomVis research and development team. The new scanner control has resulted in improved clinical results from more reliable systems and is expected to help generate future sales. The retinal camera has been developed, undergone rapid prototyping and is poised for a test-marketing production run.

A major part of the R&D effort has been directed to reducing the cost of goods and with design changes to the Pulzar Z1 has helped reduce the production cost by 20 per cent. Additional efforts over the next period will be made to reduce the production cost further.

The development of our Multifunction Laser has made reasonable progress during the year, despite limited resources applied to this project. This ophthalmic laser system will be a more advanced version of our current Pulzar Z1 laser for refractive surgery, and will be able to perform other laser procedures ophthalmologists routinely carry out.

The Company is making headway with its new treatment for Presbyopia. Longer term analysis of the initial test groups showed that our latest trials were not performed with the most optimum configuration. The final trials are being re-started but it is important to state that the results, before the reconfiguration, were excellent and we believe this procedure offers the potential for significant additional revenues once approved for release.

Research work related to the Pulzar Z1 has ensured the successful publication of a number of important studies proving the safety and efficacy of this laser. These publications are extremely important tools for breaking the barriers to accepting this new technology and helping to generate sales:

Recent Peer-Reviewed Scientific and Clinical Publications:

- One-year results of photorefractive keratectomy and laser *in situ* keratomileusis for myopia using a 213 nm wavelength solid-state laser by: N. Tsiklis, G. Kymionis, G. Kounis, A. Pallikaris, V. Diakonis, S. Charisis, M. Markomanolakis, I. Pallikaris (*J Cataract Refract Surg* 2007; 33:971-977)

- Endothelial cell density after photorefractive keratectomy for moderate myopia using a 213nm solid state laser system by: N. Tsiklis, G. Kymionis, A. Pallikaris, V. Diakonis, H. Ginis, G. Kounis, S. Panagopoulou, I. Pallikaris (*J Cataract Refract Surg* 2007; 33:1866-1870)
- Histological Changes and Unscheduled DNA Synthesis in the Rabbit Cornea Following 213-nm, 193-nm, 266-nm Irradiation by: P. van Saarloos, J Rodger (*J Refract Surg*. 2007; 23:477-481)
- Photorefractive Keratectomy Using Solid State Laser 213 nm and Excimer Laser 193 nm: A Randomized, Contralateral, Comparative, Experimental Study by: N. Tsiklis, G. Kymionis, G. Kounis, I. Naoumidi, I. Pallikaris (*Invest Ophthalmol Vis Sci* 2008; 49:1415-1420)

The following patents have also been granted to the Company:

- | | | |
|-------|-----------|---|
| • UK | GB2426816 | Limbal-based eye tracking |
| • USA | 7221494 | Scanning device and method of scanning an optical beam over a surface |
| • USA | 7460569 | Solid state UV laser |

These patents are the Company's first granted patents. A significant number of patent applications covering its technology are still pending.

Trade shows and conferences

The Company continues to attend important ophthalmic conferences around the world, and demonstrates the laser and camera at all the major trade shows. The scientific and clinical papers and posters presented at these conferences are important to appraise customers of the developments and validate our products. The demonstration of our laser is also extremely important part of our marketing; not only does it allow appreciation of the efficient operation of the laser, but also allows the doctors to judge the viability of our Company by the attendance at these shows.

Board and Senior Management Changes

I joined the Board as an independent non-executive director of CustomVis on 7 May 2008 and I was pleased to accept the role of Chairman on 11 December 2008. On the same date, Professor Emanuel Rosen stepped down from the role of Chairman after two and a half years. Prof Rosen remains an independent non-executive of the Company.

On 2 September 2008 Dr Mukesh Jain resigned as director of the Company.

On 31 March 2008, Stephen McRae was appointed Chief Financial Officer and Company Secretary.

Outlook

With 35 lasers now installed, over 90,000 eyes treated, increasing publications on our technology and recent improvements to the performance of the laser, the Company is poised to make significant sales. A new management team with a strong focus on sales and marketing should bring the promise of this new technology to fruition. The payments flowing from the growing installed base, coupled with favorable exchange rate variations, provide the

basis of a solid financial year ahead. However, the Board does recognise the uncertainty of the world economic circumstances.

Management and staff are to be congratulated on their continued attention to building a strong foundation product, the Pulsar Z1 laser, from which the Company can grow its business in the lucrative international ophthalmology industry.

Simon Carroll
Chairman

9 January 2009

**Consolidated Income Statement
For the year ended 30 June 2008**

| | Notes | Year ended 30 June 2008 £ | Year ended 30 June 2007 £ |
|-----------------------------------|-------|------------------------------------|------------------------------------|
| Revenue | | 1,161,312 | 880,613 |
| Cost of Sales | | (532,570) | (482,917) |
| | | <hr/> | <hr/> |
| Gross profit | | 628,742 | 397,696 |
| Other income | 3 | 436,378 | 365,237 |
| Staff expenses | | (714,069) | (1,005,953) |
| Marketing expenses | | (135,211) | (227,133) |
| Depreciation | | (115,420) | (134,577) |
| Occupancy Expenses | | (197,527) | (157,924) |
| Share Based Payments | | (9,743) | (107,860) |
| Administrative expenses | | (1,318,251) | (586,184) |
| Foreign exchange gain | 4 | 2,481,397 | 18,380 |
| | | <hr/> | <hr/> |
| Profit/(Loss) before tax | 5 | 1,056,296 | (1,438,318) |
| Income tax expense | 6 | (397,584) | - |
| | | <hr/> | <hr/> |
| Profit/(Loss) for the year | 5 | 658,702 | (1,438,318) |
| | | <hr/> | <hr/> |
| Earnings per share | | | |
| Basic | 7 | 0.56p | (1.86p) |
| Diluted | 7 | 0.56p | (1.86p) |

**Consolidated Balance Sheet
As at 30 June 2008**

| | Notes | As at 30 June 2008 £ | As at 30 June 2007 £ |
|---------------------------------|-------|-------------------------------|-------------------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | | 1,493,249 | 897,399 |
| Trade and other receivables | | 800,057 | 521,815 |
| Prepayments | | 79,286 | - |
| Inventory | | 1,509,972 | 1,117,917 |
| Total Current Assets | | <u>3,882,564</u> | <u>2,537,131</u> |
| Non-current assets | | | |
| Trade and other receivables | | 664,213 | 401,666 |
| Property, plant and equipment | 8 | 145,274 | 218,662 |
| Investments | | - | - |
| Total Non-Current Assets | | <u>809,487</u> | <u>620,328</u> |
| Total Assets | | <u>4,692,051</u> | <u>3,157,459</u> |
| Current Liabilities | | | |
| Trade and other payables | 9 | (749,464) | (618,951) |
| Provision for Taxation | | (397,594) | - |
| Non-Current Liabilities | | | |
| Payables due after one year | 9 | <u>(189,100)</u> | <u>(139,861)</u> |
| Total Liabilities | | <u>(1,336,158)</u> | <u>(758,812)</u> |
| Net Assets | | <u>3,355,893</u> | <u>2,398,647</u> |
| Equity | | | |
| Issued Capital | | 5,504,424 | 4,765,957 |
| Reserves | | 10,405,296 | 10,845,219 |
| Retained earnings | | <u>(12,553,827)</u> | <u>(13,212,529)</u> |
| Total Equity | | <u>3,355,893</u> | <u>2,398,647</u> |

**Consolidated Statement of Changes in Equity
For Year ended 30 June 2008**

| | Share Capital £ | Share premium £ | Options Reserve £ | Foreign currency translation reserve £ | Retained earnings £ |
|---|-----------------------|-----------------------|-------------------------|--|---------------------------|
| Balance at 1 July 2006 | 3,240,957 | 10,442,369 | 309,155 | 144,966 | (11,774,211) |
| Exchange differences arising on translation of foreign operations | - | - | - | (17,777) | - |
| Net income recognised directly in equity | - | - | - | (17,777) | - |
| Proceeds from new share issue | 1,525,000 | - | - | - | - |
| Costs arising from share issue | - | (141,354) | - | - | - |
| Net loss for the year | - | - | - | - | (1,438,318) |
| Total recognised income and expenses | 1,525,000 | (141,354) | - | (17,777) | (1,438,318) |
| Recognition of share based payments | - | - | 107,860 | - | - |
| Balance at 30 June 2007 | 4,765,957 | 10,301,015 | 417,015 | 127,189 | (13,212,529) |
| Exchange differences arising on translation of foreign operations | - | - | - | (1,951,552) | - |
| Net income recognised directly in equity | - | - | - | (1,951,552) | - |
| Proceeds from new share issue | 738,467 | 1,661,551 | - | - | - |
| Costs arising from share issue | - | (159,665) | - | - | - |
| Net profit for the year | - | - | - | - | 658,702 |
| Total recognised income and expenses | 738,467 | 1,501,886 | - | (1,951,552) | 658,702 |
| Recognition of share based payments | - | - | 9,743 | - | - |
| Balance at 30 June 2008 | 5,504,424 | 11,802,901 | 426,758 | (1,824,363) | (12,553,827) |

**Consolidated Cash Flow Statement
For the year ended 30 June 2008**

| | Year ended 30 June 2008 £ | Year ended 30 June 2007 £ |
|---|------------------------------------|------------------------------------|
| Cash flow from operating activities | | |
| Receipt from customers | 1,049,730 | 393,751 |
| Payments to suppliers and employees | (2,936,915) | (2,100,638) |
| Net cash used in operating activities | <u>(1,887,185)</u> | <u>(1,706,887)</u> |
| Cash flow from Investing Activities | | |
| Payments for property, plant and equipment | (5,520) | (72,456) |
| Net cash (used in) investing activities | <u>(5,520)</u> | <u>(72,456)</u> |
| Cash flow from Financing Activities | | |
| Proceeds from Interest and investment income | 22,858 | 55,310 |
| Proceeds from issue of equity shares | 2,240,353 | 1,383,646 |
| Net cash from financing activities | <u>2,263,211</u> | <u>1,438,956</u> |
| Net increase/(decrease) in cash and cash equivalents | 370,506 | (340,387) |
| Exchange gains on cash and cash equivalents | 225,344 | - |
| Cash and cash equivalents at beginning of the year | 897,399 | 1,237,786 |
| Cash and cash equivalents at the end of the financial year | <u>1,493,249</u> | <u>897,399</u> |

Notes to the Financial Statements For the year ended 30 June 2008

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with International Accounting and Financial Reporting Standards (IFRS).

The financial statements are presented in British Pounds (GBP) since this is the currency in which the Group raises its equity funding.

a) Basis of Preparation

The financial information set out in these financial statements does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The consolidated balance sheet as at 30 June 2008 and the consolidated income statement, consolidated cash flow statement and associated notes for the year then ended have been extracted from the Group's financial statements.

The financial information has been extracted from the Group's financial statements that are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union applied in accordance with the provisions of the Companies Act 1985 and under the historical cost convention.

The financial information for the period ended 30 June 2007 is derived from the statutory accounts for that period which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under either Section 237 (2) or Section 237 (3) of the Companies Act 1985.

The statutory accounts for the year ended 30 June 2008 is derived from the statutory accounts for that period which will be delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was unqualified and did not contain a statement under either Section 237 (2) or Section 237 (3) of the Companies Act 1985. The auditors have however included an emphasis of matter disclosure regarding the directors' assumptions as to the continuing application of the going concern concept. The directors are optimistic as to the continued development of the business of the group. However, the auditors note that unless an increase in sales is achieved, there remains doubt as to the ability of the group to continue as a going concern. The auditors' opinion is not qualified in this respect. The financial statements do not include any adjustments that would result if the group was unable to continue as a going concern. In addition, without qualifying our opinion, the auditors also drew attention to Note 4 below that explains the basis of the exchange gain reported in the income statement of £2,418,397 and to Note 6 below that explains the prior period adjustment in respect of taxation.

b) Basis of consolidation

The consolidated financial statements include the results of CustomVis Plc and its subsidiary undertakings. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The results of the subsidiary acquired or disposed off during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

2. First-time adoption of international financial reporting and accounting standards

CustomVis Plc prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board as adopted by the European Union.

CustomVis Plc adopted IFRS for the first time in the financial year which ended on 30 June 2008. The adoption of these standards and interpretations has not resulted in any changes to CustomVis's accounting policies. There has been no material effect of the adoption of IFRS on the results for the year ended 30 June 2007 other than presentational requirements.

As at the date of approval of these financial statements, the following standards and interpretations were in issue but not yet effective:

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009)
 IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009)
 IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009)
 IAS 32 (Amendment), 'Financial instruments: Presentation' (effective from 1 January 2009)
 IFRS 1 (Amendment) 'First time adoption of IFRS' (effective 1 January 2009)
 IAS 27 (Revised), 'Consolidated and separate financial statements', (effective from 1 July 2009)
 IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009).
 IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009).
 IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009).
 IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009).

The Directors do not anticipate that the adoption of these interpretations in future reporting periods will have a material impact on the Group's results.

3. Other income

| | Year ended 30 June 2008 £ | Year ended 30 June 2007 £ |
|-------------------|------------------------------------|------------------------------------|
| Interest income | 22,858 | 55,310 |
| Government Grants | 278,972 | 259,605 |
| Rental Incomes | 109,091 | 50,322 |
| Other Income | 25,457 | - |
| | 436,378 | 365,237 |

4. Foreign exchange gain

The Group earned a foreign exchange gain of £2,481,397 (2007: £18,380) due to the movement of the exchange rate between Pound Sterling and the Australian Dollar over the financial year. This gain arose in the individual financial statements of the subsidiary CLVR Pty Ltd. The gain arose as a result of inter-company financing and is unrealised.

5. Operating profit/(loss)

| | Year ended 30 June 2008 £ | Year ended 30 June 2007 £ |
|---|------------------------------------|------------------------------------|
| Operating profit/(loss) is stated after charging: | | |
| Depreciation | 115,420 | 134,580 |
| Operating lease payments – land and buildings | 197,527 | 144,805 |
| Share based payments | 9,743 | 107,860 |
| Research and development | | |
| - expenditure in one year | 16,587 | 29,213 |
| | 16,587 | 29,213 |
| and after crediting: | | |
| Foreign exchange gains | 2,481,397 | 18,380 |
| Government grants | 278,972 | 259,605 |
| | 278,972 | 259,605 |

6. Income tax expense

| | Year ended 30 June 2008 £ | Year ended 30 June 2007 £ |
|-------------------------|------------------------------------|------------------------------------|
| UK Taxation | | |
| - Current year | 95,368 | - |
| - Prior year adjustment | 302,226 | - |
| | <hr/> 397,594 | <hr/> - |
| - Overseas taxation | - | - |
| | <hr/> 397,594 | <hr/> - |

UK Taxation – amount in respect of previous year

The charge for the year can be reconciled to the profit/(loss) per the income statement as follows:

| | | |
|--|---------------|-------------|
| Profit/ (Loss) on ordinary activities before tax | 1,056,296 | (1,438,318) |
| Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax on the UK income tax rate of 29.5 per cent. (2007: 30 per cent.) | 311,607 | (431,495) |
| Effect of revenue that is exempt from taxation | (732,012) | - |
| Effect of expenses that are not deductible in determining taxable profit | 255,797 | 34,860 |
| Effect of unused tax losses and tax offsets | 259,976 | 396,635 |
| Adjustments to prior year tax | 302,226 | - |
| Income tax expense recognised in profit or loss | <hr/> 397,594 | <hr/> - |

The UK Tax expense includes prior year adjustments to the tax computations discovered during the completion of the 2008 Financial Statements.

CustomVis has an Australian subsidiary; CLVR Pty Ltd ("CLVR"), with whom CustomVis has an intercompany loan account to fund the subsidiary's trading operations. Interest is payable on the loan account by CLVR and has been booked as interest receivable in the CustomVis accounts since the year ended 30 June 2004.

Due to the loss-making nature of CLVR, it has not been able to make the necessary interest payments. CustomVis therefore provided in full against the interest receivable in the accounts from the year ended 30 June 2005 and 30 June 2006, effectively netting off the interest receivable in the P&L account.

The tax computations of CustomVis for the years ended 30 June 2005 and 30 June 2006 had not originally adjusted for both the intercompany interest receivable and the corresponding provisions against this interest in the tax computations that were originally submitted.

As a result the tax position of the Company has been understated in these years, resulting in an underpayment of tax of circa £75,000 in the year ended 30 June 2006 and a large reduction in the carried forward trading losses for tax purposes. The UK tax authorities have been informed of the errors.

The correct treatment of the interest and corresponding provisions has been applied in the tax computation for the year ended 30 June 2007 onwards. The 2007 tax computation of CustomVis had yet to be completed upon approval of the Company's 2007 financial statements. These financial statements did not include a tax expense for the year to 30 June 2007 for CustomVis. Upon discovering the underpayment of tax for the June 2005 and June 2006 years, the directors reviewed the draft 2007 tax computation and understand that there is a tax liability of circa £184,000 (exclusive of any penalties that may be levied by UK tax authorities) for the year ended 30 June 2007.

Deferred taxation

The Group has losses carried forward estimated at £12,891,407 (2007 - £12,586,666) 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. Earnings per share

| | Year ended 30 June 2008 | Year ended 30 June 2007 |
|---------------------------------|-------------------------------|-------------------------------|
| Basic profit/(loss) per share | 0.56p | (1.86p) |
| Diluted profit/(loss) per share | 0.56p | (1.86p) |

The calculation of basic and diluted earnings per share was based on a weighted average number of shares calculated as follows:

| | Number of shares | |
|--|------------------|--------------|
| Issued ordinary shares at 1 July | 95,319,148 | 64,819,148 |
| Shares issued during the year | 73,846,700 | 30,500,500 |
| Weighted average number of ordinary shares 30 June (basic) | 117,922,043 | 77,387,821 |
| Weighted average number of ordinary shares 30 June (diluted) | 117,922,043 | 77,387,821 |
| Profit/(Loss) used in calculating basic and diluted earnings/(Loss) per share from continuing operations | £658,702 | £(1,438,318) |

8. Property, Plant and Equipment

| | Plant & Machinery £ | Fixtures, fittings and equipment £ | Leasehold Improvement £ | 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 |
| Exchange differences | 19,644 | 2,024 | 1,551 | - | 23,219 |
| Additions | 4,503 | 1,017 | - | - | 5,520 |
| At 30 June 2008 | 336,881 | 157,590 | 20,785 | 171,141 | 686,397 |
| 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 |
| Exchange differences | - | - | - | (13,293) | (13,293) |
| Charge for the year | 38,225 | 13,002 | 4,450 | 59,743 | 115,420 |
| At 30 June 2008 | 253,588 | 157,519 | 15,996 | 114,020 | 541,123 |
| Net book value | | | | | |
| At 30 June 2007 | 97,371 | 10,032 | 7,688 | 103,571 | 218,662 |
| At 30 June 2008 | 83,293 | 71 | 4,789 | 57,121 | 145,274 |

9. Trade and other payables

| | Year ended 30 June 2008 £ | Year ended 30 June 2007 £ |
|------------------------------|------------------------------------|------------------------------------|
| Current | | |
| Trade creditors | 273,447 | 335,743 |
| Director's current account | 20,734 | 20,398 |
| Other creditors | 206,800 | 155,784 |
| Accruals and deferred Income | 248,484 | 107,026 |
| | <u>749,464</u> | <u>618,951</u> |
| Non-current | | |
| Accruals and deferred income | 189,100 | 139,861 |
| | <u>189,100</u> | <u>139,861</u> |

10. Reconciliation of cash flows from operating activities

| | Year ended 30 June 2008 £ | Year ended 30 June 2007 £ |
|---|------------------------------------|------------------------------------|
| <i>(a) Cash flows from operating activities</i> | | |
| After tax profit/(loss) for the period | 658,702 | (1,493,628) |
| <i>Adjustments for Non-Cash Items</i> | | |
| Equity settled share based payment expense | 9,743 | 107,860 |
| Bad Debts provision | 30,000 | - |
| Net finance costs | (22,858) | - |
| Depreciation | 115,420 | 134,580 |
| Foreign exchange gains | (2,481,397) | - |
| Operating loss before changes in working capital and provisions: | (1,690,390) | (1,251,188) |
| Changes in assets and liabilities (excluding the effects of acquisition and exchange differences on consolidation): | | |
| Increase in trade and other receivables | (604,388) | (852,099) |
| Increase in inventories | (3,378) | (172,328) |
| Increase in trade and other payables | 13,377 | 570,820 |
| Exchange rate difference arising on cash balances | - | (2,092) |
| Increase in provision for taxation | 397,594 | - |
| Net cash flows used in operating activities | <u>(1,887,185)</u> | <u>(1,706,887)</u> |
| <i>(b) Reconciliation of cash and cash equivalents</i> | | |
| Cash at bank and at call | <u>1,493,249</u> | <u>897,399</u> |

11. Dividends

No dividends were paid or proposed in respect of the year ended 30 June 2008.

12. Copies of Accounts

A copy of the Annual Report and Accounts will be sent to all shareholders shortly and will be available from the offices of John East & Partners Limited, 10 Finsbury Square, London EC2A 1AD, and from the Company's website www.customvis.com.