

**Optimisa plc**

Financial statements

For the year ended 31 December 2005

**Company No. 3860539**

## Company information

Company registration number	3860539
Registered office	1st Floor Roxburghe House 273 -287 Regent Street London W1B 2HA
Directors	R F Littleboy D J L King S J Dannatt D B Rankin J D H Waters B Amin
Secretary	D J L King
Bankers	Bank of Scotland 38 Threadneedle Street London EC2P 2EH
Solicitors	Benedicts Grant LLP Just House Beavor Lane London W6 9UL
Auditors	Grant Thornton UK LLP Chartered Accountants Registered Auditors Grant Thornton House 202 Silbury Boulevard Central Milton Keynes MK9 1LW
Nominated adviser and broker	Nabarro Wells & Co. Limited Saddlers House Gutter Lane Cheapside London EC2V 6HS
Registrars	Capita Registrars plc The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

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## Chairman's statement

### Highlights

- kae: marketing intelligence limited (“KAE”) was acquired on 29 April 2005 and has transformed the company.
- Revenues of £2,263,000 and operating profits of £349,000, were achieved in 2005 despite only an 8-month contribution from KAE.
- Shareholders funds rose from £955,000 to £2,851,000 and included net cash of £757,000 (at end December 2005).
- Goodwill of £1,304,000 arose as a result of the acquisition of KAE.
- Basic earnings per share of 65.8p and fully diluted earnings per share of 61.8p were reported for the year to end December 2005.
- A final dividend of 10p is recommended making a total of 15p for the year.
- On 3 March 2006, USA based nxtMOVE was acquired for \$1.55million paid in cash.

### **Ron Littleboy, Chairman, said:**

“I am very pleased to report that the year under review has exceeded even our high expectations. The acquisition of KAE, a long established, well-managed and highly profitable company has provided Optimisa with a strong base to grow rapidly both organically and by acquisition in a fragmented but strongly growing marketing services industry.

This year has started extremely well with strong new business development and firm commitment from existing clients. Growth has been accelerated with the acquisition of nxtMOVE, which will provide Optimisa with the ability to service a wider offering from local operations in the USA and Europe.

I expect the benefits of our investments in 2005 and the acquisition of nxtMOVE to bear fruit in 2006. In addition we are actively looking for further acquisitions to move us towards our medium term goal of creating a business with international revenues of above £25m with sustainable operating margins of 15% or more.”

For further information please contact:

Ron Littleboy, Chairman, Optimisa plc	020 7960 3320
Simon Dannatt, Chief Executive, Optimisa plc	020 7960 3300
Hugh Oram, Nabarro Wells & Co. Limited	020 7710 7400

## Chief Executive's review

The acquisition of kae: marketing intelligence limited ("KAE") was completed on the 29 April 2005 and has totally transformed the company. We are pleased to report that KAE has exceeded even our high expectations. The acquisition of this long established, well-managed and highly profitable company has provided Optimisa with the strong base to grow rapidly both organically and by acquisition in the fragmented but strongly growing marketing services industry.

The results for the year to end December 2005 include only an 8-month contribution from KAE and reflect a write down of our investment in Edengene of £109,000. The underlying profitability of the Company will not become clear until the current year results are announced which will include a full year contribution from KAE and 10 months of nxtMOVE. Nevertheless, we have shown revenue of £2,263,000 and profits before tax, interest and the write-down of our investment in Edengene of £349,000.

The deferred consideration for the acquisition of KAE is dependent on KAE achieving certain targets. In the 12 months to end September 2005 KAE achieved revenue of over £3,300,000 and produced profits before interest and tax of over £500,000. The revenue from its major client has been sustained since end September and assuming committed projects translate into revenue as expected we will be issuing the 60,000 deferred shares in June 2006 as per the AIM admission document.

On 6 March 2006, we announced the acquisition of nxtMOVE from Huntsworth plc for \$1,550,000 paid in cash. Huntsworth plc had acquired nxtMOVE with its purchase of Incepta plc in May 2005 but decided it was non-core and subsequently sold it to Optimisa. We knew the company well and had worked with them in the past.

nxtMOVE is based in new offices in Virginia and is a long established business operating in business intelligence and commercial due diligence for major US based companies. There is little overlap in terms of clients and the acquisition will enable both companies to offer a wider range of services from locally based consultants in the USA and Europe.

We have retained all 18 employees and have acquired an experienced team that has the ability and enthusiasm to drive the business forward under the umbrella of a parent totally committed to grow the company both organically and by add on acquisitions.

In the year to end February 2005 nxtMOVE had revenues of \$3.3million and operating profits of \$257,000 after substantial exceptional costs. We and the team led by Chris Campbell are confident that nxtMOVE has the scope over the next 3 years to achieve strong organic growth in revenues, helped by Optimisa, and bring its operating margins up to the levels already enjoyed by KAE. The integration of nxtMOVE is going smoothly and the group has already won a new project from a UK client as a result of being able to offer a local presence in the USA.

We have announced basic earnings per share of 65.8p and fully diluted earnings per share of 61.8p. On the basis that we have included only an 8-month contribution from KAE, your board has decided to recommend a final dividend of 10p making total dividends of 15p for the year. The final dividend will be paid on 10 May 2006 to shareholders on the register on 7 April 2006.

Our balance sheet remains strong, with net cash at end December 2005 of £757,000 and group shareholders' funds of £2,851,000. We sold our property in Northampton for £177,000, which produced a capital profit of £21,000 and raised £250,000 from a placing of 43,478 shares in July 2005. Another £95,000 was received from the exercise of 40,000 warrants in September 2005.

## Chief Executive's review (continued)

Net assets include intangibles of £1,304,000 which is the goodwill resulting from the acquisition of KAE. The directors have decided that this goodwill should not be amortised given that KAE has demonstrated its historic ability to sustain profitability, its market position and our commitment to invest in the long term development of the brand. This policy is a departure from the Companies Act requirements but is common for multi-level marketing companies. However, we undertook an impairment review, which confirmed a higher figure than the book value of goodwill included in the balance sheet. We will undertake a similar review at the end of the current year.

In conclusion, we look forward to another exciting and challenging year with confidence. The initiatives put in place in 2005 and the opportunities provided by the acquisition of nxtMOVE should bear fruit in 2006. The current year has started well and the operating business' pipelines are well in excess of previous years at this stage. We will continue to look actively for add on acquisitions, which can accelerate our growth, and produce high returns for our shareholders.

The report and Accounts will be posted to shareholders by 5 April 2006. Copies will be available from [www.optimisapl.com](http://www.optimisapl.com).

## Report of the directors

The directors present their report together with the financial statements for the year ended 31 December 2005.

### Principal activities and business review

The principal activity of the Group is that of a marketing consultancy.

A business review for the year by the Chief Executive is included on pages 5 - 6.

### Results and dividends

There was a profit for the year after taxation amounting to £371,000 (2004: £1,000). The directors recommend a final dividend payment of 10 pence per share.

### The directors and their interests in the shares of the company

The directors who served the Company during the year together with their beneficial interests in the £1.50 ordinary shares of the Company were as follows:

	<b>At 31 December 2005</b>	At 31 December 2004
R F Littleboy	<b>85,333</b>	58,833
D J L King	<b>56,666</b>	36,666
B Amin (appointed 29 April 2005)	<b>49,463</b>	—
S J Dannatt (appointed 29 April 2005)	<b>114,925</b>	—
D R Rankin (appointed 29 April 2005)	<b>114,925</b>	—
J D H Waters (appointed 29 April 2005)	<b>6,319</b>	—

The four directors appointed in the year held the shares detailed above at the date of their appointment.

### Substantial shareholders

According to the register held by the Company in addition to the directors' interests disclosed above, the following were interested in 3% or more of the issued share capital at 31 December 2005:

	<b>Number of ordinary shares</b>	<b>Percentage of share capital</b>
T Wild	<b>30,499</b>	<b>4.4%</b>
Vincos Limited	<b>43,478</b>	<b>6.3%</b>
M Amin	<b>23,110</b>	<b>3.3%</b>
A Falcone	<b>27,550</b>	<b>4.0%</b>

## Report of the directors (continued)

### Policy on the payment of creditors

It is the Group's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and to abide by them. Such payments are usually within 30 days of the receipt of an invoice.

Trade creditors at the year-end amounted to 30 days as invoiced by suppliers.

### IFRS adoption

The Company does not currently intend to adopt IFRS until it is required to do so, being the year ending 31 December 2007. As such no detailed conversion planning exercise has been carried out.

### Financial risk management

The board of directors do not consider that the group is materially exposed to price risk, credit risk and cash flow risk since fees are negotiated on a project by project basis and 50% of the agreed fee is paid in advance. In view of the cash funds on deposit at 31 December 2005, the directors do not believe that the Group has a material liquidity risk. The group does not enter into derivative contracts either for speculative or hedging purposes.

### Post Balance sheet events

On 3 March 2006 the Group acquired the trade and assets of nxtMOVE LLC. More information is provided in note 25.

### True and fair override

The directors have invoked the true and fair override permitted under UK accounting standards in preparing these accounts. The nature of the override and the reasons for it are disclosed in the accounting policies note.

### Directors' responsibilities

The directors are responsible 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).

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

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for

## Report of the directors (continued)

safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors' are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

D B Rankin  
Director

## Corporate governance

The directors recognise the value of the Principles of Good Governance and have taken appropriate measures to ensure that the Group has adopted measures appropriate for a Group of its size.

### Directors

The board is responsible for approving Group policy and strategy. It met a number of times during the financial year and has a schedule of matters specifically reserved to it for decision. Management supply the board with timely information and the board are free to seek any further information they consider necessary.

### Relations with shareholders

The Group values the views of its shareholders and recognises their interest in the Group's strategy and performance. The Annual General Meeting is used to communicate with shareholders and they are encouraged to participate. The Directors will be available to answer questions at the Annual General Meeting. Separate resolutions are proposed on each issue in order that they can be given proper consideration and there is a resolution to approve the annual report and financial statements.

### Internal control

The board is responsible for maintaining a strong system of internal control to safeguard shareholders' investment and the Group's assets. The system of internal control is designed to provide reasonable, but not absolute assurance against material misstatement or loss.

The directors are responsible for the Group's system of financial control and of reviewing its effectiveness.

The key features of the systems of financial control are as follows:

- the Group is headed by an effective Board which leads and controls the Group. The final selection of any Director is performed by the full Board and any appointment is approved by the Board
- the Board receives and reviews on a timely basis financial and operating information appropriate to being able to discharge its duties.

The Group's operating procedures include systems for reporting financial and non-financial information to the Board including:

- preparation and review of annual plans and budget
- preparation and review of monthly management information reports
- review of the business at each Board meeting.

The Board has considered the need for an internal audit function but has decided that the size of the Group does not justify it at present.

### Going concern

Having reviewed the financial position and after making enquiries the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

## Corporate governance (continued)

### **International Financial Reporting Standards (IFRS)**

The Company recognises that there is a requirement to prepare its financial statements under IFRS for the financial year ending 31 December 2007. The board intends to keep this matter under review while monitoring the impact of the transition.

## Report of the independent auditors to the members of Optimisa plc (continued)

We have audited the Group and parent company financial statements (the "financial statements") of Optimisa plc for the year ended 31 December 2005 which comprise the principal accounting policies, the group profit and loss account, the Group and Company balance sheets, the group cash flow statement and notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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 auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with United Kingdom law and 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. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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.

## Report of the independent auditors to the members of Optimisa plc (continued)

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement, the Chief Executives' Review and the Corporate Governance Statement. 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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.

### **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 group's and the parent company's affairs as at 31 December 2005 and of the group's profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS

Milton Keynes  
March 2006

## Principal accounting policies

### Basis of preparation

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

The principal accounting policies of the Group are set out below.

### Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary undertaking to 31 December 2005.

As permitted by Section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account. The profit for the financial year relating to the parent Company amounted to £659,000.

The results of the subsidiary acquired during the period are included in the consolidated financial statements from the date of acquisition. On acquisition of a business, all of the assets and liabilities of that business at the date of acquisition are recorded at fair value. All changes to those assets and liabilities, and the resulting gains and losses that arise after the date of acquisition, are charged to the post acquisition profit and loss account or statement of total recognised gains and losses as appropriate.

Acquisitions of subsidiaries are dealt with by the acquisition method of accounting.

### True and fair override

The Group has concluded that goodwill arising on acquisition of kae: marketing intelligence limited should not be amortised given that kae: marketing intelligence limited has demonstrated its historic ability to sustain profitability, its market position and the Group's commitment to invest in the long term development of the brand. Details of the goodwill arising on acquisition are given in note 11.

The Group has not amortised this goodwill, a departure from the Companies Act 1985 Paragraph 21 of Schedule 4, for the over-riding purpose of giving a true and fair view of the Group's results for the reasons outlined above. If the goodwill arising on the acquisition of kae: marketing intelligence limited had been amortised over a period of 20 years, operating profit and goodwill would have decreased by £43,000.

## Principal accounting policies (continued)

### Turnover

Turnover comprises the gross amounts billed to clients in respect of the provision of marketing services to include fees and disbursements for market research and other services performed, subject to specific contract. Revenue is recognised when the service is performed, in accordance with the terms of the contractual agreement and the stage of completion of the work. Turnover is stated after deduction of trade discounts and excluding Value Added Tax or similar sales taxes outside the United Kingdom.

### Goodwill and intangible assets

Goodwill on acquisitions representing the purchase consideration and the costs of acquisition less the fair value of net assets acquired is capitalised.

The directors assess each acquisition to determine the appropriate treatment of any related goodwill and select from one of two accounting policies:

Where the directors are of the opinion that the goodwill has an indefinite economic life given the acquired business' historic ability to sustain long term profitability, their position within their market sector and the Group's commitment to continue to invest in the long-term development of that business then the goodwill is not amortised but subject to an annual impairment test.

Where the goodwill does not have an indefinite economic life it is amortised on a straight-line basis over its useful economic life.

Purchased goodwill is capitalised and is amortised on a straight-line basis over its useful economic life, which is estimated to be 20 years.

### Tangible fixed assets and depreciation

Tangible assets are stated at cost less depreciation. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives, as follows:

Computer equipment	-	over 2 years
Fixtures & fittings	-	over 3 years

### Investments

Investments are included at cost less amounts written off. Profits or losses arising from the disposal of investments are treated as part of the result from ordinary activities.

Investments held for the long-term are included in fixed asset investments. Investments held for short term gains are included within current asset investments.

### Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantially enacted by the balance sheet date.

### Leasing

Rentals payable under operating leases are charged against income on a straight-line basis over the lease term.

## Principal accounting policies (continued)

### Pensions

The Group operates a money purchase (defined contribution) pension scheme. Contributions payable to this scheme are charged to the profit and loss account in the year to which they relate. Those contributions are invested separately from the Group's assets.

### Liquid resources

Liquid resources relate to current asset investments held as readily disposable stores of value which are traded in an active market where disposal will not disrupt the business.

### Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates 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.

### Dividends

Interim dividends are recognised as a deduction from equity in the period in which they are paid. Final dividends are recognised in the period in which they are approved by the Company in general meeting.

### New accounting standards

The following accounting standards have been applied for the first time this year and no restatement was required on their initial application:

- FRS 21 Events after the Balance Sheet Date
- FRS 22 Earnings per Share
- FRS 25 Financial Instruments: Disclosure and Presentation (presentation requirements)
- FRS 28 Corresponding Amounts

## Consolidated profit and loss account

	Note	Continuing operations	Acquisition	2005 £'000	2004 £'000
<b>Turnover</b>	1	–	2,263	<b>2,263</b>	–
<b>Cost of sales</b>		–	(542)	<b>(542)</b>	–
<b>Gross profit</b>		–	1,721	<b>1,721</b>	–
Administrative expenses		(184)	(1,225)	<b>(1,409)</b>	–
Other operating income	2	37	–	<b>37</b>	34
Other operating charges		–	–	–	(39)
<b>Operating profit/(loss)</b>	3	(147)	496	<b>349</b>	(5)
Interest receivable	6	10	7	<b>17</b>	6
Amounts written off investment		(109)	–	(109)	–
<b>Profit on ordinary activities before taxation</b>		<u>(246)</u>	<u>503</u>	<b>257</b>	1
Tax on profit on ordinary activities	7			<b>114</b>	–
<b>Profit on ordinary activities after taxation</b>	20			<b>371</b>	1
Earning per share (pence)	8				
- Basic				<b>65.8</b>	0.3
- Diluted				<b>61.8</b>	0.3

The Group has no recognised gains and losses in the period other than the profit as set out above.

## Group and company balance sheets

	Note	Group		Company	
		2005 £'000	2004 £'000	2005 £'000	2004 £'000
<b>Fixed assets</b>					
Intangible assets	10	1,304	–	–	–
Tangible assets	12	47	156	4	156
Investments	13	411	438	2,428	438
		<u>1,762</u>	<u>594</u>	<u>2,432</u>	<u>594</u>
<b>Current assets</b>					
Debtors	14	766	18	423	18
Investments	15	–	68	–	68
Cash at bank		757	299	358	299
		<u>1,523</u>	<u>385</u>	<u>781</u>	<u>385</u>
<b>Creditors: amounts falling due within one year</b>	16	<u>(434)</u>	<u>(24)</u>	<u>(74)</u>	<u>(24)</u>
<b>Net current assets</b>		<u>1,089</u>	<u>361</u>	<u>707</u>	<u>361</u>
<b>Net assets</b>		<u>2,851</u>	<u>955</u>	<u>3,139</u>	<u>955</u>
<b>Capital and reserves</b>					
Called-up equity share capital	18	1,036	551	1,036	551
Share premium account	19	502	282	502	282
Merger reserve	19	612	–	612	–
Shares to be issued	11	243	–	243	–
Profit and loss account	19	458	122	746	122
Shareholders' funds	20	<u>2,851</u>	<u>955</u>	<u>3,139</u>	<u>955</u>

These financial statements have been approved by the directors and are signed on their behalf by:

D B Rankin  
March 2006.

## Consolidated cash flow statement

	Note	2005 £'000	2004 £'000
<b>Net cash (outflow) from operating activities</b>	21	(192)	(18)
<b>Return on investments and servicing of finance</b>			
Interest received		<u>17</u>	<u>6</u>
<b>Net cash inflow for returns on investments and servicing of finance</b>		17	6
<b>Taxation</b>		(76)	—
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible assets		(34)	—
Proceeds on sale of tangible fixed assets		177	—
Acquisition of investments		(82)	(47)
Disposal of investments		<u>—</u>	<u>45</u>
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>		61	(2)
<b>Acquisitions and disposals</b>			
Purchase of subsidiary undertakings	11	(802)	—
Net cash acquired with subsidiary		<u>1,060</u>	<u>—</u>
<b>Net cash inflow from acquisition</b>		258	—
<b>Equity dividend paid</b>		(35)	—
<b>Net cash inflow/(outflow) from financial investment</b>			
<b>Management of liquid resources</b>			
Acquisition of investments		—	(354)
Disposal of investments		<u>80</u>	<u>286</u>
<b>Net cash inflow/(outflow) from management of liquid resources</b>		80	(68)
<b>Cash inflow(outflow) before financing</b>		113	(82)
<b>Financing</b>			
Cash inflow from issuing shares		<u>345</u>	<u>20</u>
<b>Net cash inflow from financing</b>		345	20
<b>Increase/(decrease) in cash in the period</b>	22	<u>458</u>	<u>(62)</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

## Notes to the financial statements

### 1 Turnover

Turnover is attributable to one continuing activity and is stated net of trade discounts and Value Added Tax.

### 2 Other operating income

	<b>2005</b>	2004
	<b>£'000</b>	£'000
Profit on disposal of investments	12	32
Profit on disposal of leasehold property	21	–
Rental Income	4	–
Dividends received	–	2
	<u>37</u>	<u>34</u>

### 3 Operating profit/(loss)

Operating profit is stated after charging:

	<b>2005</b>	2004
	<b>£'000</b>	£'000
Auditors' remuneration		
Audit services – Grant Thornton	15	5
Audit services – Blinkhorns	2	–
Non audit services - taxation services	3	1
Depreciation:		
Tangible fixed assets owned	29	–
Operating lease rentals	142	–
	<u>191</u>	<u>6</u>

During the year the auditors also received remuneration of £20,000, which has been capitalised in the cost of investment.

## Notes to the financial statements (continued)

### 4 Directors and employees

Staff costs during the year were as follows:

	<b>2005</b>	2004
	<b>£'000</b>	£'000
Wages and salaries	<b>836</b>	–
Social security costs	<b>107</b>	–
Other pension costs	<b>57</b>	–
	<u><b>1,000</b></u>	<u>–</u>

The average number of employees of the Group during the year was 25.

Remuneration in respect of directors was as follows:

	<b>2005</b>	2004
	<b>£'000</b>	£'000
Emoluments	<b>183</b>	–
Pension contribution	<b>28</b>	–
	<u><b>211</b></u>	<u>–</u>

The amounts set out above include remuneration in respect of the highest paid director as follows:

	<b>2005</b>	2004
	<b>£'000</b>	£'000
Emoluments	<b>77</b>	–
Pension contribution	<b>13</b>	–
	<u><b>90</b></u>	<u>–</u>

The number of directors who accrued benefits under group pension schemes were as follows:

	<b>2005</b>	2004
	<b>No</b>	No
Money purchase scheme	<u><b>3</b></u>	<u>–</u>

## Notes to the financial statements (continued)

### 5 Related party transactions

The following transactions were undertaken with related parties:

- a) In December 2005 Optimisa plc disposed of its freehold property at 2 Tower Square, St James, Northampton to Ms. S. Amin, a related party to Mr. B. Amin, a director of Optimisa plc. The transaction was carried out at market value of £176,950. The amount outstanding at the year end was £nil.
- b) Companies in which two of the non-executive directors have controlling interests provided consultancy services in relation to the acquisition of KAE. Fees of £10,000 and £6,000 respectively were paid to Angel Morgan Limited and Dawson Marker Limited. Mr. B. Amin, a director of Optimisa plc, has a controlling interest in both companies. Fees of £8,000 were paid to RFL Consulting Ltd, a company in which Mr. R. Littleboy, a director of Optimisa plc, has a controlling interest. The fees noted above are excluding VAT. The amounts outstanding at the year end in respect of these transactions was £nil.
- c) Optimisa plc holds 13.1% of the ordinary shares of Edengene Limited following the purchase of an additional 130,180 shares in July 2005. Mr. S. Dannatt and Mr. J. Waters, both directors of Optimisa plc, are also directors of Edengene Limited. KAE also received marketing consultancy fees from Edengene Limited of £9,000 (excluding VAT) during 2005.

### 6 Net Interest receivable

	2005	2004
	£'000	£'000
Interest receivable on bank deposits	<u>17</u>	<u>6</u>

## Notes to the financial statements (continued)

### 7 Tax on profits on ordinary activities

#### Group

	2005 £'000	2004 £'000
UK Corporation tax	42	–
Deferred taxation (see note 17)	<u>(156)</u>	<u>–</u>
	<u>(114)</u>	<u>–</u>

The tax accrued on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2004: 30%)

	2005 £'000	2004 £'000
Profit on ordinary activities before taxation	<u>257</u>	<u>1</u>
UK Corporation tax at 30%	77	–
Expenses not deductible for tax purposes	4	–
Permanent difference in relation to impairment charges	33	–
Depreciation more than capital allowance	1	–
Reversal of timing difference on pension payment	(5)	–
Utilisation of tax losses brought forward	(49)	–
Marginal rate change	(9)	–
Utilisation of capital losses brought forward	<u>(10)</u>	<u>–</u>
Current tax charge for the period	<u>42</u>	<u>–</u>

## Notes to the financial statements (continued)

### 8 Earning per share

	2005			2004		
	Profit for the financial year	Weighted average number of shares	Pence per share	Profit for the financial year	Weighted average number of shares	Pence per share
	£'000			£'000		
<b>Basic earning per share</b>						
Earning attributable to:						
Ordinary shareholders	<u>371</u>	<u>562,406</u>	<u>65.8</u>	<u>1</u>	<u>359,336</u>	<u>0.3</u>
Dilutive effect of securities						
Warrants	–	22,168	(2.5)	–	7,205	
Share to be issued	–	13,673	(1.5)	–	–	
<b>Diluted earnings per share</b>	<u><u>371</u></u>	<u><u>598,247</u></u>	<u><u>61.8</u></u>	<u><u>1</u></u>	<u><u>366,541</u></u>	<u><u>0.3</u></u>

### 9 Dividends

	2005 £'000	2004 £'000
Interim dividend of 5.0p per share (2004: nil per share)	<u>35</u>	<u>–</u>

The final dividend proposed for 2005 is set out in the Directors' report.

### 10 Intangible assets

	Goodwill on consolidation £'000
Cost	
At 1 January 2005	–
Additions (see note 11)	<u>1,304</u>
<b>At 31 December 2005</b>	<u>1,304</u>
<b>Net book amounts at 31 December 2005</b>	<u><u>1,304</u></u>
Net book amounts at 31 December 2004	<u><u>–</u></u>

The treatment of goodwill is as explained in the principal accounting policies.

## Notes to the financial statements (continued)

### 11 Acquisitions

The following acquisition was made during the period:

#### **Kae: marketing intelligence Limited (KAE)**

On 29 April 2005 the Group acquired 100% of the issued share capital of KAE. The consideration comprised of £650,000 in cash and the allotment and issue by the Group of consideration shares. 240,000 Consideration Shares were issued on completion of the acquisition and 60,000 Consideration Shares will be issued on or before 30 June 2006 subject to KAE achieving the following for the year ended 30 September 2005;

- gross revenue of £3,300,000
- profit before interest and tax of £500,000

and for the period from 1 October 2005 to 15 June 2006, sustains its revenue from its major client. This amount has been accrued in full.

The assets and liabilities of KAE at 29 April 2005 were as follows:

	Book value £'000	Accounting policy adjustments £'000	Fair value £'000
<b>Fixed assets</b>			
Tangible assets	42	–	42
<b>Current assets</b>			
Debtors	237	–	237
Other Debtors	38	–	38
Prepayments and accrued income	135	–	135
Bank and cash	1,060	–	1,060
	<u>1,470</u>	<u>–</u>	<u>1,470</u>
<b>Creditors amounts falling due with within one year</b>	<u>(799)</u>	<u>–</u>	<u>(799)</u>
Current net assets	<u>671</u>	<u>–</u>	<u>671</u>
Total assets less current liabilities	<u>713</u>	<u>–</u>	713
Goodwill			<u>1,304</u>
			<u><u>2,017</u></u>
Satisfied by:			£'000
Cash			650
Acquisition costs			152
Shares issued (note 20)			972
Deferred contingent consideration			<u>243</u>
			<u><u>2,017</u></u>

## Notes to the financial statements (continued)

### 11 Acquisitions (continued)

#### Pre-acquisition results of kae: marketing intelligence limited

The information disclosed below has been prepared on the basis of the company's accounting policies which remain unchanged following the acquisition.

	<b>Period 1 October 2004 to 28 April 2005 £</b>
Turnover	1,810,069
Operating profit	181,173
Profit before taxation	185,512
Taxation	(39,762)
Profit after taxation	<u>145,750</u>

The profit after taxation for the year ended 30 September 2004 was £238,464.

## Notes to the financial statements (continued)

### 12 Tangible fixed assets

	Group			Company		
	Freehold property	Fixtures, fittings and equipment	Total	Freehold property	Fixtures, fittings and equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>						
At 1 January 2005	156	–	156	156	–	156
Additions	–	34	34	–	5	5
On acquisition of subsidiary	–	42	42	–	–	–
Disposals	(156)	–	(156)	(156)	–	(156)
<b>At 31 December 2005</b>	<b>–</b>	<b>76</b>	<b>76</b>	<b>–</b>	<b>5</b>	<b>5</b>
<b>Depreciation</b>						
At 1 January 2005	–	–	–	–	–	–
Charge for the year	–	(29)	(29)	–	(1)	(1)
<b>At 31 December 2005</b>	<b>–</b>	<b>(29)</b>	<b>(29)</b>	<b>–</b>	<b>(1)</b>	<b>(1)</b>
<b>Net book value at 31 December 2005</b>	<b>–</b>	<b>47</b>	<b>47</b>	<b>–</b>	<b>4</b>	<b>4</b>
Net book value at 31 December 2004	156	–	156	156	–	156

## Notes to the financial statements (continued)

### 13 Investments

	<b>Group Other investments £'000</b>	<b>Company Other investments £'000</b>	<b>Company subsidiary undertakings £'000</b>
<b>Cost</b>			
At 1 January 2005	1,740	1,740	–
Additions	82	82	2,017
At 31 December 2005	<u>1,822</u>	<u>1,822</u>	<u>2,017</u>
<b>Amounts written off</b>			
At 1 January 2005	(1,302)	(1,302)	–
Amounts written off investment	(109)	(109)	–
At 31 December 2005	<u>(1,411)</u>	<u>(1,411)</u>	<u>–</u>
<b>Net book value at 31 December 2005</b>	<b><u>411</u></b>	<b><u>411</u></b>	<b><u>2,017</u></b>
Net book value at 31 December 2004	<u>438</u>	<u>438</u>	<u>–</u>

Impairment losses of £109,000 have been recognised in respect of the Group's minority shareholding in the ordinary share capital of Edengene Limited.

### 14 Debtors

	<b>Group</b>		<b>Company</b>	
	<b>2005 £'000</b>	2004 £'000	<b>2005 £'000</b>	2004 £'000
Trade debtors	<b>363</b>	–	–	–
Other debtors	<b>35</b>	14	–	14
Amounts due from group undertakings	–	–	<b>259</b>	–
Prepayments and accrued income	<b>209</b>	4	<b>5</b>	4
Deferred tax asset (see note 17)	<b>159</b>	–	<b>159</b>	–
	<b><u>766</u></b>	<u>18</u>	<b><u>423</u></b>	<u>18</u>

## Notes to the financial statements (continued)

### 15 Current asset investments

	<b>Group</b> <b>Shares in</b> <b>quoted</b> <b>companies</b> £'000	<b>Company</b> <b>Shares in</b> <b>quoted</b> <b>companies</b> £'000
At 1 January 2005	68	68
Disposals in the year	(68)	(68)
At 31 December 2005	<u>–</u>	<u>–</u>

### 16 Creditors: amounts falling due within one year

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade creditors	66	22	3	22
Other creditors	1	–	1	–
Corporation tax	72	–	–	–
Social security and other taxes	205	–	58	–
Accruals and deferred income	90	2	12	2
	<u>434</u>	<u>24</u>	<u>74</u>	<u>24</u>

## Notes to the financial statements (continued)

### 17 Deferred taxation

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Unrelieved tax losses	<u>159</u>	<u>–</u>	<u>159</u>	<u>–</u>

The Group and company has excess management charges carried forward of £1,347,000 which give rise to a potential deferred tax asset of £404,000 at 30%. The Group and Company have decided only to recognise 39% of this asset as the best estimate of the amount that is expected to reverse with the next financial year. The directors do not believe that it is appropriate to recognise the full amount owing to uncertainties over the amount which may be recovered in the foreseeable future.

Further unrelieved tax losses of approximately £13,100,000 (2004: £13,091,000) remain available to offset against future taxable capital gains. There is a potential deferred taxation asset not recognised in respect of these losses at 30% of £3,930,000 (2004: £3,927,000). This potential asset has not been recognised because the directors do not believe they can state with sufficient certainty that it is more likely than not it will be utilised in the future years.

### 18 Share capital

#### Group and Company

	2005		2004	
	No	£'000	No	£'000
Authorised:				
1,600,000 Ordinary share of 150p each		<u>2,400</u>		<u>2,400</u>
Called up, allotted and fully paid:				
Ordinary shares of 150p each	<u>690,911</u>	<u>1,036</u>	<u>367,433</u>	<u>551</u>

#### Shares

On 28 April 2005, 240,000 Ordinary Shares of 150p with a total nominal value of £360,000 were issued to the vendors of KAE at a value of 405p each for a total consideration of £972,000 as part of the consideration for the acquisition.

On 11 July 2005, 43,478 new Ordinary Shares of 150p with a total nominal value of £65,217 were issued to Vincos Limited at a value of 575p each for a total consideration of £250,000.

On 15 September 2005, 40,000 warrants were exercised over an equivalent number of new Ordinary Shares of 150p each for a total nominal value of £60,000. They were issued at a value of 240p each for a total consideration of £95,000.

The premium on the shares issued on acquisition has been taken to the merger reserve in accordance with section 131 of the Companies Act.

## Notes to the financial statements (continued)

### 18 Share capital (continued)

#### Options and warrants

In prior years the directors granted a number of share options at prices which it is no longer realistic for the Company to achieve. These share options numbered 3,417 and the weighted average exercise price is £690. At 31 December 2005 the Company had the following outstanding warrants over its ordinary shares of 150 pence each:

Number of share	Exercise price	Dates exercisable
6,725	150p	March 2000 to March 2007

### 19 Reserves

#### Group

	Shares to be issued £'000	Merger reserve £'000	Share premium account £'000	Profit and loss account £'000
At 1 January 2005	–	–	282	122
Premiums on share issued in the year	–	612	220	–
Retained profit for the financial year	–	–	–	371
Dividends paid	–	–	–	(35)
Contingent consideration	243	–	–	–
<b>At 31 December 2005</b>	<b>243</b>	<b>612</b>	<b>502</b>	<b>458</b>

#### Company

At 1 January 2005	–	–	282	122
Premiums on share issued in the year	–	612	220	–
Retained profit for the financial year	–	–	–	659
Dividends paid	–	–	–	(35)
Contingent consideration	243	–	–	–
<b>At 31 December 2005</b>	<b>243</b>	<b>612</b>	<b>502</b>	<b>746</b>

## Notes to the financial statements (continued)

### 20 Reconciliation of movement in shareholders' funds

#### Group

	<b>2005</b>	2004
	<b>£'000</b>	£'000
At 1 January	955	934
Profit for the year	371	1
Dividend	(35)	–
Shares issued on acquisition	972	–
Shares to be issued	243	–
Shares issued for cash consideration	250	20
Shares issued on exercise of warrants	95	–
<b>At 31 December 2005</b>	<b>2,851</b>	<b>955</b>

#### Company

	<b>2005</b>	2004
	<b>£'000</b>	£'000
At 1 January	955	934
Profit for the year	659	1
Dividend paid	(35)	–
Shares issued on acquisition	972	–
Shares to be issued	243	–
Shares issued for cash consideration	250	20
Shares issued on exercise of warrants	95	–
<b>At 31 December 2005</b>	<b>3,139</b>	<b>955</b>

## Notes to the financial statements (continued)

### 21 Reconciliation of operating profit/(loss) to net cash outflows from operating activities

<b>Group</b>	<b>2005</b>	2004
	<b>£'000</b>	£'000
Operating profit/(loss)	<b>349</b>	(5)
Depreciation	<b>29</b>	–
(Increase)/decrease in debtors	<b>(186)</b>	21
(Decrease) in creditors due within one year	<b>(351)</b>	(2)
Profit on disposal of investment	<b>(12)</b>	(32)
Profit on disposal of property	<b>(21)</b>	–
	<u><b>(192)</b></u>	<u>(18)</u>

### 22 Reconciliation of net cash flow to movement in net funds

<b>Group</b>	<b>2005</b>	2004
	<b>£'000</b>	£'000
Increase/(decrease) in cash for the year	<b>458</b>	(62)
Cash (inflow)/outflow from (decrease) /increase in liquid resources	<b>(68)</b>	68
Opening net funds	<b>367</b>	361
Closing net funds	<u><b>757</b></u>	<u>367</u>

## Notes to the financial statements (continued)

### 23 Analysis of changes in net funds

#### Group

	At 1 January 2005 £'000	Cash flows £'000	At 31 December 2005 £'000
Net cash:			
Cash in hand and at bank	299	458	757
Current asset investments	68	(68)	–
	<u>367</u>	<u>390</u>	<u>757</u>

The interest rate profile of the financial assets of the Group as at 31 December 2005 is as follows:

	Floating rate financial assets £'000
<b>2005</b>	
<b>Sterling</b>	<u>757</u>
2004	
Sterling	299
Investments	68
Total	<u>367</u>

The interest on the floating rate financial asset, which is repayable on demand, is 2% above the Bank of England base rate.

The table below shows the Group's currency exposures; in other words, those transactional exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the operating (or "functional") currency of the operating unit involved.

## Notes to the financial statements (continued)

### 23 Analysis of changes in net funds (continued)

As at 31 December, these currency exposures are as follows

	US dollar £'000	Euro £'000	Total £'000
<b>2005</b>			
<b>Sterling</b>	<u>230</u>	<u>23</u>	<u>253</u>
<b>2004</b>			
<b>Sterling</b>	<u>—</u>	<u>—</u>	<u>—</u>

The amounts above represent short term debtors and creditors. The fair values of short term debtors and creditors are not materially different from the carrying values disclosed above.

### 24 Commitments under operating leases

At 31 December 2005 the Group had annual commitments under non-cancellable operating leases as set out below:

	<b>Land and buildings</b>	
	2005	2004
	£'000	£'000
<b>The Group</b>		
Operating leases which expire:		
Within 1 year	<u>126</u>	<u>—</u>

### 25 Post Balance sheet events

On 3 March 2006 the group acquired the trade and assets of nextMOVE LLC, for \$1,550,000 (USD) paid in cash. nextMOVE's core offering is business intelligence and commercial due diligence for major US based companies, similar to that of KAE in the UK.