



Innovision Research & Technology plc Interim Report 2009

Touch is the new click...

Our objective: To develop and supply advanced Integrated Circuit solutions enabling wireless connectivity applications, focusing primarily on near-field data communications and RFID markets.

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The Chairman's and the Chief Executive's statement



Malcom Baggott, Chairman

This six-month period has been focused on the first phase of implementation of several major contracts with Tier 1 suppliers into the mobile telecoms industry. These contracts are for integration of Innovision's Near Field Communication (NFC) intellectual property (IP) into chips which combine several wireless functions onto one chip ("combo" chips). Completion of the 1.8 volt generation of our NFC IP from the previous 3.3 volt version has been more involved and taken longer than planned. Due to the timing of customer requirements to deliver initial test devices the intensity on their programmes has been raised. However, the Company remains on track to generate significant royalties arising from mobile handset shipments starting in 2011/12.

In China, we have delivered our technology to our first customer, and this has been incorporated into an initial chip. Early results from the initial testing and evaluation of

samples have been encouraging. Once qualified, we expect royalties from product sales to begin in the second half of 2010.

In July, we completed a successful placing of 30 million shares raising £5.2m net of expenses. This funding is designated to support development of the NFC IP business until royalty flow, and the development of the NFC product/tag business. On the back of the contracts won, we increased the engineering team headcount by 40% with a combination of shorter-term contract staff and planned permanent employees in order to fulfil the customer commitments and maintain the investment in our market leading NFC IP.

Results for the six months (unaudited)

The Company is still in the pre-royalty phase and therefore the majority of revenue again relates only to development services.



David Wollen, CEO

Overall revenue was £1.0m (2008: £0.8m). Of the total revenue, 84% (2008: 98%) relates to design services provided to major semiconductor customers in order to customise our background IP for inclusion into their products.

As expected, gross profit on engineering has been impacted by the reduction in development funding available from customers. There has also been incremental engineering resource required to address the technical and customer-specific challenges earlier than planned, which has come at a higher effective man-day rate as we are using contractors to maintain flexibility through peak periods. These factors have contributed to the increase in direct costs to £1.1m (2008 £0.5m).

At 30 September 2009, we had cash deposits of £7.1m (2008: £4.3m) and additional net current assets of £0.4m (2008: £1.9m).

The Chairman's and the Chief Executive's statement continued

Results for the six months (unaudited) cont.

Net cash outflow was £1.6m excluding the £5.2m net proceeds from the share placing (2008: £1.3m) and is in line with the loss for the period. The reduction in other net current assets reflects the timing of milestone payments on the major contracts.

We continued to invest in our background NFC IP and the new Emerald tag platform, spending £0.8m (2008: £1.0m) for the six months under review. This investment in background IP has been an important element in securing the NFC business and the major engineering focus over the last year. In the second half the focus will switch to the customisation of this IP directly for customers. Administrative overheads were in line with the same period last year at £1.7m (2008: £1.7m).

With the reduced gross margin and lower investment income as interest rates have fallen, the loss after tax for the 6 months to 30 September 2009 was £1.6m (2008: £1.1m).

Operations Review

Over the period, we have strengthened our IC design capability and maintained our position as a leading company in our field. This has included investment in transferring our IP to state of the art manufacturing processes.

The primary focus for our design team is the work on existing development programmes

for our major customers and the continued development of our background IP to meet the market demands for existing and prospective customers. Good progress has been made in all areas, though at the cost of additional resources. As a result, it is unlikely that we will take on major new in-house development programmes until next year. We are focusing on new projects that require less customisation by our engineering teams and, in due course, we expect this IP transfer model to become more prevalent.

In the tag area, we have made good progress both on technology development and production costs. We expect to start production for a specific large customer in the second half of 2010. The volume of NFC-related tag sales is starting to increase and we are investing now to take advantage of what we believe will be a very attractive market in the medium-term.

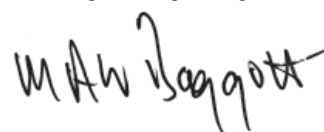
We have completed the relocation of the system design facility in Wokingham and are actively reviewing cost effective options to move our Cirencester headquarters to more appropriate premises from which to manage the next stages of the Company's development.

Current trading and outlook

Consumer handsets with NFC based on stand-alone controllers will be available from 2010/11 with fully integrated NFC handsets based on

our IP following from 2011/12. We expect volumes to grow through 2012 to 2015. Once the "combo" chips are designed into devices, the Company will generate revenue from licence fees, royalties based on the shipments of the combination chips and the sales of tags for use with these devices. The market for tags may ultimately be greater than the royalty stream from the devices themselves.

Our focus for the remainder of this financial year is moving forward with the implementation phases of our current development programmes and securing additional IP and product-based contracts for next year. We are entering a number of months of concentrated development effort to achieve our customers' aggressive goals. This additional effort and cost will continue to impact us for the rest of this year but it is encouraging that there is growing visibility of NFC in future mobile handsets and this gives us confidence in achieving our long-term goals.



Malcolm Baggott
Chairman
11 December 2009



David Wollen
Chief Executive
11 December 2009

Independent review report

to Innovision Research & Technology plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the six months ended 30 September 2009 which comprises the interim statement of comprehensive income, interim statement of financial position, interim statement of changes in shareholders' equity, interim statement of cash flows and notes to the interim financial statements. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report, including the conclusion, has been prepared for and only for the Company for the purpose of meeting the requirements of the AIM Rules for Companies and for no other purpose. We do not, therefore, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Directors' Responsibilities

The interim financial report, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing and presenting the interim financial report in

accordance with the AIM Rules for Companies.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee ("IFRIC") pronouncements as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with the measurement and recognition criteria of International Financial Reporting Standards and International Financial Reporting Interpretations Committee ("IFRIC") pronouncements, as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for

financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the six months ended 30 September 2009 is not prepared, in all material respects, in accordance with the measurement and recognition criteria of International Financial Reporting Standards and International Financial Reporting Interpretations Committee ("IFRIC") pronouncements as adopted by the European Union, and the AIM Rules for Companies.

Baker Tilly UK Audit LLP

Chartered Accountants

Hartwell House,
55 – 61 Victoria Street,
Bristol, BS1 6AD
11 December 2009

Interim statement of comprehensive income

for the six months ended 30 September 2009 (unaudited)

	Notes	6 months ended 30 September 2009 £'000	6 months ended 30 September 2008 £'000	12 months ended 31 March 2009 £'000
Revenue	2	1,042	830	1,192
Cost of sales		(1,105)	(492)	(600)
Gross profit		(63)	338	592
Administrative expenses		(1,737)	(1,675)	(3,731)
Operating loss		(1,800)	(1,337)	(3,139)
Investment Income		45	142	216
Loss before taxation		(1,755)	(1,195)	(2,923)
Tax	3	126	100	334
Loss for the period		(1,629)	(1,095)	(2,589)
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period		(1,629)	(1,095)	(2,589)
Loss per share		Pence per share	Pence per share	Pence per share
Basic and diluted	4	(2.26)	(1.78)	(4.20)

The results were all derived from continuing operations.

The total comprehensive income for the period is wholly attributable to the equity shareholders of Innovision Research & Technology plc.

Interim statement of financial position

as at 30 September 2009 (unaudited)

	As at 30 September 2009 £'000	As at 30 September 2008 £'000	As at 31 March 2009 £'000
Non-Current Assets			
Property, plant & equipment	241	159	217
Intangible assets	1,063	412	646
Other receivables	2	3	2
	1,306	574	865
Current Assets			
Inventories	81	40	80
Trade and other receivables	692	2,343	1,125
Current tax asset	125	75	310
Cash and cash equivalents	7,100	4,274	3,585
	7,998	6,732	5,100
Total assets	9,304	7,306	5,965
Current Liabilities			
Trade and other payables	495	531	607
Provision	-	37	99
Total liabilities	495	568	706
Net Assets	8,809	6,738	5,259
Equity			
Share Capital	915	615	615
Share Premium Account	26,596	21,735	21,735
Retained Earnings	(18,702)	(15,612)	(17,091)
Total equity attributable to equity shareholders of the Company	8,809	6,738	5,259

The interim financial statements were approved and authorised for issue by the Board of Directors on 11 December 2009 and signed on their behalf by: **David Peter Wollen** (Director) and **Brian Godfrey McKenzie** (Director).

Interim statement of changes in shareholders' equity and interim statement of cash flows

for the six months ended 30 September 2009 (unaudited)

Interim statement of changes in shareholders' equity	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total £'000
At 1 April 2008	615	21,735	(14,531)	7,819
Total comprehensive income for the period	-	-	(1,095)	(1,956)
Share based payments	-	-	14	14
As at 30 September 2008	615	21,735	(15,612)	6,738
Total comprehensive income for the period	-	-	(1,494)	(1,494)
Share based payments	-	-	15	15
As at 31 March 2009	615	21,735	(17,091)	5,295
Total comprehensive income for the period	-	-	(1,629)	(1,629)
Share based payments	-	-	18	18
Issue of share capital	300	5,100	-	5,400
Share issue costs	-	(239)	-	(239)
As at 30 September 2009	915	26,596	(18,702)	8,809

Interim statement of cash flows

	Note	6 months ended 30 September 2009 £'000	6 months ended 30 September 2008 £'000	12 months ended 31 March 2009 £'000
Cash utilised in operations	5	(1,195)	(1,047)	(895)
Tax credit received		311	160	160
Net cash outflow from operating activities		(884)	(887)	(735)
Investing activities				
Interest received		117	112	209
Purchases of property, plant & equipment		(94)	(25)	(143)
Investment in intangible assets		(785)	(514)	(1,334)
Net cash outflow from investing activities		(762)	(427)	(1,268)
Financing activities				
Proceeds on issue of shares		5,400	-	-
Share capital issue costs		(239)	-	-
Net cash from financing activities		5,161	-	-
Net increase / (decrease) in cash & cash equivalents		3,515	(1,314)	(2,003)
Cash & cash equivalents at the beginning of the period		3,585	5,588	5,588
Cash & cash equivalents at the end of the period		7,100	4,274	3,585

Innovision Research & Technology plc Interim report 2009

Notes to the interim financial statements

for the six months ended 30 September 2009 (unaudited)

1 Basis of preparation

Innovision Research & Technology plc is a public limited company incorporated in the United Kingdom under the Companies Act 1985. The Company is domiciled in the United Kingdom and its ordinary shares are traded on the Alternative Investment Market (AIM).

The annual financial statements of Innovision Research & Technology plc are prepared in accordance IFRS as adopted by the European Union. These interim financial statements do not constitute statutory accounts within the meaning of section 434 Companies Act 2006. Statutory accounts for the year ended 31 March 2009 were approved by the Board of Directors on 10 June 2009 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified and did not contain a statement under section 237(2) or (3) Companies Act 1985.

The interim results, which have been reviewed but not audited, have been prepared using accounting policies consistent with those used in the preparation of the annual report and accounts for the year ended 31 March 2009.

In these interim financial statements the Company has implemented the revised IAS 1 "Presentation of Financial Statements" (2007), which became effective for accounting periods beginning on or after 1 January 2009. As a result the income statement, balance sheet and cash flow statement have been renamed as the statement of comprehensive income, statement of financial position and statement of cash flows. Comparative information has been re-presented on a consistent basis.

As permitted this interim report has been prepared in accordance with UK AIM listing rules and not in accordance with IAS 34 "Interim Financial Reporting" therefore it is not fully in compliance with IFRS.

The interim financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

2 Revenue

	6 months ended 30 September 2009 £'000	6 months ended 30 September 2008 £'000	12 months ended 31 March 2009 £'000
By Type:			
Development Engineering	873	810	906
Licence fees & Royalties	122	-	195
Product Sales	47	20	91
	1,042	830	1,192

The Company has not implemented IFRS 8 "Operating Segments" in these interim financial statements and consequently Note 2 is not in accordance with this standard. IFRS 8 will be implemented in full in the financial statements for the year ended 31 March 2010.

Notes to the interim financial statements continued

for the six months ended 30 September 2009 (unaudited)

3 Taxation

Taxation for the six months to 30 September 2009 is based on the estimated tax credits for Research and Development.

4 Loss per share

Basic loss per share has been calculated by dividing the loss for the period attributable to ordinary shareholders by the weighted average number of shares in issue during the period.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. Dilutive potential ordinary shares arise from employee share options. At 30 September 2009 the average market price of the Company's ordinary shares was more than the exercise price of the options and consequently the shares in question are excluded from the diluted EPS calculation. There is therefore no dilution as a result of outstanding options.

	6 months ended 30 September 2009	6 months ended 30 September 2008	12 months ended 31 March 2009
Loss for the period	(£1,629,000)	(£1,095,000)	(£2,589,000)
Weighted average number of shares	72,070,415	61,556,121	61,556,121
Loss per share (basic & diluted) – pence per share	(2.26)	(1.78)	(4.20)

Notes to the interim financial statements continued

for the six months ended 30 September 2009 (unaudited)

5 Reconciliation of loss before tax to cash utilised by operations

	6 months ended 30 September 2009 £'000	6 months ended 30 September 2008 £'000	12 months ended 31 March 2009 £'000
Loss before tax	(1,755)	(1,195)	(2,923)
Adjustments for:			
Depreciation of property, plant & equipment	70	70	130
Loss on disposal of property, plant & equipment	-	2	2
Amortisation of intangible fixed assets	368	304	890
Share based payments	18	14	29
(Decrease) / increase in provisions	(99)	(17)	45
Investment income	(45)	(142)	(216)
Operating cash flows before movements in working capital	(1,443)	(964)	(2,043)
Increase in inventories	(1)	(34)	(74)
Decrease in receivables	361	37	1,232
Decrease in payables	(112)	(86)	(10)
Cash utilised by operations	(1,195)	(1,047)	(895)

6 Approval of the interim financial statements

The interim financial statements set out on pages 4 to 9 were approved and authorised for issue by the Directors on 11 December 2009.



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