

Optimisa plc

Annual Report and Financial Statements
For the year ended 31 December 2008

Company Information

Company registration	3860539
Registered office	2nd Floor 209-215 Blackfriars Road London SE1 8NL
Directors	R F Littleboy, Executive Chairman & Chief Executive S J Dannatt, Director D B Rankin, Director R C Porter, Non-executive Director J Humpish, Non-executive Director
Secretary	R C Porter
Bankers	Barclays Bank plc 1 Park Row Leeds LS1 5WU
Solicitors	HRO Grant Dawe LLP One Lyric Square 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 HD8 0GA

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Highlights

- Revenue increased 55% from £11.42m in 2007 to £17.70m in 2008 reflecting the full year impact of eq group acquisition
- Gross profit up 55% from £8.09m in 2007 to £12.52m in 2008 reflecting the full year impact of eq group acquisition
- Net cash generated from operating activities of £1.7m, an increase of £0.9m from £0.8m in 2007
- Net debt decreased from £3.72m in 2007 to £2.55m in 2008, a decrease of £1.17m (31%)
- Reported loss for the period of £4.46m in 2008, a decrease of £5.46m from 2007 reported profit for the period of £1.00m
- A 10% increase in adjusted* operating profit from £1.41m in 2007 to £1.55m in 2008
- Adjusted profit before tax decreased from £1.36m to £1.19m, a decrease of 13%
- Total Shareholders equity decreased to £8.34m in 2008 from £12.65m in 2007
- In 2008 the goodwill in eq group Limited was impaired by £4.35m, reducing the carrying value of goodwill to £7.72m in 2008 from £12.07m in 2007. The goodwill balance held in nxt:MOVE Corporation was also impaired in 2008 by £0.76m (following exchange movement) to £nil

* The reported loss before tax is adjusted for the amortisation charge on customer contracts and customer relationships and impairment losses.

	2008 £000's	2007 £000's
Adjusted Operating Profit*	1,552	1,405
Net Interest Payable	(363)	(44)
Adjusted profit before tax	1,189	1,361
Income tax expense	(310)	(253)
Adjusted profit for the period	879	1,108
Goodwill & intangibles impairment	(5,214)	–
Amortisation of Intangibles	(122)	(104)
Reported (loss)/profit for the period	(4,457)	1,004
Earnings per share (pence)	(50.16)	16.65
Adjusted earnings per share (pence)	9.73	18.37

The total adjustment comprising Goodwill and intangibles impairment and Amortisation of intangibles is £5,336,000 (2007: £104,000).

Executive Chairman's statement

Despite the difficult economic conditions in the second half of 2008 our results for the year were in line with the expectations we outlined in September 2008 within the interim report for the six months ended 30 June 2008. Reported loss before tax which includes the impairments cost of £5.21m is £4.15m and the loss per share is 50.16p. Adjusted profit before tax (defined on page 2) fell 13% from £1.36m to £1.19m and adjusted earnings per share declined to 9.73p, largely due to the disappointing performance of the eq companies acquired in October 2007.

As you may recall, we took the decision to reduce costs fairly early in the economic downturn, midway through 2008, and headcount was reduced from a peak of 209 to 187 by the year end. The benefits from these actions resulted in higher margins and operating profits in the second half. However, it was already becoming clear in November 2008 that the outlook for 2009 was deteriorating sharply and the marketing budgets for 2009 of our major customers were likely to be reduced significantly. We therefore continued our focus on cash conservation and the resultant reduction in net debt. The fall in net debt from £4.33m at the half year to £2.55m at the year end was however greater than expected with the timing of some significant customer payments and the impact of beneficial exchange rates further improving the position.

Taking into account the 2008 results of eq group and the outlook for 2009, we took the decision to write down the book value of our investment in eq by £4.35m to £7.72m. Similarly the goodwill held in nxt:MOVE Corporation (nxtMOVE) was written down by £0.76m (after the impact of the exchange movement in the year) to nil. However, these are not cash items and their impact has been excluded in the calculation of adjusted profit before tax and earnings per share for the year 2008.

Our first quarter is traditionally our weakest in terms of sales and was expected to produce a small loss at the operating level in line with the previous year. However, we experienced an unprecedented drop in revenue of over 20% across the Group in the first quarter of 2009, with the operations in Asia and the USA hit particularly badly. Most of our blue chip clients have significantly cut their marketing budgets for 2009 in some cases by up to 30%. Several, especially in the financial services sector, have also gone through significant internal cost cutting and restructuring that has also delayed or re-shaped projects. This, combined with general uncertainty about the economy in the UK and in mainland Europe, created a strong reluctance to start spending the reduced budgets in the first quarter until the general economic outlook became a little clearer. We have maintained strong relationships with all of our key clients and do not believe we have lost market share in our key sectors in 2009 in our core research and consultancy businesses in the UK. The rate of decline in sales has shown recent signs of decelerating however, the overseas operations have continued to be hit particularly hard.

Against this bleak economic background, the Board felt it necessary to implement sweeping changes in the structure of the Group and its costs, in order to ensure it has a sound base from which to benefit from any recovery in demand in 2010. These measures are intended to support a return to profitability in the second half of 2009 and enable the Group to meet its existing bank covenants.

On 26 May 2009, we completed the sale of our embryonic Asian business to its management for a nominal sum and we are in discussions to sell nxtMOVE, our US operation. Both companies are currently loss-making and their disposals will result in exceptional losses but will stop any further cash drain. The sale of these loss-making businesses is also necessary in order for the Group to meet its bank covenants at 30 June 2009; keeping these businesses within the Group would necessitate the renegotiation of the terms of the Group's bank facilities or the request of a waiver of the existing covenants at 30 June 2009. Taking into account the disposal of these businesses the Group is forecasting compliance with its banking covenants as set out in note 1.1. The Group has held discussions with its bankers regarding the impact of renegotiating its covenants should this be required, and no matters have been drawn to its attention that suggest terms could not be agreed. The current facilities with the bank and future repayments are set out in note 20.

Executive Chairman's statement (continued)

We have almost completed the final integration of our three UK based research companies (Quaestor, Buckingham Research and Andrew Irving Associates) and reduced headcount by over 20% through eliminating overlap and streamlining back office and process functions. Client-facing sector specialisations will be maintained but we will focus more clearly on the sectors where we have a competitive advantage and long established expertise.

Having taken the decision to simplify the structure of the Group, we implemented a review of all head office costs. As a result there have been a number of redundancies to reduce these costs substantially. Some functions previously provided centrally have devolved down to the operating units, with only Finance and I.T now carried out at the head office. We have eliminated the Chief Operating Officer role, and the Chairman and Chief Executive Officer roles will be merged during the transition. Against this background, the Board has also decided to recommend that shareholders approve the delisting of our shares from A.I.M which will save a further, circa £100,000 pa of head office costs and this will be proposed as a special resolution at the forthcoming AGM. The full rationale of the de-listing proposal will be explained in a separate letter to be distributed with the notice of the AGM.

While business remains volatile for all operating units, our strategy of focussing our attention on our key clients, who themselves are experiencing significant challenges and both need and appreciate our help, seems to be paying off. For both KAE and Report International progress has been good in recent months with significant contract wins that look set to deliver stronger results into the rest of 2009 and beyond.

We have had to take unpleasant and harsh decisions in response to the recession and I recognise how difficult it has been for all our team. I would like to take this opportunity to thank them all for their hard work, commitment and understanding during this extremely challenging period.

R F Littleboy
Executive Chairman

Report of the directors

The directors present their report together with the audited financial statements for the year ended 31 December 2008.

Principal activities and business review

The principal activity of the Group is that of marketing consultancy. The Group's operations were located in the United Kingdom, United States of America, Singapore and China during the year. Following the disposal on 29 May 2009 of KAE: Asia, and the proposed disposal of nxtMOVE, the Group's operations are all be within the United Kingdom. The Group and the parent Company ("Company") are incorporated and domiciled in the United Kingdom. Contact details are provided within Company information on the inside front cover.

A review of the business and a review of the future developments of the Group are included in the Executive Chairman's review on pages 3 & 4.

Results and dividends

The Group made a loss after taxation for the year of £4,457,000 (2007: profit £1,004,000).

The directors do not propose the payment of a dividend in respect of the financial year ended 31 December 2008 (2007: 3.00 pence per share).

Directors

During the year the Board comprised three executive directors and three non-executive directors. On 5 May 2009 Jonathan Waters resigned as an executive director. On 11 May 2009 Simon Dannatt stepped down as Chief Executive although he remains an executive director; Ron Littleboy became Executive Chairman and Chief Executive from this date.

Ron Littleboy

Executive Chairman and Chief Executive

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 non-executive chairman in September 2002 and Executive Chairman and Chief Executive in May 2009.

Simon Dannatt

Director

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, became a managing partner in 2000 and is currently the Chairman of KAE. 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. Simon stepped down as Chief Executive in May 2009 but remains as an executive director.

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, as Managing Director of KAE, 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 one hundred employees which delivered a turnover of over £100m. Jonathan has a BA in Politics, a Diploma in Personal Management, and is MCIPD qualified. Jonathan resigned as a director and Company Secretary on 5 May 2009.

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 and, most recently, 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 Group 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 May 2009	At 31 December 2008	At 31 December 2007
R F Littleboy	909,858	710,858	511,998
S J Dannatt	1,093,148	993,148	861,936
D B Rankin	1,192,148	993,148	861,936
J D H Waters (resigned 5 May 2009)	112,410	59,394	59,394
R C Porter	–	–	–
J Humpish (appointed 26 February 2008)	–	–	–

Report of the directors (continued)

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 no less than one third of the current directors on the Board. Robert Porter and Ronald Littleboy having held office for the last two AGM, are due to retire at the AGM and will offer themselves for re-election. Ronald Littleboy, having become Executive Chairman and Chief Executive from May 2009, will offer himself for re-election as an executive director.

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

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 2008.

The Group has Enterprise Management Incentive (EMI) schemes granted in previous years (see note 24).

The only director to have an interest in the scheme was J D H Waters. His interests in the scheme were as follows:

	At 1 January 2008 Number	Granted in the year Number	At 31 December 2008 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

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:

	31 May 2009		31 December 2008	
	Number of ordinary shares	Percentage of share capital	Number of ordinary shares	Percentage of share capital
Noble Fund Managers	–	–	396,294	4.447%
ISIS Equity Partners	788,934	8.854%	788,934	8.854%
Gimle Finans AS	1,524,000	17.11%	–	–
Octopus Asset Management	–	–	1,254,000	14.08%
Dennis John Lloyd King	339,996	3.816%	339,996	3.816%
Hargreave Hale Ltd	–	–	271,200	3.044%

Report of the directors (continued)

Share purchase

Optimisa purchased 27,500 of its own shares, representing 0.3% of issued share capital and with a nominal value of £6,875, through its broker in February 2008 for a value of £42,000. Of these shares, 23,490 shares formed part of the settlement for the deferred consideration for Andrew Irving Associates Limited; the remaining 4,010 shares were placed in Treasury shares. (See notes 23, 25 and 28).

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, by internal software developers with some external input, on the development of online media analysis tools which will provide flexible and tailored online solutions for clients, as well as a number of developments in the areas of automation and on-line delivery of research data to clients.

Post balance sheet events

The Group disposed of its 80% shareholding in KAE: Asia Pacific Pte. Ltd (KAE: Asia) on 26 May 2009 to the management and minority shareholders of KAE: Asia. The shares were sold at their face value of SGD4,000 (£1,796).

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 programs.

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 programs are performed across the spectrum of the companies within the Group, exposing individual staff members to ever wider contacts within the Group.

Political and charitable donations

During the year the Group made no political or charitable donations (2007: £nil).

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

There is an ongoing process for identifying, evaluating and managing the significant risks of the Group, and this process has been in place throughout the year under review. 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.

Report of the directors (continued)

Finance strategy and liquidity

Whilst net debt was reduced by £1.17m during 2008 to a level of £2.55m at 31 December 2008, the difficult economic conditions experienced in the second half of 2008 have continued during the first half of 2009. The Board therefore closely monitors the Group's level of debt and liquidity to ensure that it meets its covenant requirements and has sufficient working capital. The annual budget setting process includes a detailed review of each subsidiary entity and holding company and consolidated budgets are approved by the Board. Costs and performance are monitored on a monthly basis against budgets. The Group generated a positive cash flow from operating activities after capital expenditure for the year of £1,481,000 (2007: £679,000).

The Group's bank borrowings are on a variable interest rate and expose the Group to interest rate fluctuations and therefore associated cash flow risks. The Group's policy continues to be that borrowings should be arranged at the lowest possible cost and with covenants within which the Group can comfortably operate. The Group's senior debt facilities are subject to quarterly compliance assessment by the bank. The Group is currently in compliance with these covenants at the year end date. The board monitors future covenant compliance through a detailed forecasting process. However the increasing severity of the downturn in 2009 has impacted profitability, adding pressure to the covenant calculations going forward. Further assessment of the financial risk policies is included within note 3 to the financial statements.

Market risk

The Group is reliant on the spend levels of its clients on market research and consultancy and also on the proportion of this spend that is with Group companies. These areas of spend are at risk of decline in the face of the current economic climate. The Group mitigates the market risk it faces by building up long-term relationships with its clients, aided by the specialism created by the client sector lines on which the business operates. Additionally the Group maintains a wide range of clients across a number of sectors. In 2008 the Group worked with 328 clients with the top 10 clients making up less than 45% of the Group's revenue.

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. The Group IT director ensures 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.

The finance systems have been upgraded to the 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 a disaster recovery plan which would enable the Group to continue operations in the light of a catastrophic event.

Report of the directors (continued)

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 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

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 (IFRSs) 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, and;
- 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.

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

Report of the directors (continued)

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent 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 parent 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

A resolution to re-appoint PricewaterhouseCoopers LLP, who have indicated their willingness to continue as auditors to the Group and parent company will be proposed at the Annual General Meeting.

Going concern

The directors, having made appropriate enquiries and considering the uncertainties noted above, and set out in more detail in note 1.1 to the financial statements, have a reasonable expectation that the Company and the Group will be able to obtain adequate resources to continue in operational existence for the foreseeable future. Accordingly the directors continue to adopt the going concern basis for preparing the financial statements.

ON BEHALF OF THE BOARD

R C Porter
Company secretary

15 June 2009

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 17 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 as and when required and is comprised of Robert Porter – Chair, Ron Littleboy and John Humpish.

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 John Humpish.

Nomination Committee

The Nomination Committee is responsible for making recommendations to the board on all new board appointments. The nomination committee is responsible for evaluating the balance of skills, knowledge and experience on the board and, in light of this evaluation, prepare a description of the role for new appointments. The Committee meets as and when required and met once in 2008 and comprises John Humpish – Chair, Ron Littleboy and Robert Porter.

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 as set out in note 1.1.

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 2008 which comprise the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, 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 2008.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) 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 Executive Chairman's statement 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 Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Highlights, the Executive Chairman's statement, the Report of the directors, the Corporate Governance statement, Company information, and all of the other information listed on the contents page. 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 IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its loss 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.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures given in note 1.1 to the financial statements concerning the ability of the Group to continue as a going concern. While the Group is currently forecasting to operate within its existing banking covenants, this is dependent on the profitability of the business. In the current economic climate, there is increased risk of over predicting profitability, and in the event the covenants were no longer met, the Group would need to renegotiate the terms of its banking facilities or obtain a waiver. The matters set out in note 1.1 to the financial statements indicate the existence of material uncertainties which may cast significant doubt over the ability of the Group to continue as a going concern. The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Leeds

15 June 2009

Consolidated income statement

	Note	2008 £'000	2007 £'000
Revenue	5	17,699	11,415
Cost of sales		(5,177)	(3,325)
Gross profit		12,522	8,090
Administrative expenses excluding depreciation, amortisation and impairments		(10,658)	(6,570)
Depreciation	16	(282)	(94)
Amortisation	15	(169)	(125)
Goodwill and intangibles impairment	15	(5,214)	–
Total administrative expenses		(16,323)	(6,789)
Other operating income		17	–
Operating (loss)/profit	9	(3,784)	1,301
Operating profit before impairments		1,430	1,301
Finance income	6	5	51
Finance costs	7	(368)	(95)
(Loss)/profit before income tax	9	(4,147)	1,257
Income tax expense	11	(310)	(253)
(Loss)/profit for the period		(4,457)	1,004
Attributable to:			
Minority interests		12	–
Equity holders of the parent		(4,469)	1,004
(Loss)/profit for the period		(4,457)	1,004
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	14	(50.16)	16.65
Diluted	14	(50.10)	16.56

The notes on pages 20 to 48 are an integral part of these consolidated financial statements.

Consolidated statement of recognised income and expense

	Note	2008 £'000	2007 £'000
Currency translation differences	25	419	(16)
Net income/(expense) recognised directly in equity		419	(16)
(Loss)/profit for the year		(4,457)	1,004
Total recognised (expense)/income for the year		(4,038)	988
Attributable to:			
Minority interests		18	–
Equity holders of the parent company		(4,056)	988
		(4,038)	988

The notes on pages 20 to 48 are an integral part of these consolidated financial statements.

Consolidated balance sheet

	Note	2008 £'000	2007 £'000
Assets			
Non-current assets			
Property, plant and equipment	16	467	651
Intangible assets – goodwill	15	9,526	14,284
Intangible assets – other	15	370	599
Deferred income tax assets	12	80	126
Total non-current assets		10,443	15,660
Current assets			
Inventories – work in progress		55	198
Current income tax recoverable		204	114
Trade and other receivables	18	3,893	4,555
Cash and cash equivalents		645	1,137
Total current assets		4,797	6,004
Total assets		15,240	21,664
Current liabilities			
Trade and other payables	19	(2,803)	(3,257)
Current income tax liabilities		(457)	(487)
Borrowings	20	(859)	(1,660)
Deferred consideration	22	(60)	(101)
Total current liabilities		(4,179)	(5,505)
Non-current liabilities			
Borrowings	20	(2,336)	(3,197)
Deferred consideration	22	(291)	(155)
Deferred income tax liabilities	12	(90)	(154)
Total non-current liabilities		(2,717)	(3,506)
Total liabilities		(6,896)	(9,011)
Net assets		8,344	12,653
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	23	2,227	2,227
Share premium	25	7,882	7,880
Merger reserve	25	914	914
Foreign currency translation reserve	25	304	(115)
Retained earnings	25	(2,990)	1,747
Equity attributable to equity shareholders of the parent	25	8,337	12,653
Minority interests		7	–
Total equity	25	8,344	12,653

The notes on pages 20 to 48 are an integral part of these consolidated financial statements. The financial statements were approved by the Board of directors on 15 June 2009 and were signed on its behalf by:

R F Littleboy
Director

Consolidated cash flow statement

	Note	2008 £'000	2007 £'000
Cash flows from operating activities:			
(Loss)/profit before income tax		(4,147)	1,257
Adjustments for:			
Depreciation	16	282	94
Amortisation	15	169	125
(Profit) on disposal of property, plant & equipment		(3)	–
Amortisation of arrangement fee		31	–
Impairments	15	5,214	–
Share option cost		5	10
Finance income	6	(5)	(51)
Finance costs	7	368	95
Foreign exchange gains on operating activities		178	–
		<hr/>	<hr/>
Operating cash flow before changes in working capital and provisions		2,092	1,530
Decrease in inventories		143	99
Decrease/(increase) in trade and other receivables		764	(787)
(Increase)/decrease in trade and other payables		(534)	63
		<hr/>	<hr/>
		2,465	905
Interest paid		(362)	(82)
Interest received		5	51
Income tax paid		(450)	(92)
		<hr/>	<hr/>
Net cash generated from operating activities		1,658	782
Cash flows from investing activities:			
Acquisition of subsidiaries, net of cash acquired		(59)	(7,945)
Acquisition of property, plant and equipment (PPE)	16	(117)	(103)
Proceeds from sale of PPE		71	11
Payments to acquire intangible assets	15	(36)	(12)
		<hr/>	<hr/>
Net cash used by investing activities		(141)	(8,049)
Cash flows from financing activities:			
Proceeds from the issue of share capital		–	7,805
Cost of share issue		–	(355)
Purchase of treasury shares	25	(42)	–
Proceeds from borrowings		–	3,686
Repayments of borrowings		(744)	(5,074)
Dividends paid to Company's shareholders		(267)	(221)
		<hr/>	<hr/>
Net cash (used by)/generated from financing activities		(1,053)	5,841
Net increase/(decrease) in cash and cash equivalents		464	(1,426)
Opening cash and cash equivalents		172	1,596
Exchange gain on cash and cash equivalents		9	2
		<hr/>	<hr/>
Closing cash and cash equivalents*		645	172

* Cash and cash equivalents at 31 December 2008 comprises cash balances of £645,000 (2007: £1,137,000) and bank overdraft balances of £nil (2007: £965,000).

The notes on pages 20 to 48 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) 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 financial statements are prepared on a going concern basis which assumes that the Group will be able to meet its liabilities as they fall due for the foreseeable future. The Group's financial position, business activities, together with the factors likely to affect its future development, performance and position are set out in the Report of the directors. In addition, notes 3 and 4 set out the Group's objectives, policies and processes for managing its financial and capital risks.

As explained in the Executive Chairman's statement on pages 3 and 4, the Group is in discussions to dispose of nxtMOVE and on the assumption that the disposal is completed by 30 June or a reasonable time thereafter, has received confirmation from its bankers that nxtMOVE's results can as a consequence be excluded from the covenant compliance calculations. On that basis the Group continues to forecast compliance with its banking covenants during the current challenging economic climate; however the covenant at 30 June 2009 is forecast to be the point with minimum headroom. Covenant compliance is dependent upon the profitability of the business which is driven by the level of sales to the Group's customers. The current economic climate has led to increased volatility in the commissioning of projects and as such an increased risk of over predicting profitability.

In the event that the covenants were no longer met the Group would need to renegotiate the terms of its banking facilities or obtain a waiver. The Group has held discussions with its bankers regarding the impact of renegotiating covenants should this be required, and no matters have been drawn to its attention that suggest terms could not be agreed. However in the event that a covenant breach occurs this could result, in extremis, in a reduction or withdrawal of facilities by the bank.

As highlighted in note 20 to the Group financial statements, the Group meets its day to day working capital requirements through an overdraft facility. The Group's bankers have formally offered renewal of the overdraft facility until 31 May 2010 which has been approved by the directors of Optimisa plc. The directors of the Group's subsidiary companies are also in the process of formally approving the renewal of the facilities at their upcoming board meetings. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility. The directors have the expectation the senior debt facility will be available until the end of the term agreement in November 2010.

Whilst the directors note that the matters set out above indicate the existence of material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern, they have reasonable expectation that the Group can operate within its existing finance arrangements and therefore consider that it is appropriate to use the going concern basis of preparation for the financial statements of the Group and the parent company. The financial statements do not include the adjustments that would result if the Group or parent company were unable to continue as a going concern.

Notes to the consolidated financial statements (continued)

1. Summary of significant accounting policies (continued)

1.1 Basis of preparation (continued)

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 2009 or later periods. The Group has not adopted any of these standards, amendments or interpretations early. Adoption of these standards is not anticipated to have any material effect on the current financial position or performance of the Group:

- Amendment to IFRS 2 Share based payments – The IASB has published an amendment to IFRS2, 'Share based payments' dealing with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only.
- IFRS 8 Operating segments – The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009.
- IAS 23 (revised) Borrowing costs – The new standard requires the capitalisation of borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use).
- IFRS 3 (revised) Business combinations – The standard continues to apply the acquisition method to business combinations, with some significant changes including:
 - All payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through income.
 - Goodwill may be calculated based on the parent's share of net assets or it may be goodwill related to minority interest.
 - All costs relating to transactions will be expensed.
- IAS 27 (revised) Consolidated and Separate Financial Statements – the standard impacts the accounts for the cost of an investment in a subsidiary, jointly controlled entity or associate

1.2 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 2008. 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 subsidiary 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.

Reserves attributable to the minority interest are presented separately.

Notes to the consolidated financial statements (continued)

1. Summary of significant accounting policies (continued)

1.3 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 Company's functional and Group's 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. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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)).

1.4 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.

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.

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.

1.5 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 by reference to the relevant cash-generating units (CGU's) and is 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.

Notes to the consolidated financial statements (continued)

1. Summary of significant accounting policies (continued)

1.5 Intangible assets (continued)

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 useful economic lives estimated at 3 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 next:MOVE Corporation, Andrew Irving Associates Limited, Report International Limited and eq group Limited 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 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 on a straight-line basis over the period of expected future benefit. During the period of development, the asset is tested annually for impairment.

1.6 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.

1.7 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.

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.

Notes to the consolidated financial statements (continued)

1. Summary of significant accounting policies (continued)

1.8 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 re-measured 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.

1.9 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 and represents external costs directly attributable to projects. The cost of work in progress comprises external direct cost of sales. Net realisable value is the estimated selling price in the ordinary course of business, less costs to complete.

1.10 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.

1.11 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.

1.12 Trade payables

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

1.13 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.

Notes to the consolidated financial statements (continued)

1. Summary of significant accounting policies (continued)

1.14 Current and deferred income tax

The charge or credit for current tax is based on the results for the year adjusted for items that are either not subject to taxation or for expenditure which cannot be deducted in computing the tax charge or credit. The tax charge or credit is calculated using taxation rates that have been enacted or substantively enacted at the balance sheet date.

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.

1.15 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 are made based upon management's 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.

1.16 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.

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.

1.17 Net debt

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

1.18 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.

Notes to the consolidated financial statements (continued)

1. Summary of significant accounting policies (continued)

1.19 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 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 is recognised on an accruals basis.

1.20 Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

1.21 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 assets, as well as the reversal of such impairments.

1.22 Employee benefits

- a) Pension obligations

Group companies 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. Changes in vesting period and non market vesting conditions are assessed on an annual basis.

Notes to the consolidated financial statements (continued)

1. Summary of significant accounting policies (continued)

1.23 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. 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.

3. 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) Foreign exchange 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 2008 no forward contracts were outstanding. In February 2009 management entered into 3 forward contracts to mitigate the risk on the future US dollar receipts.

Notes to the consolidated financial statements (continued)

3. Financial risk management (continued)

b) Interest rate risk

The Group's interest risk arises from 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

The Group's credit risk arises from outstanding receivables with customers and cash deposits with banks. 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 is subject to the risk that it will not have sufficient borrowing facilities, in the form of a bank overdraft facility and bank loans, to meet the Group's cash requirements. The Group manages this risk with weekly cash flow forecasts which extend to 31 December 2010. Funding adequacy throughout this period is demonstrated by the calculation of the headroom that the Group is forecasting to have against the overdraft facility limit at the end of each week. The Group's bank facilities, comprising its bank overdraft and bank loans, are subject to quarterly covenant tests. The Group forecasts its position against these covenant tests throughout the period to the end of the facility agreement in November 2010 to mitigate the risk of non-compliance.

4. Capital risk management

The Group is subject to the risk that its capital structure will not be sufficient to support the future operations of the business. The Group's objectives when managing capital (capital being defined as the Ordinary share capital, the share premium account, the merger reserve, the foreign currency translation reserve and the retained earnings) 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, purchase its own shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total equity. The level of gearing at 31 December 2008 is 31% (2007: 29%) which the Board considers appropriate at this time.

Notes to the consolidated financial statements (continued)

5. 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 and KAE Asia which is based in Singapore. 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.

	2008 £'000	2007 £'000
Revenue		
United Kingdom	10,118	6,025
Rest of Europe	2,439	1,163
US	4,704	4,185
Other countries	438	42
	<hr/> 17,699	<hr/> 11,415

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

	2008 £'000	2007 £'000
Total assets		
United Kingdom	14,554	20,577
Rest of Europe	–	–
US	435	1,087
Other countries	251	–
	<hr/> 15,240	<hr/> 21,664

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

	2008 £'000	2007 £'000
Capital expenditure		
United Kingdom	144	133
Rest of Europe	–	–
US	14	1
Other countries	11	–
	<hr/> 169	<hr/> 134

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

Notes to the consolidated financial statements (continued)

6. Finance income

	2008 £'000	2007 £'000
Interest receivable on bank deposits	5	51

7. Finance costs

	2008 £'000	2007 £'000
Interest payable on bank borrowings	325	82
Interest payable on finance leases	12	5
Interest payable: other	4	–
Deferred consideration: unwinding of discount (note 22)	27	8
Total finance costs	368	95

8. Directors and employees

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

	2008 Number	2007 Number
Marketing consultants	195	95
Central support staff	9	7
	204	102

Staff costs during the year including executive directors were as follows:

	2008 £'000	2007 £'000
Wages, salaries and benefits in kind	7,262	4,413
Social security costs	694	407
Other pension costs	431	216
Share option expense	5	10
	8,392	5,046

The pension cost charged to the profit and loss account in the year of £431,000 (2007: £216,000) includes an amount of £26,000 (2007: £30,000) included in liabilities at the 31 December and paid in the following year.

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

	2008 £'000	2007 £'000
Emoluments	260	365
Pension contributions	138	99
	398	464

Notes to the consolidated financial statements (continued)

8. Directors and employees (continued)

Directors' emoluments include base salary, bonus and benefits in kind. Pension contributions include one (2007: one) director whose contributions are paid into a defined contribution scheme and two directors (2007: two) 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:

	2008 £'000	2007 £'000
Emoluments	104	139
Pension contribution	64	28
	<u>168</u>	<u>167</u>

9. Loss before income taxation

	2008 £'000	2007 £'000
The following items have been included in arriving at loss before income tax:		
Research and development costs	27	52
Amortisation of deferred development costs (note 15)	16	7
Employee benefits expense (note 8)	8,392	5,046
Depreciation of property, plant and equipment (note 16):		
– Owned assets	198	76
– Under finance leases	84	18
Amortisation of intangible assets (note 15)	169	125
Cost of inventories recognised as an expense	1,933	607
Foreign currency exchange gains	(238)	–
Operating lease payments	568	364
Disposal of property plant and equipment	(3)	–
	<u> </u>	<u> </u>

10. 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:

	2008 £'000	2007 £'000
Fees payable to Company auditor for the audit of the parent company and consolidated financial accounts	9	12
Fees payable to Company auditor for other services:		
– audit of Company's subsidiaries pursuant to legislation	54	42
– tax compliance services	13	11
	<u>76</u>	<u>65</u>

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

Notes to the consolidated financial statements (continued)

11. Income tax expense

Analysis of charge in year	2008 £'000	2007 £'000
Current tax:		
– current year		
– adjustment in respect of previous years	351 (23)	293 1
Total current tax	<u>328</u>	<u>294</u>
Deferred tax (note 12):		
– Origination and reversal of temporary differences	(98)	(46)
– Utilisation of previously recognised tax losses	81	8
– Impact of change in UK tax rate	(20)	1
– Adjustment in respect of previous years	19	(4)
Total deferred tax	<u>(18)</u>	<u>(41)</u>
Total income tax charge	<u>310</u>	<u>253</u>

Tax reconciliation

The standard rate of corporation tax in the UK changed from 30% to 28% on 1 April 2008 giving an effective rate for the year of 28.5%. The tax for the year is higher (2007: lower) than the effective rate, the differences are explained below:

	2008 £'000	2007 £'000
(Loss)/profit before tax	<u>(4,147)</u>	<u>1,257</u>
Loss on ordinary activities multiplied by rate of corporation tax in the UK of 28.5% (2007: 30%)	(1,182)	377
Effects of:		
Higher rate of tax payable in foreign countries	–	8
Expenses not deductible for tax purposes	1,435	7
Impact of change in UK tax rate	(20)	–
Utilisation/(recognition) of previously unrecognised tax losses	81	(136)
Adjustments in respect of previous years	(4)	(3)
Total income tax charge	<u>310</u>	<u>253</u>

Notes to the consolidated financial statements (continued)

12. Deferred tax

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

	2008 £'000	2007 £'000
Deferred tax asset		
Tax losses carried forward	27	103
Depreciation in excess of capital allowances	53	23
	<u>80</u>	<u>126</u>
Deferred tax liability		
Accelerated capital allowances	4	5
Acquisition fair value adjustments	86	149
	<u>90</u>	<u>154</u>

Trading losses:

The balance for deferred tax losses carried forward at 31 December 2008 relates to trading losses carried forward in Optimisa plc and Report International Limited, the deferred tax asset in each company being £3,000 and £24,000 respectively (2007: £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.

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 at 28% 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:

	2008 £'000	2007 £'000
Deferred tax asset		
At 1 January	126	86
(Charged)/credited to the income statement	(46)	14
On acquisition of subsidiary	–	26
	<u>80</u>	<u>126</u>
At 31 December	<u>80</u>	<u>126</u>
	2008 £'000	2007 £'000
Deferred tax liability		
At 1 January	154	15
Credited to the income statement	(64)	(27)
On acquisition of subsidiary	–	166
	<u>90</u>	<u>154</u>
At 31 December	<u>90</u>	<u>154</u>

Notes to the consolidated financial statements (continued)

13. Ordinary dividends

	2008 £'000	2007 £'000
Equity – ordinary		
Final 3.0p per share (final 2006: 2.5p per share)	267	132
Interim paid 0.0p per share (interim 2007: 1.67p per share)	–	89
	<u>267</u>	<u>221</u>

The directors do not propose the payment of a dividend in respect of the financial year ending 31 December 2008.

14. (Loss)/earnings per share

	2008 pence	2007 pence
Basic (loss)/earnings per ordinary share	(50.16)	16.65
Diluted earnings per ordinary share	(50.10)	16.56
Adjusted earnings per share	<u>9.73</u>	<u>18.37</u>

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 and impairment losses.

Notes to the consolidated financial statements (continued)

14. (Loss)/earnings per share (continued)

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

	2008		2007	
	Earnings £'000	Weighted average number of shares	Earnings £'000	Weighted average number of shares
Basic EPS				
(Loss)/Profit and weighted average number of ordinary shares for basic earnings per share	(4,469)	8,910,090	1,004	6,031,243
Diluted EPS				
Adjustment for share options	–	10,646	–	32,168
(Loss)/Profit and weighted average number of shares for diluted earnings per share	(4,469)	8,920,736	1,004	6,063,411
Adjusted EPS				
Adjustment for customer contracts and relationships amortisation and impairments	5,336	–	104	–
(Loss)/Profit and weighted average number of shares for adjusted earnings per share	867	8,910,090	1,108	6,031,243

15. Intangible assets

	Goodwill £'000	Computer software £'000	Customer contracts and rela- tionships £'000	Develop- ment £'000	Total £'000
Cost					
At 1 January 2008	14,284	63	659	40	15,046
Acquisition of subsidiaries	26	1	–	–	27
Additions	110	36	–	–	146
Currency movement	222	1	–	–	223
At 31 December 2008	14,642	101	659	40	15,442
Accumulated amortisation					
At 1 January 2008	–	26	130	7	163
Charge for the year	–	31	122	16	169
Impairment	5,116	–	98	–	5,214
At 31 December 2008	5,116	57	350	23	5,546
Net book amount at 31 December 2008	9,526	44	309	17	9,896

Notes to the consolidated financial statements (continued)

15. Intangible assets (continued)

	Goodwill £'000	Computer software £'000	Customer contracts and rela- tionships £'000	Develop- ment £'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

The currency movements in the year are as a result of movements in the US dollar and Singapore dollar exchange rates with pound sterling, US dollar being the functional currency of nxtMOVE, Singapore dollar being the functional currency of KAE Asia and pound sterling being the presentational currency of these Group accounts.

Customer contracts and relationships

In the year there has been an indication of impairment of some of the customer relationships following a decline in the sales made to these customers. Impairment tests were then carried out on all customer relationship assets and a number were identified as no longer having sufficient current and expected future sales to support their carrying value in the accounts. The carrying value of these customer relationships has been reduced to their recoverable amount and as a result customer relationships have been impaired by £98,000 in the year.

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:

Notes to the consolidated financial statements (continued)

15. Intangible assets (continued)

	2008 £'000	2007 £'000
kae: marketing intelligence Limited	1,304	1,304
nxt:MOVE Corporation	–	542
Andrew Irving Associates Limited	154	154
Report International Limited	322	212
eq group Limited	7,720	12,072
KAE Asia Pacific Pte Limited	26	–
	9,526	14,284

The recoverable amount of a CGU is determined based on value-in-use calculations. Following the annual impairment reviews of all goodwill balances, an impairment charge of £4,352,000 has been made to the goodwill balance attributable to eq group Limited and an impairment charge, following exchange movement, of £763,000 has been made to the goodwill balance held in nxt:MOVE Corporation. Expected future revenues from eq group and nxt:MOVE have reduced following a decline in spend by a number of clients.

The value-in-use calculation uses pre-tax cash flow projections for years 1 to 5 with year 5 then being taken to perpetuity. The key assumptions are the projected level of sales, gross margin, employee costs and the annual growth rate of 3%. The discount rate of 8% 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.

If key assumptions are changed in this value in use model the recoverable amount of the goodwill attributable to eq group Limited would also change as follows:

- If the discount rate used is increased by 1% to 9% the recoverable amount decreases by £1,427,000.
- If forecasted EBITDA is decreased by 1%, the recoverable amount decreases by £85,000.
- If the annual growth rate is decreased by 1% to 2% the recoverable amount decreases by £1,209,000.
- If the gross revenue and direct costs of sale are reduced by 1% the recoverable amount decreases by £731,000.

Notes to the consolidated financial statements (continued)

16. Property, plant and equipment

	Short Leasehold Property £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2008	148	435	218	801
Acquisition of subsidiaries	3	12	–	15
Additions	5	112	16	133
Disposals	(3)	–	(96)	(99)
Currency movement	15	19	–	34
At 31 December 2008	168	578	138	884
Accumulated depreciation				
At 1 January 2008	23	114	13	150
Charge for the year	40	181	61	282
Disposals	(2)	–	(29)	(31)
Currency movement	8	8	–	16
At 31 December 2008	69	303	45	417
Net book amount at 31 December 2008	99	275	93	467
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

Assets held under finance lease

The net book amount of property, plant and equipment held under finance leases at 31 December 2008 was £115,000 (2007: £271,000). The cost of these assets was £199,000 (2007: £289,000) and the accumulated depreciation was £84,000 (2007: £18,000).

Acquisition of subsidiaries

£15,000 was the fair value on the date of acquisition (1 May 2008) of the property, plant and equipment held by KAE Asia Pacific Pte Ltd.

Notes to the consolidated financial statements (continued)

17. Financial instruments

	Loans and receivables	
	2008	2007
	£'000	£'000
At 31 December – Assets as per balance sheet		
Trade and other receivables	2,930	3,699
Cash and cash equivalents	645	1,137
	<u>3,575</u>	<u>4,836</u>
	Other financial liabilities	
	2008	2007
	£'000	£'000
At 31 December – Liabilities as per balance sheet		
Trade and other payables	1,429	1,649
Deferred consideration	351	256
Borrowings	3,195	4,857
	<u>4,975</u>	<u>6,762</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 long term recurring 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 of less than £10,000. Further detail on how the directors manage credit risk is provided in note 3.

18. Trade and other receivables – current

	2008	2007
	£'000	£'000
Trade receivables	2,876	3,591
Less: provision for impairment of trade receivables	(26)	(20)
Trade receivables net of provision for impairment	<u>2,850</u>	<u>3,571</u>
Other receivables	80	128
Prepayments and accrued income	963	856
	<u>3,893</u>	<u>4,555</u>

Trade receivables are non-interest bearing and are generally on 30-90 days terms. Trade receivables that are past due are reviewed individually for impairment. At 31 December 2008, trade receivables of £1,664,000 (31 December 2007: £1,828,000) were fully performing, trade receivables of £1,186,000 (31 December 2007: £1,743,000) were past due but not considered to be impaired, and trade receivables of £26,000 (31 December 2007: £20,000) were impaired and provided for. The receivables that are not considered to be impaired relate to a number of independent customers for whom there is no history of default.

Notes to the consolidated financial statements (continued)

18. Trade and other receivables – current

The ageing analysis of trade receivables is as follows:

	Total £'000	Fully performing £'000	Past due but not impaired Up to 3 months £'000	Past due and provided for 3-6 months £'000	Past due and provided for 3-6 months £'000
31 December 2008	2,876	1,664	973	213	26
31 December 2007	3,591	1,828	1,371	372	20

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

	2008 £'000	2007 £'000
Pounds	2,602	3,830
Euros	221	213
US dollar	1,028	512
Singapore dollar	42	–
	<u>3,893</u>	<u>4,555</u>

19. Trade and other payables – current

	2008 £'000	2007 £'000
Trade payables	881	875
Social security and other taxes	548	774
Accruals and deferred income	1,374	1,608
	<u>2,803</u>	<u>3,257</u>

20. Borrowings

	2008 £'000	2007 £'000
Current		
Bank overdrafts – unsecured (b)	–	965
Bank borrowings – secured (a)	786	590
Finance lease obligations (note 21)	73	105
	<u>859</u>	<u>1,660</u>

Notes to the consolidated financial statements (continued)

20. Borrowings (continued)

	2008 £'000	2007 £'000
Non-current		
Bank borrowings – secured (a)	2,310	3,096
Finance lease obligations (note 21)	26	101
	2,336	3,197

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 £35,000 (2007: £64,000) and additional capitalised bank charges of £19,000 (2007: £nil). 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. The overdraft facility is £1,000,000 (2007: £1,000,000).

All bank borrowings are denominated in UK pounds.

The bank overdraft is subject to a floating rate of interest of UK Base rate plus a margin of 5% (2007: UK Base rate plus a margin of 1.25%).

The bank loans are subject to a floating rate of interest of LIBOR plus a margin plus a cost of funds. The margin in 2008 was 1.8% to 9th October 2008 and on the revision of the loan facilities was amended to a margin of 2.5%.

The finance leases are subject to fixed rates of interest. The effective interest rates at the balance sheet dates of borrowings were as follows:

	2008	2007
Bank overdraft	3.25%	6.5%
Bank borrowings	4.9847%	8.0125%
Finance leases	7.94%	7.79%

The maturity profile of the contractual payments, including finance charges, of the Group's financial liabilities as at 31 December 2008 is as follows:

	Less than 1 year £'000	1-2 years £'000	2-3 years £'000	3-5 years £'000	Total £'000
Bank overdraft	–	–	–	–	–
Trade and other payables	2,803	–	–	–	2,803
Bank loans	942	2,453	–	–	3,395
Finance lease obligations	77	21	4	2	104
Total	3,822	2,474	4	2	6,302

Notes to the consolidated financial statements (continued)

20. Borrowings (continued)

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

	Less than 1 year £'000	1-2 years £'000	2-3 years £'000	3-5 years £'000	Total £'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

21. Obligations under finance leases

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

	2008 £'000	2007 £'000
Not later than one year	77	117
After one year but not more than five years	27	106
	104	223
Less finance charges allocated to future periods	(5)	(17)
Present value of minimum finance lease payments	99	206

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

	2008 £'000	2007 £'000
Not later than one year	73	105
After one year but not more than five years	26	101
	99	206

22. Deferred consideration

	£'000
At 1 January 2007	101
Included in cost of acquisition	147
Charged to income statement – unwinding of discount	8
At 31 December 2007 and 1 January 2008	256
Revision of earn-out liability	109
Charged to income statement – unwinding of discount (note 7)	27
Settled during the year	(41)
At 31 December 2008	351

Notes to the consolidated financial statements (continued)

22. Deferred consideration (continued)

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

	2008 £'000	2007 £'000
Current	60	101
Non-current	291	155
	351	256

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 2008 financial year. A provision for the maximum amount payable of £60,000 has been made at 31 December 2008 (31 December 2007: £101,000). This has not been discounted as the effect is not material.

During the year £41,000 of deferred consideration was settled in relation to the acquisition of Andrew Irving Associates Limited; £3,000 was settled in cash and £38,000 was settled in ordinary equity shares in Optimisa plc (see note 23).

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 £291,000 has been made at 31 December 2008 (2007: £155,000) which represents the discounted value of the estimated amount payable. A discount rate of 8% 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. The earn-out liability has been revised at 31 December 2008 following the 2008 actual result being above that previously forecasted combined with an increase in the forecasted result for 2009. This revision resulted in an increase in the provision of £109,000.

23. Ordinary shares

	2008 £'000	2007 £'000
Authorised		
12,600,000 ordinary shares of 25p each	3,150	3,150
Allotted, called up and fully paid		
8,910,090 ordinary shares of 25p each	2,227	2,227

During the year the Group acquired 27,500 of its own shares with a nominal value £6,875 for a total cost of £42,000. 23,490 of these shares with a nominal value of £5,873 formed part of the settlement to a related party of the deferred consideration for Andrew Irving Associates Limited (see notes 22 & 28). The remaining 4,010 shares with a nominal value of £1,003 are held in treasury shares within reserves at 31 December 2008.

Notes to the consolidated financial statements (continued)

24. Share options

The Group had the following outstanding options over its ordinary shares of 25 pence each;

Share Option Scheme	Exercise period	Exercise price per share	2008 Number	2007 Number
Share Option Scheme	February 2000 to February 2010	25p	14,166	14,166
Enterprise Management Incentive Scheme	March 2007 to March 2010	150p	39,000	39,000
	March 2008 to March 2011	150p	39,000	39,000
			92,166	92,166

The charge to the income statement in the year in relation to outstanding options over the Group's ordinary shares is £5,000 (2007: £10,000).

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.

25. Statement of changes in shareholders' equity

	Number of shares	Ordinary Shares £'000	Share Premium £'000	Merger Reserve £'000	Foreign Currency Translation Reserve £'000	Retained Earnings £'000	Minority Interests £'000	Total £'000
Balance at 1 January 2008	8,910,090	2,227	7,880	914	(115)	1,747	–	12,653
Minority interests in acquisitions	–	–	–	–	–	–	(5)	(5)
Share options	–	–	–	–	–	5	–	5
Dividends paid	–	–	–	–	–	(267)	–	(267)
Own shares purchased	–	–	–	–	–	(42)	–	(42)
Own shares transferred	–	–	2	–	–	36	–	38
(Loss)/profit for the year	–	–	–	–	–	(4,469)	12	(4,457)
Foreign exchange translation differences	–	–	–	–	419	–	–	419
Balance at 31 December 2008	8,910,090	2,227	7,882	914	304	(2,990)	7	8,344

Notes to the consolidated financial statements (continued)

25. Statement of changes in shareholders' equity (continued)

	Number of shares	Ordinary Shares £'000	Share Premium £'000	Merger Reserve £'000	Foreign Currency Translation Reserve £'000	Retained Earnings £'000	Minority Interests £'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

During the year the Group acquired 27,500 of its own shares with a nominal value £6,875 for a total cost of £42,000. 23,490 of these shares with a nominal value of £5,873 formed part of the settlement to a related party of the deferred consideration for Andrew Irving Associates Limited (see notes 22 & 28). The remaining 4,010 shares with a nominal value of £1,003 are held in treasury shares within reserves at 31 December 2008. There has been a reduction in distributable reserves of £6,000 being the net consideration paid for the remaining treasury shares.

The merger reserve, which is non-distributable, arose on the acquisition of kae: 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.

26. Reconciliation of movement in net debt

	2008 £'000	2007 £'000
Decrease/(increase) in cash and cash equivalents excluding cash acquired with acquisitions	(446)	464
Cash flows from decrease in debt	(728)	(1,370)
Decrease in net debt resulting from cash flow	(1,174)	(906)
(Decrease)/increase in net debt on acquisition of subsidiaries	(27)	6,221
Non-cash movement	31	–
Effect of exchange rate fluctuations on net debt	–	1
(Decrease)/increase in net debt in the year	(1,170)	5,316
Net debt/(funds) at beginning of year	3,720	(1,596)
Net debt at end of year	2,550	3,720

Notes to the consolidated financial statements (continued)

27. Operating lease commitments

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

	2008 Land and buildings £'000	2007 Land and buildings £'000
Due within one year	614	–
Due between one year and five years	816	979
Due beyond five years	–	642
	1,430	1,621

28. 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 8.

Transactions between the Company and its subsidiaries are eliminated on preparation of the consolidated financial statements of the Group. During the year the Group transferred to a related party, Charles Andrew Irving, a director of Andrew Irving Associates Limited, 23,490 ordinary equity shares in the Group out of treasury shares in settlement of the deferred consideration owing in relation to the acquisition of Andrew Irving Associates Limited. The Group also paid Dorothy Irving, Nicola Spicer and Ian Sparham, all directors of Andrew Irving Associates Limited, £1,898, £758 and £758 respectively in cash in settlement of the deferred consideration owing in relation to the acquisition of Andrew Irving Associates Limited.

There are no other material related party transactions in the year ended 31 December 2008 (2007: £Nil).

29. Business combinations

The following acquisitions were made during the year:

KAE: Asia Pacific Pte. Ltd

On 1 May 2008, the Group exercised its option, as contained in an agreement entered into on 18 January 2008, to acquire 80% of the issued share capital of KAE: Asia Pacific Pte. Ltd (KAE Asia), formerly Frontstate Pte. Ltd, a company based and incorporated in Singapore. The consideration payable was the face value of the shares of SGD4,000 which translates to £1,492 at the exchange rate prevailing on 1 May 2008 of SGD2.681: £1.00. This amount has been included in the inter-company account between Optimisa and KAE Asia.

KAE Asia provides marketing intelligence to a number of blue chip clients in Asia and has grown rapidly since its incorporation on 29 November 2007. KAE Asia has one 100% owned subsidiary, KAE Greater China Ltd, which to date has not operated.

KAE Asia contributed revenues of £590,000 and a profit before tax of £79,000 for the period from 1 May 2008 to 31 December 2008. The impact on the Group's revenue and profit would have been £784,000 and £95,000 if the acquisition had occurred on 1 January 2008. KAE Asia's first set of accounts will be prepared for the 13 month period from the date of incorporation to 31 December 2008.

Notes to the consolidated financial statements (continued)

29. Business combinations (continued)

The total cost of the acquisition and the cash outflow as at 31 December 2008 was as follows:

	£'000
Consideration	1
Acquisition costs	7
Total cost of acquisition	8
	£'000
Professional fees paid	(7)
Cash in subsidiary acquired	27
Cash inflow on acquisition	20

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	10	5	15
Total non-current assets	10	5	15
Current assets			
Trade and other receivables	43	59	102
Cash at bank	26	1	27
Total current assets	69	60	129
Total assets	79	65	144
Current liabilities			
Trade and other payables	(133)	(34)	(167)
Total current liabilities	(133)	(34)	(167)
Net (liabilities)/assets	(54)	31	(23)
Minority Interests (20%)			(5)
Net liabilities acquired			(18)
Fair value of consideration			8
Goodwill			26

Notes to the consolidated financial statements (continued)

29. Business combinations (continued)

The goodwill that has arisen on the combination can be partly attributed to the workforce of KAE Asia, which at acquisition comprised 9 people, which cannot be recognised as an intangible asset under IAS 38, “Intangible Assets”. Additionally there is expected to be an increase in activity resulting from membership in Optimisa Group for KAE Asia as its geographical location will enable it to win new and additional work from existing customers of the Optimisa Group.

eq group Limited (formerly eq group plc)

An additional amount of £4,000 has been recognised in relation to the acquisition of eq group Limited during the year ended 31 December 2008 as a result of an additional acquisition cost being incurred. This has been partially offset by an adjustment of £3,000 increasing the fair value of the net assets acquired.

Report International Limited

An additional amount of £109,000 has been recognised in relation to the acquisition of Report International Limited during the year ended 31 December 2008 as a result of a revision in the estimate of deferred consideration payable.

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 2008 which comprise the parent company 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 2008.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report 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 statement 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 Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Highlights, the Chief Executive's statement, the Report of the directors, the Corporate Governance statement, the Company information and all of the other information listed on the contents page. 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 2008;
- 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.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures given in note (a) to the Company financial statements concerning the ability of the Company to continue as a going concern. While the Company is currently forecasting to operate within its existing banking covenants, this is dependent on the profitability of the Group. In the current economic climate, there is increased risk of over predicting profitability, and in the event the covenants were no longer met, the Company would need to renegotiate the terms of its banking facilities or obtain a waiver. The matters set out in note (a) to the financial statements indicate the existence of material uncertainties which may cast significant doubt over the ability of the Company to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Leeds

15 June 2009

Parent Company Balance Sheet

	Notes	2008 £'000	2007 £'000
Fixed assets			
Tangible assets	(f)	50	9
Investments in subsidiary undertakings	(g)	5,689	9,920
		<u>5,739</u>	<u>9,929</u>
Current assets			
Debtors	(i)	7,368	6,573
Cash at bank and in hand		10	428
		<u>7,378</u>	<u>7,001</u>
Creditors – amounts falling due within one year	(k)	(1,282)	(902)
Net current assets		6,096	6,099
Total assets less current liabilities		11,835	16,028
Creditors – amount falling due after more than one year	(l)	(2,310)	(3,097)
Provision for liabilities	(n)	(351)	(256)
Net assets		9,174	12,675
Capital and reserves			
Called up share capital	(o)	2,227	2,227
Share premium account	(p)	7,882	7,880
Merger reserve	(r)	914	914
Profit and loss reserve	(q)	(1,849)	1,654
Total shareholders' funds	(s)	9,174	12,675

The notes on pages 52 to 62 are an integral part of these parent company financial statements. The financial statements were approved by the Board of directors on 15 June 2009 and were signed on its behalf by:

R F Littleboy
 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 Group has prepared consolidated financial statements under International Financial Reporting Standards (IFRSs) and is therefore not required to prepare consolidated financial statements under UK Generally Accepted Accounting Practice (UK GAAP).

The financial statements are prepared on a going concern basis which assumes that the company will be able to meet its liabilities as they fall due for the foreseeable future. The Group's financial position, business activities, together with the factors likely to affect its future development, performance and position are set out in the Report of the directors in the Group financial statements. In addition, notes 3 and 4 of the Group financial statements set out the Group's objectives, policies and processes for managing its financial risks.

As explained in the Executive Chairman's statement in the Group financial statements, the Company is in discussions to dispose of nxtMOVE and on the assumption that the disposal is completed by 30 June or a reasonable time thereafter, has received confirmation from its bankers that nxtMOVE's results can as a consequence be excluded from the covenant compliance calculations. On that basis the Company continues to forecast compliance with its banking covenants during the current challenging economic environment; however the covenant at 30 June is forecast to be the point with the minimum headroom. Covenant compliance is dependent upon the profitability of the business which is driven by the level of sales to the Group's customers. The current economic climate has led to increased volatility in commissioning of projects and as such an increased risk over predicting profitability.

In the event that the covenants were no longer met the Company would need to renegotiate the terms of its banking facilities. The Company has held discussions with its bankers regarding the impact of renegotiating covenants should this be required, and no matters have been drawn to its attention that suggest terms could not be agreed. However, in the event that a covenant breach occurs this could result, in extremis, in a reduction or withdrawal of facilities by the bank.

As highlighted in note 20 to the Group financial statements, the Company meets its day to day working capital requirements through an overdraft facility. The Group's bankers have formally offered renewal of the overdraft facility until 31 May 2010 which has been approved by the directors of Optimisa plc. The directors of the Group's subsidiary companies are also in the process of formally approving the renewal of the facilities at their upcoming board meetings. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility. The directors have the expectation that the senior debt facility will be available until the end of the term agreement in November 2010.

Whilst the directors note that the matters set out above indicate the existence of material uncertainties which may cast significant doubt over the Company's ability to continue as a going concern, they have a reasonable expectation that the Company can operate within its existing finance arrangements and therefore consider that it is appropriate to use the going concern basis of preparation for the financial statements of the Company. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

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.

Notes to the Parent Company financial statements (continued)

b) Accounting policies (continued)

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 contributes to 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.

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 loss for the financial year for the Parent Company was £3,235,000 (2007: profit of £737,000). The loss for the year includes an exceptional impairment cost of £4,353,000 in relation to the investment held in eq group Limited.

d) Dividends

	2008 £'000	2007 £'000
Equity – ordinary		
Final 3.0p per share (final 2006: 2.5p per share)	267	132
Interim paid 0.0p per share (interim 2007: 1.67p per share)	–	89
	267	221

The directors do not propose the payment of a dividend in respect of the financial year ending 31 December 2008.

Notes to the Parent Company financial statements (continued)

e) Services provided by the Company's auditor

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

	2008 £'000	2007 £'000
Fees payable to the Company auditor for the audit of the parent company and consolidated accounts	9	12
Tax services	2	4
	<u>11</u>	<u>16</u>

f) Tangible fixed assets

	Fixtures, fittings and equipment £'000
Cost	
At 1 January 2008	21
Additions	57
At 31 December 2008	<u>78</u>
Accumulated depreciation	
At 1 January 2008	12
Charge for the year	16
At 31 December 2008	<u>28</u>
Net book amount at 31 December 2008	<u>50</u>
Net book amount at 31 December 2007	<u>9</u>

g) Investments in subsidiary undertakings

	2008 £'000	2007 £'000
At 1 January	9,920	2,716
Additions in the year (see note 29 in consolidated financial statements)	122	7,204
Impairment of investment in eq group Limited	(4,353)	–
At 31 December	<u>5,689</u>	<u>9,920</u>

Investments in subsidiary undertakings are stated at cost less accumulated impairment losses which is the lower of the fair value of the consideration paid or the fair value of the investment. The impairment of the investment in eq group Limited was calculated using value-in-use calculations. These calculations use pre-tax cash flow projections for years 1 to 5 with year 5 then being taken to perpetuity. The value-in-use calculation uses pre-tax cash flow projections for years 1 to 5 with year 5 then being taken to perpetuity. The key assumptions are the projected level of sales, gross margin, employee costs and the annual growth rate of 3%. The discount rate of 8% 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 Parent Company financial statements (continued)

g) Investments in subsidiary undertakings (continued)

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 Limited	England & Wales	Holding company	100%
KAE: Asia Pacific Pte. Ltd	Singapore	Marketing consultancy	80%

The following are 100% subsidiaries of eq group Limited:

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	
	2008	2007
	£'000	£'000
Assets at 31 December		
Debtors (note i)	7,353	6,480
Cash at bank and in hand	10	428
	<u>7,363</u>	<u>6,908</u>
	Other financial liabilities	
	2008	2007
	£'000	£'000
Liabilities at 31 December		
Trade and other creditors (note k)	69	56
Provisions – deferred consideration (note n)	351	256
Bank loans and overdrafts (note m)	3,459	3,688
	<u>3,879</u>	<u>4,000</u>

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 2008 and 31 December 2007 the Company had no derivative financial instruments.

Notes to the Parent Company financial statements (continued)

i) Debtors

	2008 £'000	2007 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	1,158	801
Deferred tax (note j)	4	81
Other debtors	8	73
Prepayments and accrued income	11	12
	<hr/> 1,181	<hr/> 967
Amounts falling due after one year		
Amounts owed by group undertakings	6,187	5,606
	<hr/> 7,368	<hr/> 6,573

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

All debtors due within one year are unsecured and do not attract interest. £75,000 is denominated in US dollars and £1,106,000 is denominated in UK pounds (2007: £967,000 denominated in UK pounds).

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

- £598,000 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% per annum. The loan is denominated in US dollars.
- £5,499,000 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 an annual rate of LIBOR plus 2.5%. The loan is denominated in UK pounds.
- £90,000 is the outstanding balance on a loan that was made to KAE: Asia Pte. Ltd. The loan is unsecured and is repayable on demand on or after 18 April 2009. Interest is charged on a monthly basis at 10% per annum. The loan is denominated in UK pounds.

j) Deferred tax

	2008 £'000	2007 £'000
Unrelieved tax losses	3	81
Depreciation in excess of capital allowances	1	–
	<hr/> 4	<hr/> 81

Trading losses:

The Company has excess management charges carried forward of £11,000 (2007: £282,000) which give rise to the deferred tax asset of £3,000 at 31 December 2008 (2007: £81,000). 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 (2007: £13,210,000) remain available to offset against future taxable gains. The potential deferred tax asset of £3,699,000 (2007: £3,699,000) associated with these losses has not been recognised as the directors do not expect them to be utilised in the future.

Notes to the Parent Company financial statements (continued)

k)	Creditors – amounts falling due within one year		
		2008	2007
		£'000	£'000
	Bank overdraft and borrowings (note m)	1,149	591
	Trade creditors	37	30
	Other tax and social security payable	32	26
	Accruals and deferred income	64	255
		<u>1,282</u>	<u>902</u>
l)	Creditors – amounts falling due after more than one year		
		2008	2007
		£'000	£'000
	Borrowings (note m)	2,310	3,097
m)	Borrowings		
		2008	2007
		£'000	£'000
	Due within one year or on demand:		
	Bank loans and overdrafts		
	Secured (a)	786	590
	Unsecured (b)	363	1
		<u>1,149</u>	<u>591</u>
	Due after more than one year:		
	Bank loans		
	Secured (a)	2,310	3,097
	Total Borrowings	<u>3,459</u>	<u>3,688</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 £35,000 (2007: £64,000) and additional capitalised bank charges of £19,000 (2007: £nil). The bank loan matures in November 2010.

(b) The unsecured borrowings comprise the bank overdraft which is subject to annual renewal. The overdraft facility is £1,000,000 (2007: £1,000,000).

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:

	2008 £'000	2007 £'000
Less than one year	1,149	591
In more than one year but not more than two years	2,310	787
In more than two years but not more than five years	–	2,310
	3,459	3,688

All of the Company's borrowings are subject to a floating rate of interest. Interest is payable at a rate of LIBOR plus 2.5% on the bank loans and UK Base rate plus 5% (2007: UK base rate plus 1.25%) 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 2007	101
Included in cost of acquisition	147
Charged to income statement – unwinding of discount	8
	256
At 31 December 2007 and 1 January 2008	256
Revision to earn-out calculation	109
Charged to income statement – unwinding of discount	27
Settled during the year	(41)
	351
At 31 December 2008	351

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

	2008 £'000	2007 £'000
Current	60	101
Non-current	291	155
	351	256

Further details of deferred consideration are provided in note 22 of the consolidated financial statements.

Notes to the Parent Company financial statements (continued)

o) Called up share capital

	2008 £'000	2007 £'000
Authorised		
12,600,000 ordinary shares of 25p each (2007: 12,600,000 ordinary shares of 25p each)	3,150	3,150
Allotted, called up and fully paid		
8,910,090 ordinary shares of 25p each (2007: 8,910,090 ordinary shares of 25p each)	2,227	2,227

Further details of the movements in share capital in the year are provided in note 23 of the consolidated financial statements.

p) Share premium account

	2008 £'000	2007 £'000
At 1 January	7,880	1,334
Premium on shares issued during the year	2	6,546
At 31 December	7,882	7,880

Further details of the movement in the share premium account in the year as a result of the issue of treasury shares in settlement of a liability for deferred consideration are provided in note 23 of the consolidated financial statements. Further details of the movement in the year ending 31 December 2007 are provided in notes.

q) Profit and loss reserve

	2008 £'000	2007 £'000
At 1 January	1,654	1,128
(Loss)/profit for the year (note c)	(3,235)	737
Share options (note 24 of consolidated financial statements)	5	10
Purchase of treasury shares (note 25 of consolidated financial statements)	(6)	–
Dividends paid (note d)	(267)	(221)
At 31 December	(1,849)	1,654

r) Merger reserve

	Merge Reserve £'000
At 31 December 2007 and 31 December 2008	914

Further details of the merger reserve is included in note 25 of the consolidated financial statements.

Notes to the Parent Company financial statements (continued)

s) Reconciliation of movements in shareholders' funds

	2008 £'000	2007 £'000
(Loss)/profit for the year (note c)	(3,235)	737
Dividends payable (note d)	(267)	(221)
	<u>(3,502)</u>	<u>516</u>
Share options (note 24 of consolidated financial statements)	5	10
New share capital subscribed	–	7,446
Shares issued for warrants	–	4
Net movement in treasury shares (note p)	(4)	–
	<u>(3,501)</u>	<u>7,976</u>
Net (decrease)/increase in shareholders' funds		
Opening equity shareholders' funds	12,675	4,699
	<u>9,174</u>	<u>12,675</u>
Closing equity shareholders' funds		

Allotments

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.

t) Employees and directors

	2008 Number	2007 Number
The average monthly number of persons (including executive directors) employed by the Company during the year was:	17	9

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

	2008 £'000	2007 £'000
Wages and salaries	787	556
Social security costs	91	55
Other pension costs	184	100
	<u>1,062</u>	<u>711</u>

The aggregate remuneration of the directors of the Company for the year was £398,000 (2007: £464,000). Details of directors' remuneration are set out in note 8 of the consolidated financial statements.

Notes to the Parent Company financial statements (continued)

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.

During the year the Company transferred to a related party, Charles Andrew Irving, a director of Andrew Irving Associates Limited, 23,490 ordinary equity shares in the Company out of treasury shares in settlement of the deferred consideration owing in relation to the acquisition of Andrew Irving Associates Limited. The Company also paid Dorothy Irving, Nicola Spicer and Ian Sparham, all directors of Andrew Irving Associates Limited, £1,898, £758 and £758 respectively in cash in settlement of the deferred consideration owing in relation to the acquisition of Andrew Irving Associates Limited.

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 3.00pm on Friday 17 July 2009 for the following purposes:

ORDINARY BUSINESS

- (1) To receive the annual accounts for the year ended 31 December 2008 and the Reports of the directors and the auditors' thereon.
- (2) To re-appoint R F Littleboy as a director (who retires in accordance with Article 38 of the Company's Articles of Association and who, being eligible, offers himself for re-appointment).
- (3) To re-appoint R C Porter as a director (who retires in accordance with Article 38 of the Company's Articles of Association and who, being eligible, offers himself for re-appointment).
- (4) 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.

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions, of which resolutions 5 and 6 will be proposed as Ordinary Resolutions and resolution 7 will be proposed as a Special Resolution:

- (5) That the authorised share capital of the Company be increased from £3,150,000 to £3,750,000 by the creation of 2,400,000 ordinary shares of 25 pence each ranking pari passu in all respects with the existing ordinary shares of 25 pence each in the capital of the Company.
- (6) That, in substitution for all authorities in existence under Section 80 Companies Act 1985 immediately prior to this resolution being passed, the power conferred on the directors by paragraph 8.2(A) of Article 8 of the Company's Articles of Association be renewed for the period ending on 30 June 2014 and for such period the Section 80 Amount (as such term is defined in paragraph 8.3(C) of Article 8 of the Company's Articles of Association) shall be £1,522,477.50.
- (7) That the admission of the Company's ordinary shares of 25 pence each to trading on AIM be cancelled (the **Cancellation**) and that the directors be and are hereby authorised to take all steps which are necessary or desirable in order to effect the Cancellation.

19 June 2009

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. Only those persons entered on the Company's register of members not later than 6.00pm on 15 July 2009 (or, if the meeting is adjourned, at 6.00 pm on the date which is two days prior to the adjourned meeting) shall be entitled to attend and vote at the meeting or adjourned meeting. Changes to the entries on the register of members after this time shall be disregarded in determining the rights of any person to attend and vote (and the number of votes they may cast) at the meeting or the adjourned meeting.
2. A member entitled to attend and vote at the meeting is also entitled to appoint another person(s) as his a proxy to exercise all or any of his rights to attend, speak and vote at the meeting. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise his rights attached to a different share or shares held by him. The procedure for appointing proxies is set out on the enclosed form of proxy. A proxy need not be a member of the Company. Completion and return of a form of proxy in accordance with the instructions printed thereon will not preclude a member from attending and voting in person at the meeting, or at any adjournment thereof, to the exclusion of their proxies if they wish to do so.
3. In order to be valid, an appointment of proxy must be completed in accordance with the above instructions and returned (together with any authority under which it is executed or a copy of the authority certified notarially by one of the following methods:
 - by post to the Company's registrars at Capita Registrars (Proxies), PO Box 25, Beckenham, Kent BR3 4BR;
 - by courier or by hand to the Company's registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; or
 - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below,in each case so as to be received not less than 48 hours before the time of the meeting.
4. Holders of ordinary shares, or their duly appointed representatives, are entitled to attend and vote at the AGM. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and speak and vote on their behalf at the meeting. A shareholder can appoint the Chairman of the meeting or anyone else to be his/her proxy at the meeting. A proxy need not be a shareholder. More than one proxy can be appointed in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different ordinary share or shares held by that shareholder. To appoint more than one proxy, the Proxy Form should be photocopied and completed for each proxy holder. The proxy holder's name should be written on the Proxy Form together with the number of shares in relation to which the proxy is authorised to act. The box on the Proxy Form must also be ticked to indicate that the proxy instruction is one of multiple instructions being given. All Proxy Forms must be signed and, to be effective, must be lodged with the company's registrar so as to arrive not later than 48 hours before the time of the meeting, or in the case of an adjournment 48 hours before the adjourned time.
5. 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 a 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.
6. 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 ("EUI") specifications and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is 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 the latest time specified for receipt of proxy appointments specified in note 3 above. 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 Application 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.
7. CREST members and, where applicable, their CREST sponsors, or voting service provider(s) should note that EUI 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, 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 system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
8. 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.
9. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that:
 - (a) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the 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 shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the 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 shareholders 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 if the Chairman is being appointed as described in (a) above.

Form of proxy for use at the Annual General Meeting

PLEASE COMPLETE IN BLOCK CAPITALS

I/We Number of Shares

being (a) member(s) of the Company, hereby appoint the Chairman of the Meeting OR, failing him

As my/our proxy to attend and to vote in my/our names, on my/our behalf at the Annual General Meeting of the Company to be held at 3.00pm on Friday 17 July 2009 at the offices of Optimisa plc, 2nd Floor, 209-215 Blackfriars Road, London, SE1 8NL (including in respect of the question whether to adjourn such meeting) and at any adjournment of it.

Please indicate with an "X" in the appropriate box below how you wish your vote to be cast and then sign in the space provided. If no voting indication is given, your proxy may vote or abstain as he or she thinks fit in relation to any business of the meeting.

Please tick here if you are appointing more than one proxy and follow the instructions in note 4 below.

	For	Against	Vote Withheld	Discretionary
1. To receive the annual accounts for the year ended 31 December 2008 and the Reports of the directors and auditors thereon.				
2. To re-appoint R F Littleboy as a director.				
3. To re-appoint R C Porter as a director.				
4. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company and to authorise the directors to fix their remuneration.				
5. To increase the authorised share capital of the Company to £3,750,000 by the creation of an additional 2,400,000 ordinary shares of 25 pence each.				
6. To authorise the directors to allot shares under Section 80 Companies Act 1985 up to an aggregate nominal value of £1,522,477.50.				
7. To approve the cancellation of the admission of the Company's ordinary shares to trading on AIM.				

Signature Date

NOTES:

- Only those persons entered on the Company's register of members not later than 6.00pm on 15 July 2009 (or, if the meeting is adjourned, at 6.00 pm on the date which is two days prior to the adjourned meeting) shall be entitled to attend and vote at the meeting or adjourned meeting. Changes to the entries on the register of members after this time shall be disregarded in determining the rights of any person to attend and vote (and the number of votes they may cast) at the meeting or the adjourned meeting.
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**Capita Registrars
Proxies Department
PO Box 25
Beckenham
Kent
BR3 4BR**

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