



9 April 2008

OPTIMISA PLC UNAUDITED PRELIMINARY RESULTS 2007

Optimisa plc ("Optimisa" or the "Group") announces its unaudited preliminary results for the year ended 31 December 2007.

Highlights

- Revenue up from £5.89m in 2006 to £11.42m in 2007, an increase of 94%
- Gross profit growth from £4.62m in 2006 to £8.09m in 2007, an increase of 75%
- Adjusted profit before tax up from £0.75m in 2006 to £1.36m in 2007, an increase of 81% (see note 1)
- Profit before tax in 2007 increased to £1.26m from £0.73m in 2006
- nxtMOVE Corporation (nxtMOVE) and Andrew Irving Associates Limited (AIA) strongly earnings per share enhancing in 2007
- Adjusted earnings per share up 34% to 18.37p (2006: 13.69p) (see note 1)
- Basic earnings per share up 27% to 16.65p (2006: 13.15p)
- On 19 October 2007, eq group plc (EQ) was acquired for a total consideration £13.13m (including debt of £6.16m)
- A placing of 600,000 shares in October 2007 raising £7.45m net of expenses
- A 6 for 1 scrip issue in October 2007
- Total equity (shareholders' funds) rose to £12.65m at 31 December 2007 (2006: £4.43m)
- Net debt of £3.72m at 31 December 2007 (2006: nil)
- 2007 final dividend 3.0p; total 2007 dividend 4.67p, an increase of 25% (2006: 3.75p)
- Excluding acquisitions, headcount increased by 27% to 71 in the year ended 31 December 2007. Including acquisitions, headcount increased to 200 (115 at EQ and 14 at Report International Limited (RIL))
- Integration of EQ financial and IT back office systems including the launch of a group wide intranet for knowledge management
- We have strengthened the executive management team with the recruitment of a group business development director in 2007 and new CEOs for Quaestor Research & Marketing Strategists Limited (Quaestor), Buckingham Research Associates Limited (Buckingham) and kae: marketing intelligence (KAE) in 2008



Note 1

Reconciliation: reported profit before tax to adjusted profit after tax

	2007	2006
	£'000	£'000
Reported PBT	1,257	728
Amortisation of customer contracts and relationships	104	26
Adjusted PBT	1,361	754
Taxation	(253)	(97)
Adjusted PAT	1,108	657

Adjusted EPS	pence	18.37	13.69
Basic EPS	pence	16.65	13.15

Ron Littleboy, Chairman of Optimisa, commented: "2007 has been a year of significant achievement for the Company with strong organic growth from KAE and the successful integration of nxtMOVE and AIA. We are already seeing significant group benefits from the acquisition of EQ and the Board looks forward to 2008 with confidence."

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CHAIRMAN'S STATEMENT

I am pleased to report that the 2007 results exceeded even our high expectations with adjusted earnings per share (EPS), up 34% to 18.37p. In addition, we more than doubled the size of your company with the acquisition of eq group plc (EQ) in October 2007, for a total cost of £13.13m including debt of £6.16m.

EQ transforms Optimisa's service offering, client base and capacity and thereby underpins the long term growth prospects of the Group. We are confident that it will meet our demanding investment criteria in 2008 and beyond.

The excellent results for the year ended 31 December 2007 reflect the continuing success of our growth strategy. We invest in our people and infrastructure with the objective of maintaining organic growth in all our business units of over 10% per annum over the long term. This target was well exceeded in 2007.

In addition, we acquired businesses which are expected to be earnings enhancing in their first full year with a similar objective of providing longer term organic growth of at least 10% pa. I am happy to report that both nxtMOVE Corporation (nxtMOVE) and Andrew Irving Associates Limited (AIA), bought in 2006, were strongly earnings enhancing in 2007. EQ and Report International Limited (RIL), both acquired in 2007, had little overall impact on earnings last year. However, we are confident that they will both be earnings per share enhancing in 2008 and make a significant contribution to the overall results.

The acquisition of EQ in October 2007 was funded from a combination of £7.45m raised from an equity placing, our cash resources (including overdraft) of £1.93m and £3.75m of bank loans. Our strong cash flow enabled us to bring net debt down to £3.72m by 31 December 2007.

Our balance sheet remains strong and should benefit from sustained strong cash generation during 2008. With borrowing facilities of £5.50m we are well placed to continue our buy and build strategy if the opportunities arise. Nevertheless, the opportunity to raise margins at EQ nearer to the KAE levels will alone provide a major engine for growth as will the benefits of our continuing investment in our people throughout the enlarged Group.

2007 has been an exciting and challenging year and we are extremely pleased with the outcome. The current year poses different challenges, which we believe will be as exciting and successful. We have already strengthened the top management team and more senior hires are expected. We are looking at potential opportunities to expand geographically into both North America and the Far East at minimal cost or risk.

To date there has been little impact on our businesses from the current financial turmoil or the slow down in the US economy. Although we are prepared for some impact we are confident that we are well placed to continue to show well above average growth even against a markedly less benign overall economic background. It should be appreciated that our high value added marketing consultancy services are generally a very tiny proportion of our blue chip clients overall marketing spend, and tend to be far more resilient to any cut backs as a result of a slow down in the major economies.

Your board and management team remain highly focused on shareholder value. Our excellent record of growth in sales, profit and earnings per share over the last two years and our prospects in 2008 and beyond has, however, not made our share price immune from the recent stock market declines. Consequently, we will continue to monitor the attractions of purchasing our own shares for cancellation and have shown our confidence in the future by raising the 2007 dividend by 25% to 4.67p.

R F Littleboy
Chairman



CHIEF EXECUTIVE'S REVIEW

I am very pleased to report that 2007 was another year of outstanding performance. The business has virtually doubled in size in the year with revenue rising from £5.89m in 2006 to £11.42m in 2007 an increase of 94%. Gross profit also increased substantially, from £4.62m in 2006 to £8.09m in 2007 an increase of 75%. As a consequence of both further organic growth and the full impact of the acquisition of EQ we expect the business to double in size in the coming year.

Adjusted profit before tax was above target, increasing by 81% from £0.75m in 2006 to £1.36m in 2007.

We started the year with an exceptionally strong core business in the form of KAE, our marketing strategy and market analysis consulting operation supported by the highly talented qualitative research agency, AIA in the UK and nxtMOVE, specialists in market analysis and strategic decision support, in the US.

These businesses once again exceeded our high expectations, expanding both the depth of their relationships with long-standing clients and the breadth of clients served. In addition, consistent with our operational integration strategy, we made significant advances in developing Group wide best practice business operations. This had a positive impact internally, but more importantly in improving the range and quality of services offered to our clients and helping the performance of the Group overall.

As an example, organic growth in revenue for KAE alone was over 33%. Operating margins at KAE before central costs were well in excess of 20%.

The results for the year to 31 December 2007 include an 8 month contribution from RIL, which was acquired on 2 May 2007, and slightly over two months of contribution from the companies within EQ, which was acquired on 19 October 2007.

RIL is a long established media analysis company with an impressive client base in the UK, Europe and North America and a network of analysts in over 40 countries around the world. We had known the management for some time and saw an opportunity to expand the business into digital, blog and new media analysis alongside the more traditional services. It has taken longer than planned to restructure the business and a small loss was made in the 8 month period ended 31 December 2007. However, RIL is now profitable and making steady positive progress and we expect an earnings-enhancing performance in the full year 2008.

The acquisition of EQ has transformed the Optimisa business. On an annualised basis, the business had revenue of £10.39m, larger than the annualised revenue of the Optimisa Group pre the EQ group acquisition. At acquisition it had a headcount of around 110 people, also larger than the 82 in the Optimisa group at that point. However, margin performance was significantly below that enjoyed by Optimisa at less than 10%. The combination of the businesses has provided an opportunity to enhance the overall performance of Optimisa both by improving the profitability of the EQ companies and by cross selling and increasing our spread of overheads. In addition we have diversified both our service range and sector exposure, which reduces commercial risk.

EQ comprises Quaestor Research and Marketing Strategists Limited (Quaestor) based in Leeds, a full service market research and marketing strategy business, Buckingham Research Associates Limited (Buckingham), a specialist quantitative research and analysis company based near Maidenhead and Summit Studios Limited, based in Ealing, West London.



Quaestor, which employed 86 people when acquired and had a turnover of £6.70m in 2006, has a strong base of clients in the Financial Services, Consumer and Media sectors. We believe its integration with the wider Group offer will bring benefits to its existing client base as well as offering opportunities for further 'in sourcing' of work already being done by other Group companies.

Buckingham, which employed 22 people when acquired and had a turnover of £3.35m in 2006, substantially broadens our quantitative analytic capabilities both in the realm of traditional market research but also in our ability to process information held in client systems – further building our data analytics capability.

Both Quaestor and Buckingham were business partners with Optimisa companies before the acquisition and we have made great strides in expanding working and business development relationships across the Group. Inter-company networking and business was a key objective of the acquisition and has far exceeded our expectations to-date. In the short period EQ was part of the Group before the year-end, it produced results in line with our expectations and delivered over £2.09m of revenue and £0.28m of operating profit.

We started the year with 56 employees in the Group. Our total headcount at the end of the year was 200, with an average number of employees of 102. A key component of the rationale of making the EQ acquisition was the opportunity it provides to drive up revenue per employee and consequently margin performance. For 2007, KAE produced revenue per employee of £176,000 which compares to £73,000 per employee for Quaestor and £180,000 per employee at Buckingham. We consider operating income per employee a key indicator of performance and will be looking to drive this up during 2008.

Investment in high performing individuals continues as a top priority for the Group and we have been delighted to expand our management team with the addition of a Group business development director at the end of 2007 and new CEOs at Quaestor, Buckingham and KAE in 2008.

Group wide training and development programmes are also being implemented to ensure we both enhance and retain the very high calibre people we are fortunate to have in the team. Following the successes of previous years we plan to repeat our staff rotation programme to provide internal development opportunities as well as improving management efficiencies and knowledge sharing.

To support best practice business management, knowledge sharing and provision of the very best services to our clients, we are investing heavily in IT infrastructure and integration across all business units. Top priorities are on speed of operation, ease of access to critical business information from all locations and collaboration tools allowing efficient and effective client delivery from teams drawn from more than one business unit.

The overall Optimisa business focus remains on delivering high value, commercially based market and marketing advice to help our clients grow their businesses profitably. Broadly speaking all of the advisory work conducted by the Group falls into one of two areas:

- Helping our clients protect and improve their existing businesses by advising on customer retention, competitive strategy, product portfolio optimisation and margin improvement;
- Helping our clients build and expand by advising on market opportunity assessment, new product/service development and launch and market entry strategy.

As a consequence of our ability to advise on 'defence' as well as 'attack', we believe we are very well placed to withstand sector or market downturns and are continuing to win business in sectors already under pressure from the credit crisis.



All businesses in the Group share one common business philosophy 'Opinion with Evidence', which encapsulates our ambition to provide the very best consulting advice supported with evidence drawn from customers (market research), the business environment (market, competitor intelligence and macro economics) and information held by our clients themselves (CRM, Sales and channel information).

Our key client sectors now comprise Financial Services, Telecoms, Media and Consumer and we have made good progress in expanding our work with the public sector. Operating income grew in all these sectors in 2007 and we have been particularly pleased with our rapid development in the Media sector, an area in which we see substantial opportunity moving forward.

Once again we have set demanding growth targets for each of our business units in the current year. While there is clearly some uncertainty in how the current financial turbulence will influence the spending patterns of our clients, to date we have seen little impact in our core business. Perhaps, surprisingly to some, our financial services practice has been the best performing area of the business in the first few months of 2008.

Having said this, we are keeping a very watchful eye on business in general and are keeping tight control on operating expenses to ensure any sector downturn is spotted and dealt with quickly.

Consolidation and integration of the businesses that we have within the Group is a top strategic priority for the coming year. We continue to focus on maximising the business potential and opportunities presented by both expanding the range of services we provide to our existing client base as well as winning business from new clients.

We will continue to invest in people development and infrastructure to support organic business growth and improve operating efficiency and have already had a good deal of success in sharing expertise across business units and clients, something we see as a key differentiator from our sector competitors and a capability from which we derive significant commercial advantage.

We plan to further expand our operations in North America over the medium term. The current uncertain economic climate in the US may present an investment opportunity and we believe carefully managed investment and growth will pay dividends in the long term.

We also plan to develop our own operation in Asia during the year. We already outsource a considerable volume of work to local companies and see a very large opportunity to develop business working for European and North American companies interested in expanding and improving their operations in Asia. We are aggressively pursuing more work in this area and, based on current workload, we would expect to have a team of 20 people in place by the end of this year.

The Group adopted International Financial Reporting Standards (IFRS) during the year. The main impact for the Group of adopting IFRS is the recognition and subsequent amortisation of intangible assets such as customer lists and customer order books.

Finally, I would like to take this opportunity to thank our team for their hard work, commitment and, most importantly, the inspiration, to do more and better, that they provide to both the senior management team and myself – without them we would not have achieved the success we currently enjoy.

Simon Dannatt
Chief Executive



UNAUDITED CONSOLIDATED INCOME STATEMENT

	Year ended 31 December 2007 £'000	Year ended 31 December 2006* £'000
Revenue	11,415	5,894
Cost of sales	(3,325)	(1,275)
Gross profit	8,090	4,619
Administrative expenses excluding depreciation and amortisation	(6,570)	(3,847)
Depreciation	(94)	(30)
Amortisation	(125)	(37)
Total administrative expenses	(6,789)	(3,914)
Other operating income	-	18
Operating profit	1,301	723
Finance income	51	26
Finance costs	(95)	(21)
Profit before taxation	1,257	728
Taxation	(253)	(97)
Profit attributable to equity shareholders	1,004	631

All activities in both the current and previous year relate to continuing operations.

Earnings per share (pence)

Basic	Note 2	16.65	13.15
Diluted	Note 2	16.56	12.79

UNAUDITED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Year ended 31 December 2007 £'000	Year ended 31 December 2006* £'000
Currency translation differences	(16)	(99)
Net expense recognised directly in equity	(16)	(99)
Profit for the year	1,004	631
Total recognised income for the year	988	532

*restated under IFRS (see notes 1 & 5)



UNAUDITED CONSOLIDATED BALANCE SHEET

	31 December 2007 £'000	31 December 2006* £'000
Assets		
Non-current assets		
Property, plant and equipment	651	105
Goodwill	14,284	2,008
Other intangible assets	599	76
Deferred tax assets	126	86
Total non-current assets	15,660	2,275
Current assets		
Inventories	198	-
Current income tax recoverable	114	-
Trade and other receivables	4,555	1,647
Cash and cash equivalents	1,137	1,596
Total current assets	6,004	3,243
Total assets	21,664	5,518
Current liabilities		
Trade and other payables	(3,257)	(938)
Current tax liabilities	(487)	(38)
Borrowings	(1,660)	-
Deferred consideration	(101)	-
Total current liabilities	(5,505)	(976)
Non-current liabilities		
Borrowings	(3,197)	-
Deferred consideration	(155)	(101)
Deferred tax liabilities	(154)	(15)
Total non-current liabilities	(3,506)	(116)
Total liabilities	(9,011)	(1,092)
Net assets	12,653	4,426
Equity		
Ordinary shares	2,237	1,323
Share premium	7,880	1,334
Merger reserve	914	914
Foreign currency translation reserve	(115)	(99)
Retained earnings	1,737	954
Total equity	12,653	4,426

*restated under IFRS (see notes 1 & 5)



UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December 2007 £'000	Year ended 31 December 2006* £'000
Cash flows from operating activities:		
Profit before income tax	1,257	728
Adjustments for:		
Depreciation	94	30
Amortisation	125	37
Share options	10	-
Finance income	(51)	(26)
Finance costs	95	21
Operating cash flow before changes in working capital and provisions	1,530	790
Decrease in inventories	99	-
Increase in trade and other receivables	(787)	(74)
Increase in trade and other payables	63	264
	905	980
Interest paid	(82)	(21)
Interest received	51	26
Income tax paid	(92)	(66)
Net cash generated from operating activities	782	919
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	(7,945)	(990)
Acquisition of property, plant and equipment (PPE)	(103)	(27)
Proceeds from sale of PPE	11	-
Payments to acquire intangible assets	(12)	(12)
Proceeds on sales of investments	-	103
Net cash used by investing activities	(8,049)	(926)
Cash flows from financing activities		
Proceeds from the issue of share capital	7,805	1,010
Cost of share issue	(355)	(8)
Proceeds from borrowings	3,686	-
Repayments of borrowings	(5,074)	-
Dividends paid to company's shareholders	(221)	(135)
Net cash generated from financing activities	5,841	867
Net (decrease)/increase in cash and cash equivalents	(1,426)	860
Opening cash and cash equivalents	1,596	757
Exchange gain/(loss) on cash and bank overdrafts	2	(21)
Closing cash and cash equivalents**	172	1,596

*restated under IFRS (see notes 1 & 5)

**Cash and cash equivalents at 31 December 2007 comprise cash balances of £1,137,000 (2006: £1,596,000) and bank overdraft balances of £965,000 (2006: £nil)



NOTES TO THE UNAUDITED PRELIMINARY RESULTS

1. Basis of preparation

The financial information contained in this document does not constitute statutory financial statements within the meaning of section 240 Companies Act 1985. The comparative figures for the year ended 31 December 2006 have been extracted from the Group's 2006 financial statements and adjusted for the transition to International Financial Reporting Standards (see below). The Group's previous auditors gave an unqualified opinion on the Group's 2006 financial statements, which have been filed with the Registrar of Companies, and did not make a statement under section 237 of the Companies Act 1985. The statutory accounts for the year ended 31 December 2007 will be finalised on the basis of the financial information presented by the Directors in this unaudited preliminary announcement and will be delivered to the Registrar of Companies following the Annual General Meeting.

For all periods up to and including the year ended 31 December 2006, the Group prepared its financial statements in accordance with United Kingdom generally accepted accounting practice (UK GAAP). The financial statements, for the year ended 31 December 2007 will be the first the Group is required to prepare in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The Group's date of transition to IFRS is 1 January 2006 and the financial statements will incorporate such changes in accounting policies and other restatements required by IFRS 1 for the first-time adoption of IFRS. Details of the Group's accounting policies under IFRS will be disclosed in the Group's 2007 financial statements.

The financial information included in this preliminary announcement is unaudited and does not include all the disclosures required by IFRS or the Companies Act 1985 and accordingly it does not itself comply with IFRS or the Companies Act 1985. This announcement has been agreed with the Group's auditors for release.

2. Earnings per share

	2007	2006
Basic earnings per ordinary share (pence)	16.65	13.15
Diluted earnings per ordinary share (pence)	16.56	12.79
Adjusted earnings per ordinary share (pence)	18.37	13.69

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to reflect the assumption of conversion of all dilutive ordinary shares. The dilutive ordinary shares represent the share options granted to employees where the exercise price is less than the average market price of the company's ordinary shares during the year.

For adjusted earnings per share, the reported profit after tax is adjusted for the amortisation charge on customer contracts and customer relationships.



Reconciliations of basic EPS to diluted EPS and adjusted EPS are set out below:

	2007		2006	
	Earnings £'000	Weighted Average number of shares	Earnings £'000	Weighted Average number of shares
Basic EPS				
Profit and weighted average number of ordinary shares	1,004	6,031,243	631	4,797,458
Diluted EPS				
Adjustment for share options	-	32,168	-	134,253
Profit and weighted average number of shares for diluted earnings per share	1,004	6,063,411	631	4,931,711
Basic EPS				
Profit and weighted average number of ordinary shares	1,004	6,031,243	631	4,797,458
Adjusted EPS				
Adjustment for customer contracts and relationships amortisation	104	-	26	-
Adjusted profit after tax and average number of ordinary shares	1,108	6,031,243	657	4,797,458

3. Statement of changes in shareholders' equity

	Number of shares	Ordinary Shares £'000	Share Premium £'000	Merger Reserve £'000	Foreign Currency Translation Reserve £'000	Retained Earnings £'000	Total £'000
Balance at 31 December 2006	882,151	1,323	1,334	914	(99)	954	4,426
Shares issued for Warrants	2,864	4	-	-	-	-	4
Share issue	600,000	900	6,546	-	-	-	7,446
Share option cost	-	10	-	-	-	-	10
Dividends	-	-	-	-	-	(221)	(221)
6 for 1 share offer	7,425,075	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	1,004	1,004
Foreign exchange translation differences	-	-	-	-	(16)	-	(16)
Balance at 31 December 2007	8,910,090	2,237	7,880	914	(115)	1,737	12,653



4. Business combinations

The following acquisitions were made during the period:

Report International Limited

On 2 May 2007, the Group acquired 100% of the share capital of Report International Limited (RIL), a company based in the UK. The consideration paid consisted of an initial cash payment based on a multiple of RIL's management accounts net asset value as at 30 April 2007. Further consideration will be payable on the basis of a multiple of RIL's average profit before tax for the two years ending 31 December 2009, up to a maximum of £2.2 million.

RIL contributed revenues of £996,000 and a net loss of £45,000 for the period from 2 May 2007 to 31 December 2007. As RIL's previous accounting period was from 1 May 2006 to 30 April 2007 and monthly accounts were not prepared, it is not possible to ascertain what the impact on the Group's revenue and profit would have been if the acquisition had occurred on 1 January 2007.

The total cost of the acquisition, the deferred consideration balance and the cash outflow on acquisition as at 31 December 2007 was as follows:

	£'000
Paid consideration	49
Deferred consideration – non-current	147
Other professional fees	38
Total cost of acquisition	234

Interest on deferred consideration	8
Total deferred consideration at 31 December 2007	155

	£'000
Purchase consideration settled in cash in the period	49
Professional fees paid	38
Bank overdraft in subsidiary acquired	57
Cash outflow on acquisition	144

Any adjustments relating to deferred consideration will be made to the acquisition cost, and as a result the goodwill balance, as and when the circumstances relating to the deferred consideration payments change.



The amounts recognised for each class of the acquiree's assets and liabilities at the acquisition date and the resulting goodwill are as follows:

	Acquiree's carrying amount £'000	Fair value adjustments £'000	Fair value £'000
Non-current assets			
Property, plant and equipment	40	-	40
Intangible assets	35	13	48
Deferred income tax asset	23	-	23
Total non-current assets	98	13	111
Current assets			
Trade and other receivables	235	-	235
Cash and cash equivalents	28	-	28
Total current assets	263	-	263
Total assets	361	13	374
Current liabilities			
Trade and other creditors	(349)	-	(349)
Deferred income tax liability	-	(4)	(4)
Total liabilities	(349)	(4)	(353)
Net Assets	12	9	21
Fair value of consideration			234
Goodwill			213

The goodwill that has arisen on the combination is attributed to the synergies expected to be derived from the combination and the value of the workforce of RIL which cannot be recognised as an intangible asset under IAS 38 "Intangible Assets". Membership of the Optimisa Group will enhance RIL's ability to offer added value around data analytics, marketing effectiveness modelling and competitive intelligence.



eq group plc

On 19 October 2007, the Group acquired eq group plc (EQ), a group of companies based in the UK which includes Quaestor Research & Marketing Strategists Limited, Buckingham Research Associates Limited and Summit Studios Limited.

Following the making of a formal offer of £0.72 per share on 14 September 2007, the Group received valid acceptances of 8,775,961 eq shares representing 98.94% of the issued share capital. This offer went unconditional on 19 October 2007.

At 31 December 2007, the purchase of 8,813,035 shares had been completed. The remaining 57,134 shares will be purchased in 2008 under the “squeeze out”. A liability has been recognised in the accounts for the cost of acquiring these shares.

The total cost of the acquisition and the cash outflow on acquisition as at 31 December 2007 was as follows:

	£'000
Paid consideration	6,346
Accrued consideration	41
Acquisition costs	580
Total cost of acquisition	6,967

	£'000
Purchase consideration settled in cash in the period	6,346
Acquisition costs paid	547
Bank overdraft in subsidiary acquired	905
Cash outflow on acquisition	7,798

EQ contributed revenues of £2,092,000 and net profit of £151,000, excluding inter-group amounts, for the period from 19 October 2007 to 31 December 2007. If the acquisition of EQ had occurred on 1 January 2007 EQ would have contributed revenues of £10,392,000 and an estimated net profit of £708,000 which includes the profit on the sale of a subsidiary of £84,000 and dividend income from the sold subsidiary of £173,000. The net profit has been estimated from the net profit achieved by EQ in the period adjusted for items that would not have been incurred had the acquisition by Optimisa occurred at the beginning of the period. The after tax adjustments made to arrive at the estimated net profit are as follows:

	£'000
Net profit of EQ for the year ended 31 December 2007	380
<i>Costs adjusted:</i>	
Fair value adjustments made following acquisition	80
Costs incurred as a result of the acquisition	248
Estimated net profit	708



The amounts recognised for each class of the acquiree's assets and liabilities at the acquisition date and the resulting goodwill are as follows:

	Acquiree's carrying amount £'000	Fair value adjustments £'000	Fair value £'000
Non-current assets			
Property, plant and equipment	617	(105)	512
Intangible assets	-	569	569
Deferred income tax assets	10	(7)	3
Total non-current assets	627	457	1,084
Current assets			
Inventories	297	-	297
Trade and other receivables	1,895	(9)	1,886
Total current assets	2,192	(9)	2,183
Total assets	2,819	448	3,267
Current liabilities			
Trade and other creditors	(1,860)	(53)	(1,913)
Current borrowings	(6,034)	-	(6,034)
Current income tax liabilities	(192)	59	(133)
Total current liabilities	(8,086)	6	(8,080)
Non current liabilities			
Non-current borrowings	(130)	-	(130)
Deferred income tax liabilities	(2)	(160)	(162)
Total non current liabilities	(132)	(160)	(292)
Total liabilities	(8,218)	(154)	(8,372)
Net liabilities	(5,399)	294	(5,105)
Fair value of consideration			6,967
Goodwill			12,072

The goodwill that has arisen on the combination is partly attributed to the synergies expected to be derived from the combination, including cost savings associated with only having one listed holding company going forward. Additionally, there is significant value in the workforce of EQ, which at acquisition comprised 110 people, which cannot be recognised as an intangible asset under IAS 38, "Intangible Assets".

There are expected to be significant improvements resulting from membership in Optimisa Group for the eq companies as a result of their diversification of both service range and sector exposure.



5. Transition to IFRS

The impact of the transition from UK GAAP to IFRS on net assets and income was as follows:

- There was no impact on net assets at 1 January 2006.
- Net assets decreased by £32,000 from £4,458,000 to £4,426,000 at 31 December 2006.
- Profit for the year for the year ended 31 December 2006 decreased by £32,000 from £663,000 to £631,000.

Further details of the adjustments made as a result of the transition will be provided in the Financial Statements for the year ended 31 December 2007.