


Optimisa plc
Financial statements
For the year ended 31 December 2004

Grant Thornton 

Company No. 3860539

Company information

Company registration number	3860539
Directors	D J L King R F Littleboy
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 Central Milton Keynes MK9 1LW
Nominated Advisor and Broker	Nabarro Wells 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

The results for the year to 31 December 2004 show a small profit. Shareholders funds have risen to £955,000 which includes cash of £299,000, fixed asset investments of £594,000 and current asset investments of £68,000. Our substantial unrelieved operating and capital tax losses of £14.6 million are not included in the balance sheet and will be utilised as and when opportunities arise.

During the second half of the year we narrowed our focus on investment opportunities in the marketing services area. This sector is experiencing rapid growth and is currently still characterized by a large number of small profitable companies. We expect consolidation in the sector to accelerate, spurred by the recent activities of a number of acquisitive listed companies.

I am pleased to confirm that we have agreed the acquisition of KAE: marketing intelligence ltd ("KAE"), subject to shareholders agreement. Details of the proposed acquisition have been included in the documents sent to shareholders ahead of the Extraordinary General Meeting which will be held on 28 April 2005. KAE is a long established, profitable and cash generative business. We are confident that as part of the enlarged group, KAE will be able to accelerate its organic growth and provide the group with experienced management to identify further acquisitions in the sector.

Subject to the acquisition being approved at the E.G.M. we intend to strengthen the board by the appointment of four new directors of which Simon Dannatt, David Rankin and Jonathan Waters are currently executive directors of KAE.

Yours sincerely,

R F Littleboy

Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 December 2004.

Principal activities and business review

The company operates principally as an investment holding company.

The Chairman's statement on page 3 includes a business review for the year.

Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

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:

	At 31 December 2004	At 1 January 2004
R F Littleboy	58,833	33,333
D J L King (appointed on 17 December 2004)	36,666	—
P Holmes (resigned on 17 December 2004)	—	7,222

The interests of the directors in share warrants is given in note 13 to the financial statements.

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 2004:

	Number of Ordinary shares	Percentage of share capital
Paddy International Limited	50,000	13.6%
T Wild	36,999	10.1%
B Amin	28,350	7.7%
M Amin	23,110	6.3%
A Falcone	27,550	7.5%

Policy on the payment of creditors

It is the company'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 thirty days of the receipt of an invoice. Given the current status of the company it is not meaningful to disclose the average settlement days in the period under review.

IFRS adoption

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

Directors' responsibilities

United Kingdom 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 at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership called Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

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 J L King
Secretary

7 April 2005

Report of the independent auditors to the members of Optimisa plc

We have audited the financial statements of Optimisa plc for the year ended 31 December 2004 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the cash flow statement and notes 1 to 17. 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 of the directors and the financial statements in accordance with United Kingdom law and accounting standards 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 United Kingdom auditing standards.

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 report of the directors 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 transactions with the company is not disclosed.

We read other information contained in the Chairman's statement and the Report of the directors and consider whether it is consistent with the audited financial statements. 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 opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2004 and of its 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

Central Milton Keynes

7 April 2005

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards except for the treatment of investment properties as set out in the accounting policies below, which represents a departure from the Companies Act 1985 but is considered by the directors to be needed in order for the financial statements to give a true and fair view.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

Investment properties

Investment properties are revalued annually and are included in the balance sheet at their open market values. The surplus(es) or deficit(s) on annual revaluation of such properties are transferred to the revaluation reserve. Depreciation is not provided in respect of freehold investment properties. Leasehold investment properties are not amortised where the unexpired term is over twenty years.

This policy represents a departure from the Companies Act 1985, which requires depreciation to be provided on all fixed assets. The directors consider that this policy is necessary in order that the financial statements may give a true and fair view, because current values and changes in current values are of prime importance rather than the calculation of systematic annual depreciation. Depreciation is only one of many factors reflected in the annual valuation. The amount which might otherwise have been shown is not considered to be materially different from the value in the balance sheet.

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 their long term value 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.

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 business.

Profit and loss account

	Note	2004 £000	2003 £000
Other operating charges	1	(39)	(36)
Other operating income	1	34	151
Operating (loss)/profit	2	<u>(5)</u>	<u>115</u>
Interest receivable		6	6
Profit on ordinary activities before taxation		<u>1</u>	<u>121</u>
Tax on profit on ordinary activities	5	-	-
Retained profit for the financial year	15	<u>1</u>	<u>121</u>
Earnings per share (pence)	6		
- basic		0.3	34.0
- diluted		<u>0.3</u>	<u>34.0</u>

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

The company has no recognised gains or losses other than the results for the year as set out above.

Balance sheet

	Note	2004 £000	2004 £000	2003 £000	2003 £000
Fixed assets					
Tangible fixed assets	7		156✓		–
Investments	8		438✓		404
			<u>594</u>		<u>404</u>
Current assets					
Debtors	9	18✓		195	
Investments	10	68✓		–	
Cash at bank		299✓		361	
		<u>385</u>		<u>556</u>	
Creditors: amounts falling due within one year	11	<u>(24)</u>		<u>(26)</u>	
Net current assets			<u>361</u>		<u>530</u>
Total assets less current liabilities			<u>955</u>		<u>934</u>
Capital and reserves					
Called-up equity share capital	13		551		534
Share premium account	14		282		279
Profit and loss account	15		122		121
Shareholders' funds	16		<u>955</u>		<u>934</u>

These financial statements were approved by the directors on 7 April 2005 and are signed on their behalf by:

.....
 R F Littleboy

Cashflow statement

		2004 £000	2004 £000	2003 £000	2003 £000
Net cash (outflow)/inflow from operating activities	17		(18)		(86)
Returns on investments and servicing of finance					
Interest received		6		6	
Net cash inflow from returns on investments and servicing of finance			6		6
Financial investment					
Acquisition of investments		(47)		(301)	
Disposal of investments		45		305	
Deposit on investment property		—		(156)	
Net cash (outflow) from financial investment			(2)		(152)
Management of liquid resources					
Acquisition of investments		(354)		—	
Disposal of investments		286		—	
Net cash outflow from management of liquid resources			(68)		—
Cash (outflow)/inflow before financing			(82)		18
Financing					
Issue of equity share capital		17		252	
Share premium on issue of equity share capital		3		—	
Net cash inflow from financing			20		252
(Decrease)/increase in cash in the year	17		(62)		20

Notes to the financial statements

1 Other operating income and (charges)

	2004 £000	2003 £000
Profit on disposal of investments	32	72
Reversal of impairment of investments	-	79
Dividends received	2	-
Administrative expenses	(39)	(36)
	<u>(5)</u>	<u>115</u>

2 Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	2004 £000	2003 £000
Auditors' remuneration:		
Audit fees	5	7
Taxation	1	1
	<u>6</u>	<u>8</u>

3 Directors and employees

The company has no employees other than the directors.

No salaries or wages have been paid to employees, including the directors, during the year.

During the year one director exercised 2,777 share options at 180 pence per share on 23 September 2004 when the market value of the shares was 297 pence per share.

4 Reversal of impairment of investment

	2004 £000	2003 £000
Reversal of previous impairment	-	(111)
Amounts written off investments	-	32
	<u>-</u>	<u>(79)</u>

The reversal of previous impairment relates to an investment in Edengene Limited.

5 Taxation on ordinary activities

No taxation arises on the results for the year.

Unrelieved operating tax losses of approximately £1,509,000 (2003: £1,448,000) remain available to offset against future taxable trading profits. There is a potential deferred taxation asset not recognised in respect of these losses at 30% of £453,000 (2003: £444,000). The 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 future years.

Further unrelieved tax losses of approximately £13,091,000 (2003: £13,115,000) remain available to offset against future taxable capital gains. There is a further potential deferred taxation asset not recognised in respect of these losses at 30% of £3,927,000 (2003: £3,955,000). This potential asset has also 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 future years.

Factors affecting current tax charge

	2004 £000	2003 £000
Profit on ordinary activities before taxation	1	121
	<u> </u>	<u> </u>
Theoretical tax charge at 30%	-	36
Permanent difference in relation to impairment charges	-	(29)
(Decrease)/increase in tax losses	-	(7)
	<u> </u>	<u> </u>
Current tax charge	-	-
	<u> </u>	<u> </u>

6 Earnings per share

	2004 £000	2003 £000
Profit attributable to shareholders	1	121
	Number	Number
Weighted average number of shares in issue	359,336	355,656
	Pence	Pence
Basic earnings per share	0.3	34.0

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares on the assumed conversion of all "in the money" dilutive options as set out in note 13 from the date the option is issued. The weighted average number of shares used in this calculation for 2004 is 366,541 (2003: no change) with a market value at the year end of 367 pence per share.

7 Tangible fixed assets

	Investment property £000
Cost	
At 1 January 2004	–
Additions	156
Disposals	–
At 31 December 2004	<u>156</u>
Amounts written off	
At 1 January 2004	–
Eliminated on disposal	–
At 31 December 2004	<u>–</u>
Net book value	
At 31 December 2004	<u>156</u>
At 31 December 2003	<u>–</u>

8 Investments

	Other investments £000
Cost	
At 1 January 2004	1,738
Additions	47
Disposals	(45)
At 31 December 2004	<u>1,740</u>
Amounts written off	
At 1 January 2004	1,334
Eliminated on disposal	(32)
At 31 December 2004	<u>1,302</u>
Net book value	
At 31 December 2004	<u>438</u>
At 31 December 2003	<u>404</u>

Investments represent shares in unquoted companies of £438,000 (2003: £390,000), shares in quoted companies of £nil (2003: £14,000).

Impairment losses recognised in respect of Edengene Limited in prior years totalling £nil have been reversed during the year (2003: £111,000). The reversal has been recognised because of continued improvement in the trading performance of Edengene Limited during the respective year.

9 Debtors

	2004 £000	2003 £000
Other debtors	14	12
Prepayments	4	183
	<u>18</u>	<u>195</u>

Prepayments at 31 December 2003 include an amount of £156,000 which relates to an advance payment for an investment property.

10 Current asset investments

	Shares in quoted companies £000
Additions in the year	354
Disposals in the year	(286)
At 31 December 2004	<u>68</u>

There is no material difference at the year end between cost and market value.

11 Creditors: amounts falling due within one year

	2004 £000	2003 £000
Trade creditors	22	9
Accruals and deferred income	2	17
	<u>24</u>	<u>26</u>

12 Financial Instruments

The company's financial instruments comprise cash, short term deposits and investments. There is no material difference between bank value and fair value. There were no undrawn committed facilities at the year end.

As noted above, the company has to date financed its operations through equity share issues. Surplus cash funds have been invested on short term deposits and investments. The average return on these assets was 4.1% (2003: 16.5%). In view of the cash funds on deposit at 31 December 2004 the directors do not believe that the company currently has a liquidity risk.

13 Share capital

Authorised share capital:				
		2004		2003
		£000		£000
1,600,000 Ordinary shares of £1.50 each		<u>2,400</u>		<u>2,400</u>
Allotted, called up and fully paid:				
	No	2004	No	2003
		£000		£000
Ordinary shares of £1.50 each	<u>367,433</u>	<u>551</u>	<u>356,322</u>	<u>534</u>

Share issue

Warrants previously issued on 18 February 2002 over 11,111 shares were exercised at 180 pence per share on 23 September 2004. The difference between the total consideration of £20,000 and the total nominal value of £17,000 has been credited to the share premium account.

At 31 December 2004 the company had the following outstanding warrants over its ordinary shares of 150 pence each:

Number of shares	Exercise price	Dates exercisable
360	£750	21 March 2003 to 20 March 2010
2,407	£750	21 March 2001 to 20 March 2010
133	£450	13 July 2003 to 12 July 2010
450	£450	13 July 2003 to 12 July 2010
67	£288	25 October 2003 to 24 October 2010
8,725	150p	18 February 2000 to 17 February 2007

Further warrants were issued to the directors of the company on 24 June 2004 over 40,000 shares. These are exercisable at 240 pence per share at any time up to 24 June 2014.

Directors' interests

The following directors have share warrants included in the table above:

	Number of shares	Exercise price	Dates exercisable
R F Littleboy	20,000	240p	24 June 2004 to 24 June 2014
D J L King	20,000	240p	24 June 2004 to 24 June 2014

14 Share premium account

	2004	2003
	£000	£000
Balance brought forward	279	16,934
Premium on shares issued in the year (note 13)	3	—
Reduction in share premium account (note 15)	—	(16,655)
Balance carried forward	<u>282</u>	<u>279</u>

15 Profit and loss account

	2004 £000	2003 £000
Balance brought forward	121	(16,655)
Reduction in deficit in Profit and loss account (note 14)	–	16,655
Retained profit for the financial year	<u>1</u>	<u>121</u>
Balance carried forward	<u>122</u>	<u>121</u>

16 Reconciliation of movements in shareholders' funds

	2004 £000	2003 £000
Profit for the financial year	1	121
New equity share capital subscribed	17	2
Premium on new share capital subscribed	<u>3</u>	<u>–</u>
Net addition to funds	21	123
Opening shareholders' equity funds	<u>934</u>	<u>811</u>
Closing shareholders' equity funds	<u>955</u>	<u>934</u>

17 Notes to the statement of cash flows

Reconciliation of operating (loss)/profit to net cash (outflow) from operating activities

	2004 £000	2003 £000
Operating (loss)/profit	(5)	115
Decrease/(increase) in debtors	21	(58)
(Decrease) in creditors	(2)	(12)
Reversal of impairment of investments	–	(111)
Impairment of investment	–	32
Profit on disposal of investments	<u>(32)</u>	<u>(72)</u>
Net cash (outflow) from operating activities	<u>(18)</u>	<u>(86)</u>

Reconciliation of net cash flow to movement in net funds

	2004 £000	2003 £000
(Decrease)/increase in cash in the period	(62)	20
Cash outflow from increase in liquid resources	68	–
Net funds at 1 January 2004	<u>361</u>	<u>341</u>
Net funds at 31 December 2004	<u>367</u>	<u>361</u>

Notes to the statement of cash flows (continued)

Analysis of changes in net funds

	At 1 January 2004 £000	Cash flows £000	At 31 December 2004 £000
Net cash:			
Cash in hand and at bank	361	(62)	299
Current asset investments	—	68	68
Net funds	<u>361</u>	<u>6</u>	<u>367</u>

Optimisa plc
(the "Company")

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 1st floor, Roxburghe House, 273-287 Regent Street, London W1B 2HA at 10.30 am on 28 April 2005 for the following purposes:

ORDINARY BUSINESS

1. To receive the directors' report and accounts for the year ended 31 December 2004 and the auditors' report thereon.
2. To re-appoint D. J. L. King as a Director.
3. To re-appoint Grant Thornton as auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the directors to agree their remuneration.

12 April 2005
BY ORDER OF THE BOARD
Optimisa plc
Company Secretary

Registered Office:

1st Floor
Roxburghe House
273-287 Regent Street
London
W1B 2HA

NOTES:-

1. A member entitled to attend and vote at the meeting convened by the Notice set out above is entitled to appoint one or more proxies to attend and, on a poll, to vote on his or her behalf. A proxy need not be a member of the Company.
2. A form of proxy is enclosed. Please read carefully the instructions on how to complete the form. For a proxy to be effective, it must be deposited together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or other authority at the offices of the Company's registrars so as to be received not later than 48 hours before the time appointed for the meeting. Completion of a proxy does not preclude a member from subsequently attending and voting at the meeting in person if he or she so wishes.
3. The register of interests of the directors and their families in the share capital of the Company and copies of contracts of service and appointments of the directors with the Company will be available for inspection at the registered office of the Company during normal business hours (Saturdays and public holidays excepted) from the date of this notice until the conclusion of the meeting and at the place of the meeting for 30 minutes prior to and throughout the meeting.