

Mediasurface plc

Results for the 6 Months ended 31st March 2007

Mediasurface plc, the AIM listed Content Management Software Author and Vendor, announces un-audited results for the 6 months ended 31st March 2007.

Company Highlights for Half Year

- Group revenue up 37% to £6.06 million (2006: £4.43 million).
- Pre-tax profit up 15% to £0.40 million (2006: £0.35 million).
- Investment in Pepperio of £0.4m has established strong base to target SME sector.
- Cash position improved to £1.14m (30th September 2006: £1.08m).
- Group licence sales up 16%.
- Services up 93% on the same period for last year.
- Maintenance revenue up 20% on the same period last year, the annual value of recurring support revenues is now £2.8m.
- Group secured two of its largest deals to date - Office of Fair Trading and The Foreign & Commonwealth Office.
- Additional new business includes contract with technology specialist Infor, healthcare organisations AZ-Sint Blazius & Meerkanten and publishers Springer/ Artsennet.
- Partnership with Google strengthens enterprise search capabilities. Google names Mediasurface "Best ECM Partner of Year" in recent awards.
- Two major Morello releases open up Microsoft market with support for Microsoft's ASP .Net and SQL Server database.
- Sales coverage extended with new offices established in Chicago and Stockholm.

Chairman's Statement

For the six months ended 31st March 2007

I am pleased to announce the results for the six months ended 31st March 2007 which demonstrate continued and significant revenue growth, profitability growth and cash generation whilst investing in the future of both Morello and Pepperio.

Morello, which was further strengthened by a new release during the first half, continued to deliver growth including major deals with Office of Fair Trading, Prudential and The Foreign & Commonwealth Office which set a new largest deal record for the company.

Group revenues for the first six months increased by 37% to £6.06 million (2006: £4.43 million). The Group achieved a pre-tax profit of £0.40 million (2006: £0.35 million).

During the period £0.4m was invested in Pepperio marketing and sales channel development to establish a base from which the company can grow a robust and recurring revenue stream, in the future this will complement our Morello product revenues. Excluding the effect of planned

investment in Pepperio, underlying profits of the Morello business improved by £0.4m compared with the same period a year ago.

The Company's cash position improved to £1.14m (30th September 2006: £1.08m). Net Assets stood at £2.40 million compared with £2.00 million at 30th September 2006.

Prospects for the Company remain positive. Morello continues to attract significant interest and major new sale opportunities exist for the second half of the financial year. Pepperio, with a growing sales channel, is also expected to contribute further revenues in the second half. The Board remains committed to enhancing shareholder value and believe the Company is well placed to grow profitably.

Michael Jackson
Chairman
1st May 2007

Chief Executive Officer's Report For the six months ended 31st March 2007

Once again I am pleased to report that Morello, the company's flagship product, has driven another half of significant growth. There is no doubt Morello has been very competitive in the market, delivering both the largest deal to date (£854k in licence) and an overall 16% improvement in licence sales.

Morello product development continued during the first half resulting in the release of v5.5 which amongst other things included support for ASP.NET delivery and the Google Search Appliance. Our next release in early May 2007 - v5.6 - includes support for the Microsoft SQL Server Database. This latest release will enable the company to appeal to a broad breadth of the market including Microsoft based organisations who can now benefit from our technology thus opening up a new and significant market opportunity for the business.

This continued investment has helped us secure two of our largest contracts to date with Office of Fair Trading and The Foreign & Commonwealth Office. We have also enjoyed success from across our other target markets including technology specialist Infor, healthcare organisations AZ-Sint Blazius & Meerkanten and publishers Springer/Artsennet.

The underlying Morello business not only grew in software sales but also in services, up 93% and recurring maintenance, up 20% on the same period for last year with recurring revenues run rate now at £2.8m. It is gratifying to witness the user base continuing to grow as more and more web projects are delivered and go live including the Department for Transport, the Department for Communities & Local Government, Talarius, Office of Fair Trading, Brussels International Airport, AEGON and more. Demand remains strong for our products and services offerings and we have enhanced our delivery capabilities through partnerships such as that with LogicaCMG and Verizon.

As previously indicated, the company is keen to exploit additional markets for Web Content Management specifically the small to medium sized business market with our "software as a service" offering, Pepperio. During the half year considerable investments have been made in support of this initiative in terms of sales, marketing and infrastructure. The product enjoyed two major releases during the half, further enhancing its capabilities in relation to customer and partner demand. Sales demand has been strong, in line with internal expectation, and we now have over 40 partners and 100 end-user customers for Pepperio. The next marketplace to be developed will be the USA which will lag the UK by some 5 months. There is strong evidence of accelerating user adoption in the UK which is now enjoying a current run rate of 15-20 sites per month. We will continue to support the investment in Pepperio as planned and remain encouraged about its long term positive impact on the growth, revenue mix and profitability of the company.

The Company's focus on Web Content Management seems to be well advised as there is continued evidence of growth in the sector and new products such as Microsoft's Sharepoint Server 2007 (MOSS) and the uptake of Web 2.0 initiatives will result in additional opportunities which the Company is well placed to exploit.

Lawrence Flynn
Chief Executive Officer
1st May 2007

Consolidated Profit & Loss Account
For the six months ended 31st March 2007

	Note	31st March 2007 Unaudited	31st March 2006 Unaudited	30th September 2006 Audited
TURNOVER		6,063,604	4,438,840	9,670,713
Cost of Sales		(396,862)	(99,393)	(355,044)
GROSS PROFIT		5,666,742	4,339,447	9,315,669
Operational Costs		(5,272,725)	(3,999,591)	(8,516,644)
OPERATIONAL PROFIT		394,017	339,856	799,025
Interest Received/similar income		9,831	12,237	7,322
Interest payable		(1,908)	(1,751)	(78)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES		401,940	350,342	806,269
Tax on profit/(loss)		0	0	(54,314)
Profit/(loss) on ordinary activities		401,940	350,342	751,955
Earnings per share - basic	4	0.5p	0.5p	1.0p
Earnings per share - diluted	4	0.5p	0.4p	0.9p

**Consolidated Balance Sheet
As at 31st March 2007**

	31st March 2007 Unaudited	31st March 2006 Unaudited	30th September 2006 Audited
FIXED ASSETS			
Goodwill	86,413	261,804	161,419
Tangible Assets	301,301	166,114	231,639
	<u>387,714</u>	<u>427,918</u>	<u>393,058</u>
CURRENT ASSETS			
Debtors	3,548,628	3,503,345	3,499,892
Cash at Bank	1,143,950	723,052	1,080,487
	<u>4,692,578</u>	<u>4,226,397</u>	<u>4,580,379</u>
CREDITORS DUE IN ONE YEAR	<u>(2,676,568)</u>	<u>(2,941,570)</u>	<u>(2,968,698)</u>
NET CURRENT ASSETS	<u>2,016,010</u>	<u>1,284,827</u>	<u>1,611,681</u>
TOTAL ASSETS LESS LIABILITIES	<u>2,403,724</u>	<u>1,712,745</u>	<u>2,004,739</u>
CREDITORS DUE OVER ONE YEAR	<u>(1,039)</u>	<u>(77,552)</u>	<u>(3,994)</u>
NET ASSETS	<u>2,402,685</u>	<u>1,635,193</u>	<u>2,000,745</u>
CAPITAL AND RESERVES			
Called up equity share capital	772,448	772,448	772,448
Share Premium Account	9,638,377	9,638,377	9,638,377
Shares to be issued	505,326	490,950	505,326
Capital Redemption Reserve	13,083,244	13,083,244	13,083,244
Merger Reserve	27,297,412	27,297,412	27,297,412
Profit & Loss Account	(48,894,122)	(49,647,238)	(49,296,062)
SHAREHOLDERS FUNDS	<u>2,402,685</u>	<u>1,635,193</u>	<u>2,000,745</u>

**Consolidated Cashflow Statement
For the six months ended 31st March 2007**

	31st March 2007 Unaudited	31st March 2006 Unaudited	30th September 2006 Audited
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	197,634	446,117	945,112
Returns from Investment and service finance	7,923	10,486	7,244
Taxation	0	0	49,933
Capital Expenditure	(142,094)	(36,357)	(168,976)
Acquisitions	0	0	0
CASH INFLOW BEFORE FINANCING	<u>63,463</u>	<u>420,246</u>	<u>833,313</u>
Financing	0	0	(5,195)
INCREASE IN CASH IN THE PERIOD	<u>63,463</u>	<u>420,246</u>	<u>828,118</u>

Notes

1. The interim financial information for the six months ended 31st March 2007 and 31st March 2006 has been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention in accordance with the Group's accounting policies published in the Annual Report for the year ended 30th September 2006.

The financial information set out above does not constitute the company's statutory accounts as defined by section 240 of the Companies Act 1985. It is an extract from the accounts for the year ended 30th September 2006 which have been filed with the Registrar of Companies. The auditors' report was unqualified. The auditors' report does not contain a statement under either section 237(2) or (3) of the Companies Act 1985. The Group's auditors have reported on those accounts as required by section 235 of the Companies Act 1985.

2. These interim accounts do not include any provision for non-cash related share option charges under UITF17 which will be recognised in the full year accounts.
3. The tax charge during the year ended 30th September 2006 related to disallowed R&D tax credits for the years ended 30th September 2003 and 30th September 2004. Given the Company's brought forward tax losses there is no tax charge for the 6 months ended 31st March 2007.
4. Earnings per Share

The profit/(loss) per ordinary share is calculated by reference to the profit/(loss) attributable to ordinary shareholders divided by the weighted average number of shares in issue during each period as follows :

	6 months to 31 st March 2007 (unaudited)	6 months to 31 st March 2006 (unaudited)	12 months to 30 th September 2006 (audited)
Profit/(loss) for the period	401,940	350,342	751,955
Basic – Weighted average number of shares	77,244,842	77,244,842	77,244,842
Basic – Profit/(loss) per share	0.5p	0.5p	1.0p
Fully diluted – Weighted average number of shares	85,135,476	84,519,993	84,714,632
Fully diluted – Profit/(loss) per share	0.5p	0.4p	0.9p

5. A copy of the unaudited interim accounts of the Company will be sent to all shareholders within the next 3-4 weeks and will be available for download from the company's website www.mediasurface.com.

For further information, please contact:

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