

Corero PLC

("Corero" or "the Group")

Interim Results for the six months ended 30 June 2008

Corero PLC, the specialist provider of software solutions to the banking & securities and education markets, announces its interim results for the six months ended 30 June 2008. The results are reported under IFRS.

- A return to profit after large losses in 2007. PBT of £5,000 for the first half of 2008 (first half of 2007: loss of £601,000)
- Revenues up 9 per cent at £2.83 million (2007: £2.59 million)
- Cost reduced by £456,000 (16 per cent lower than same period 2007)
- Group earnings per share 0.01p (first half of 2007: loss 1.34p)
- Business Systems revenues 52 per cent higher and contribution 70 per cent higher
- Financial Markets has continuing losses but second quarter performance points to improving trend
- Research and development of the product range continues at historical levels
- The general improvement should continue in the second half 2008.

Peter Waller, Executive Chairman, said:

"The results represent a major turnaround after a disappointing 2007 and reflect the effects of streamlining the business in the past twelve months.

The Business Systems division had an outstanding half with further wins in the Academy education market and an excellent take up of the new Learner Management product.

It was clear in the second half of 2007 that the investment banking and securities markets were likely to be difficult in 2008 and we restructured the Financial Markets division accordingly. The first half of 2008 continued to be loss making but revenues increased in the second quarter and we now expect a positive contribution from this division in the second half of 2008.

In the medium term we expect Corero's revenues to grow in both of its markets."

8 August 2008

The interim accounts for the six months ended 30 June 2008 are available on the Company's website www.corero.com

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About Corero

Corero designs, develops and delivers market leading software products for financial institutions through its Financial Markets Division, and business and education markets through its Business Systems Division.

Blue Curve software allows organisations to vastly improve the production and distribution of their financial research. It collates and presents complex financial data efficiently and quickly for analysts to make informed opinions on market conditions and trends. It speeds up the process of content creation, content approval and publishing. And it also makes sure that each piece of content conforms to the correct regulatory requirements, and that it gets sent to the right people, using the right method and at the right time.

Radica CAPS is a European leading software system that addresses the needs of asset servicing operations for the global banking & securities sector. By fully automating the life-cycle of corporate actions, dividends, including taxation and new issues and placings, Radica reduces the serious operational risk of missing or miscalculating corporate events. This area of operations has traditionally been very manual with all the risk and cost associated with such processes. Radica is designed for a global market and can address the needs of financial institutions from Europe, North America or Asia Pacific.

ICAEW accredited, Resource Financials, is at the core of the Corero suite of business applications. Solutions also exist for eProcurement, Project Costing, HR & Payroll, Continuing Professional Development and Learner Management. Together with Workflow and Web Applications, covering Reporting, Timesheets, Expenses and Requisitions, there are over 30 highly integrated modules offering large and small enterprises modern and dynamic business solutions. Our Learner Management system manages the students, tutors and processes within Further Education by electronically capturing the information required throughout the "learning lifecycle", by satisfying Government reporting requirements and, most importantly, by helping to secure the funding upon which Colleges depend.

Chairman's Statement **for the six month period ended 30 June 2008**

Results

Corero's performance in the first half of 2008 was broadly in line with expectations and resulted in an operating profit and small overall profit. This represents a major turnaround after a disappointing 2007.

Group revenues at £2.83 million were 9 per cent higher than those for the first half of 2007. The actions taken to restructure the company reduced costs by over £400,000. As a result the group recorded an operating profit of £175,000 (2007: loss of £435,000) and a profit before taxation of £5,000 (2007: loss of £601,000).

These results were achieved principally through a very strong contribution from the Corero Business Systems division. Corero Financial Markets division continued to make a loss although the second quarter was stronger than the first, indicating an improving trend.

Business Systems Division

The division has once again performed strongly especially in its key education market. 11 new academy contract wins demonstrates that last year was not an isolated result and with a total of 33 academy customers to date we are pleased to report that we have maintained a market share of approximately 25 per cent. Government plans continue to indicate strong support for this initiative and we are well placed to continue to exploit the opportunity. We are currently viewed as a leading supplier to this sector due in large part to a high level of customer satisfaction.

Our new Learning Management software product also contributed significantly to the first half results and at the end of the period we had succeeded in contracting sales to 97 per cent of our existing customers. The new software delivers increasing levels of functionality via a real time portal environment. Staff can now access student data on-line as well as automating day to day working practices, such as timetables and class registers via intuitive web interfaces. In an increasingly competitive and commercial world our Internet based enrolment and enquiry solutions will deliver clear business advantages for our college customers.

Other new customers during the period included Orchard Hill College, based in London, which has particular expertise for dealing with students with profound learning difficulties and disabilities; Heythrop College, a member of the University Of London Federation Of Colleges; and, Walford & North Shropshire College.

The account management team also enjoyed success selling our Web solutions to several of our existing commercial sector clients. This has been encouraging and will stimulate a push during the second half of the year to raise our presence in this sector.

We continue to invest and enhance our product portfolio and expect this to bear fruit towards the end of the current year and on into 2009.

Financial Markets Division

Following on from 2007 and with the well documented difficulties of the Investment Banking sector, the first half of 2008 was always going to be challenging. Despite a reduction in revenues, the cost cutting measures taken in the second half of 2007

did ensure that losses were contained to similar levels. This was also helped by both the increase in long term repeatable revenues from existing customers and also from consultancy services revenues which remained steady.

However, the revenue from a large Radica CAPS order signed in 2007 was further delayed. The work was started in the period under review and we expect to see the majority of this revenue recognized by the end of the current year.

The period saw two further customers go live on the Blue Curve hosted service, bringing the total to five. We are seeing an increasing interest in this service and prospect activity is growing despite the downturn in the financial markets. There is also a plan to build on our investment in North America with additional sales focus allied with marketing activities aimed at increasing awareness of the Blue Curve products in this important market.

Operational processes have continued to improve following the merger of the Blue Curve and Radica CAPS business. In particular, the recent appointment of an experienced customer services manager in this area, highlights our commitment to high quality services and customer satisfaction. As we move more to a hosted service model, this role will become increasingly important to ensuring long term revenue and profit retention.

Financial Review

The Group profit for the period was £5,000 (2007: loss of £553,000). Revenues were £2,832,000 (2007: 2,587,000) an increase of £245,000.

The Business Systems division revenues grew to £1,844,000 (2007: 1,212,000). This was predominantly due to the increase in licence revenues from sales of the new Learning Management product to our existing customers and also new academy customers. Cost of sales relating to the resale of third party software and services rose by approximately £200,000. These software and services are being used in our payroll and Learner Management software. The divisional profit before financing and taxation increased by 70 per cent to £666,000 (2007: 391,000).

The Financial Markets division revenues declined overall to £988,000 (2007: £1,375,000). Blue Curve revenues were £476,000 (2007: £670,000) with the reduction due to the fall in new business licence revenues. Radica revenues were £512,000 (2007: £705,000) with the reduction due to a combination of a lack of new large licence sales and lower than expected professional services revenues because of the delay in starting work relating to an already contracted project. Despite the reduction in revenues, the divisional loss before financing and taxation was £182,000 (2007: loss of £177,000) due to the re-structuring and cost reduction that took place at the end of 2007.

Central costs were £309,000 (2007: £649,000). This 52 per cent reduction resulted from the actions contained in the business recovery plan which was implemented in the second half of 2007. Regulatory and marketing costs were reduced wherever possible and the former Chief Executive and Finance Director both left the Company without direct replacement.

Overall the Group profit before financing and taxation was £175,000 (2007: loss of £435,000) an improvement of £610,000.

Financial Position

During the period £141,000 (2007: £190,000) of research and development costs were capitalised.

Trade and other receivables were £1,733,000 (2007: £1,598,000). The increase since the year end was due to invoicing for the Learning Management product in the Business Systems division offset by collection of Financial Markets year end outstanding debtors.

Our cash balances were £422,000 (2007: £807,000). Cash balances decreased from the start of the year due to a reduction in working capital. Net cash from operating activities was an absorption of £68,000 (2007: generation of £304,000).

The deferred income balances were £1,853,000 (2007: £1,398,000), the increase representing deferred professional service days for the Learning Management product in the Business Systems division and the Radica CAPS product in the Financial Markets division.

Board Changes

During the period two long serving non-executive directors, Colin Peters and Bernard Fairman, retired from the Corero Board having both made immense contributions to the Company.

They have been replaced as non-executive directors by Roy Mitchell, who will also chair the Audit Committee and Richard Last, who will chair the Remuneration Committee. They bring considerable experience to these positions and I am confident we have a strong, capable Board with the right blend of skills to take Corero forward.

Staff

2007 saw a significant restructuring of the Company leading to considerable staff changes in the Financial Markets division and corporate staff. I am pleased to say that the first half of 2008 has been one of staff continuity and great effort from all of our employees, which is reflected in the results.

Business Strategy

Following a review of our operations in 2007 the Company reinforced the intention to operate two divisions, Financial Markets and Business Systems, and seek strong organic growth across both divisions and all four product lines – Blue Curve, Radica CAPS, Resource Financial management and Learning Management Systems. We continue to follow this strategy and believe we have the management capability to support this approach. However, the Board will remain open to any event that can deliver a substantial increase in shareholder value and continues to examine a range of actions to achieve this.

Outlook

We expect to see the general improvement maintained in the second half of 2008.

However, there are a number of caveats to the medium term outlook. Firstly, the contribution from the Business Systems division will slow in the second half as it focuses on delivering the orders taken in the past six months. Secondly, the Financial Markets division's primary market is the investment banking and securities

sector, which is experiencing considerable weakness with no likelihood of short term improvement.

Overall, although we anticipate an operating profit for the second half of 2008 it may well be lower than that for the first half. We expect the Company to be cash generative in the second half of 2008 and it is reassuring that 86 per cent of the revenue which we expect for this period is already contracted.

In summary, 2008 is a year of transition which has started well. We are confident that the Company is now better positioned to take advantage of the opportunities that exist in the market.

Peter Waller

Chairman

**Consolidated Income Statement
For the six months ended 30 June 2008**

	Unaudited six months ended 30 June 2008 £'000	Unaudited six months ended 30 June 2007 £'000	Audited Year ended 31 December 2007 £'000
Revenue	2,832	2,587	5,244
Cost of sales	(253)	(144)	(303)
Gross profit	<u>2,579</u>	<u>2,443</u>	<u>4,941</u>
Administrative expenses –other	(2,403)	(2,859)	(5,694)
Administrative expenses – restructuring costs	(1)	(19)	(401)
Profit/(Loss) before financing	<u>175</u>	<u>(435)</u>	<u>(1,154)</u>
Finance income	6	9	16
Finance costs	(176)	(175)	(353)
Profit/(Loss) before taxation	<u>5</u>	<u>(601)</u>	<u>(1,491)</u>
Taxation	-	48	48
Profit/(Loss) attributable to equity shareholders	<u>5</u>	<u>(553)</u>	<u>(1,443)</u>
Basic and diluted earnings/(loss) per share	<u>0.01p</u>	<u>(1.34p)</u>	<u>(3.33p)</u>

**Statement of recognised income and expense
For the six months ended 30 June 2008**

	Unaudited six months ended 30 June 2008 £'000	Unaudited six months ended 30 June 2007 £'000	Audited Year ended 31 December 2007 £'000
Profit/(Loss) for the financial period	<u>5</u>	<u>(553)</u>	<u>(1,443)</u>
Total recognised profits/(losses) relating to the period	<u>5</u>	<u>(553)</u>	<u>(1,443)</u>
Total recognised losses since the last financial statements	<u>5</u>	<u>(553)</u>	<u>(1,443)</u>

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

	Unaudited As at 30 June 2008 £'000	Unaudited As at 30 June 2007 £'000	Audited As at 31 December 2007 £'000
Assets			
Non-current assets			
Goodwill	2,361	2,361	2,361
Other intangible assets	1,162	1,232	1,187
Property, plant and equipment	146	67	148
	<u>3,669</u>	<u>3,660</u>	<u>3,696</u>
Current assets			
Trade and other receivables	1,733	1,598	1,639
Cash and cash equivalents	422	807	825
	<u>2,155</u>	<u>2,405</u>	<u>2,464</u>
Liabilities			
Current liabilities			
Trade and other payables	(922)	(767)	(1,093)
Provisions	(45)	(20)	(90)
	<u>(967)</u>	<u>(787)</u>	<u>(1,183)</u>
Net current assets			
	<u>1,188</u>	<u>1,618</u>	<u>1,281</u>
Deferred income	(1,853)	(1,398)	(1,962)
Non-current liabilities			
Convertible 8 per cent. unsecured loan stock	(4,041)	(4,014)	(4,027)
Provisions	(27)	(35)	(53)
	<u>(4,068)</u>	<u>(4,049)</u>	<u>(4,080)</u>
Net liabilities			
	<u>(1,064)</u>	<u>(169)</u>	<u>(1,065)</u>
Shareholders' equity			
Ordinary share capital	4,557	4,557	4,557
Share premium	6,369	6,369	6,369
Merger reserve	1,023	1,023	1,023
Convertible unsecured loan stock equity reserve	146	146	146
Share options reserve	12	21	15
Retained earnings	(13,171)	(12,285)	(13,175)
Total deficit attributable to equity holders of the parent	<u>(1,064)</u>	<u>(169)</u>	<u>(1,065)</u>

**Interim Consolidated Cash Flow Statement
For the six months ended 30 June 2008**

	Unaudited six months ended 30 June 2008 £'000	Unaudited six months ended 30 June 2007 £'000	Audited Year ended 31 December 2007 £'000
Net cash from operating activities	(68)	304	697
Cash flows from investing activities			
Purchase of intangible assets	(141)	(242)	(345)
Purchase of property, plant and equipment	(37)	(19)	(133)
Interest received	6	9	16
Net cash used in investing activities	(172)	(252)	(462)
Cash flows from financing activities			
Interest paid	(163)	(152)	(317)
Net decrease in cash and cash equivalents	(403)	(100)	(82)
Cash and cash equivalents at 1 January 2008	825	907	907
Cash and cash equivalents at balance sheet date	422	807	825

Notes to the interim financial statements

1. General information and basis of preparation

The consolidated interim financial statements have been prepared in accordance with the AIM Rules for Companies and in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting.

The interim financial statements are unaudited and do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2007.

Corero's consolidated interim financial statements are presented in Pounds Sterling (£), which is also the functional currency of the parent company.

The financial information for the year ended 31 December 2007 has been derived from the published statutory accounts. A copy of the full accounts for that period, on which the auditors issued an unqualified report that did not contain statements under section 237 (2) of the Companies Act 1985, has been delivered to the Registrar of Companies.

These interim financial statements have been prepared in accordance with the accounting policies applied in the financial statements for the year ended 31 December 2007. They have been prepared under the historical cost convention except for the valuation of financial instruments. The financial statements have been prepared on a going concern basis as the Directors believe that the current sales prospects combined with existing working capital resources should ensure that Corero has adequate working capital to service its existing business for the foreseeable future. The directors have made this assessment based on internal forecasts and cash flow projections.

These consolidated interim financial statements were approved by the audit committee on 6 August 2008 and have been approved for issue by the Board of Corero on 7 August 2008.

2. Segment reporting

Business segments

The Group is managed according to two operating divisions: Financial Markets and Business Systems. These divisions are the basis on which the Group reports its primary segment information. The principal activities of each division is the design, development and delivery of market leading software products for financial institutions through its Financial Markets division and business and education markets through its Business Systems division.

There are no inter-segment sales. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated assets and liabilities comprise items such as cash and cash equivalents, taxation, accruals, prepayments and borrowings.

Details of segmental financial performance can be found in the full interim statement available from the company's website www.corero.com.

3. Earnings/(Loss) per share

Basic earnings/(loss) per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average of ordinary shares outstanding during the period.

The CULS and share options were non-dilutive for both periods and thus the diluted earnings/(loss) per share is the same as the basic amount.

	Unaudited six months ended 30 June 2008	Unaudited six months ended 30 June 2007	Audited Year ended 31 December 2007
Earnings/(Loss) £'000 after taxation	5	(553)	(1,443)
Basic earnings/(Loss) per share	0.01p	(1.34p)	(3.33p)
Weighted average number of ordinary shares	45,569,702	41,208,601	43,347,651

4. Cash flows from operating activities

	Unaudited six months ended 30 June 2008 £'000	Unaudited six months ended 30 June 2007 £'000	Audited Year ended 31 December 2007 £'000
Profit/(Loss) before taxation	5	(601)	(1,491)
Adjustments for:			
Depreciation	39	31	63
Amortisation	166	125	274
Finance income	(6)	(9)	(16)
Finance expense	176	175	353
(Decrease)/Increase in provisions	(71)	(13)	75
Share based payment (credit)/charge	(3)	6	-
Changes in working capital			
(Increase)/Decrease in trade and other receivables	(94)	866	824
(Decrease)/Increase in payables and deferred revenue	(280)	(324)	567
Cash (absorbed by)/generated from continuing operations	(68)	256	649
Corporation tax received	-	48	48
Net cash from operating activities	(68)	304	697

5. Statement of changes in shareholder's equity

For six months ended 30 June 2008

	Capital £'000	Share options reserve £'000	CULS equity reserve £'000	Merger reserve £'000	Share premium account £'000	Profit and loss reserve £'000	Total £'000
1 January 2008	4,557	15	146	1,023	6,369	(13,176)	(1,066)
Retained profit for period ended 30 June 2008	-	-	-	-	-	5	5
Share based payments	-	(3)	-	-	-	-	(3)
30 June 2008	<u>4,557</u>	<u>12</u>	<u>146</u>	<u>1,023</u>	<u>6,369</u>	<u>(13,171)</u>	<u>(1,064)</u>

6. Sundry Information

These consolidated interim financial statements were approved by the audit committee on 6 August 2008 and have been approved for issue by the Board of Corero on 7 August 2008. Copies of the interim report are available on the company's website at www.corero.com.