

Innovision Research & Technology plc

REPORT AND FINANCIAL STATEMENTS

31 March 2007



Company Registration No. 3024348

Innovision Research & Technology plc

FINANCIAL SUMMARY

FINANCIAL SUMMARY

Year Ended	31 March 2004	31 March 2005	31 March 2006 as restated	31 March 2007
	£'000	£'000	£'000	£'000
Turnover	2,212	1,561	1,650	3,485
Loss before tax	(1,322)	(2,235)	(3,102)	(1,607)
Loss after tax	(1,200)	(2,126)	(3,022)	(1,471)
Shareholders' funds	4,197	7,305	4,812	3,461
Earnings per share				
Basic	(3.03)	(5.22)	(6.42)	(3.12)
Diluted	(3.03)	(5.22)	(6.42)	(3.12)

Innovision Research & Technology plc

ABOUT INNOVISION RESEARCH & TECHNOLOGY PLC

Our Objective

To develop and supply advanced Integrated Circuit (IC) solutions enabling wireless connectivity applications, focusing primarily on Near-Field Data Communications and RFID markets.

About Innovision Research & Technology plc

We are leading the way in providing semiconductor intellectual property (IP) to enable customers to compete in the emerging market for Near-Field Communications (NFC), which is targeted primarily at the next generation of mobile handsets and consumer electronic devices. This activity builds on and extends our existing business supplying innovative RFID and UHF IC solutions, utilising skills, expertise and intellectual property (IP) developed over many years and across a diverse range of applications worldwide. The Company's primary product is semiconductor IP, which our customers licence for integration into their own ICs and end system products. To achieve this we undertake pre-engineering studies (typically technical feasibility and consultancy work), custom silicon chip design, the building of prototypes and complete development through to production.

Our licensing approach has significant benefits both in reducing manufacturing and distribution costs and, through its royalty structure, ensuring participation in successful end products in selected markets. This model has been successfully applied to the development of a range of patented RFID tags and readers which includes:

- the new "Topaz®" family of devices and IP oriented specifically towards the recent NFC standard and defining one of the few mandated formats which will be supported by all NFC readers worldwide;
- the "Jewel®" chip, a low-cost, ITSO-accredited, ISO 14443A compatible transport ticketing chip;
- "iD", the world's smallest, standards compatible RFID reader module.

The majority of our technology developments come from in-house custom chip design and R&D capability, with a particular strength in mixed-signal and RF CMOS design. The Company is listed on the Alternative Investment Market (AIM) of the London Stock Exchange and continues to invest in the development of new technologies and the enhancement and commercialisation of its Near Field Data communications product range.

For further information, visit our website at www.innovision-group.com

Innovision Research & Technology plc

THE CHAIRMAN'S AND THE CHIEF EXECUTIVE'S REPORT

Summary

Over the past year the Company has made good progress winning and extending contracts and, in particular, won a major new contract during the year and another since the year end. There has also been significant recruitment of new staff, improvements to the engineering tools, investment in developing our Intellectual Property (IP) base and improvement in the financial performance. The Company is in a good position to exploit the market opportunities in the near and medium term.

Financial Results

The financial results also show a marked improvement from 2005/06. With the benefit of high royalty and licence revenues, turnover has more than doubled to £3.5 million (2005/06: £1.7 million). The loss has halved to £1.5 million (2006: £3.0 million).

The investment in research and development increased to £1.7 million (2006: £0.6 million) of which £1.4 million related to the development of IP aimed primarily at the Near-Field Communications (NFC) market, though with general relevance to a number of complementary RFID areas. This is a significant investment, but it has already been endorsed with the signing of a recent three year framework agreement and it puts us in a strong position going forward to capitalise on NFC market growth through licence income and development revenue relating to the customisation for specific customers. We intend to continue to invest in this area to keep ourselves at the leading edge of designs and design techniques.

Development funding from customers was relatively unchanged at £1.2 million (2005/06: £1.3 million) while there was a notable increase in royalty and licence revenue to £1.8 million (2005/06: £0.3 million). The Company also generated £0.4 million income (2005/06: nil) from product sales related to wafer shipments.

Cash reserves at year end stood at £1.8 million (2005/06: £4.1 million). The net cash movement for the year has been negatively impacted by the timing of some significant payments (approximately £1.1 million) on long term contracts which are anticipated to reverse in the first half of 2007/08.

However we believe we need to invest ahead of the predicted revenues and will require additional cash resources. The Company will therefore announce a placing of 14.4m new ordinary shares of 1 pence each raising approximately £6.5 million before expenses (£6.2 million net of expenses).

Contracts

We have moved forward on the RFID contracts in progress at the beginning of the year. Three designs progressed to initial prototype design and chips were delivered into a novel toy application for a large US company. There has also been significant progress within the contactless ticketing activity for mass transport with the first order of a new multi-million unit design win received in May 2007.

During the year, the Company secured a major new contract in the NFC area and since the year-end we have signed a significant three year framework agreement for a series of Integrated Circuit (IC) designs for NFC. Both contracts are with major semiconductor companies selling into the mobile handset market, which endorses the IP, skills and knowledge we have built up in NFC.

Strategy

The Company's strategy remains the development and licensing of IC designs and IP for the near-field data communications market and recent contract wins and current opportunities support our belief that we have a strong and unique offering in this sector.

Our current focus is on NFC and our presence as a key player on the NFC Forum, our custom IC design capability and our investment in growing the IP portfolio provide a solid base on which to grow as the NFC market develops. We will continue to look for additional opportunities to apply our design skills and

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THE CHAIRMAN'S AND THE CHIEF EXECUTIVE'S REPORT

IP within other near-field data communications and RFID markets both in engineering, licensing and product development at chip level (such as Topaz® and Jewel®) and at systems level.

We are seeking to develop partnerships with leading companies whose market, geographic reach and capabilities complement our own. Through these partnerships we will continue to offer standards-based products and capabilities specifically tailored to the market they serve.

Markets

We are seeing increasing prominence given to NFC, with the mobile operators in the GSM Association promoting NFC through white papers, statements from certain operators that NFC is part of their future requirements, mobile handset manufacturers identifying NFC on their product roadmaps and numerous successful trials underway, including use of NFC for contactless payments and ticketing, both of which are applications targeted by the Company. The indications are that mass market devices will start to be shipped during 2008/09 with growth predicted over the following years.

Our expertise in value-added RFID tags has enabled us to tape-out two designs in this area which we believe are market leading technology. We are targeting further RFID designs and expect royalties from these products to begin towards the end of the 2007/08 and to be material in 2008/09.

Mass Transit remains a potentially large market for our contactless ticketing chip, Jewel®. Overall uptake of contactless ticketing by mass transit organisations is slower than anticipated and Jewel's® market share is lower than we would have liked. However, we have recently shipped an initial batch to a large transport customer and have received a first order of a new multi-million unit design win. We continue to promote Jewel® and whilst we have scaled back our expectations we are confident this can be a solid revenue stream in the future.

We are constantly looking to find additional markets to which our core skills can add value. We believe that a standards-based approach can be successful in a number of markets, both geographic and technology specific. Our strategy to enter new markets is to work with credible partners who have the appropriate knowledge, contacts and existing market presence to exploit the opportunities presented. We have identified potential partners in a number of key markets and will continue these discussions over the coming months.

Operations

The last financial year saw a significant expansion of our IC design team and other functions in Cirencester, with more than twenty new hires. We invested heavily in new Electronic Design Automation (EDA) design tools from Cadence and Mentor Graphics, which enable us to more easily interface with our sophisticated global semiconductor customers in a world-class design environment.

The Company plays a strong role in the NFC standards body (see www.nfc-forum.org), where we continue to chair a key technical committee and now a key marketing committee. The Company is recognised as a leader in custom IC design for this market place and our profile within the NFC Forum and the global NFC community in general, combined with the IP base and design capability, puts us in a strong position to exploit the new opportunities as they arise.

Our experience in custom tag and reader IC design combined with strong systems design skills enabled us to deliver approximately 8 million tag chips in the first half of the year. Furthermore we have invested in our chip testing facility and in production planning in anticipation of mass-market chips and tags demand over the next few years.

Innovision Research & Technology plc

ABOUT INNOVISION RESEARCH & TECHNOLOGY PLC

The Board of Directors

We welcomed Brian McKenzie to replace Mike Wroe as Finance Director, and Trevor Crotch-Harvey stepped down as Sales Director. We would like to thank Mike and Trevor for their contributions to the company.

Staff


In the year under review we have significantly strengthened our engineering capability in Cirencester and consolidated the organisational structure and now have an excellent team in place. We would like to thank everyone at the Company for their continued hard work and commitment.

Outlook

The Company is confident of building on the achievements of the past year with good prospects of further contract wins. As ever, the exact timing and nature of contracts is difficult to predict, although there has been a steady increase in the interest in and demand for our capabilities and business offering from a steadily growing prospect list. This is made up primarily of top global semiconductor corporations who see our IP and custom development capabilities as a way to add considerable value to their own products whilst reducing their risk, time to market, cost and deployment of precious design resources to add unique NFC capability.



Malcolm Baggott
Chairman
19 June 2007



David Wollen
Chief Executive Officer
19 June 2007

Innovision Research & Technology plc

DIRECTORS AND ADVISERS

Directors	Malcolm Alexander William Baggott , Non-Executive Chairman David Peter Wollen , Chief Executive Officer Marc Adrian Borrett , Business Development Director Brian Godfrey McKenzie, ACA , Finance Director Heikki Huomo , Technical Director Dr Ian Mark Buckley-Golder , Senior Independent Non-Executive Director
Secretary	Brian Godfrey McKenzie
Nominated Adviser and Stockbroker	KBC Peel Hunt Ltd 111 Old Broad Street London EC2N 1PH
Auditor	Baker Tilly UK Audit LLP 1 Georges Square, Bath Street Bristol BS1 6BP
Solicitors	Ashursts Broadwalk House 5 Appold Street London EC2A 2HA
Bankers	National Westminster Bank plc 5 Broad Street Wokingham Berkshire RG40 1AX
Registrars	Computershare Investor Services PLC P.O. Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH
Registered Office	33 Sheep Street, Cirencester, Gloucestershire, GL7 1RQ
Company no.	3024348 Registered in England

Innovision Research & Technology plc

DIRECTORS AND ADVISERS

Details of the Directors, their roles and their backgrounds are as follows:

Malcolm Baggott, (Non-Executive Chairman, aged 62)

Malcolm joined the Board as a Non-Executive Director in October 2004, succeeding Barton Clarke as Chairman in April 2005. Malcolm qualified as a Chartered Accountant and was Chief Executive of the Vitec Group plc from 1990 to 2000 having previously worked in a number of international companies since qualification in 1966. He has also been Non-Executive Director of several listed companies including Radstone Technology PLC and Uren Food Group Ltd.

David Wollen, (Chief Executive Officer, aged 52)

David joined Innovision R&T in January 2006. Previously he held main Board positions at Renesas Technology Europe and Hitachi Europe, where he was General Manager of the Mobile and Smartcard Business Units, and also at Hitachi Microsystems. Prior to that he was for 10 years General Manager of Dialog Semiconductor, which he joined as the founding Marketing Director and where he established the US organisation. His career also includes several other VC-backed start-up activities and he held senior business and engineering management positions at Texas Instruments and DEC.

Marc Borrett, (Business Development Director, aged 37)

Marc co-founded the Company in July 1994. Beginning his career in marketing at Hewlett-Packard in 1990, he then joined the Innovations Group Limited in 1992, where he remained until 1994 including a period running their Far East office.

Brian McKenzie, ACA, (Finance Director and Company Secretary, aged 42)

Brian qualified as a chartered accountant with Ernst & Young in 1990 and moved into industry in 1995. Before joining Innovision R&T in June 2006, Brian has held finance director/CFO roles in successful software and technology businesses and been involved in profitable acquisitions and mergers.

Heikki Huomo (Technical Director, aged 49)

Heikki joined Innovision R&T as Technical Director in December 2005. He worked at Nokia Corporation for ten years in various R&D management roles, the last four years of which were at Nokia Ventures Organisation exploring technology based business opportunities in short range communications, focusing on NFC. He has also been a Non-Executive Director in Helsinki for the stock market listed Okmetic OYJ and privately held Norstel AB (Sweden).

Dr Ian Buckley-Golder (Senior Independent Non-Executive Director, aged 55)

Ian joined the Board in September 2004. His previous positions as Chairman/MD/Director of USA, Japanese and UK businesses, within both Listed and VC-backed corporations have all been focused on developing people, technology and business value. He is currently Chairman of Cascade Fund Management Ltd, a Director of The Rainbow Seed Fund, and holds a Visiting Professorship in physics.

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DIRECTORS' REPORT

The Directors submit their report and the financial statements of Innovision Research & Technology plc for the year ended 31 March 2007.

Business of the Company

Innovision Research & Technology plc is a leader in the design of Near Field Data Communications and RFID solutions, focusing on the development and licensing of custom integrated circuits.

The results of the Company are set out in the profit and loss account on page 16. The trading loss for the year after taxation was £1,471,000. The directors do not recommend the payment of a dividend, which leaves the retained loss of £1,471,000 to be transferred to reserves.

A review of the Company's business during the year and planned future developments is set out in the Chairman and Chief Executive's Report on pages 3 to 5.

Directors and Directors' Interests

The following Directors have held office since 1 April 2006 and their interests in the shares of the company are as follows:

a) Ordinary Shares

	Ordinary shares of 1p each 31.03.07	Ordinary shares of 1p each 01.04.06 or date of appointment
MAW Baggott	38,334	38,334
DP Wollen	33,333	33,333
MA Borrett	8,860,710	8,860,710
H Uomo	12,000	12,000
Dr IM Buckley-Golder	5,000	-
BG McKenzie (appointed 01/07/06)	-	-

b) Share Options

	Scheme	Date of Grant	Number of Share Options	Exercise Price	Exercise period From - To
H Uomo	EMI scheme	16/12/05	120,000	83p	16/12/08-16/12/15
	LTIP scheme	19/07/06	180,000	1P	On announcement of results year ending March 2009-2011
DP	EMI scheme	07/02/06	163,934	61p	07/02/09-07/02/16
Wollen	Unapproved scheme	07/02/06	409,836	61p	07/02/09-07/02/16
	LTIP scheme	19/07/06	300,000	1P	On announcement of results year ending March 2009-2011

During the year none of the Directors exercised any share options.

The market price of the shares at 31 March 2007 was 36 pence and the range during the year was 31.5 pence to 51 pence.

Innovision Research & Technology plc

DIRECTORS' REPORT

Payment Policy

The Company does not follow any formal code or standard on payment practice. In the absence of dispute, amounts due to trade creditors are settled as expeditiously as possible within their terms of payment. Trade creditors at the year-end represented approximately 42 days (2006: 57 days) of purchases.

Research and Development

Research and Development is an integral part of the Company's activities and considerable investment was made during the period. The amount of £1.74m (2006: £0.63m) has been charged to the profit and loss account.

Employees

The Company has a policy of involving employees at all levels and keeping them informed through regular briefing sessions conducted by the Directors.

Health & Safety and the Environment

The Company is committed to upholding the highest standards of health and safety and environmental protection for the benefit of its employees, the public at large and the environment.

Risk Management

Given the size of the Company, the Directors have not delegated the responsibility of monitoring risk management to a sub-committee of the Board and the full Board formally reviews risk on a quarterly basis. The nature of the Company's business exposes it to a variety of risks, which are common to similar businesses. Generally these risks fall within the following categories: technology and market; contractual; personnel and operations; and financial. Where significant controllable risks are identified, mitigating action plans are implemented with a Board member responsible for monitoring and reporting on progress.

The Company's operations expose it to a variety of financial risks. However with no debt financing or exposure to commodity price risk these risks are minimal. The policies and guidelines set by the board of directors are implemented by the Company's finance department and include credit risk policies that require appropriate credit checks and or Board review of customers before sales are made. The Company's only interest bearing assets are its cash balances, which are, held on deposit with major banks or similar financial institutions.

Annual General Meeting

Notice of the Annual General Meeting and explanatory notes on the proposed resolutions are given in the notice to shareholders on page 33.

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DIRECTORS' REPORT

Substantial Shareholdings

Other than the holdings of the Directors, which are set out above, the Directors are aware of the following who, as at 19 May 2007, were interested, directly or indirectly, in 3 percent or more of the Company's share capital


	<i>No of Ordinary Shares of 1p each</i>	<i>Percentage of Issued Share Capital</i>
Invesco Asset Management	4,798,863	10.19%
Herald Investment Management Limited	4,594,444	9.76%
Schroder Investment Management	3,897,075	8.27%
Omx Securities	3,690,300	7.84%
Andrew White	2,894,901	6.15%
Credit Agricole Cheuvreux International Limited	2,043,500	4.34%
British Steel Pension Fund Trustee	1,850,000	3.93%
KBC Peel Hunt	1,426,329	3.03%

Auditor

The Directors, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed as successor auditor with effect from 1 April 2007, in accordance with the provisions of the Companies Act 1989, s26(5). Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

Statement as to disclosure of information to the auditor

The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.



By order of the Board

Brian McKenzie
Company Secretary
19 June 2007

Innovision Research & Technology plc

CORPORATE GOVERNANCE COMPLIANCE STATEMENT

As a Company quoted on the Alternative Investment Market of the London Stock Exchange, the Company is not required to comply with the revised Combined Code. However the Board seeks to comply with the Code wherever practical and appropriate for a company of its size.

Set out below is a summary of how, at 31 March 2007, the Company was dealing with key requirements of the Combined Code.

Audit Committee

The Audit Committee comprised the two Non-Executive Directors, one of whom qualified as a Chartered Accountant and has recent and relevant experience. The Audit Committee met twice during the year. The Board considers the current committee appropriate for a company of this size.

Remuneration Committee

The Non-Executive Directors form the Remuneration committee. Its key role is to make recommendations to the Board, within agreed terms of reference, on the Company's framework of executive remuneration and its cost and to determine on behalf of the Board specific remuneration packages for each of the Executive Directors. The Committee met three times during the year.

Nominations Committee

The appointment of all Directors is a formal process undertaken by a Nominations committee consisting of the Chairman, the Chief Executive Officer and the Senior Independent Non-Executive Director.

Directors' Training and Development

Although there is no formal training programme, the Company provides Directors' training as and when necessary. A programme of induction is provided to all new Directors on appointment and the Executive Directors have annual appraisals at which their historic performance and future development needs are assessed.

Senior Independent Director

Dr Ian Buckley-Golder is the Senior Independent Non-Executive Director.

Board Composition

At the year-end, the Board consisted of four Executive and two Non-Executive Directors. The Board considers all its non-executive directors to be independent in character and judgement however only one Director, Dr Ian Buckley-Golder, is technically independent as defined by the Code. The Board continues to actively review the need for the appointment of an additional Independent Non-Executive Director.

The posts of Non-Executive Chairman and Chief Executive Officer are held by separate individuals and the division of responsibilities is clearly defined.

The Board considers the current Board structure appropriate for the Company.

There are processes in place enabling Directors to take independent advice at the Company's expense in the furtherance of their duties and to have access to the advice and services of the Company Secretary.

Internal Audit

The Board considers that there is no necessity at the present time to establish an independent internal audit function; the need to create one will be periodically reviewed as the Company grows.

Internal Controls and Risk Management

The Board of Directors is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against misstatement or loss.

Innovision Research & Technology plc

CORPORATE GOVERNANCE COMPLIANCE STATEMENT

Key aspects of the Company's internal financial control system are:

- The Board is responsible for overall strategy and for approving budgets, major capital expenditure, forecasts, plans and dividend policy.
- The Directors review the management accounts, together with reports covering all significant activities monthly.
- The Company has implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud.
- Measures taken include physical controls, segregation of duties, reviews by management and external audit to the extent necessary to arrive at their audit opinion.
- The Company is committed to the highest standards of business conduct and seeks to maintain these standards across all of its operations.
- The Company has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve the Company's objectives. Lines of responsibility and delegations of authority are documented.
- From time to time sub-committees of the Board, comprising both Executive and Non-Executive Directors are established to approve the detail of matters tabled at full Board meetings
- All Executive Directors are appointed on a rolling contract with not more than 12-month notice periods and the Non-Executives are appointed for fixed terms not exceeding one year.
- The Non-Executive Directors monitor the Company's performance and the actions of the Management. In addition the Non-Executives play a major role in the various committees of the Board. They are kept fully informed of all major operational and strategic issues.

The process of monitoring and updating internal controls and procedures continues throughout the year and has been supplemented by the implementation of an annual risk management review, the focus being to assess existing processes and practices in order to facilitate effective risk management based on sound internal controls.

The Company operates a formal ISO 9001 and ISO 13485 accredited Quality System.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Relations with shareholders

The Chairman makes himself available to major shareholders on request and periodically attends meetings with and presentations to shareholders. This is supplemented by twice yearly feedback to the Board on meetings between management and investors. The Annual General Meeting is normally attended by all Directors, and shareholders are invited to ask questions during the meeting and to meet with Directors after the formal proceedings have ended.

The Company maintains a corporate website (www.innovision-group.com) containing information of interest to institutional shareholders.

Innovision Research & Technology plc

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. They are also responsible for ensuring that the annual report includes information required by the AIM Rules of the Financial Services Authority.

Company law requires Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, Directors are required to:

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for the maintenance and integrity of the Company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Innovision Research & Technology plc

AUDITOR'S REPORT

for the year ended 31 March 2007

Independent Auditor's Report to The Members of Innovision Research & Technology plc

We have audited the financial statements which comprise the Profit & Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement and related notes

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 auditor's 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 auditor

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 are properly prepared in accordance with the Companies Act 1985, and whether the information given in the Directors' Report is consistent with the financial statements.

We also 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. This other information comprises the Financial Summary, Chairman and Chief Executive's Report, Directors' Report, background information about Innovision Research & Technology plc, Corporate Governance Compliance Statement and details of the Directors. 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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which 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.

Innovision Research & Technology plc

AUDITOR'S REPORT

for the year ended 31 March 2007

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 company's affairs at 31 March 2007 and of its loss for the year then ended and 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.

Baker Tilly UK Audit LLP

Baker Tilly UK Audit LLP
Registered Auditor, Chartered Accountants
1 Georges Square
Bath Street
Bristol, BS1 6BP

19 June 2007

Innovision Research & Technology plc

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2007

	<i>Notes</i>	2007 £'000	2006 £'000 as restated
Turnover	1	3,485	1,650
Cost of sales		(295)	(101)
Gross profit		<u>3,190</u>	<u>1,549</u>
Administrative expenses			
Operating costs		(4,940)	(4,347)
Exceptional items	2	-	(556)
Operating loss		<u>(1,750)</u>	<u>(3,354)</u>
Interest receivable		143	252
Loss on ordinary activities before taxation	2	<u>(1,607)</u>	<u>(3,102)</u>
Taxation	4	136	80
Loss for the year	17	<u>(1,471)</u>	<u>(3,022)</u>
Earnings per share	5	Pence per share	Pence per share
Basic and diluted		(3.12)	(6.42)

The operating loss for the year arises from the Company's continuing operations.

Innovision Research & Technology plc

BALANCE SHEET

As at 31 March 2007

	Notes	2007 £'000	2006 £'000 as restated
Fixed assets			
Tangible assets	6	309	283
		<u>309</u>	<u>283</u>
Current assets			
Stocks	8	15	16
Debtors	9	2,149	1,370
Cash at bank and in hand	12	1,836	4,075
		<u>4,000</u>	<u>5,461</u>
Creditors: Amounts falling due within one year	10	(759)	(742)
Net current assets		<u>3,241</u>	<u>4,719</u>
Total assets less current liabilities		3,550	5,002
Provisions for liabilities and charges	11	(89)	(190)
Net assets		<u>3,461</u>	<u>4,812</u>
Capital and reserves			
Called up share capital	13	471	470
Share premium	14	15,652	15,641
Profit and loss account	17	(12,662)	(11,299)
Equity shareholders' funds	18	<u>3,461</u>	<u>4,812</u>

These financial statements were approved and authorised for issue by the Board of Directors on 19 June 2007 and signed on their behalf by:



David Peter Wollen

Director



Brain Godfrey McKenzie

Director

Innovision Research & Technology plc

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 March 2007

	<i>Notes</i>	2007 £'000	2006 £'000 as restated
Loss for the financial year		(1,471)	(3,022)
Total recognised gains & losses for the financial year		(1,471)	(3,022)
Prior year adjustment (note 16)		(101)	
Total gains & losses recognised since the last annual report		(1,572)	

Innovision Research & Technology plc

CASH FLOW STATEMENT

for the year ended 31 March 2007

	<i>Notes</i>	2007 £'000	2006 £'000
Net cash outflow from operating activities	20A	(2,273)	(3,282)
Returns on investments and servicing of finance			
Interest received		145	256
Taxation		85	100
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(208)	(165)
Sale of tangible fixed assets		-	1
Net cash flow for capital expenditure and financial investment		(208)	(164)
Cash outflow before use of liquid resources and financing		(2,251)	(3,090)
Management of liquid resources			
Decrease in treasury deposit account		2,310	2,432
Financing			
Net proceeds from share issue		12	428
Increase / (Decrease) in cash in year		71	(230)
Reconciliation of net cash flow to movement in net funds			
Increase / (Decrease) in cash in year		71	(230)
Cash outflow from management of liquid resources		(2,310)	(2,432)
Change in net funds resulting from cash flow		(2,239)	(2,662)
Opening net funds		4,075	6,737
Closing net funds	20B	1,836	4,075

Innovision Research & Technology plc

ACCOUNTING POLICIES

for the year ended 31 March 2007

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

Basis of consolidation

The Company has taken advantage of Section 229(2) Companies Act 1985 not to prepare consolidated accounts as its only subsidiary is dormant and its inclusion is not material for the purpose of giving a true and fair view. Therefore, these financial statements present information about the Company as an individual undertaking and not about its Group.

Turnover

Turnover represents income earned for the accounting period in accordance with the principles set out below, exclusive of Value Added Tax.

Turnover on fixed price development contracts is recognised as the contract progresses, having regard to the proportion of the total contract which has been completed at the balance sheet date, and estimated costs by reference to the costs incurred to date versus total estimated costs to completion. Provision is made for all foreseeable future losses.

Licence fees are recognised as income during the period in which the Company has fulfilled its obligations to the customer in accordance with the terms of the licence.

Non-refundable advance royalties and guaranteed royalties are recognised as income when the Company is contractually entitled to the relevant amounts and has no further obligations to provide services in respect of such royalties.

Government Grants

Government grants of a revenue nature are credited to overheads in the period to which they relate.

Research and development expenditure

Research and development expenditure is charged to the profit and loss account as incurred.

Tangible fixed assets

Fixed assets are stated at historical cost. Depreciation is provided on tangible fixed assets at rates calculated to write each asset down to its estimated residual value over its expected useful life, as follows:

Fixtures, fittings and equipment 25% - 50% straight line

Stock

Stock is stated at the lower of cost and net realisable value.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Innovision Research & Technology plc

ACCOUNTING POLICIES

for the year ended 31 March 2007

Management of liquid resources

Liquid resources surplus to immediate requirements are held on short to medium term deposit.

Leased assets and obligations

All leases are "operating leases" and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

The Company also acts as a lessor of assets, with respect to surplus office space at the systems design facility let out under operating leases. Lease income from tenants is recognised over the term of the lease and is set off against the lease rentals paid to the landlord.

Pension costs

The pension costs charged in the financial statements represent the contributions payable by the Company during the year to the personal pension plans of certain directors and employees as part of a group personal pension plan.

Share-based Payment

The financial statements reflect the initial adoption of FRS 20, 'Share-based payment'. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as at 1 April 2006.

Equity-settled share based payments are measured at fair value (including the effect of non market-based vesting conditions) at the date of grant. The fair value is recognised on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. Fair value is measured by use of the Black-Scholes pricing model.

The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. Details of the prior year adjustment are given in notes 15 and 16.

Innovision Research & Technology plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2007

1 Turnover

The Company's turnover was all derived from its principal activities and was made to the following geographical markets:

	2007 £'000	2006 £'000
United Kingdom	1,952	22
Rest of Europe	147	571
United States of America	620	765
Rest of the World	766	292
	<u>3,485</u>	<u>1,650</u>

Sales by business activity were as follows:

Development engineering	1,240	1,325
Licence fees and Royalties	1,807	325
Product Sales	438	-
	<u>3,485</u>	<u>1,650</u>

Further segmental analysis has not been provided as the Directors believe that its disclosure would be seriously prejudicial to the interests of the Company.

2 Loss on ordinary activities before taxation has been stated after charging / (crediting):

	2007 £'000	2006 £'000
Amounts payable to Baker Tilly UK Audit LLP (2006: Baker Tilly) in respect of both audit and non-audit services		
Audit services: Statutory audit	19	21
Audit related regulatory reporting	5	8
Tax services: Compliance services	3	3
Advisory services	-	3
Government grants receivable	(57)	(51)
Depreciation of tangible fixed assets	182	161
Loss on disposal of fixed assets	-	3
Exchange rate loss	43	6
Research & development costs	1,737	629
Operating lease rentals: Land and buildings	262	185
Exceptional items: relocation and restructuring costs	-	556
	<u></u>	<u></u>

3 Employees

	2007 No.	2006 No.
Marketing and administration	19	21
Research and engineering	31	28
	<u>50</u>	<u>49</u>

Innovision Research & Technology plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2007

3	Employees (continued)	2007 £'000	2006 £'000
	Staff costs for the above persons:		
	Wages and salaries	2,570	2,307
	Social security costs	298	262
	Pension contributions	89	88
	Cost of employee share schemes	108	101
		<u>3,065</u>	<u>2,758</u>

Directors' emoluments 2007

	Basic Salary £'000	Benefits £'000	Total Excl. Pension £'000	Pension £'000	Share option gains £'000	Total 2007 £'000
Malcolm Baggott	40	-	40	-	-	40
David Wollen	175	28	203	9	-	212
Marc Borrett	102	12	114	9	-	123
Heikki Huomo	90	12	102	9	-	111
Dr Ian Buckley-Golder	20	-	20	-	-	20
Brian McKenzie (appointed 01/07/06)	40	-	40	4	-	44
Michael Wroe (resigned 01/07/06)	27	4	31	3	-	34
Paul Trevor Crotch-Harvey (resigned 11/07/06)	77	4	81	8	-	89
	<u>571</u>	<u>60</u>	<u>631</u>	<u>42</u>	<u>-</u>	<u>673</u>

Directors' emoluments 2006

	Basic Salary £'000	Benefits £'000	Total Excl. Pension £'000	Pension £'000	Share option gains £'000	Total 2006 £'000
Malcolm Baggott	40	-	40	-	-	40
David Wollen (appointed 31/01/06)	31	4	35	1	-	36
Marc Borrett	103	11	114	9	-	123
Heikki Huomo (appointed 01/12/05)	30	4	34	3	-	37
Michael Wroe	94	11	105	9	58	172
Paul Trevor Crotch-Harvey	89	11	100	9	29	138
Dr Ian Buckley-Golder	20	-	20	-	-	20
Barton Clarke (resigned 30/04/05)	2	-	2	-	182	184
Peter Symons (resigned 01/12/05)	69	9	78	6	35	119
	<u>478</u>	<u>50</u>	<u>528</u>	<u>37</u>	<u>304</u>	<u>869</u>

Marc Borrett, David Wollen, Brian McKenzie and Heikki Huomo each have personal pension plans to which the Company contributes.

Innovision Research & Technology plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2007

4	Taxation	2007 £'000	2006 £'000
	Based on the loss for the year		
	Research & development tax credit	(139)	(88)
	Over provided in previous years	3	8
		<u>(136)</u>	<u>(80)</u>
	Factors affecting tax charge for the year	2007 £'000	2006 £'000 as restated
	The tax assessed for the period is lower than the standard rate of corporation tax for small companies (19%). The differences are explained below.		
	Loss on ordinary activities before tax	<u>(1,607)</u>	<u>(3,102)</u>
	Loss on ordinary activities multiplied by standard rate of corporation tax of 19% (2006: 19%)	(305)	(589)
	Effects of:		
	Expenses not deductible for tax purposes/income not taxable	(28)	5
	Capital allowances (in excess of) / less than depreciation	(18)	30
	Research & development tax relief	(55)	(18)
	Losses carried forward	248	588
	Adjustment to tax charge in respect of previous periods	3	8
	Share option relief	(2)	(123)
	FRS 20 Share option charge	21	19
		<u>(136)</u>	<u>(80)</u>
	Current tax credit for the year	<u>(136)</u>	<u>(80)</u>

The Company had un-utilised tax losses at 31 March 2007 of £12,149,000 (2006: £10,146,000) which are available to offset against future taxable profits. No deferred tax asset has been recognised in respect of these losses as the timing of their utilisation is uncertain.

Innovision Research & Technology plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2007

5 Earnings per share

Basic earnings per share has been calculated by dividing the loss for the year of £1,471,000 (2006: £3,022,000) by the weighted average number of shares in issue during the year of 47,088,391 (2006: 47,038,890).

For diluted earnings per share, the weighted average number of ordinary shares is adjusted to assume conversion of all dilutive potential ordinary shares. Dilutive potential ordinary shares arise from employee share options. At 31 March 2007 only 14,750 share options had an exercise price less than the current share price and consequently the shares related to the vast majority of share options are excluded from the diluted earnings per share calculation. There is therefore no dilution in the earnings per share as a result of outstanding options

6 Tangible fixed assets

	<i>Fixtures, fittings and equipment £'000</i>
Cost	
1 April 2006	1,317
Additions	208
31 March 2007	<u>1,525</u>
Depreciation	
1 April 2006	1,034
Charged in the year	182
31 March 2007	<u>1,216</u>
Net book value	
31 March 2007	<u>309</u>
31 March 2006	<u>283</u>

7 Investments

The Company has an interest in E-Fuels Technology Limited, namely 5,000 ordinary 1p shares, representing 2% of the issued share capital, acquired at a cost of £14,000. This has been fully written down to nil value.

The Company's only other investment is an investment of £2,000 in the shares of its dormant subsidiary undertaking, Innovision Concepts Limited, a company registered in England. This investment represents 100% of the issued ordinary share capital. The capital and reserves of the subsidiary at the year end amounted to £(81,377) (2006: £(81,377)). This deficit represents amounts due to the Company and is fully provided within the Company's accounts.

Innovision Research & Technology plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2007

8	Stock	2007 £'000	2006 £'000
	Raw materials and consumables	15	16
9	Debtors	2007 £'000	2006 £'000
	Due within one year:		
	Trade debtors	124	469
	Other debtors	196	159
	Prepayments and accrued income	1,599	488
		1,919	1,116
	Due after more than one year:		
	Other debtors	230	254
		2,149	1,370
10	Creditors: Amounts falling due within one year	2007 £'000	2006 £'000
	Trade creditors	249	263
	Other creditors	15	16
	Other taxation and social security	90	91
	Accruals and deferred income	405	372
		759	742
11	Provisions for liabilities and charges		Exceptional Items £'000
	Balance at 1 April 2006		190
	Utilised during the year		(101)
	Balance at 31 March 2007		89

A provision of £190,000 was recognised in the year ended 31 March 2006 in respect of a lease now considered onerous. £89,000 of this provision remains at 31 March 2007. This expenditure will be incurred within the next two financial years following the balance sheet date.

Innovision Research & Technology plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2007

12 Financial instruments

The Company's financial instruments comprise cash balances as follows:

	2007 £'000	2006 £'000
Sterling bank deposits	1,534	3,844
Current accounts – Sterling	180	122
Current accounts – Euro	23	77
Current accounts – Dollar	99	32
	<u>1,836</u>	<u>4,075</u>

The Company holds small balances in foreign currencies to meet current trading requirements. Cash surplus to immediate requirements is held on money market deposit at varying rates of interest.

The Company's income is received in the following approximate percentages; US Dollars 52% (2006: 64%), Euros 7% (2006: 34%) and 41% (2006: 2%) in Sterling. Where practical in respect of timings and certainty of amounts, the Company considers the use of forward exchange facilities to hedge individual foreign currency transactions. Included in debtors due within one year is £85,859 (2006: £407,559) relating to balances designated in US Dollars and £21,142 (2006: £27,724) designated in Euros. Similarly, creditors due within one year includes £32,684 (2006: £9,146) relating to balances designated in US Dollars and £50,465 (2006: £32,626) relating to balances designated in Euros. There is no material difference between the book value and fair value of the financial assets and liabilities.

At the year-end cash on deposits were earning the following fixed rates of interest:

£822,000 – 4.50%

£625,000 – 5.37%

£87,000 – 5.40%

The balance of cash was held in various interest bearing accounts with variable rates of interest.

13 Share capital

	2007 £'000	2006 £'000
Authorised:		
60,000,000 ordinary shares of 1p each	600	600
Allotted, issued and fully paid:		
47,097,268 (2006: 47,057,268) ordinary shares of 1p each	471	470

Innovision Research & Technology plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2007

13 Share capital (continued)

During the year issued share capital increased as a result of the exercise of employee share options as follows:

Exercise date	Exercise Price	No of shares
13 June 2006	13.5p	40,000
		<u>40,000</u>

Share Options

At the year end the following share options were outstanding:

Scheme	Date of grant	Number of shares for which rights are exercisable		Exercise price	Exercise period From - To
		31.03.07	01.04.06		
EMI scheme	15/02/01	2,250	2,250	45p	15/02/04-15/02/11
EMI scheme	07/01/02	24,750	54,750	55p	07/01/05-07/01/12
EMI scheme	17/01/02	-	40,000	55p	17/01/05-17/01/12
EMI scheme	24/07/02	6,000	8,000	33.5p	24/07/05-24/07/12
EMI scheme	10/01/03	8,750	93,750	13.5p	10/01/04-10/01/13
EMI scheme	03/07/03	3,000	3,000	39p	03/07/06-03/07/13
EMI scheme	12/12/03	251,000	272,000	90p	12/12/06-12/12/13
EMI scheme	25/08/04	281,000	281,000	70.5p	25/02/06-25/08/14
EMI scheme	09/12/04	273,000	286,000	100p	09/12/07-09/12/14
EMI scheme	28/07/05	115,000	140,000	127.5p	28/07/08-28/07/15
EMI scheme	16/12/05	120,000	120,000	83p	16/12/08-16/12/15
EMI scheme	10/01/06	57,500	57,500	65p	10/01/09-10/01/16
EMI scheme	07/02/06	163,934	163,934	61p	07/02/09-07/02/16
EMI scheme	19/07/06	202,000	-	43p	19/07/09-19/07/16
EMI scheme	21/01/07	16,000	-	49.5p	20/01/10-20/01/17
Approved scheme	15/02/01	47,050	59,100	45p	15/02/04-15/02/11
Approved scheme	24/07/02	-	1,000	33.5p	24/07/05-24/07/12
Approved scheme	10/01/03	-	15,000	13.5p	10/01/06-10/01/13
Approved scheme	12/12/03	20,000	30,000	90p	12/12/06-12/12/13
Unapproved scheme	19/01/02	-	100,000	55p	19/01/05-19/01/12
Unapproved scheme	19/12/04	80,000	80,000	100p	09/12/07-19/12/14
Unapproved scheme	07/02/06	409,836	409,836	61p	07/02/09-09/02/16
Other	13/03/01	-	30,000	45p	13/03/04-13/03/11
LTIP scheme	19/07/06	480,000	-	1p	On announcement of results year ended March 2009-2011
		<u>2,561,070</u>	<u>2,247,120</u>		

Innovision Research & Technology plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2007

14	Share premium	2007 £'000	2006 £'000
	1 April 2006	15,641	15,221
	Premium on allotment during the year	5	385
	Refund of Costs associated with share issue	6	35
	31 March 2007	<u>15,652</u>	<u>15,641</u>

15 Share Based Payments

The Company has a number of share option plans in existence. Outstanding share options at 31 March 2007 are listed in Note 13. Exercise of an option is subject to continued employment. Options were valued using the Black-Scholes option-pricing model.

The fair value per option granted and the assumptions used in the calculation are as follows.

Grant date	21/01/07	19/07/06	07/02/06	10/01/06	16/12/05
Share price at grant date	£0.4950	£0.4300	£0.6100	£0.6500	£0.8300
Exercise price	£0.4950	£0.4300	£0.6100	£0.6500	£0.8300
No. of employees	4	41	1	3	1
Shares under option	16,000	213,000	573,770	57,500	120,000
Vesting period (years)	3.0	3.0	3.0	3.0	3.0
Expected volatility	48.0%	48.0%	48.0%	48.0%	48.0%
Option life (years)	10	10	10	10	10
Expected life (years)	4.0	4.0	3.0	4.0	3.0
Risk free rate	5.3%	5.3%	5.3%	5.3%	5.3%
Expected dividends expressed as a dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
Fair value per option	£0.18	£0.12	£0.11	£0.24	£0.23

Grant date	28/07/05	09/12/04	25/08/04	12/12/03
Share price at grant date	£1.2750	£1.0000	£0.7050	£0.9000
Exercise price	£1.2750	£1.0000	£0.7050	£0.9000
No. of employees	5	10	3	7
Shares under option	140,000	313,000	120,000	202,500
Vesting period (years)	3.0	3.0	3.0	3.0
Expected volatility	48.0%	48.0%	48.0%	48.0%
Option life (years)	10	10	10	10
Expected life (years)	4.0	4.0	4.0	4.0
Risk free rate	5.3%	5.3%	5.3%	5.3%
Expected dividends expressed as a dividend yield	0.0%	0.0%	0.0%	0.0%
Fair value per option	£0.42	£0.26	£0.23	£0.26

Innovision Research & Technology plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2007

15 Share Based Payments (continued)

Of the share options issued on 25 August 2005, 30,000 have performance criteria attached. None of the other outstanding share options have attached performance criteria.

The expected volatility is based on historical volatility over the last two years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

A reconciliation of option movements over the year to 31 March 2007 is shown below:

	2007		2006	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 April	2,247,120	£0.74	2,835,650	£0.62
Granted	709,000	£0.43	891,270	£0.75
Forfeited	355,050	£0.56	650,009	£0.57
Exercised	40,000	£0.14	829,791	£0.47
Outstanding at 31 March	2,561,070	£0.75	2,247,120	£0.74
Exercisable at 31 March	643,800	£0.75	684,850	£0.53

The weighted average fair value of options granted in the year was £28,440 (2006: £163,315).

Share Options 2007

Range of exercise prices	Weighted average exercise price	Number of shares	Weighted average remaining life	
			Expected	Contractual
£0.00 - £0.75	£0.58	980,270	2.4	9.0
£0.75 - £1.50	£1.00	775,000	1.6	7.7

Share Options 2006

Range of exercise prices	Weighted average exercise price	Number of shares	Weighted average remaining life	
			Expected	Contractual
£0.00 - £0.75	£0.63	751,270	2.9	9.7
£0.75 - £1.50	£1.00	815,500	2.6	8.7

The total charge for the year relating to employee share based payment plans was £108,000 (2006: £101,000), all of which related to equity-settled share based payment transactions.

Innovision Research & Technology plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2007

16 Prior Year Adjustment

The prior year adjustment relates to the implementation of FRS 20, 'Share-based payment'. The adoption of FRS 20 has resulted in an increase in staff costs of £108,000 (2006: £101,000). There is nil net impact on reserves as a result of the adoption of this standard.

	Year ended 31 March 2006 £'000
Increase in loss for the year as a result of FRS 20 charge to profit and loss account	(101)
Adjustment to reserves in respect of employee share schemes	101
Net adjustment to shareholders' funds	-

17 Profit and loss account

	2007 £'000	2006 £'000
1 April 2006	(11,299)	(8,378)
Loss for the financial year as previously reported	(1,471)	(2,921)
Prior year adjustment (note 16)	-	(101)
Loss for the financial year	(1,471)	(3,022)
Adjustment in respect of employee share schemes	108	101
31 March 2007	(12,662)	(11,299)

18 Reconciliation of movement in shareholders' funds

	2007 £'000	2006 £'000
Loss for the financial year as previously reported	(1,471)	(2,921)
Prior year adjustment – FRS 20	-	(101)
Loss for the financial year	(1,471)	(3,022)
Proceeds from share issue	6	428
Refund re share issue costs	6	-
Adjustment in respect of employee share schemes	108	101
Net addition to shareholders' funds	(1,351)	(2,493)
Opening shareholders' funds	4,812	7,305
Closing shareholders' funds	3,461	4,812

Innovision Research & Technology plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2007

19 Commitments under operating leases

At 31 March 2007 the Company had annual commitments under non-cancellable operating leases as follows.

	Land & Buildings 2007 £'000	Software Licences 2007 £'000	Land & Buildings 2006 £'000	Software Licences 2006 £'000
Expiring within one year	-	-	-	-
Expiring in the second to fifth year	278	314	317	-
	<u>278</u>	<u>314</u>	<u>317</u>	<u>-</u>

20 Cashflows

	2007 £'000	2006 £'000 as restated
A Reconciliation of operating loss to net cash outflow from operating activities		
Operating loss	(1,750)	(3,354)
Depreciation	182	161
Loss on sale of fixed assets	-	3
Decrease/(increase) in stocks	1	(16)
Increase in debtors	(730)	(476)
Increase in creditors	17	109
(Decrease)/increase in provisions for liabilities and charges	(101)	190
Other non Cash changes	108	101
Net cash outflow from operating activities	<u>(2,273)</u>	<u>(3,282)</u>

B Analysis of changes in net funds

	At 1 April 2006 £'000	Cash flows £'000	At 31 March 2007 £'000
Short term bank deposits	3,844	(2,310)	1,534
Other cash at bank and in hand	231	71	302
	<u>4,075</u>	<u>(2,239)</u>	<u>1,836</u>

Innovision Research & Technology plc

NOTICE OF ANNUAL GENERAL MEETING 2007

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Innovision Research & Technology plc will be held at 33 Sheep Street, Cirencester, Gloucestershire, GL7 1RQ on 5 September 2007 at 4 00 p m , for the following purposes:-

ORDINARY BUSINESS

Resolution 1: To receive and adopt the accounts for the year ended 31 March 2007, together with the reports of the Directors and auditors thereon.

Resolution 2: To reappoint Baker Tilly UK Audit LLP as auditors of the Company and to authorise the Directors to set their remuneration.

Resolution 3: To reappoint Malcolm Alexander William Baggott as a Non-Executive Chairman.

Resolution 4: To reappoint Dr Ian Mark Buckley-Golder as a Non-Executive Director.

By order of the Board

Brian McKenzie,

Company Secretary, 19 June 2007

Registered Office: 33 Sheep Street, Cirencester, Gloucestershire, GL7 1RQ

NOTES:

Proxies

- (a) A member entitled to attend and vote may appoint a proxy or proxies who need not be a member of the Company to attend (and on a poll to vote) instead of him or her. Forms of proxy need to be deposited at the registered office of the Company not later than 48 hours before the time of the meeting. Completion of a form of proxy will not preclude a member attending and voting in person at the meeting.

Documents on display

- (b) The register of Directors' interests in the share capital and debentures of the Company is available for inspection at the Company's registered office during normal business hours from the date of this notice until the date of the annual general meeting and will be available for inspection at the place of the annual general meeting for at least 15 minutes prior to and during the meeting.

Right to attend and vote

Pursuant to regulation 34 of the Uncertificated Securities Regulations 1995, the Company specifies that in order to have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a person entitled to attend and vote may cast), a person must be entered on the register of holders of the ordinary shares of the Company by no later than 4.00 pm on 3rd September 2007, being 48 hours before the time fixed for the meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.