IMMERSION TECHNOLOGIES INTERNATIONAL PLC

Incorporated, registered and domiciled in England and Wales
Company number 05542880

Interim Financial Report for the six months ended 31 December 2007

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The interim financial report does not include full disclosure of the type normally included in an Annual Financial Report. Accordingly, this financial report should be read in conjunction with the Annual Financial Statements for the period ended 30 June 2007 and any and all public announcements made by Immersion Technologies International PLC during the interim period.

IMMERSION TECHNOLOGIES INTERNATIONAL PLC
(“Immersion” or the “Company”)

INTERIM RESULTS FOR 6 MONTHS ENDED 31 DECEMBER 2007

I am pleased to report Immersion’s interim results for the 6 months ended 31 December 2007. The start of the period saw the commencement of manufacturing, in June 2007, at the Company’s facility in Nanjing, China. As a result, Immersion is now able to manufacture a broad range of audio products, applying its unique sound technology in both electrostatic loudspeakers (‘ESL’) and electromagnetic loudspeakers (‘EML’). Importantly, we are able to retain complete control both of the quality of products that are supplied to customers and of our own intellectual property.

Results

The Group made a loss for the six month period ended 31 December 2007 of £1,023,655. The loss for the year ended 30 June 2007 was £2,627,005.

The net cash position of the Group at 31 December 2007 was £918,514.

Review of Operations

Following completion of the Company’s manufacturing facility in China, a significant amount of time and effort was devoted to conducting an extensive series of tests for the production of a new hybrid ESL. The original specification of the new hybrid ESL ordered by Nakamichi Corporation Limited (“Nakamichi”) was altered to meet their specific tuning and equalisation parameters, with a view to mass production.

All of the tests which Nakamichi applied to the speakers were passed by their chief engineer, Kozo Kobayashi (considered to be one the world’s leading audio engineers), and production of the new hybrid ESL commenced in December 2007. The rapid development and production of the new hybrid ESL took less than 18 months from the drawing board to a finished product. This is a significant achievement in an industry where similar products take years to realise.

The work done by the Company in China has been extremely important, as it has proven the Company’s technology and manufacturing capabilities. The design of the new hybrid ESL represented a new frontier in speaker design and manufacturing techniques that have not been used before demonstrating that the Company is a leader in not only speaker technology, but design and manufacturing as well. This has increased the commercial possibilities available to the Company, since the technology can now be offered to potential customers “in house”, so loudspeakers and other related equipment can be manufactured by the Company to a diverse range of specifications.

In July 2007, Immersion established a sales office in Singapore. This has extended the Company’s potential reach and has created entries to several of the world’s largest manufacturers of consumer electronics.

The Company has also continued to make good progress in a number of other technical areas including its ESL and EML technologies. The latest third generation ESL arrays are reaching and exceeding boundaries to an extent never thought possible by producing enhanced sound pressure level output from smaller footprint arrays. This advancement in ESL has also been complemented by the development of new EML subwoofers and high frequency drivers that provide similar output and frequency responses comparable to EML units that are much larger in volume without compromising on audio quality.

For the first time, the Company has also completed its new commercial ESL and EML platforms that offer a wealth of flexibility for audio solutions. The ESL and EML platforms allow a multitude of 'mix and match' solutions depending on the particular application required. For example, the Company can now offer a combination of high frequency ESL or EML drivers to broaden the perspective of technical features and price points giving potential customers greater flexibility and options. This achievement now allows the Company to participate in more price sensitive markets where not only the demand for better quality audio is growing, but also where the market volumes are much higher. As a consequence, the Company is well positioned to address the demands in both the premium and more mainstream consumer electronic markets.

Finally, these new platforms allow the Company to expand its presence in the automotive markets as well by allowing the Company to become a supplier of full range audio solutions whereas previously the Company's technology was used only in low-frequency applications.

Management

Since 31 December 2007, the Board has undergone a number of changes. Following the Board's decision to relocate the Finance Department to the Company's headquarters in Melbourne, Blair Snowball resigned as the Company's Finance Director, with effect from 31 January 2008. As a result, Kiran Morzaria has been appointed as interim Finance Director and Scott Grimshaw joined the Company as Group Financial Controller. On 30 January 2008, Craig Evans and Greg Turnidge resigned as directors of the Company, and I became Non-Executive Chairman and Arie van den Broek became interim Chief Executive Officer.

I am looking forward to working with Arie. His knowledge and experience of the audio speaker market is impressive and he has already created a number of commercial opportunities, which we are actively pursuing.

Outlook

Going forward, we intend to pursue an aggressive sales and marketing strategy. We have received a large number of expressions of interest in our audio loudspeaker products. The fact that we are not restricted to licensing the technology to potential users, but can also manufacture a wide range of products incorporating the technology gives us a high degree of flexibility in offering audio solutions.

This flexible approach is proving extremely attractive to Consumer Electronic Manufacturers ("CEMs") and other retailers of audio equipment. The outstanding quality of the sound from our loudspeakers is a powerful selling tool and has been well received by everyone who has experienced it. We are therefore very optimistic about our long term prospects.

David Lenigas
Non-Executive Chairman
27 March 2008

CONSOLIDATED INCOME STATEMENT

	Notes	For the six Months ended 31 December 2007 Unaudited £	For the period 2 March 2006 to 30 June 2007 Audited £
Revenue		27,179	17,971
Cost of Sales		(82,120)	(592)
Gross Profit		(54,941)	17,379
Administrative expenses	3	(1,000,380)	(2,613,438)
Loss from operations		(1,055,321)	(2,596,059)
Finance Income		31,666	38,278
Loss before tax		(1,023,655)	(2,557,781)
Income tax benefit/(expense)		-	(69,224)
Loss for the period attributable to shareholders		(1,023,655)	(2,627,005)

LOSS PER SHARE		Six months ended 31 December 2007	Period ended 30 June 2007
Basic	6	1.10 pence	4.63 pence
Diluted	6	1.10 pence	4.63 pence

The above income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2007 Unaudited £	As at 30 June 2007 Audited £
Non-current assets			
Intangible assets		6,562,405	6,683,505
Plant and equipment		138,028	68,758
		6,700,433	6,752,263
Current assets			
Trade and other receivables		272,875	260,136
Inventories		121,559	-
Cash and cash equivalents		918,514	2,121,858
		1,312,948	2,381,994
Total assets		8,013,381	9,134,257
Current liabilities			
Trade and other payables		117,296	360,221
Prepaid Income		85,792	-
Corporation tax liability		-	11,771
Total liabilities		203,088	371,992
Net assets		7,810,293	8,762,265
Equity			
Share capital		1,586,209	1,574,087
Share premium reserve		2,855,324	2,824,117
Foreign exchange reserve		64,333	51,288
Other reserves		5,933,629	5,933,629
Share-based payments		1,021,458	1,006,149
Accumulated loss		(3,650,660)	(2,627,005)
		7,810,293	8,762,265

Kiran Morzaria

Finance Director

27 March 2008

The above Balance Sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	For the six Months ended 31 December 2007 Unaudited £	For the period 2 March 2006 to 30 June 2007 Audited £
Total equity at the beginning of the period		8,762,265	-
Loss for the period		(1,023,655)	(2,627,005)
Total recognised income and expense for the period		7,738,610	(2,627,005)
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity net of transactions cost		43,329	5,877,291
Employee share based expense		15,309	1,019,302
Change in foreign exchange translation reserve		13,045	51,288
Reverse acquisition		-	4,441,389
		71,683	11,389,270
Total equity at the end of the six month period attributable to members of Immersion Technologies International Plc		7,810,293	8,762,265

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED CASH FLOW STATEMENT

	Notes	For the six Months ended 31 December 2007 Unaudited £	For the period 2 March 2006 to 30 June 2007 Audited £
OPERATING ACTIVITIES			
Loss after tax for the period		(1,023,655)	(2,627,005)
Adjustments for:			
Depreciation	**3**	8,902	2,784
Amortisation	**3**	121,100	234,941
Share-based payments	**3**	15,310	1,019,302
Finance income		(31,666)	(38,278)
Income tax (benefit)/expense		-	69,224
Decrease/(Increase) in receivables		(12,739)	111,541
Decrease/(Increase) in inventories		(121,559)	-
(Decrease)/Increase in payables		(157,133)	90,116
CASH USED IN OPERATING ACTIVITIES		(1,201,440)	(1,137,375)
Income tax paid		(11,771)	-
NET CASH USED IN OPERATING ACTIVITIES		(1,213,211)	(1,137,375)
INVESTING ACTIVITIES			
Interest received		31,666	38,278
Cash acquired from business combinations		-	3,434,766
Purchase of patents		-	(509,652)
Purchase of plant and equipment		(78,173)	(63,864)
NET CASH USED IN INVESTING ACTIVITIES		(46,507)	2,899,528
FINANCING ACTIVITIES			
Proceeds on issuing of ordinary shares		43,329	1,015,000
Cost of issue of ordinary shares		-	(604,007)
NET CASH FROM FINANCING ACTIVITIES		43,329	410,993
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,216,389)	2,173,146
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		2,121,858	-
Exchange loss on cash and cash equivalents		13,045	(51,288)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		918,514	2,121,858

The above Cash Flow should be read in conjunction with the accompanying notes.

1 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of Interim Financial report

The principal accounting policies adopted in the preparation of the financial statements are the same as that were disclosed in the Financial Statements for the period ended 30 June 2007. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The financial statements for the half year ended 31 December 2007 have not been audited.

The comparative figures provided for the period to 30 June 2007 do not constitute statutory accounts as defined in Section 240 of the Companies Act 1985, but are extracted from the company's statutory accounts for that period.

Comparative figures for the six months ended 31 December 2006 are not included as they are considered not comparable due to the reverse takeover that was concluded in April 2007.

These financial statements are presented in Sterling since that is the currency in which the majority of the Company’s transactions are denominated. The measurement basis used in the preparation of the financial statements is historical cost, except for financial instruments, which are measured at fair value.

Reporting Bases and Conventions

The half-year financial report has been prepared on an accrual basis and is based upon historical cots.

Going Concern

The half-year financial report for the six months ended 31 December 2007 has been prepared on a going concern basis. Though the company has continued to trade unprofitably causing the cash reserves to reduce through the period, the Director’s believe that there is sufficient cash through existing reserves and forecast revenue for the Group to continue to operate.

2 SEGMENT REPORTING

For management purposes the Group is organised into 4 operating divisions: Corporate; Product Research, Development and Design; Product Manufacture, and; Sales. These divisions are the basis on which the Group reports its primary segment information. Secondary segment information is presented on a geographic basis. The primary segment information corresponds closely to geographical segments as operational segments reside in distinct locations of the United Kingdom, Australia and Asia.

Business segments	Corporate	Product R&D and Design	Product Manufacture	Sales	Unallocated	Total
Six months ended 31 December 2007-Unaudited	**£**	**£**	**£**	**£**	**£**	**£**
Segment Revenue	5,492	21,687	-	-	-	27,179
Segment loss from operations	(470,555)	(408,279)	(130,352)	(46,135)	-	(1,055,321)
Finance Income						31,666
Loss for the period						(1,023,655)
Period ended 30 June 2007-Audited						
Segment Revenue	-	17,971	-	-	-	17,971
Segment loss from operations	(1,079,804)	(1,258,405)	(62,272)	2,244	(197,822)	(2,596,059)
Finance income						38,278
Loss before tax						(2,557,781)
Tax expense						(69,224)
Loss for the period						(2,627,005)

2 SEGMENT REPORTING (CONTINUED)

Geographical segments	United Kingdom	Australia	Asia	Unallocated	Total
	£	£	£	£	£
Six months ended 31 December 2007-Unaudited					
Segment Revenue	5,492	21,687	-	-	27,179
Segment Result	(596,915)	(281,920)	(176,486)	-	(1,055,321)
Finance Income					31,666
Loss for the period					(1,023,655)
Period ended 30 June 2007-Audited					
Segment Revenue	-	17,971	-	-	17,971
Segment Result	(1,079,804)	(1,258,405)	(60,028)	(197,822)	(2,596,059)
Finance income					38,278
Loss before tax					(2,557,781)
Income tax expense					(69,224)
Loss for the period					2,627,005

3 CONSOLIDATED LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging:

	For the six Months ended 31 December 2007 Unaudited £	For the period 2 March 2006 to 30 June 2007 Audited £
Directors fees	185,861	441,000
Salaries and wages	285,033	126,850
Consultancy costs	74,850	82,470
Audit fees	24,400	84,135
Other professional fees	55,632	22,555
Amortisation of intangible assets	121,100	234,941
Depreciation	8,902	2,784
Research and development	26,053	188,668
Equity settled share-based payments	15,310	1,019,302
Office rent	34,164	12,073
Other expenses	169,075	398,660
	1,000,380	2,613,438

4 SHARE CAPITAL ISSUED

	For the six months ended 31 December 2007 Unaudited		For the period 2 March 2006 to 30 June 2007 Audited	
	Number	£	Number	£
Authorised:				
Ordinary shares of £0.007 each	1,000,000,000	7,000,000	1,000,000,000	7,000,000
Issued and Fully Paid:				
At the beginning of the period	224,869,614	1,574,087	-	-
Issued ordinary shares of £0.007	1,731,645	12,122	224,869,614	1,574,087
At the end of the period	226,601,259	1,586,209	224,869,614	1,574,087

At the beginning and the end of the period there were no shares issued that were not fully paid.

5 PURCHASE OF MINORITY INTEREST

On 1 July 2007, 1,731,645 shares in Immersion Technology International Limited (representing 0.97% of its issued share capital), were issued to two shareholders who, as described in the Company's Admission Document (12 April 2007) did not waive their rights to compensation shares under the Whise Acoustics Share Purchase Agreement and thus became entitled to the shares on this date. On 11 December 2007 the Group negotiated the purchase of the minority interest by issuing one Immersion Technologies International plc share in exchange for each Immersion Technology International Limited share.

6 BASIC AND DILUTED LOSS PER ORDINARY SHARE

The calculation of basic loss per share is based on loss after taxation of £1,023,655 (30 June 2007: £2,627,005) and on 93,082,247 ordinary shares (30 June 2007:56,796,033), being the weighted average number of ordinary shares on issue during the period.

The diluted loss per share is equal to the basic loss per share because all of the 17,891,424 options (weighted average being 7,747,055) on issue were considered not potentially dilutive. That is, all options have an exercise price far greater than the weighted average share price during the year (ie they are out-of the-money) and therefore would not be advantageous for the holders to exercise those options..

7 COMMITMENTS

The Company has a commitment to make an equity investment of US$1,500,000 into its Chinese subsidiary, Immersion Technology (Nanjing) Co. Limited, by the end of April 2009. This commitment is required by rules for establishing a Foreign Controlled Company in Nanjing, China. If the Company closes its subsidiary in Nanjing prior to April 2009 then it does not have an obligation to complete the investment. However the Company expects to complete the commitment in stages over the 2008 year, although precise dates are not yet determined. As at the date of publishing the financial statements the Company has invested US$850,000 (US$550,000 as at 30 June 2007) and therefore is expected to have a further commitment of US$650,000 to be made over the next 12 months.

8 EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

The management is not aware of any significant events other than the Board Changes which are disclosed in Chairman’s Statement.

The financial statements were authorised for issue by the board as a whole following their approval on 27 March 2008.