

Vicorp Group Plc
Interim Financial statements
30 June 2006

Chairman's Statement

Our results for the first six months of 2006 have been greatly impacted by revenue delays despite the company winning new business that will grow over the longer term. Although contracts have been slow to complete the company has not lost any of the engagement in which it is active.

More significantly, the company has recently signed a three year global supply chain agreement with Nortel Networks which means that the company's products will now appear in the Nortel price book and will be easily accessible for Nortel sales managers working on projects worldwide. Nortel have a very significant share of the global Telco/ voice infrastructure market and this agreement will act as a strong source of revenues going forward. The company already has a number of bids running via the Nortel relationship.

The Directors expect some of the bids that have been under development for some time to become contracts in the second half of this year and, along with ongoing R&D credits, they will contribute to significant reduction in H2 losses. It is with this in mind that the company is about to complete its move to the AIM market. This is now scheduled for October 2006.

We also expect to benefit from the improved liquidity and access to new institutions that a move to AIM will open up for the company. The less liquid Ofex market has recently had a marked impact on the company share price, which the Directors are keen to address. We have already rebased the warrants in issue from the original 170 pence price to 70 pence and expect to rebase options in a similar way, in order for them to remain effective as we move to AIM. Our remuneration committee has taken independent advice on how the rebase should be carried out and we believe it is in the interests of all stakeholders to ensure that management and staff remain incentivised to achieve a profitable performance from the business as a prerequisite to any exercise of options.

Developments

The company has released its xMP 4.0 product on time and is now close to releasing xMP 4.1, which will include the new xMP Reporter module. The product has been very significantly enhanced by these two upgrades, which position Vicorp as one of the leading vendors of VXML tools in the world. As if to emphasise the point about demand for these tools, in May 2006 one of Vicorp's US competitors was acquired by Cisco Systems for \$20M, in order to give it guaranteed access to the same technology.

The company is also now launching its xPress solution delivery initiative, which widens the company offering to include a services portfolio based on xMP technology. The company will now be bidding for turnkey solutions work and application building projects, commencing in this year, in addition to the core sales of product licenses.

Our development of the Narrator product and its on-going commercial release will now take place within a new 100% subsidiary company called Dialogue Design Limited. This will help maintain a dedicated focus on the product and its own markets. However, the rate of on-going development will rest on Vicorp being in a position to carry the early investment and the directors have slowed expenditure until further investment funding becomes available for Dialogue Design Limited either from the Group or as direct product investment.

Market

We remain encouraged by the increasing demand for voice self-service solutions. This year we have signed contracts for initial licensing deals with Barclays in the UK, AIS (Thailand based mobile

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operator), Faber (a German lottery operator) and expect at least 2 further signings in the next three months. These clients expect to grow their use of Vicorp products as their voice self-service volumes increase and we expect additional licensing throughout 2007 from this small but growing base of large clients.

We are also encouraged that Cable and Wireless are now actively engaged in promoting voice self-service solutions, based on xMP, to several of their top-tier accounts in the UK. This not only opens up the prospect of selling volume production licenses in 2007 but also creates the right climate for Vicorp to undertake professional services work associated with the development of particular voice applications for those clients.

Lastly, we remain thankful to our investors who continue to support the long-term growth of the business and to our staff for maintaining our excellent technology credentials, which lie at the heart of the business.

Tim Hearley
Non-Executive Chairman

Independent review report to Vicorp Group Plc

Introduction

We have been instructed by the Company to review the financial information set out on pages 5 to 9 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibility

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of Ofex require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

Haines Watts
Chartered Accountants

28 September 2006

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Profit & Loss Account Period Ended 30 June 2006

	01 Jan – 30 June 2006		01 Jan – 31 Dec 2005		01 Jan – 30 June 2005	
	£	£	£	£	£	£
Group turnover		283,929		1,335,112		715,434
Cost of sales		55,485		290,505		203,006
Gross profit		228,444		1,044,607		512,428
Research and development expenditure	615,736		1,406,431		571,190	
Other administrative expenditure	689,102		1,865,531		796,558	
Total administrative expenses		1,304,838		3,271,962		1,367,748
Operating loss		(1,076,394)		(2,227,355)		(855,320)
Interest receivable		5,635		19,800		13,255
Interest payable		(2,491)		(20,190)		(11,625)
Loss on ordinary activities before taxation		(1,073,250)		(2,227,745)		(853,690)
Taxation loss on ordinary activities		(121,190)		(267,432)		(109,140)
Loss for the financial year		(952,060)		(1,960,313)		(744,550)

Loss per share diluted and undiluted 6.96p and 12.83p.

All of the activities of the group are classed as continuing.

The Group has no recognised gains or losses other than the results for the period as set out below.

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Group Balance Sheet 30 June 2006

		01 Jan – 30 June 2006		01 Jan – 31 Dec 2005		01 Jan – 30 June 2005
	£	£	£	£	£	£
Fixed assets						
Tangible assets		145,234		176,605		81,291
Investments		-		-		-
		<u>145,234</u>		<u>176,605</u>		<u>81,291</u>
Current assets						
Stocks	7,337		16,300		20,241	
Debtors	528,115		606,627		895,017	
Cash at bank	63,999		666,254		735,276	
		<u>599,451</u>		<u>1,289,181</u>		<u>1,650,534</u>
Creditors: Amounts falling due within one year		1,493,967		1,301,388		1,182,118
Net current assets / (liabilities)		<u>(894,516)</u>		<u>(12,207)</u>		<u>468,416</u>
Total assets less current liabilities		<u>(749,282)</u>		<u>164,398</u>		<u>549,707</u>
Capital and reserves						
Called-up equity share capital		83,624		83,220		77,424
Share premium account		2,789,945		2,751,969		1,927,310
Profit and loss account		<u>(3,622,851)</u>		<u>(2,670,791)</u>		<u>(1,455,027)</u>
(Deficiency) / Shareholders' funds		<u>(749,282)</u>		<u>164,398</u>		<u>549,707</u>

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Group Cash Flow Statement Year ended 30 June 2006

		01 Jan – 30 June 2006	01 Jan – 31 Dec 2005	01 Jan – 30 June 2005
	£	£	£	£
Net cash outflow from operating activities		(756,892)	(1,681,910)	(892,060)
Returns on investments and servicing of finance				
Interest received	5,635		19,800	13,255
Interest paid	(2,491)		(20,190)	(11,625)
Net cash (outflow) / inflow from returns on investments and servicing of finance		3,144	(390)	1,630
Taxation		121,190	117,522	109,140
Capital expenditure				
Payments to acquire tangible fixed assets	(8,076)		(149,873)	(18,540)
Receipts from sale of fixed assets	-		15,374	-
Net cash outflow from capital expenditure		(8,076)	(134,499)	(18,540)
Acquisitions and disposals				
Acquisition of shares in group undertakings	(1)		-	-
Disposal of shares in group undertakings	-		-	-
Net cash (outflow) / inflow from acquisitions and disposals		(1)	-	-
Cash outflow before financing		(640,635)	(1,699,277)	(799,830)
Financing				
Issue of equity share capital	404		21,445	15,648
Share premium on issue of equity share capital	37,976		2,410,801	1,586,173
Debenture loans	-		(100,000)	(100,000)
Net cash inflow from financing		38,380	2,332,246	1,501,821
Increase / (Decrease) in cash		(602,255)	632,969	701,991

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Reconciliation of operating loss to net cash outflow from operating activities

	01 Jan – 30 June 2006	01 Jan – 31 Dec 2005	01 Jan – 30 June 2005
	£	£	£
Operating loss	(1,076,394)	(2,227,355)	(855,320)
Depreciation	38,761	65,311	29,291
Loss / (Profit) on disposal of fixed assets	687	(15,374)	-
(Increase)/decrease in stocks	8,963	140	(3,801)
(Increase)/decrease in debtors	78,512	565,362	220,237
Increase/(decrease) in creditors	192,579	(69,994)	(282,467)
Net cash outflow from operating activities	(756,892)	(1,681,910)	(892,060)

Reconciliation of net cash flow to movement in net funds

	01 Jan – 30 June 2006	01 Jan – 31 Dec 2005	01 Jan – 30 June 2005
	£	£	£
Increase / (Decrease) in cash in the period	(602,255)	632,969	701,991
Net cash outflow / (inflow) from debentures	-	100,000	100,000
Change in net funds	(602,255)	732,969	801,991
Net funds at 1 January	666,254	(66,715)	(66,715)
Net funds at end of period	63,999	666,254	735,276

Analysis of changes in net funds

	At 1 Jan 2006	Cash flows	At 30 June 2006
	£	£	£
Net cash:			
Cash in hand and at bank	666,254	(602,255)	63,999
Debt:			
Debt due within 1 year	-	-	-
Net funds	666,254	(602,255)	63,999

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Reconciliation of movements in shareholders' funds

	£	01 Jan – 30 June 2006 £	£	01 Jan – 31 Dec 2005 £	£	01 Jan – 30 June 2005 £
Loss for the financial year		(952,060)		(1,960,313)		(744,550)
New equity share capital subscribed	404		21,445		15,648	
Premium on new share capital subscribed	37,976		2,410,801		1,586,144	
		<u>38,380</u>		<u>2,432,246</u>		<u>1,601,792</u>
Net reduction to funds		(913,680)		471,933		857,242
Opening shareholders' equity funds		<u>164,398</u>		<u>(307,535)</u>		<u>(307,535)</u>
Closing shareholders' equity (deficit)/funds		<u>(749,282)</u>		<u>164,398</u>		<u>549,707</u>

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2006

1 Accounting policies

These interim financial statements have been prepared using accounting policies consistent with those set out in the Annual Report and Accounts of Vicorp Group Plc for the year ended 31 December 2005. Copies of the 2005 Annual Report are available on request from Vicorp or its Ofex advisors.

2 Audit

The Interim financial statements are unaudited and do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The Company's auditors have reviewed the information and their report is set out on page 3.

Officers and Professional Advisers

Board of Directors

T. Hearley
B. Treacy
P.V. Mellor
L. Cottle
M. van der Weegh

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Secretarial Limited**
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Auditors:

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Chartered Accountants
& Registered Auditors
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