

Optimisa plc

Annual Report and Financial Statements
For the year ended 31 December 2007

Company Information

Company registration	3860539
Registered office	2nd Floor 209-215 Blackfriars Road London SE1 8NL
Directors	R F Littleboy, Chairman S J Dannatt, Chief Executive D B Rankin, Director J D H Waters, Director R C Porter, Non-executive Director J Humpish, Non-executive Director (appointed 26 February 2008)
Secretary	J D H Waters
Bankers	Barclays Bank plc 1 Park Row Leeds LS1 5WU
Solicitors	HRO Grant Dawe LLP 1 Hammersmith Grove Hammersmith London W6 0NB
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Registered Auditors Benson House 33 Wellington Street Leeds LS1 4JP
Nominated adviser and broker	Noble and Company Limited 120 Old Broad Street London EC2N 1AR
Registrars	Capita Registrars plc Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA

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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 subdivision of ordinary shares on a six for one basis 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 Limited (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

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 ka: marketing intelligence Limited (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 eight 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 eight 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.

Chief Executive's review (continued)

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.

Chief Executive's review (continued)

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

Report of the directors

The directors present their report together with the audited financial statements for the year ended 31 December 2007.

Principal activities and business review

The principal activity of the Group is that of marketing consultancy. The Group's operations are located in the United Kingdom and in the United States of America. The Group is incorporated and domiciled in the United Kingdom.

A review of the business and a review of the future developments of the Group are included in the Chief Executive's review on pages 4 to 6.

Results and dividends

The Group made a profit after taxation for the year of £1,004,000 (2006: £631,000 restated under IFRS).

A final dividend relating to 2006 of 2.50 pence per share and an interim dividend relating to 2007 of 1.67 pence per share have been paid in the year resulting in the distribution of reserves recognised in the year of £221,000 (2006: £135,000). The directors recommend a final 2007 dividend payment of 3.00 pence per share.

Directors

The Board comprises three executive directors and three non-executive directors.

Ron Littleboy

Non-executive Chairman

A graduate of the London School of Economics, Ron joined Williams de Broe Hill Chaplin stockbrokers as a research analyst in 1972. A partner for eight years, he left in 1987 to join Nomura International where he spent 15 years until 2002. His career at Nomura progressed from Head of European Research to Executive Director of equities and lastly Executive Director of the investment bank with responsibility for a substantial number of the bank's private equity investments in the TMT and leisure sectors. His expertise in the leisure and media fields has encompassed research advisory services, fund raising and board positions. Since leaving Nomura he has provided consultancy services to a number of leisure and media companies and has focused his time on progressing the strategy for Optimisa, where he became chairman in September 2002.

Simon Dannatt

Chief Executive

After graduating from Oxford as a physicist, Simon worked as a consultant with the Strategy Consultants L.E.K. Consulting. He then moved to what is now Cap Gemini Ernst & Young and developed his expertise in commercial market analysis and marketing strategy, working on a wide range of projects at senior management level across Europe. Simon joined KAE in 1994 and became managing partner in 2000. His strategic marketing responsibility within the organisation means that Simon oversees all new service development, cross-functional teamwork and strategic planning to deliver effective commercial solutions to clients.

David Rankin

Finance Director

David was invited to join KAE in 1991 while he was the Finance Director of a FTSE 250 plc. His previous experience and network from his time at L.E.K. Consulting were quickly put to use in helping transform KAE into the strategic marketing consultancy it is today. With a particular focus on financial services and telecommunications, David has continued to develop a series of innovative approaches to measure, model and calculate the potential of existing operations and future opportunities.

Report of the directors (continued)

Jonathan Waters

Director

Jonathan joined KAE in 2000, bringing extensive HR experience to the management team. His role has grown significantly since 2004 when he joined the Board taking responsibility for all operational matters for the business. He developed his people management skills initially at J. Sainsbury plc reporting to the Board on remuneration strategy for the Group and then at Computer Team Group, an IT recruitment consultancy, during a period of acquisition leading to the successful integration of four distinct cultures into a united team of over 100 employees which delivered a turnover of over £100m. Jonathan has a BA in Politics, a Diploma in Personal Management, and is MCIPD qualified.

Robert Porter

Non-executive Director

Appointed to the Optimisa Board in May 2006, Robert began his career with KPMG, where he qualified as a chartered accountant before moving on to Price Waterhouse, Houston, Texas. On returning to the UK he spent 17 years in international investment and private banking, working in senior roles with responsibility for finance and operations with organisations such as Samuel Montague Limited, Long-Term Credit Bank of Japan, Republic National Bank of New York and Dai-Ichi Kangyo Bank. Robert is currently the Group Finance Director of Hartest Holdings plc, an AIM listed company that supplies and manufactures instrumentation and medical equipment.

John Humpish

Non-executive Director

John is currently the Chief Marketing Officer of Zurich Financial and joined the Optimisa Board as a non-executive director on 26 February 2008. John's previous positions include international marketing leadership roles in the investment management businesses of Deutsche Bank, AXA and Robert Fleming. His early career was spent at Mars Incorporated in a variety of marketing positions. John was previously a non-executive director of eq group plc up to the date of acquisition by Optimisa plc.

The directors and their interests in the shares of the company

The directors who served the Company during the year and up to the date of signing the financial statements together with their beneficial interests in the 25 pence ordinary shares of the Company were as follows:

	At 31 December 2007	At 31 December 2006 (re-stated following share sub-division)
R F Littleboy	511,998	511,998
S J Dannatt	861,936	861,936
D B Rankin	861,936	861,936
J D H Waters	59,394	59,394
R C Porter	–	–
J Humpish (appointed 26 February 2008)	–	–

Rotation of directors

Directors who have held office for the last two Annual General Meetings will be required to retire from office and offer themselves for re-appointment at the next Annual General Meeting (AGM). The number of directors retiring and offering themselves for re-appointment must be less than one-third of the current directors on the Board.

David Rankin and Jonathan Waters, having held office for the last two Annual General Meetings, are due to retire at the AGM and will offer themselves for re-election.

John Humpish was elected to the Board of Optimisa plc on 26 February 2008.

Report of the directors (continued)

Directors and officers insurance

The Group insures its directors and officers for any loss for claims made against them during the period they are in office for any wrongful act committed by them in their capacity as directors or officers of the Group. This excludes any dishonest or fraudulent act or omission or any wilful violation of law.

Share options

No share options were granted in the year ended 31 December 2007.

The Group has Enterprise Management Incentive (EMI) schemes granted in previous years (see note 25).

The only director to have an interest in the scheme was J D H Waters. His interests in the scheme were as follows (re-stated following share sub-division):

	At 1 January 2007 Number	Granted in the year Number	At 31 December 2007 Number	Exercise Price Pence	Option period
EMI	24,000	–	24,000	150	March 2007 to March 2010
EMI	24,000	–	24,000	150	March 2008 to March 2011

Share placing and share sub-division

On 19 October 2007, 600,000 shares were issued at £13.00 per share. A subsequent six for one share sub division was approved on 22 October 2007, whereby the existing £1.50 ordinary shares were sub-divided into six new ordinary shares of 25 pence each.

Warrants

On 10 July 2007, 2,864 warrants were exercised over an equivalent number of new ordinary shares of £1.50 each for a total nominal value of £4,296. There was no premium on these shares.

Substantial shareholders

According to the register held by the Company, in addition to the directors' interests disclosed above, the following have interests of 3% or more of the issued share capital at 31 December 2007:

	Number of ordinary shares	Percentage of share capital
Noble Fund Managers	789,930	8.866%
Close Investments	786,000	8.821%
ISIS Equity Partners	786,000	8.821%
Octopus Asset Management	468,000	5.252%
Dennis John Lloyd King	339,996	3.816%
Hargreave Hale Ltd	271,200	3.044%

Share purchase

A special resolution permitting Optimisa to purchase its own ordinary shares to a maximum aggregate of 900,000 shares was passed at the AGM held on 14 May 2007.

Optimisa subsequently purchased 27,500 of its own shares through its broker in February 2008 for a value of £41,400. These shares will be held as treasury shares in the balance sheet and will be part of the settlement for the deferred consideration for Andrew Irving Associates Limited. The Group may make further purchases of its own shares in the future if the Board considers the market conditions to be favourable.

Report of the directors (continued)

Research and development

The main research and development activity in the Group is undertaken by Report International Limited. The expense in the year includes work, which is largely carried out by consultants, on the development of online media analysis tools which will provide flexible and tailored online solutions for clients, and on an Outlook based timesheet application.

Employees

The Group is committed to its employees and seeks to provide a positive, supportive and rewarding work environment, where continuous personal development is core to the business ethos. This is supported by:

- weekly business review meetings;
- monthly business unit meetings;
- bi-annual employee reviews; and
- continuous employee training programmes.

The Group has a mentoring program whereby all new employees are assigned a mentor when they join one of the companies within the Group. These mentors help the new employee to settle in to the companies day to day activities, enable the employee to grasp their role and responsibilities quicker and ensures the employee adds value to the company at an early stage.

The Group recognises that employee workloads and responsibilities are changing and developing all the time. With this in mind, the Group offers continual training programs to enhance the employee's skill base to assist the business with meeting its future challenges. Many of these training programmes are performed across the spectrum of the companies within the Group, exposing individual staff members to ever wider contacts within the Group.

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. As the Company is a holding company it has no trade creditors, accordingly, no disclosure can be made of the year-end creditor days.

Principal risks and uncertainties

The Board has overall responsibility for managing the risks across the Group in a business that is reliant on its people and IT systems to grow and to deliver its services. Policies and procedures are in place to manage and eliminate the risks wherever possible. The Group's financial risk management policies are discussed in more detail in note 4.

People

People are key to the business and the Group will need to continue to attract and retain highly skilled and qualified employees from which to grow the business. Though it cannot be guaranteed that these employees will always be available, the business seeks to provide a positive work environment to retain and attract people to the team. The Group monitors closely the satisfaction of its employees and ensures that remuneration packages reflect both contribution and the wider employment market. The Group offers bonus schemes which are related to the individual and Group companies' performances which allow employees to participate in the success of the Group.

Information technology

The Group's IT systems are the main method that it delivers and stores internal and client project information. The Board takes responsibility to ensure that the risks associated with this are reviewed regularly and fully understood. To this extent the Board has appointed a Group IT director to ensure that security, functionality and accessibility is consistent across the Group, enabling the continuation and the support of further cross company activity whilst mitigating the risk of system issues.

Report of the directors (continued)

The finance systems are being upgraded to the very latest versions to ensure that systems are supported, up to date and that the benefits in product improvements assist the analysis that is being provided to management teams further enhancing the decision making process and the ever smoother running of the individual companies.

All Group systems are protected from external intervention by the latest technologies and the Group has also implemented a disaster recovery plan which would enable the Group to continue operations in the light of a catastrophic event.

Key performance indicators

The directors monitor the business primarily on net revenue (gross margin) and operating margin, both at operating unit and Group level as well as on an individual project basis. The ongoing performance of the business is monitored by reference to pipeline proposals and future commissioned projects on a net revenue basis. Overhead costs are monitored continuously through the provision of monthly management accounts with variances to budget analysed.

Employee performance is also monitored as an indicator of Group performance with specific attention being paid at operating unit level to revenue per employee and timesheet allocation. Employees are also monitored on their achievement of targets in relation to their business development activities to ensure they are driving the business forward.

As people are a key asset to the business, the success of the Group in attracting and retaining quality employees is also monitored on a continuous basis.

The environment

As a Group, we are committed to the development of policies that are friendly to the environment when carrying out our activities. A number of initiatives are already in place with many of the best ideas coming from the team. We are award winning recyclers of waste material, print on double sided paper, control (where possible) office lighting on sensor controls, hold records in electronic format, and use public transport for business travel where appropriate.

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and the parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The Group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

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 that the Group financial statements comply with IFRS as adopted by the European Union, and with regard to the parent company financial statements that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the Group and parent company financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

Report of the directors (continued)

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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 to enable them to ensure that the Group financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation and the parent company financial statements comply with the Companies Act 1985. They are also responsible for 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 Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Provision of information to auditors

In so far as each of the directors are aware:

1. there is no relevant audit information of which the Group's auditors are unaware; and
2. each director has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Independent Auditors

During 2007, PricewaterhouseCoopers LLP were appointed as auditors in accordance with section 385 of the Companies Act 1985. A resolution to re-appoint PricewaterhouseCoopers LLP, who have indicated their willingness to continue as auditors to the Company will be proposed at the Annual General Meeting.

ON BEHALF OF THE BOARD

J D H Waters
Company secretary
21 April 2008

Corporate governance statement

The directors recognise the value of the Principles of Good Governance and have taken measures to ensure that the Group has adopted measures appropriate for a Group of its size. As an Alternative Investment Market (AIM) listed company, the Group are not required to comply with the Combined Code of the Financial Services Authority (FSA).

Directors

The Board is responsible for approving Group policy and strategy. It met 18 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 for 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; and
- 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; and
- 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.

Audit Committee

The Audit Committee is responsible for monitoring the integrity of the financial statements, including the annual and interim reports, and all announcements in connection with its financial performance. The committee also reviews: all significant financial reporting issues; significant financial returns to the regulator and any financial information contained in any document or announcement of a price sensitive nature. The committee meets on a quarterly basis and is comprised of Robert Porter – Chair, Ron Littleboy and David Rankin.

Corporate governance statement (continued)

Remuneration Committee

The Remuneration Committee is responsible for determining and agreeing with the Board the framework and broad policy for the remuneration of the Chief Executive, Chairman and executive directors. The Committee meets twice per year and comprises of Ron Littleboy – Chair, Robert Porter and Simon Dannatt.

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.

Independent auditors' report to the members of Optimisa plc

We have audited the Group financial statements of Optimisa plc for the year ended 31 December 2007 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of recognised income and expense, the consolidated cash flow statement and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Optimisa plc for the year ended 31 December 2007.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the directors is consistent with the Group financial statements. The information given in the Report of the directors includes that specific information presented in the Chief Executive's review that is cross referred from the Principal activities and business review section of the Report of the directors.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We read other information contained in the Group financial statements and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Highlights, the Chairman's statement, the Chief Executive's review, the Report of the directors 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 Group 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 Group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group'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 Group 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 Group financial statements.

Independent auditors' report to the members of Optimisa plc (continued)

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the directors is consistent with the Group financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Leeds

21 April 2008

Consolidated income statement

	Note	2007 £'000	2006 £'000
Revenue	6	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	7	51	26
Finance costs	8	(95)	(21)
Profit before income tax	10	1,257	728
Income tax expense	12	(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) for the earnings attributable to equity shareholders

Basic	15	16.65	13.15
Diluted	15	16.56	12.79

The notes on pages 21 to 50 are an integral part of these consolidated financial statements.

Consolidated statement of recognised income and expense

	Note	2007 £'000	2006 £'000
Currency translation differences	26	(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

Consolidated balance sheet

	Note	2007 £'000	2006 £'000
Assets			
Non-current assets			
Property, plant and equipment	17	651	105
Intangible assets – goodwill	16	14,284	2,008
Intangible assets – other	16	599	76
Deferred income tax assets	13	126	86
Total non-current assets		15,660	2,275
Current assets			
Inventories – work in progress		198	–
Current income tax recoverable		114	–
Trade and other receivables	19	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	20	(3,257)	(938)
Current income tax liabilities		(487)	(38)
Borrowings	21	(1,660)	–
Deferred consideration	23	(101)	–
Total current liabilities		(5,505)	(976)
Non-current liabilities			
Borrowings	21	(3,197)	–
Deferred consideration	23	(155)	(101)
Deferred income tax liabilities	13	(154)	(15)
Total non-current liabilities		(3,506)	(116)
Total liabilities		(9,011)	(1,092)
Net assets		12,653	4,426
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	24	2,227	1,323
Share premium	26	7,880	1,334
Merger reserve	26	914	914
Foreign currency translation reserve	26	(115)	(99)
Retained earnings	26	1,747	954
Total equity	26	12,653	4,426

The notes on pages 21 to 50 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of directors on 21 April 2008 and were signed on its behalf by:

Jonathan Waters
 Director

Consolidated cash flow statement

	Note	2007 £'000	2006 £'000
Cash flows from operating activities:			
Profit before income tax		1,257	728
Adjustments for:			
Depreciation	17	94	30
Amortisation	16	125	37
Share option cost		10	–
Finance income	7	(51)	(26)
Finance costs	8	95	21
		<hr/>	<hr/>
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
		<hr/>	<hr/>
		905	980
Interest paid		(82)	(21)
Interest received		51	26
Income tax paid		(92)	(66)
		<hr/>	<hr/>
Net cash generated from operating activities		782	919
		<hr/>	<hr/>
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
		<hr/>	<hr/>
Net cash used by investing activities		(8,049)	(926)
		<hr/>	<hr/>
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)
		<hr/>	<hr/>
Net cash generated from financing activities		5,841	867
		<hr/>	<hr/>
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 cash equivalents		2	(21)
		<hr/>	<hr/>
Closing cash and cash equivalents*		172	1,596

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

The notes on pages 21 to 50 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Transition to IFRS

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). These financial statements, for the year ended 31 December 2007, are the first the Group is required to prepare in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

In preparing these financial statements which comply with IFRS as adopted by the EU, the Group has started from an opening balance sheet as at 1 January 2006, the Group's date of transition to IFRS, and made those changes in accounting policies and other restatements required by IFRS 1 for the first-time adoption of IFRS.

Exemptions applied

IFRS 1 allows/requires first-time adopters certain exemptions from the general requirement to apply IFRS retrospectively upon adoption. The Group has taken the following exemptions;

- IFRS 3, 'Business Combinations' has not been applied to acquisitions of subsidiaries that occurred before 1 January 2006.
- Cumulative currency translation differences for all foreign operations are deemed to be zero as at 1 January 2006.

Other exemptions have not had a material impact on the Group.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union (EU) and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. These consolidated financial statements have been prepared under the historical cost convention with the exception of derivative financial instruments and share based payments which are recognised at fair value.

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods. Adoption of these standards is not anticipated to have any material effect on the current financial position or performance of the Group.

- IFRS 8 Operating segments
- IAS 23 (revised) Borrowing costs
- IAS 1 (revised) Presentation of financial statements
- IFRS 3 (revised) Business combinations
- Amendment to IFRS 2 Share based payments
- IFRIC 11 Group and treasury share transactions
- IFRIC 12 Service concession arrangements
- IFRIC 13 Customer loyalty programmes relating to IAS 18 Revenue
- IFRIC 14 (IAS 19) Defined benefit assets.

Notes to the consolidated financial statements (continued)

2.2 Basis of consolidation

The consolidated financial statements incorporate the results of the parent company and each of its subsidiaries for the financial year ended 31 December 2007. Subsidiaries' are entities controlled by the Group. Control is deemed to exist when the Group has the power, directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries are included in the consolidated financial statements from the date the control commences until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Consolidation of the individual company accounts within the Group is done on a line by line basis. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by Group. Intra-group balances and transactions are eliminated on consolidation.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statement of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in UK Pounds, which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of such transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) Group companies

The results and financial position of Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing rate at the date of the balance sheet;
- (ii) income and expenses are translated at the average exchange rate over the period; and
- (iii) all resulting exchange differences are recognised as a separate component of equity (foreign currency translation reserve (FCTR)).

2.4 Property, plant and equipment

Property, plant and equipment (PPE) is stated at cost less accumulated depreciation. Cost comprises the purchase price of property, plant and equipment together with any incidental costs of acquisition.

Subsequent costs are included in the asset's carrying value or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance expenditure is charged to the income statement as incurred.

Notes to the consolidated financial statements (continued)

2.4 Property, plant and equipment (continued)

Depreciation on PPE is calculated to write their cost down to their residual values over their remaining useful economic lives by annual equal instalments, as follows:

Short leasehold property	5 years
Fixtures, fittings and equipment	3 – 5 years
Motor vehicles	4 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses in the income statement.

2.5 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful economic lives (three years).

(c) Customer contracts and relationships

In accordance with IFRS 3, "Business Combinations", an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of the intangible asset reflects a valuation at the acquisition date of the future economic benefits embodied in the asset that are expected to flow to the Group.

Intangible assets identified at acquisition date for the nxtMOVE Corporation, Andrew Irving Associates Limited, Report International Limited and eq group plc acquisitions related to customer contracts and relationships. Customer contracts and relationships acquired through a business combination are deemed to have a finite life, being either the contracted period (1 to 18 months), or an estimate of the tenure of the relationship at acquisition date (up to 8 years depending on nature).

The fair value attributed at acquisition date is amortised on a straight line basis over the finite life to which the value is attributed.

The Group has elected not to restate business combinations that occurred prior to 1 January 2006, the date of transition to IFRS, and accordingly no customer contracts and relationships have been recognised in relation to business combinations prior to transition.

(d) Development expenditure

Development expenditure on an individual project is recognised as an intangible asset only when the Group can demonstrate the technical feasibility of completing the project so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during development. Following initial recognition of development expenditure as

Notes to the consolidated financial statements (continued)

2.5 Intangible assets (continued)

an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested annually for impairment.

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life, for example, goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2.7 Financial assets

The Group only has one category of financial assets, loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the balance sheet (notes 2.10 and 2.11).

Loans and receivables are carried at amortised cost using the effective interest rate method.

The Group assesses, at each balance sheet date, whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2.8 Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Derivatives are initially measured at fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value. As the derivative financial instruments used by the Group do not qualify for hedge accounting, changes in the fair value of any derivative instruments are recognised immediately in the income statement within other gains/(losses) and are shown net.

2.9 Inventories

The only category of inventories held by the Group is work in progress. Work in progress is stated at the lower of cost and net realisable value. The cost of work in progress comprises external direct cost of sales and direct labour costs. Net realisable value is the estimated selling price in the ordinary course of business, less costs to complete.

2.10 Trade receivables

Trade receivables are recognised at fair value, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of a doubtful debt provision, and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the doubtful debt provision. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

Notes to the consolidated financial statements (continued)

2.11 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits on call with banks, other short term highly liquid investments with maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.12 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs. Subsequent measurement is based on amortised cost and any difference between the proceeds (net of transaction of costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.14 Current and deferred income tax

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax is not discounted as the effects are not material.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.15 Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provisions for deferred consideration on acquisitions have been made based upon management's current expectation as to the outcome of the determining factors. As deferred consideration is part of the consideration for the acquisition the amount provided for in the accounts has led to a resultant increase in the goodwill associated with that acquisition. Any revisions to the amount of deferred consideration provided for are similarly reflected by a revision to goodwill.

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the consolidated financial statements (continued)

2.16 Share capital (continued)

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.17 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is shown net of value added tax and discounts and after eliminating sales within the Group.

Revenue is recognised as follows:

(a) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction, assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(b) Interest income

Interest is recognised on an accruals basis.

2.19 Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. Transactions which may give rise to exceptional items are principally gains or losses on disposal of investments and subsidiaries or impairments of fixed assets, as well as the reversal of such impairments.

2.20 Employee benefits

(a) Pension obligations

Group companies operate or contribute to various defined contribution pension schemes. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a third party entity. The Group has no further payment obligations once the contributions have been paid. Contributions payable to these schemes are charged to the period in which the obligation arises.

(b) Share option scheme

The Group operates equity settled executive and employee share option arrangements and all share based remuneration is ultimately recognised as an expense in the income statement with a corresponding credit to shareholders funds. Upon exercise of the share options fulfilled by the issue of new shares, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares are allocated to share capital with any excess being recorded as share premium.

All share based payment arrangements granted after 7 November 2002 are recognised in the financial statements, with the exception of those vesting before 1 January 2006.

The fair value of the options is measured using a Black Scholes valuation model of options with non-market performance conditions.

Notes to the consolidated financial statements (continued)

2.21 Leases

(a) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(b) Finance leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the Group.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The assets acquired under finance leases are included in property, plant and equipment and are depreciated over the shorter of the useful economic life of the asset and the lease term.

2.22 Net debt

Net debt comprises cash and cash equivalents, bank and other current loans, finance lease liabilities and derivative financial instruments.

3. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The nature of estimation means that actual outcomes could differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities with the next financial year are discussed below.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested annually for impairment and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

Notes to the consolidated financial statements (continued)

4. Financial risk management

The Group's activities expose it to some financial risks, the main ones being foreign exchange risk and interest rate risk. The Group is also exposed to credit risk and liquidity risk but these are considered to be of lesser significance. Risk management is carried out by the Board of directors and senior management. The Group does not enter into derivative contracts for speculative purposes.

(a) Market risk

The Group operates internationally and also invoices customers in a number of foreign currencies. It is therefore exposed to foreign exchange risk arising from exchange rate movements, primarily between the US dollar, the Euro and the UK pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Management reviews the foreign currency exposure on a regular basis and, when appropriate, enters into forward contracts to manage the foreign exchange currency risk. At 31 December 2007 no forward contracts were outstanding.

(b) Interest rate risk

The Group's interest risk arises from bank borrowings. Bank borrowings which are at variable rates and expose the Group to cash flow risk. Management review the interest rate risk on a periodic basis. Short-term interest rate swaps to fix the interest rate for a period of time are undertaken when considered appropriate to manage the cash flow risk arising from the interest rate exposure. The bank borrowings interest payable is based on the London Inter Bank Offer Rate (LIBOR). An increase in the LIBOR rate of 0.25% would result in an increase in interest payable of approximately £10,000 per annum.

(c) Credit risk

Credit risk is managed by each individual operating unit, monitored regularly on a Group basis. Due to the nature of the Group's business, credit risk is assessed on a customer by customer basis prior to entering into contractual arrangements. Credit risk is mitigated by the invoicing in advance of 50% of the agreed project fee.

(d) Liquidity risk

The Group maintains flexibility in its funding and currently has an unutilised revolving credit facility which can be employed if required, mitigating the liquidity risk.

5. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or purchase its own shares.

In the year ended 31 December 2007 the Group went from a 100% equity based capital structure to a capital structure which includes a moderate amount of debt. The gearing was introduced as the Group expanded its operations with the acquisition of eq group plc. The Board decided to introduce debt finance into the capital structure at this point in order to increase the expected return to shareholders whilst maintaining an acceptable level of risk. Future decisions on capital structure will be similarly made by the Board, based on the specific circumstances facing the Group, and with the objective of maximising shareholder return whilst maintaining risk at an acceptable level. The level of gearing at 31 December 2007 is 29% (net debt : total equity) which the Board considers appropriate at this time.

Notes to the consolidated financial statements (continued)

6. Segmental information

(a) Primary reporting format – business segments

The directors regard the Group as operating in one primary segment, that being marketing consultancy.

(b) Secondary reporting format – geographical segments

The Group's businesses are based in the UK, with the exception of nxtMOVE which is based in the US. All of the Group's businesses have customers based around the world, but the main areas where revenue is generated are the UK, the rest of Europe and the US.

	2007 £'000	2006 £'000
Revenue		
United Kingdom	6,025	2,108
Rest of Europe	1,163	415
US	4,185	3,371
Other countries	42	–
	<u>11,415</u>	<u>5,894</u>

Revenue is allocated based on the country in which the customer is located.

	2007 £'000	2006 £'000
Total assets		
United Kingdom	20,577	4,372
Rest of Europe	–	–
US	1,087	1,146
Other countries	–	–
	<u>21,664</u>	<u>5,518</u>

Total assets are allocated based on where the assets are located.

	2007 £'000	2006 £'000
Capital expenditure		
United Kingdom	133	29
Rest of Europe	–	–
US	1	10
Other countries	–	–
	<u>134</u>	<u>39</u>

Capital expenditure is allocated based on where the assets are located.

7. Finance income

	2007 £'000	2006 £'000
Interest receivable on bank deposits	51	26
	<u>51</u>	<u>26</u>

Notes to the consolidated financial statements (continued)

8. Finance costs

	2007 £'000	2006 £'000
Interest payable on bank borrowings	82	21
Interest payable on finance leases	5	–
Deferred consideration: unwinding of discount (note 23)	8	–
	<hr/>	<hr/>
Total finance costs	95	21
	<hr/>	<hr/>

9. Directors and employees

The average monthly number of persons (including executive directors) employed by the Group during the year was made up as follows:

	2007 Number	2006 Number
Marketing consultants	95	42
Central support staff	7	6
	<hr/>	<hr/>
	102	48
	<hr/>	<hr/>

Staff costs during the year in respect of these persons were as follows:

	2007 £'000	2006 £'000
Wages, salaries and benefits in kind	4,413	2,388
Social security costs	407	240
Other pension costs	216	121
	<hr/>	<hr/>
	5,036	2,749
	<hr/>	<hr/>

Remuneration in respect of executive and non-executive directors was as follows:

	2007 £'000	2006 £'000
Emoluments	365	302
Pension contributions	99	47
	<hr/>	<hr/>
	464	349
	<hr/>	<hr/>

Directors' emoluments include base salary, bonus and benefits in kind. Pension contributions include one director whose contributions are paid into a defined contribution scheme and two directors whose fixed contributions are paid into Self Invested Personal Pensions (S.I.P.P.).

The key management of the Group are the same as the directors of the Group, therefore no additional disclosure of key management compensation has been provided.

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

	2007 £'000	2006 £'000
Emoluments	139	113
Pension contribution	28	20
	<hr/>	<hr/>
	167	133
	<hr/>	<hr/>

Notes to the consolidated financial statements (continued)

10. Profit before income taxation

	2007 £'000	2006 £'000
The following items have been included in arriving at profit before income tax:		
Research and development costs	52	–
Amortisation of deferred development costs	7	–
Employee benefits expense (note 9)	5,036	2,749
Depreciation of property, plant and equipment:		
– Owned assets	76	30
– Under finance leases	18	–
Amortisation of intangible assets	125	37
Cost of inventories recognised as an expense	607	–
Operating lease payments	364	250
	<hr/>	<hr/>

11. Services provided by the Group's auditor

During the year the Group, including the overseas subsidiary, obtained the following services from the Group's auditor, as detailed below:

	2007 £'000	2006 £'000
Fees payable to Company auditor for the audit of the parent company and consolidated financial accounts	12	–
Fees payable to Company auditor for other services:		
– audit of Company's subsidiaries pursuant to legislation	42	–
– tax compliance services	11	–
	<hr/>	<hr/>
	65	–
	<hr/>	<hr/>

In the prior year £24,000 was paid and in the current year £7,000 was paid to the Group's former auditors.

12. Income tax expense

Analysis of charge in year	2007 £'000	2006 £'000
Current tax:		
– current year	293	32
– adjustment in respect of previous years	1	–
	<hr/>	<hr/>
Total current tax	294	32
	<hr/>	<hr/>
Deferred tax (note 13):		
– Origination and reversal of temporary differences	(46)	(5)
– Utilisation of previously recognised tax losses	8	70
– Impact of change in UK tax rate	1	–
– Adjustment in respect of previous years	(4)	–
	<hr/>	<hr/>
Total deferred tax	(41)	65
	<hr/>	<hr/>
Total income tax charge	253	97
	<hr/>	<hr/>

Notes to the consolidated financial statements (continued)

12. Income tax expense (continued)

Tax reconciliation

The tax for the year is lower (2006: lower) than the standard rate of corporation tax in the UK (30%).

The differences are explained below:

	2007 £'000	2006 £'000
Profit before tax	1,257	728
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 30% (2006: 30%)	<u>377</u>	<u>218</u>
Effects of:		
Higher rate of tax payable in foreign countries	8	5
Expenses not deductible for tax purposes	7	3
Income not subject to tax	–	(16)
Adjustments in respect of previous years	(3)	–
Marginal rate relief	–	(7)
Utilisation/recognition of previously unrecognised tax losses	(136)	(106)
	<u>(124)</u>	<u>(121)</u>
Total taxation	<u>253</u>	<u>97</u>

There is a change in the UK corporation tax rate which will be effective from 1 April 2008. Deferred tax relating to temporary differences which are expected to reverse prior to 1 April 2008 is measured at 30% and deferred tax relating to temporary differences expected to reverse after 1 April 2008 is measured at 28% as these are the rates that will apply on reversal.

13. Deferred tax

The deferred tax included in the balance sheet is as follows:

	2007 £'000	2006 £'000
Deferred tax asset		
Tax losses carried forward	103	86
Depreciation in excess of capital allowances	23	–
	<u>126</u>	<u>86</u>
Deferred tax liability		
Accelerated capital allowances	5	–
Acquisition fair value adjustments	149	15
	<u>154</u>	<u>15</u>

Notes to the consolidated financial statements (continued)

13. Deferred tax (continued)

Trading losses:

The balance for deferred tax losses carried forward at 31 December 2007 relates to trading losses carried forward in Optimisa plc and Report International Limited, the deferred tax asset in each company being £80,000 and £23,000 respectively. Recoverability of this asset is dependent upon there being sufficient future trading profits in these two companies against which the brought forward tax losses can be offset.

In addition Report International Limited has £79,000 unrecognised trading losses that the Directors do not believe it is appropriate to recognise due to the uncertainty that these will be utilised in the foreseeable future. The additional deferred tax asset if these losses were recognised is £22,000.

Capital losses:

Unrelieved tax losses relating to capital disposals in previous years of approximately £13,210,000 remain available to offset against future taxable gains in Optimisa plc. The potential deferred tax asset of £3,699,000 associated with these losses has not been recognised as the directors do not expect them to be utilised in the future.

The movement in the deferred tax asset and the deferred tax liability in the year is as follows:

	2007 £'000	2006 £'000
Deferred tax asset		
At 1 January	86	159
Credited/(charged) to the income statement	14	(73)
On acquisition of subsidiary	26	–
	<hr/>	<hr/>
At 31 December	126	86
	<hr/>	<hr/>
	2007	2006
Deferred tax liability	£'000	£'000
At 1 January	15	–
Credited to the income statement	(27)	(8)
On acquisition of subsidiary	166	23
	<hr/>	<hr/>
At 31 December	154	15
	<hr/>	<hr/>

14. Ordinary dividends

	2007 £'000	2006 £'000
Equity – ordinary		
Final 2006 paid: 2.50 pence per share (final 2005: 1.67 pence per share)	132	70
Interim 2007 paid: 1.67 pence per share (interim 2006: 1.25 pence per share)	89	65
	<hr/>	<hr/>
	221	135
	<hr/>	<hr/>

The dividend per share figures prior to the 6 for 1 share sub-division on 22 October 2007 have been restated to reflect the dividend per share after the share sub-division enabling the dividend per share to be comparable over the two years.

In addition the directors are proposing a final dividend in respect of the financial year ending 31 December 2007 of 3.0 pence per share which will absorb an estimated £267,000 of shareholders funds. It will be paid on 6 June 2008 to shareholders who are on the register of members on 18 April 2008.

Notes to the consolidated financial statements (continued)

15. 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 share (pence)	18.37	13.69

All earnings per share (EPS) information presented above has been calculated based on the number of shares following the six for one share sub-division.

Basic EPS 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 EPS, 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 EPS, 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 for basic earnings per share	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 for basic earnings per share	1,004	6,031,243	631	4,797,458
Adjusted EPS				
Adjustment for customer contracts and relationships amortisation	104	–	26	–
Profit and weighted average number of shares for adjusted earnings per share	1,108	6,031,243	657	4,797,458

Notes to the consolidated financial statements (continued)

16. Intangible assets

	Goodwill £'000	Computer software £'000	Customer contracts and relationships £'000	Development £'000	Total £'000
Cost					
At 1 January 2007	2,008	38	76	–	2,122
Acquisition of subsidiaries	12,284	16	583	40	12,923
Additions	3	9	–	–	12
Currency movement	(11)	–	–	–	(11)
At 31 December 2007	14,284	63	659	40	15,046
Accumulated amortisation					
At 1 January 2007	–	12	26	–	38
Charge for the year	–	14	104	7	125
At 31 December 2007	–	26	130	7	163
Net book amount at 31 December 2007	14,284	37	529	33	14,883
Cost					
At 1 January 2006	1,304	26	–	–	1,330
Acquisition of subsidiaries	774	–	76	–	850
Additions	–	12	–	–	12
Currency movement	(70)	–	–	–	(70)
At 31 December 2006	2,008	38	76	–	2,122
Accumulated amortisation					
At 1 January 2006	–	1	–	–	1
Charge for the year	–	11	26	–	37
At 31 December 2006	–	12	26	–	38
Net book amount at 31 December 2006	2,008	26	50	–	2,084

Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units (CGU's). Currently each entity or group of entities acquired separately is a CGU. A summary of the allocation of goodwill is presented below:

	2007 £'000	2006 £'000
kae: marketing intelligence Limited	1,304	1,304
nxt:MOVE Corporation	542	553
Andrew Irving Associates Limited	154	151
Report International Limited	212	–
eq group plc	12,072	–
	14,284	2,008

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the financial budget approved by management for the year ending 31 December 2008 and steady state assumptions for the following four years. The key assumptions are the projected level of sales, gross margin and employee costs. The discount rate of 10% used is pre-tax and is the estimated weighted average cost of capital for the Group based on the cost of debt for the Group and assumptions regarding the risks relating to the Group and its subsidiaries.

Notes to the consolidated financial statements (continued)

17. Property, plant and equipment

	Short Leasehold Property £'000	Fixtures, fittings and equipment £'000	Moor vehicles £'000	Total £'000
Cost				
At 1 January 2007	37	124	–	161
Acquisition of subsidiaries	112	209	210	531
Additions	–	104	18	122
Disposals	–	(2)	(10)	(12)
Currency movement	(1)	–	–	(1)
At 31 December 2007	148	435	218	801
Accumulated depreciation				
At 1 January 2007	6	50	–	56
Charge for the year	17	64	13	94
At 31 December 2007	23	114	13	150
Net book amount at 31 December 2007	125	321	205	651
Cost				
At 1 January 2006	–	50	–	50
Acquisition of subsidiaries	36	54	–	90
Additions	4	23	–	27
Currency movement	(3)	(3)	–	(6)
At 31 December 2006	37	124	–	161
Accumulated depreciation				
At 1 January 2006	–	26	–	26
Charge for the year	6	24	–	30
At 31 December 2006	6	50	–	56
Net book amount at 31 December 2006	31	74	–	105

Assets held under finance lease

The net book amount of property, plant and equipment held under finance leases at 31 December 2007 was £271,000 (2006: nil).

Notes to the consolidated financial statements (continued)

18. Financial instruments

	Loans and receivables	
	2007	2006
	£'000	£'000
At 31 December - Assets as per balance sheet		
Trade and other receivables	4,555	1,647
Cash and cash equivalents	1,137	1,596
	<u>5,692</u>	<u>3,243</u>
	Other financial liabilities	
	2007	2006
	£'000	£'000
At 31 December – Liabilities as per balance sheet		
Trade and other payables	3,257	938
Deferred consideration	256	101
Borrowings	4,857	–
	<u>8,370</u>	<u>1,039</u>

Credit quality of financial assets

The directors consider that based on historical information about default rates and the current strength of customer relationships, the majority of which are recurring long term customers, the credit quality of financial assets that are neither past due nor impaired is good. This is supported by the very low level of bad debts over the last two years at less than £10,000.

19. Trade and other receivables – current

	2007	2006
	£'000	£'000
Trade receivables	3,571	927
Other receivables	128	343
Prepayments and accrued income	856	377
	<u>4,555</u>	<u>1,647</u>

Trade receivables are non-interest bearing and are generally on 30-90 days terms. At 31 December 2007, trade receivables of £1,828,000 (31 December 2006: £607,000) were fully performing.

Trade receivables that are past due are reviewed individually for impairment. At 31 December 2007 trade receivables of £1,743,000 (31 December 2006: £320,000) were past due but none are considered to be impaired. These relate to a number of independent customers for whom there is no history of default. Additionally there are no other indications that these receivables are not collectable in full.

The ageing analysis of trade receivables is as follows:

	Total	Fully performing	Past due but not impaired Up to 3 months	Past due but not impaired 3-6 months
	£'000	£'000	£'000	£'000
31 December 2007	3,571	1,828	1,371	372
31 December 2006	927	607	150	170

Notes to the consolidated financial statements (continued)

19. Trade and other receivables – current (continued)

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2007 £'000	2006 £'000
Pounds	3,830	1,168
Euros	213	73
US dollar	512	406
	<u>4,555</u>	<u>1,647</u>

20. Trade and other payables – current

	2007 £'000	2006 £'000
Trade payables	875	317
Social security and other taxes	774	173
Accruals and deferred income	1,608	448
	<u>3,257</u>	<u>938</u>

21. Borrowings

	2007 £'000	2006 £'000
Current		
Bank overdrafts – unsecured (b)	965	–
Bank borrowings – secured (a)	590	–
Finance lease obligations (note 22)	105	–
	<u>1,660</u>	<u>–</u>
	2007 £'000	2006 £'000
Non-current		
Bank borrowings – secured (a)	3,096	–
Finance lease obligations (note 22)	101	–
	<u>3,197</u>	<u>–</u>

(a) The secured bank loans are secured by a floating charge over the Group's UK based assets. The bank loans are stated net of unamortised issue costs of £64,000. The bank loan is due to be fully repaid by November 2010.

(b) The unsecured borrowings comprise the bank overdraft which is subject to annual renewal.

Notes to the consolidated financial statements (continued)

21. Borrowings (continued)

The Group has undrawn committed borrowing facilities available at 31 December 2007 in the form of secured bank loans of £750,000 (2006: nil) available at 8.0125% in respect of which all conditions precedent had been met at that date.

All bank borrowings are denominated in UK pounds.

The bank overdraft and bank loans are subject to a floating rate of interest of LIBOR plus a margin of 1.8% on the loans and 1.0% on the overdraft. The finance leases are subject to fixed rates of interest. The effective interest rates at the balance sheet dates of borrowings were as follows:

	2007	2006
Bank overdraft	6.5%	–
Bank borrowings	8.0125%	–
Finance leases	7.79%	–

The maturity profile of the contractual payments, including finance charges, of the Group's financial liabilities as at 31 December 2007 is as follows:

	Less than 1 year	1-2 years	2-3 years	3-5 years	Total
	£'000	£'000	£'000	£'000	£'000
Bank overdraft	965	–	–	–	965
Trade and other payables	3,257	–	–	–	3,257
Bank loans	881	1,026	2,514	–	4,421
Finance lease obligations	117	87	16	3	223
Total	5,220	1,113	2,530	3	8,866

At 31 December 2006 the Group's only financial liabilities were Trade and other payables of £938,000. These had no future finance charges and were payable in less than one year.

22. Obligations under finance leases

Future minimum lease payments under finance leases fall due as follows:

	2007	2006
	£'000	£'000
Not later than one year	117	–
After one year but not more than five years	106	–
	223	–
Less finance charges allocated to future periods	(17)	–
Present value of minimum finance lease payments	206	–

The present value of minimum finance lease payments is analysed as follows:

	2007	2006
	£'000	£'000
Not later than one year	105	–
After one year but not more than five years	101	–
	206	–

Notes to the consolidated financial statements (continued)

23. Deferred consideration

	£'000
At 1 January 2006	–
Included in cost of acquisition	101
	<hr/>
At 31 December 2006 and 1 January 2007	101
Included in cost of acquisition	147
Charged to income statement – unwinding of discount (note 8)	8
	<hr/>
At 31 December 2007	256
	<hr/>

Provisions are analysed between current and non-current as follows:

	2007 £'000	2006 £'000
Current	101	–
Non-current	155	101
	<hr/>	<hr/>
	256	101
	<hr/>	<hr/>

Provisions comprise deferred consideration in relation to the acquisitions of Andrew Irving Associates Limited (AIA) and Report International Limited (RIL).

The deferred consideration in relation to the acquisition of AIA on 2 October 2006 is payable following completion of the financial statements for the year ending 31 December 2008, based upon the gross profit earned by AIA in the 2007 and 2008 financial years. A provision for the maximum amount payable of £101,000 has been made at 31 December 2007 (31 December 2006: £101,000). This has not been discounted as the effect is not material.

The deferred consideration in relation to the acquisition of RIL on 2 May 2007 is payable following completion of the financial statements for the year ending 31 December 2009, based upon the average profit before tax in the 2008 and 2009 financial years. A provision for £155,000 has been made at 31 December 2007 which represents the discounted value of the estimated amount payable. A discount rate of 10% has been applied which is an estimate of the Group's weighted average cost of capital based on the cost of debt for the Group and assumptions regarding the risks relating to the Group and its subsidiaries.

Notes to the consolidated financial statements (continued)

24. Ordinary shares

	2007 £'000	2006 £'000
Authorised		
12,600,000 ordinary shares of 25p each (2006: 1,600,000 ordinary shares of 150p each)	<u>3,150</u>	<u>2,400</u>
Allotted, called up and fully paid		
8,910,090 ordinary shares of 25p each (2006: 882,151 ordinary shares of 150p each)	<u>2,227</u>	<u>1,323</u>

Allotments during the year

On 10 July 2007, 2,864 warrants were exercised over an equivalent number of new ordinary shares of 150p each for a total nominal value of £4,296. There was no premium on these shares.

On 19 October 2007, 600,000 ordinary shares of 150p with a total nominal value of £900,000 were issued at 1300p each for a total consideration of £7,800,000. Expenses of £354,000 incurred in issuing these shares have been deducted from the share premium.

Share sub-division

On 22 October 2007 a six for one share sub-division was made, whereby one ordinary share of 150p was sub-divided into six new ordinary shares of 25p each.

25. Share options

At 31 December 2007, the Group had the following outstanding options over its ordinary shares of 25 pence each;

		Exercise price per share	2007 number	2006 number
Share Option Scheme	Exercise period			
Share Option Scheme	February 2000 to February 2010	25p	14,166	31,350
Enterprise Management Incentive Scheme	March 2007 to March 2010	150p	39,000	39,000
	March 2008 to March 2011	150p	39,000	39,000
			<u>92,166</u>	<u>109,350</u>

The additional disclosures required by IFRS 2, 'Share-based payment transactions' have not been given as the directors do not consider them to be material.

Notes to the consolidated financial statements (continued)

26. Statement of changes in shareholders' equity

	Number of Shares	Ordinary Shares £'000	Shares to be issued £'000	Share Premium £'000	Merger Reserve £'000	Foreign Currency Translation Reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2007	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 options	–	–	–	–	–	–	10	10
Dividends paid	–	–	–	–	–	–	(221)	(221)
6 for 1 share sub-division	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	2,227	–	7,880	914	(115)	1,747	12,653
Balance at 1 January 2006	690,911	1,036	243	502	612	–	458	2,851
Shares issued for deferred consideration	60,000	90	(243)	–	153	–	–	–
Share issue	113,539	170	–	832	–	–	–	1,002
Shares issued on acquisition of subsidiary	17,701	27	–	–	149	–	–	176
Dividends paid	–	–	–	–	–	–	(135)	(135)
Profit for the year	–	–	–	–	–	–	631	631
Foreign exchange translation differences	–	–	–	–	–	(99)	–	(99)
Balance at 31 December 2006	882,151	1,323	–	1,334	914	(99)	954	4,426

The merger reserve, which is non-distributable, arose on the acquisition of kaec: marketing intelligence Limited on 28 April 2005. The premium on the shares issued on acquisition was taken to the merger reserve in accordance with section 131 of the Companies Act.

27. Reconciliation of movement in net debt/(net funds)

	2007 £'000	2006 £'000
Decrease/(increase) in cash and cash equivalents excluding cash acquired with acquisitions	464	(847)
Cash flows from increase in debt	(1,370)	–
Decrease in net debt resulting from cash flow	(906)	(847)
Increase/(decrease) in net debt on acquisition of subsidiaries	6,221	(13)
Effect of exchange rate fluctuations on net debt	1	21
Increase/(decrease) in net debt in the year	5,316	(839)
Net funds at beginning of year	(1,596)	(757)
Net debt/(net funds) at end of year	3,720	(1,596)

Notes to the consolidated financial statements (continued)

28. Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases is as follows:

	2007 Land and buildings £'000	2006 Land and buildings £'000
Within one year	482	266
Later than one year and less than five years	1,109	454
After five years	30	–
	<hr/> 1,621 <hr/>	<hr/> 720 <hr/>

29. Related party transactions

The Group does not have a controlling party. The shares are held by a number of individuals, none of whom hold a majority interest. Significant shareholders are disclosed in the Report of the directors.

Directors' emoluments and key management compensation are disclosed in note 9.

Transactions between the Company and its subsidiaries are eliminated on preparation of the consolidated financial statements of the Group. There are no other material related party transactions in the year ended 31 December 2007.

In the year ended 31 December 2006, Mr S Dannatt and Mr J Waters, both directors of Optimisa plc, were also directors of Edengene Limited in which Optimisa plc held 13.1% of the ordinary shares at 1 January 2006. On 27 April 2006, Optimisa plc sold all its shares in Edengene Limited at the carrying value of this investment. On the same date Ms S Dannatt and Mr J Waters resigned as directors of Edengene Limited.

30. Business combinations

The following acquisitions were made during the year:

Report International Limited

On 2 May 2007, the Group acquired 100% of the issued 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.

Notes to the consolidated financial statements (continued)

30. Business combinations (continued)

The total cost of the acquisition, the deferred consideration balance and the cash outflow 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 payables	(348)	–	(348)
Deferred income tax liability	–	(4)	(4)
Total liabilities	(348)	(4)	(352)
Net assets	13	9	22
Fair value of consideration			234
Goodwill			212

The goodwill that has arisen on the combination can be 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.

Notes to the consolidated financial statements (continued)

30. Business combinations (continued)

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 of EQ. This offer went unconditional on 19th 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 as at 31 December 2007 was as follows:

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

	£'000
Purchase consideration settled in cash in the period	6,346
Professional fees paid	547
Bank overdraft in subsidiary acquired	905
	<hr/>
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 ending 31 December 2007	380
<i>Costs adjusted:</i>	
Fair value adjustments made following acquisition	80
Costs incurred as a result of the acquisition	248
	<hr/>
Estimated net profit	708

Notes to the consolidated financial statements (continued)

30. Business combinations (continued)

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
	<hr/>	<hr/>	<hr/>
Total non-current assets	627	457	1,084
Current assets			
Inventories	297	–	297
Trade and other receivables	1,895	(9)	1,886
	<hr/>	<hr/>	<hr/>
Total current assets	2,192	(9)	2,183
	<hr/>	<hr/>	<hr/>
Total assets	2,819	448	3,267
Current liabilities			
Trade and other payables	(1,860)	(53)	(1,913)
Current borrowings	(6,034)	–	(6,034)
Current income tax liabilities	(192)	59	(133)
	<hr/>	<hr/>	<hr/>
Total current liabilities	(8,086)	6	(8,080)
Non-current liabilities			
Non-current borrowings	(130)	–	(130)
Deferred income tax liabilities	(2)	(160)	(162)
	<hr/>	<hr/>	<hr/>
Total non current liabilities	(132)	(160)	(292)
	<hr/>	<hr/>	<hr/>
Total liabilities	(8,218)	(154)	(8,372)
	<hr/>	<hr/>	<hr/>
Net liabilities	(5,399)	294	(5,105)
	<hr/>	<hr/>	<hr/>
Fair value of consideration			6,967
	<hr/>	<hr/>	<hr/>
Goodwill			12,072
	<hr/>	<hr/>	<hr/>

The goodwill that has arisen on the combination is partly attributable 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 is 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.

Andrew Irving Associates Limited

An additional amount of £3,000 has been recognised in relation to the acquisition of Andrew Irving Associates Limited during the year ended 31 December 2007 as a result of an additional acquisition cost being incurred.

Notes to the consolidated financial statements (continued)

31. Reconciliation of net assets and profit under UK GAAP to IFRS

Optimisa plc reported under UK GAAP in its previously published financial statements for the year ended 31 December 2006.

The following analysis shows a reconciliation of net assets and profit as reported under UK GAAP as at 31 December 2006 to the revised net assets and profit under IFRS as reported in these financial statements. In addition, there is a reconciliation of net assets under UK GAAP to IFRS at the transition date for this company, 1 January 2006.

Explanation of significant reconciling items between UK GAAP and IFRS

- a. Under IFRS 3, 'Business combinations', customer contracts and customer relationships are recognised as intangible assets on acquisition, these were not recognised under UK GAAP. In 2006 the Group acquired nxtMOVE Corporation and Andrew Irving Associates Limited. The value of customer contracts and relationships for these business amounted to £77,000. The amortisation of the intangible asset for 2006 is £26,000. In addition software costs that were previously categorised as property, plant and equipment have been reclassified as intangible assets. The net book value of such items was £24,000 at 1 January 2006 and £25,000 at 31 December 2006.
- b. Under IAS 12, "Income taxes", a deferred tax liability of £23,000 is recognised during 2006 on the initial recognition of the customer contracts and relationships intangible asset, this was not recognised under UK GAAP. This deferred tax liability at 31 December 2006 was £15,000.

The adjustments described above, together with other immaterial adjustments are presented in the following three reconciliations between UK GAAP and IFRS.

Notes to the consolidated financial statements (continued)

Group reconciliation of equity at 1 January 2006

	UK GAAP £'000	(a) Recognition and reclassification of intangibles £'000	(b) Reclassification and recognition of deferred tax £'000	IFRS £'000
Non-current assets				
Property, plant and equipment	47	(24)	–	23
Intangible assets – goodwill	1,304	–	–	1,304
Intangible assets – other	–	24	–	24
Investments	411	–	–	411
Deferred tax asset	–	–	159	159
	<u>1,762</u>	<u>–</u>	<u>159</u>	<u>1,921</u>
Current assets				
Trade and other receivables	766	–	(159)	607
Cash and cash equivalents	757	–	–	757
	<u>1,523</u>	<u>–</u>	<u>(159)</u>	<u>1,364</u>
Total assets	<u>3,285</u>	<u>–</u>	<u>–</u>	<u>3,285</u>
Current liabilities				
Trade and other payables	(434)	–	72	(362)
Current tax liabilities	–	–	(72)	(72)
	<u>(434)</u>	<u>–</u>	<u>–</u>	<u>(434)</u>
Net assets	<u>2,851</u>	<u>–</u>	<u>–</u>	<u>2,851</u>
Capital and reserves				
Share capital	1,036	–	–	1,036
Share premium	502	–	–	502
Merger Reserve	612	–	–	612
Shares to be issued	243	–	–	243
Retained earnings	458	–	–	458
Equity shareholders' funds	<u>2,851</u>	<u>–</u>	<u>–</u>	<u>2,851</u>

Notes to the consolidated financial statements (continued)

Group reconciliation of equity at 31 December 2006

	UK GAAP £'000	(a) Recognition of intangibles £'000	(b) Reclassification and recognition of deferred tax £'000	Other £'000	IFRS £'000
Non-current assets					
Property, plant and equipment	144	(25)	–	(14)	105
Intangible assets – goodwill	2,062	(77)	23	–	2,008
Intangible assets – other	–	76	–	–	76
Deferred tax asset	–	–	86	–	86
	<u>2,206</u>	<u>(26)</u>	<u>109</u>	<u>(14)</u>	<u>2,275</u>
Current assets					
Trade and other receivables	1,733	–	(86)	–	1,647
Cash and cash equivalents	1,596	–	–	–	1,596
	<u>3,329</u>	<u>–</u>	<u>(86)</u>	<u>–</u>	<u>3,243</u>
Total assets	<u>5,535</u>	<u>(26)</u>	<u>23</u>	<u>(14)</u>	<u>5,518</u>
Current liabilities					
Trade and other payables	(976)	–	38	–	(938)
Current tax liabilities	–	–	(38)	–	(38)
	<u>(976)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(976)</u>
Non-current liabilities					
Deferred consideration	(101)	–	–	–	(101)
Deferred tax liabilities	–	–	(15)	–	(15)
	<u>(101)</u>	<u>–</u>	<u>(15)</u>	<u>–</u>	<u>(116)</u>
Total liabilities	<u>(1,077)</u>	<u>–</u>	<u>(15)</u>	<u>–</u>	<u>(1,092)</u>
Net assets	<u>4,458</u>	<u>(26)</u>	<u>8</u>	<u>(14)</u>	<u>4,426</u>
Capital and reserves					
Share capital	1,323	–	–	–	1,323
Share premium	1,334	–	–	–	1,334
Merger Reserve	914	–	–	–	914
Foreign currency translation reserve	–	–	–	(99)	(99)
Retained earnings	887	(26)	8	85	954
	<u>4,458</u>	<u>(26)</u>	<u>8</u>	<u>(14)</u>	<u>4,426</u>
Equity shareholders' funds	<u>4,458</u>	<u>(26)</u>	<u>8</u>	<u>(14)</u>	<u>4,426</u>

Notes to the consolidated financial statements (continued)

Consolidated income statement reconciliation for the year ended 31 December 2006

	UK GAAP £'000	(a) Amortisation of intangibles £'000	(b) Deferred tax movements £'000	Other £'000	IFRS £'000
Revenue	5,894	–	–	–	5,894
Cost of sales	(1,275)	–	–	–	(1,275)
Gross profit	4,619	–	–	–	4,619
Administrative expenses	(3,874)	(26)	–	(14)	(3,914)
Other operating income	18	–	–	–	18
Operating profit	763	(26)	–	(14)	723
Finance income	26	–	–	–	26
Finance costs	(21)	–	–	–	(21)
Profit before income tax	768	(26)	–	(14)	728
Income tax expense	(105)	–	8	–	(97)
Profit attributable to equity shareholders	663	(26)	8	(14)	631

Consolidated cash flow statement for the year ended 31 December 2006

The transition from UK GAAP to IFRS does not change the reported cash flows of the Group. An IFRS cash flow statement is similar to UK GAAP but presents various cash flows in a different order from UK GAAP.

Independent auditors' report to the members of Optimisa plc

We have audited the parent company financial statements of Optimisa plc for the year ended 31 December 2007 which comprise the Balance Sheet and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Optimisa plc for the year ended 31 December 2007.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Group financial statements and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the directors is consistent with the parent company financial statements. The information given in the Report of the directors includes that specific information presented in the Chief Executive's review that is cross referred from the Principal activities and business review section of the Report of the directors.

In addition we report to you if, in our opinion, 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.

We read other information contained in the financial statements and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Highlights, the Chairman's statement, the Chief Executive's review, the Report of the directors 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 parent company 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 parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company 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 parent company 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 parent company financial statements.

Independent auditors' report to the members of Optimisa plc (continued)

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the directors is consistent with the parent company financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Leeds

21 April 2008

Parent Company Balance Sheet

	Notes	2007 £'000	2006 £'000
Fixed assets			
Tangible assets	(f)	9	11
Investments in subsidiary undertakings	(g)	9,920	2,716
		<u>9,929</u>	<u>2,727</u>
Current assets			
Debtors	(i)	6,573	1,767
Cash at bank and in hand		428	356
		<u>7,001</u>	<u>2,123</u>
Creditors – amounts falling due within one year	(k)	(902)	(50)
Net current assets		6,099	2,073
Total assets less current liabilities		16,028	4,800
Creditors – amounts falling due after more than one year	(l)	(3,097)	–
Provision for liabilities	(n)	(256)	(101)
Net assets		12,675	4,699
Capital and reserves			
Called up share capital	(o)	2,227	1,323
Share premium account	(p)	7,880	1,334
Merger reserve	(r)	914	914
Profit and loss reserve	(q)	1,654	1,128
Total shareholders' funds		12,675	4,699

The financial statements were approved by the Board of directors on 21 April 2008 and were signed on its behalf by:

Jonathan Waters
 Director

Notes to the parent company financial statements

(a) **Basis of preparation**

The parent company financial statements have been prepared under the historical cost convention in accordance with the Companies Act 1985 and with applicable accounting standards in the United Kingdom.

The financial statements contain information about Optimisa plc as an individual company and do not contain consolidated financial information as the parent of a Group. The Company has prepared consolidated financial statements under International Financial Reporting Standards (IFRS) and is therefore not required to prepare consolidated financial statements under UK Generally Accepted Accounting Practice (UK GAAP).

(b) **Accounting policies**

i. Foreign currency translation

Foreign currency transactions are translated into UK pounds using the exchange rates prevailing at the dates of such transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

ii. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Cost comprises the purchase price together with any incidental costs of acquisition.

Depreciation on tangible fixed assets is calculated to write off their cost down to their residual values over their remaining useful economic lives by annual equal instalments, as follows:

Fixtures, fittings and equipment 3 – 5 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

iii. Investments

Investments are shown at cost, including acquisition costs, less provision for impairment.

iv. Cash at bank and in hand

Cash at bank and in hand includes cash deposits on call with banks and cash in hand. Bank overdrafts are shown within creditors due within one year on the balance sheet.

v. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs. Subsequent measurement is based on amortised cost and any difference between the proceeds (net of transaction of costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest rate method.

Borrowings are classified as creditors due within one year unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

vi. Current and deferred corporation taxation

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the UK.

Deferred tax is recognised, on an undiscounted basis, in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Notes to the parent company financial statements (continued)

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

vii. Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provisions for deferred consideration on acquisitions of subsidiaries have been made based upon management's current expectation as to the outcome of the determining factors. As deferred consideration is part of the consideration for the acquisition, the amount provided for in the accounts has led to a resultant increase in the investment value associated with that acquisition.

Any revisions to the amount of deferred consideration provided for are similarly reflected by a revision to the investment value.

viii. Cash flow statement

The results and cash flows of the Company are included in the consolidated financial statements of that Company. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996).

ix. Turnover

Turnover comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company's activities. Turnover is shown net of value added tax and discounts.

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction, assessed on the basis of the actual service provided as a proportion of the total services to be provided.

x. Employee benefits

Pension obligations

The Company operates a defined contribution pension scheme. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a third party entity. The Company has no further payment obligations once the contributions have been paid.

Contributions payable to these schemes are charged to the period in which the obligation arises.

Share option scheme

The Company operates equity settled executive and employee share option arrangements and all share based remuneration is ultimately recognised as an expense in the profit and loss account with a corresponding credit to shareholders' funds. Upon exercise of the share options fulfilled by the issue of new shares, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares are allocated to share capital with any excess being recorded as share premium.

The fair value of the options is measured using a Black Scholes valuation model of options as they have non-market performance conditions.

Notes to the parent company financial statements (continued)

(c) Profit and loss account

The directors have taken advantage of the exemption available under section 230 of the Companies Act 1985 and not presented a profit and loss account for the Company. The profit for the financial year for the Parent Company was £737,000 (2006: £517,000).

(d) Dividends

	2007 £'000	2006 £'000
Equity – Ordinary		
Final 2006 paid: 2.50 pence per share (final 2005: 1.67 pence per share)	132	70
Interim 2007 paid: 1.67 pence per share (interim 2006: 1.25 pence per share)	89	65
	<u>221</u>	<u>135</u>

The dividend per share figures prior to the six for one share sub-division on 22 October 2007 have been restated to reflect the dividend per share after the share sub-division enabling the dividend per share to be comparable over the two years.

In addition the directors are proposing a final dividend in respect of the financial period ending 31 December 2007 of 3.0 pence per share which will absorb an estimated £267,000 of shareholders funds. It will be paid on 6 June 2008 to shareholders who are on the register of members on 18 April 2008.

(e) Services provided by the Company's auditor

During the year the Company obtained the following services from the Company's auditor:

	2007 £'000	2006 £'000
Fees payable to the Company auditor for the audit of the parent company and consolidated accounts	12	–
Tax services	4	–
	<u>16</u>	<u>–</u>

(f) Tangible fixed assets

	Fixtures, fittings and equipment £'000
Cost	
At 1 January 2007	17
Additions	4
At 31 December 2007	<u>21</u>
Accumulated depreciation	
At 1 January 2007	6
Charge for the year	6
At 31 December 2007	<u>12</u>
Net book amount at 31 December 2007	<u>9</u>
Net book amount at 31 December 2006	<u>11</u>

Notes to the parent company financial statements (continued)

(g) Investments in subsidiary undertakings

	2007 £'000	2006 £'000
At 1 January	2,716	2,017
Additions in the year (see note 30 in consolidated financial statements)	7,204	699
At 31 December	9,920	2,716

Investments in subsidiary undertakings are stated at cost which is the fair value of the consideration paid.

The Company's trading subsidiaries, all of which are included in the consolidated financial statements, are as follows:

Name of subsidiary undertaking	Country of incorporation	Nature of business	% of ordinary shares held by Optimisa plc
kae: marketing intelligence Limited	England & Wales	Marketing consultancy	100%
Andrew Irving Associates Limited	England & Wales	Marketing consultancy	100%
Report International Limited	England & Wales	Analysis consultancy	100%
nxtMOVE Corporation	United States of America	Marketing consultancy	100%
eq group plc	England & Wales	Holding company	99%

The following are 100% subsidiaries of eq group plc:

Name of subsidiary undertaking	Country of incorporation	Nature of business
Quaestor Research & Marketing Strategists Limited	England & Wales	Market Research
Buckingham Research Associates	England & Wales	Market Research
Summit Studios Limited	England & Wales	Market Research

(h) Financial instruments

	Loans and receivables	
	2007 £'000	2006 £'000
Assets at 31 December		
Debtors	6,492	1,678
Cash at bank and in hand	428	356
	6,920	2,034
	Other financial liabilities	
	2007 £'000	2006 £'000
Liabilities at 31 December		
Trade and other creditors	311	50
Provisions – deferred consideration	256	101
Bank loans and overdrafts (note m)	3,688	–
	4,255	151

The Company's policy is not to trade in derivatives or financial instruments, but to hedge against perceived risk where appropriate to manage interest rate and currency risks arising from its and its subsidiaries operations and from its sources of finance. At 31 December 2007 and 31 December 2006 the Company had no derivative financial instruments.

Notes to the parent company financial statements (continued)

(i) Debtors

	2007 £'000	2006 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	801	858
Deferred tax (note j)	81	89
Other debtors	73	308
Prepayments and accrued income	12	9
	<u>967</u>	<u>1,264</u>
Amounts falling due after one year		
Amounts owed by group undertakings	5,606	503
	<u>6,573</u>	<u>1,767</u>

The carrying amount of debtors is a reasonable approximation to fair value.

All debtors due within one year are unsecured, do not attract interest and are denominated in UK pounds.

Debtors due after more than one year comprises the following balances owed by group undertakings:

- £497,000 is the outstanding balance on a loan that was made to nxtMOVE Corporation. The loan is unsecured and is repayable on demand. Interest is charged on a monthly basis at a rate of 8.35%. The loan is denominated in US dollars.
- £5,109,000 is the outstanding balance on a loan that was made to eq group plc. The loan is unsecured and is repayable on demand. Interest is charged on a monthly basis at LIBOR plus 1.8%. The loan is denominated in UK pounds.

(j) Deferred tax

	2007 £'000	2006 £'000
Unrelieved tax losses	81	89

Trading losses:

The Company has excess management charges carried forward of £282,000 which give rise to the deferred tax asset of £81,000 at 31 December 2007. The directors have reviewed the expected future performance of the Company and have recognised these losses as they are expected to be utilised in the next two years.

Capital losses:

Unrelieved tax losses relating to capital disposals of approximately £13,210,000 remain available to offset against future taxable gains. The potential deferred tax asset of £3,699,000 associated with these losses has not been recognised as the directors do not expect them to be utilised in the future.

There is a change in the UK corporation tax rate which will be effective from 1 April 2008. Deferred tax relating to temporary differences which are expected to reverse prior to 1 April 2008 is measured at 30% and deferred tax relating to temporary differences expected to reverse after 1 April 2008 is measured at 28% as these are the rates that will apply on reversal.

Notes to the parent company financial statements (continued)

(k) Creditors – amounts falling due within one year

	2007 £'000	2006 £'000
Bank overdraft and borrowings (note m)	591	–
Trade creditors	30	18
Other tax and social security payable	26	19
Accruals and deferred income	255	13
	<u>902</u>	<u>50</u>

(l) Creditors – amounts falling due after more than one year

	2007 £'000	2006 £'000
Borrowings (note m)	3,097	–
	<u>3,097</u>	<u>–</u>

(m) Borrowings

	2007 £'000	2006 £'000
Due within one year or on demand:		
Bank loans and overdrafts		
Secured (a)	590	–
Unsecured (b)	1	–
	<u>591</u>	<u>–</u>
Due after more than one year:		
Bank loans		
Secured (a)	3,097	–
	<u>3,097</u>	<u>–</u>
Total Borrowings	<u>3,688</u>	<u>–</u>

(a) The secured bank loans are secured by a floating charge over the Company's and its subsidiary's UK based assets. The bank loans are stated net of unamortised issue costs of £64,000. The bank loan matures in November 2010.

(b) The unsecured borrowings comprise the bank overdraft which is subject to annual renewal.

The Company, in association with its subsidiary undertakings, has undrawn committed borrowing facilities available at 31 December 2007 in the form of secured bank loans of £750,000 (2006: £nil) available at 8.0125% in respect of which all conditions precedent had been met at that date.

All bank borrowings are denominated in UK pounds.

Notes to the parent company financial statements (continued)

(m) Borrowings (continued)

The maturity profile of the carrying amounts of the Company's borrowings is as follows:

	2007 £'000	2006 £'000
Less than one year	591	–
In more than one year but not more than two years	787	–
In more than two years but not more than five years	2,310	–
	<u>3,688</u>	<u>–</u>

All of the Company's borrowings are subject to a floating rate of interest. Interest is payable at a rate of LIBOR plus 1.8% on the bank loans and LIBOR plus 1% on the bank overdraft. The Company is therefore exposed to the effects of fluctuations in the prevailing levels of market interest rates on its cash flows. Interest costs may increase or decrease as a result of such changes.

(n) Provisions for liabilities

	Deferred consideration £'000	
At 1 January 2006	–	
Included in investments	101	
At 31 December 2006 and 1 January 2007	101	
Included in investments	147	
Charged to profit and loss account - unwinding of discount	8	
At 31 December 2007	<u>256</u>	
Provisions are analysed as follows:		
	2007 £'000	2006 £'000
Within one year	101	–
Due after one year	155	101
	<u>256</u>	<u>101</u>

Further details of deferred consideration are provided in note 23 of the consolidated financial statements.

(o) Called up share capital

	2007 £'000	2006 £'000
Authorised		
12,600,000 ordinary shares of 25p each (2006: 1,600,000 ordinary shares of 150p each)	<u>3,150</u>	<u>2,400</u>
Allotted, called up and fully paid		
8,910,090 ordinary shares of 25p each (2006: 882,151 ordinary shares of 150p each)	<u>2,227</u>	<u>1,323</u>

Further details of the movements in share capital in the year are provided in note 24 of the consolidated financial statements.

Notes to the parent company financial statements (continued)

(p)	Share premium account		
		2007	2006
		£'000	£'000
	At 1 January	1,334	502
	Premium on shares issued during the year	6,546	832
	At 31 December	7,880	1,334
(q)	Profit and loss reserve		
		2007	2006
		£'000	£'000
	At 1 January	1,128	746
	Profit for the year	737	517
	Share options	10	–
	Dividends paid (note d)	(221)	(135)
	At 31 December	1,654	1,128
(r)	Merger reserve		
			Merger Reserve
			£'000
	At 31 December 2006 and 31 December 2007		914
(s)	Reconciliation of movements in shareholders' funds		
		2007	2006
		£'000	£'000
	Profit for the year	737	517
	Dividends payable	(221)	(135)
		516	382
	Share options	10	–
	New share capital subscribed	7,446	1,000
	Shares issued for warrants	4	2
	Shares issued on acquisition of subsidiary	–	176
	Net increase in shareholders' funds	7,976	1,560
	Opening equity shareholders' funds	4,699	3,139
	Closing equity shareholders' funds	12,675	4,699

Notes to the parent company financial statements (continued)

(t) Employees and directors

	2007 Number	2006 Number
The average monthly number of persons (including executive directors) employed by the Company during the year was:	<u>9</u>	<u>7</u>

Staff costs during the year in respect of these persons were as follows:

	2007 £'000	2006 £'000
Wages and salaries	556	467
Social security costs	55	55
Other pension costs	100	55
	<u>711</u>	<u>577</u>

The aggregate remuneration of the directors of the Company for the year was £464,000 (2006: £349,000). Details of directors' remuneration are set out in note 9 of the consolidated financial statements.

(u) Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, are not disclosed in this note as the Company has taken advantage of the exemption under FRS8 not to disclose transactions between fellow Group companies.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Optimisa plc will be held at Optimisa plc, 2nd Floor, 209-215 Blackfriars Road, London SE1 8NL at 2.00 pm on 23 May 2008 for the following purposes:

ORDINARY BUSINESS

- (1) To receive the directors' report and accounts for the year ended 31 December 2007 and the auditors' report thereon.
- (2) To re-appoint J. Humpish as a Director.
- (3) To re-appoint D.B. Rankin as a Director.
- (4) To re-appoint J.D.H. Waters as a Director.
- (5) To re-appoint PricewaterhouseCoopers LLP 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 authorise the directors to agree their remuneration.
- (6) To declare a final dividend for the year ended 31 December 2007 of 3 pence per ordinary share.

SPECIAL RESOLUTION

- (7) To consider and, if thought fit, pass the following resolution as a special resolution:
That, subject to and in accordance with Article 24 of the Company's Articles of Association, the Company is hereby generally and unconditionally authorised to make market purchases for the purpose of Section 166 of the Companies Act 1985 (as defined in Section 163 of that Act) of ordinary shares of 25 pence in the capital of the Company, provided that:
 - (a) the maximum aggregate number of ordinary shares which may be purchased is 900,000;
 - (b) the minimum price which may be paid for each ordinary share is 25 pence;
 - (c) the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the closing middle market quotations of an ordinary share as shown by the Daily Official List of the London Stock Exchange for each of the five business days immediately preceding the day on which such ordinary share is contracted to be purchased; and
 - (d) the authority shall expire at the conclusion of the Annual General Meeting in 2009 or, if earlier, on 1 August 2009 (except in relation to the purchase of ordinary shares the contract for which was concluded before the expiry of such authority and which might be executed wholly or partly after such expiry) unless such authority is renewed prior to such time.

21 April 2008

BY ORDER OF THE BOARD
Optimisa plc
Company Secretary

Registered Office:

2nd Floor
209-215 Blackfriars Road
London
SE1 8NL

Notice of Annual General Meeting (continued)

Notes:

1. A member entitled to attend and vote at the meeting convened by the notice set out above is entitled to appoint a proxy (or proxies) to attend and, on a poll, to vote in his place. A proxy need not be a member of the company.
2. A form of proxy is enclosed. To be effective, it must arrive not later than 48 hours before the time set for the annual general meeting at the Capita Registrars (Proxies), PO Box 25, Beckenham, Kent BR3 4BR. You may also deliver by hand the proxy to The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU during normal business hours also to be received not later than 48 hours before the time appointed for holding the annual general meeting. Completion of the proxy does not preclude a member from subsequently attending and voting at the meeting in person if he or she so wishes.
3. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the company's register of members not later than 6.00 p.m. on 21 May 2008 or, if the meeting is adjourned, shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the adjourned meeting shall be entitled to attend and vote at the meeting.
4. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. A failure to specify the number of shares each proxy appointment relates to or specifying a number in excess of those held by you may result in the appointment being invalid.
5. In order to facilitate voting by corporate representatives at the Annual General Meeting, arrangements will be put in place at the Annual General Meeting so that:
 - (a) if a corporate member has appointed the Chairman of the Annual General Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all the other corporate representatives for that member at the Annual General Meeting, then, on a poll, those corporate representatives will give voting directions to the Chairman and the Chairman will vote or withhold a vote as corporate representative in accordance with those directions; and
 - (b) if more than one corporate representative for the same corporate member attends the Annual General Meeting but the corporate member has not appointed the Chairman of the Annual General Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

Corporate members are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives - www.icsa.org.uk - for further details of this procedure. The guidance includes a sample form of representation letter to appoint the Chairman as a corporate representative as described in (a) above. **The Institute of Chartered Secretaries and Administrators recommends the use of multiple proxies wherever possible in favour of corporate representatives.**

6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (formerly CRESTCo's) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must in order to be valid, be transmitted so as to be received by Capita Registrars (ID RA10) by no later than 2.00 p.m. on 21 May 2008. No such message received through the CREST network after this time will be accepted. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

