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Optimisa plc

Interim Condensed Consolidated Financial Statements
For the six months ended 30 June 2007

Company No. 3860539

Index

Chairman's statement

Highlights

- Turnover of £4.7m up from £2.8m an increase of 68%.
- Gross profit of £3.5m up from £2.2m a rise of 60%.
- Pre-tax profit of £780,000 has almost doubled from £415,000.
- Fully diluted EPS of 72.8p up 61% from 45.3p
- Shareholders' funds of £4.9m includes net cash of £1.4m
- Interim dividend of 10p up 33% from 7.5p.
- Second half trading has commenced strongly
- The board is proposing to implement a 6 for 1 scrip issue.
- Report International acquired in May 2007

The excellent results for the six months to end June 2007 reflect the continuing success of our strategy of investing heavily in the off-peak second half of 2006 to produce well-above average organic growth in 2007. This performance has been enhanced by the acquisition of nxtMOVE and Andrew Irving Associates in 2006. As a result, overall pre-tax profits in the first half of £780,000 are in excess of the £727,000 for the full year of 2006. Fully diluted earnings per share (EPS) of 72.8p in the six months to end June compares with 73.8p for the 12 months to end December 2006. We have announced an increase in our interim dividend of 33% from 7.5p to 10p per share and intend to ask shareholders to approve a scrip issue of 6 for 1 in order to improve liquidity of their shares.

KAE, nxtMOVE and AIA all produced record sales and profits in the first half. KAE was able to take full advantage of buoyant trading conditions by increasing professional staff numbers and focusing senior management's time on new business development. KAE's pipeline for the second half is strong and we will continue to expand the headcount in anticipation of further strong progress in 2007. NxtMOVE has maintained the momentum achieved in the second half of 2006 and, having improved the operational efficiency of the company, we are now focusing on top-line revenue growth. New senior management have been recruited recently and nxtMOVE is now well placed to benefit further from the joint selling opportunities provided from within the group. AIA has outperformed our demanding targets and has been the major beneficiary of work sourced from KAE, with a consequent dramatic impact on sales and margins. As with nxtMOVE, we are now strengthening the senior management team to maintain this momentum.

In May 2007, we acquired Report International Limited for an initial payment of £48,000 and a maximum deferred consideration of £2.2m depending on profits achieved in 2007, 2008 and 2009. We are confident that RIL will be earnings-enhancing in the second half and that the deferred consideration payable in 2010 will be in the order of £557,000

We have produced this interim statement using the International Financial Reporting Standards (IFRS) and have provided comparative information under IFRS for 2006. We have restated the year-end 2006 income statement the impact amounts to a reduction of pre-tax profits of £41,000 and fully diluted EPS from 80.7p to 73.8p. It is anticipated that the transition to IFRS will have a similar impact on the full year 2007 and this has been reflected in the results shown in these interim statements. Our balance sheet remains extremely strong with net cash of £1.4m, despite a temporary rise in working capital reflecting the peak sales months of May and June. Our historically strong cash generation in the second half reflects the seasonality of the business and net cash balances are expected to grow strongly through the second half.

Chairman's statement (continued)

We continue to seek acquisitions, which will meet our strict investment criteria, which include the requirement that any acquisition is earnings enhancing in the first full year.

We exceeded our expectations in the first half and this momentum has been carried on into the second half. This gives us the ability to continue to invest in our people and maintain the momentum into 2008.

R F Littleboy

Chairman

Condensed consolidated interim income statement

	Note	**Unaudited 6 months ended 30 June 2007**	6 months ended 30 June 2006	Year ended 31 December 2006
		£'000	£'000	£'000
Continuing operations				
- Net sales revenue		**4,724**	2,815	5,894
- Cost of sales		**(1,183)**	(614)	(1,275)
Gross profit		**3,541**	2,201	4,619
Administrative expenses		**(2,733)**	(1,730)	(3,847)
Depreciation	11	**(24)**	(33)	(42)
Amortisation	10	**(20)**	(19)	(26)
Total operating expenses		**(2,777)**	(1,782)	(3,915)
Other operating income		**9**	1	18
Operating profit		**773**	420	722
Interest income		**14**	10	26
Interest expense		**(7)**	(15)	(21)
Profit before income tax		**780**	415	727
Income tax expense		**(132)**	(69)	(120)
Profit for the period from continuing operations		**648**	346	607
Profit for the financial period attributable to equity shareholders of the parent company		**648**	346	607
Earning per share (pence)	6			
- Basic		**73.4**	47.7	75.9
- Diluted		**72.8**	45.3	73.8

Condensed consolidated interim balance sheet

	Note	**6 months ended 30 June 2007**	6 months ended 30 June 2006	Year ended 31 December 2006
		£'000	£'000	£'000
Non-current assets				
Property, plant and equipment	11	**182**	77	105
Goodwill	10	**2,554**	1,851	1,985
Other intangible assets	10	**128**	65	68
Deferred tax assets		**70**	114	85
Total non-current assets		**2,934**	2,107	2,243
Current assets				
Trade and other receivables		**2,832**	2,183	1,557
Other intangible assets	10	**15**	5	7
Other current assets		**71**	118	91
Cash and cash equivalents		**1,386**	683	1,596
Total current assets		**4,304**	2,989	3,251
Total assets		**7,238**	**5,096**	**5,494**
Current liabilities				
Trade and other payables		**533**	581	319
Current tax payables		**106**	11	38
Other liabilities		**1,003**	391	619
Deferred consideration	9	**111**	-	-
Total current liabilities		**1,753**	983	976
Non-current liabilities				
Deferred consideration	9	**596**	-	101
Deferred tax liabilities		**16**	12	15
Total non-current liabilities		**612**	12	116
Total liabilities		**2,365**	995	1,092
Net assets		**4,873**	4,101	4,402
Equity				
Capital and reserves attributable to equity holders of the company				
Share capital		**1,323**	1,297	1,323
Share premium account		**1,334**	1,334	1,334
Merger reserve		**914**	765	914
Foreign currency translation reserve		**(144)**	(29)	(99)
Retained Earnings		**1,446**	734	930
Total Equity		**4,873**	**4,101**	**4,402**

Condensed consolidated interim statement of changes in equity

	Share Capital	Shares to be issued	Share premium account	Merger reserve	Foreign Currency Translation reserve	Retained Earnings	Total
	£000	£000	£000	£000		£000	£000
Balance at 1 January 2006	1,036	243	502	612	-	458	2,851
Share issued for deferred consideration	90	(243)	-	153	-	-	-
Shares issued for cash consideration	170	-	832	-	-	-	1,002
Profit for the period	-	-	-	-	-	346	346
Dividend	-	-	-	-	-	(69)	(69)
Currency translation differences	-	-	-	-	(29)	-	(29)
Balance at 30 June 2006	1,296	-	1,334	765	(29)	735	4,101
Shares issued on acquisition	27	-	-	149	-	-	176
Profit for the period	-	-	-	-	-	261	261
Dividend	-	-	-	-	-	(66)	(66)
Currency translation differences	-	-	-	-	(70)	-	(70)
Balance at 31 December 2006	1,323	-	1,334	914	(99)	930	4,402
Profit for the period	-	-	-	-	-	648	648
Dividend	-	-	-	-	-	(132)	(132)
Currency translation differences	-	-	-	-	(45)	-	(45)
Balance at 30 June 2007	1,323	-	1,334	914	(144)	1,446	4,873

Condensed consolidated interim cash flow statement

	Note	**Unaudited 6 months ended 30 June 2007 £'000**	6 months ended 30 June 2006 £'000	Year ended 31 December 2006 £'000
Cash flows from Operating activities				
Profit before income tax		**780**	415	727
Adjustments for:				
Depreciation	11	**24**	33	41
Amortisation	10	**20**	19	26
Doubtful debts provision		**12**	-	-
Holiday pay provision		**15**	21	-
Foreign exchange movement relating to investment		**(65)**	(28)	(21)
Interest received disclosed as investing		**(14)**	(10)	(26)
Interest paid disclosed separately		**1**	15	21
Non cash interest expense	9	**6**	-	-
Operating cashflow before changes in working capital and provisions		**779**	465	768
Increase in trade and other receivables		(1,084)	(811)	(74)
Increase in trade and other payables		328	316	265
Cash generated from operations		**23**	(30)	959
Interest paid		**(1)**	(15)	(21)
Income tax paid		**(32)**	(29)	(66)
Net cash from operating activities		**(10)**	(74)	872
Cash flows from investing activities				
Acquisition of property, plant and equipment		**(65)**	(19)	(28)
Payments to acquire intangible assets		**(8)**	(10)	(12)
Proceeds on sales of investments		**51**	-	103
Acquisition of subsidiaries, net of cash acquired		**(60)**	(915)	(990)
Interest received		**14**	10	26
Net cash from investing activities		**(68)**	(934)	(901)
Cash flows from financing activities				
Proceeds from the issue of share capital		**-**	1,011	1,011
Cost of share issue		**-**	(8)	(8)
Dividends paid		**(132)**	(69)	(135)
Net cash from financing activities		**(132)**	934	868
Net (decrease)/increase in cash and cash equivalents		**(210)**	(74)	839
Opening cash and cash equivalents		1,596	757	757
Closing cash and cash equivalents		**1,386**	683	1,596

Notes to the condensed consolidated interim financial statements

1 Introduction

Optimisa plc has historically prepared its audited annual accounts and unaudited interim results in accordance with UK generally accepted accounting practice (UK GAAP).

Optimisa plc has adopted International Financial Reporting Standards (IFRS) with effect from 1 January 2007. The transition date was 1 January 2006 as this was the start date of the earliest period for which the Group will present full comparative information under IFRS in our 2007 annual report and accounts.

The unaudited interim results for the six months ended 30 June 2006 and 30 June 2007 have been prepared by the Group using its best knowledge of the expected IFRS and accounting policies that will be applied when the Group prepares its first set of IFRS financial statements for the year ending 31 December 2007.

There is however, a possibility that some changes to these policies will be necessary when preparing the full annual financial statements as the unaudited interim results have been prepared using the expected IFRS that is anticipated to be applicable, which is not known with certainty at the time of preparing this interim financial information. Therefore, until such time, the possibility that the opening balance sheet and the interim IFRS financial information presented may require amendment cannot be excluded.

These results do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at the year ended 31 December 2006 prepared under UK GAAP.

This document presents the unaudited income statement and cash flow statement for the period ended 30 June 2006, the period ended 30 June 2007 and the year ended 31 December 2006, and the balance sheet as at 30 June 2006, 30 June 2007 and 31 December 2006. In preparing the Group's consolidated interim financial statements, management has amended certain accounting, valuation and consolidation methods applied in the UK GAAP financial statements to comply with IFRS. The comparative figures in respect of 2006 were restated to reflect these adjustments, except as described in the accounting policies.

2 Principal accounting policies

2.1 Basis of preparation

These June 2007 interim consolidated financial statements of Optimisa plc are for the six months ended 30 June 2007. They have been prepared in accordance IAS 34, Interim Financial Reporting, and are covered by IFRS 1, First-time Adoption of IFRS, because they are part of the period covered by the Group's first IFRS financial statements for the year ending 31 December 2007.

These interim financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective as at the time of preparing these statements (August 2007). The IFRS standards and IFRIC interpretations that will be applicable at 31 December 2007, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements.

The policies set out below have been consistently applied to all the years and periods presented.

Reconciliations and descriptions of the effect of the transition from UK GAAP to IFRS on the Group's equity and its net income and cash flow are provided in the attached schedules, refer to note 4. The IFRS cash flow statement is presented in a different format to that previously reported under UK GAAP with cash flows split into three categories - operating activities, investing activities and financing activities. The reconciling items between the two reporting formats have no net impact on cash flows generated.

Notes to the condensed consolidated interim financial statements (continued)

These consolidated interim financial statements have been prepared under the historical cost convention, with foreign currency revalued to the functional currency of the group.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated interim financial statements, are disclosed in Note 7.

In these interim financial statement do not constitute statutory accounts as defined by section 240 of the Company Act 1985. The figures for the year ended 31 December 2006 have been extracted from the statutory financial statements that have been filed with the Registrar of Companies, and adjusted for IFRS as discussed above. The auditors' report on those financial statements, prepared under UK GAAP, was unqualified and did not contain a statement under section 237(2) of the Companies Act 1985.

2.2 Basis of consolidation

The Group's financial statements consolidate those of the Company and its subsidiary undertakings to 30 June 2007.

The results of the subsidiaries acquired during the period are included in the consolidated financial statements from the date of acquisition. 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. 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.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

2.3 Segment information

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Group's primary segment is a geographical segment, which 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.

The Group operates in two distinct geographical segments, being the United Kingdom and Rest of World. Currently the Group does not operate in a secondary segment.

2.4 Foreign Currency

a) Functional and presentation currency

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

b) Transactions and balances

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

Notes to the condensed consolidated interim financial statements (continued)

from the translation at the period-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

c) Group companies

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity (cumulative translation adjustment).

Exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity on consolidation. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

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.

2.5 Property, plant and equipment

The Leasehold property and fixtures, fittings and equipment are all shown at cost less depreciation. Depreciation is provided on a straight line basis to allocate the cost of each asset to its residual value over its estimated useful.

Leasehold property	over 5 years
Fixtures, fittings & equipment	3 - 5 years

2.6 Intangible assets

Acquired both separately and from a business combination

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets. The useful lives of these intangible assets are assessed as either finite or infinite. Where amortisation is charged on assets with finite lives, this expense is taken to the income statement.

Intangible assets created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists and, in the case of indefinite life intangibles, annually, either individually or at the cash-generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of

Notes to the condensed consolidated interim financial statements (continued)

subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each primary reporting segment.

b) Computer software

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

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred.

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 the acquisition date for the nxtMove Corporation, Andrew Irving Associates Limited and Report International 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 or an estimate of the tenure of the relationship at acquisition date, ranging from 3 months to 8 years depending on the 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.

Optimisa plc has elected not to restate business combinations that occurred prior to the date of transition to IFRS and accordingly, no customer contracts and relationships or other intangible assets have been recognised in relation to business combinations prior to transition.

d) Development expenditure

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved services) are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have a finite useful life and that have been capitalised are amortised from the commencement of the commercial production of the product on a straight line basis over the period of its expected benefit, not exceeding four years.

Notes to the condensed consolidated interim financial statements (continued)

2.7 Impairment of assets

Assets that have an indefinite useful life, and goodwill, are not subject to amortisation and are tested annually for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstance 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.8 Trade and other receivables

Trade and other receivables are stated at their normal amount after deducting any provision for doubtful debts.

2.9 Cash and cash equivalents

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

2.10 Share capital

Authorised share capital comprises 1,600,000 Ordinary shares of 150p each (£2,400,000), called up, allotted and fully paid Ordinary shares of 150p each, numbering 882,151 (£1,323,000). No shares were issued in the six months to 30 June 2007.

2.11 Accounting for income taxes

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Notes to the condensed consolidated interim financial statements (continued)

2.12 Employee benefits

a) Pension obligations

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

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 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 issued are allocated to share capital with any excess being recorded as share premium.

All share based payment arrangement granted after 7 November 2002 are recognised in the financial statements, with the exception of those vesting before 1 January 2006, the date of transition, for which the Group has elected to utilise the IFRS exception, refer to note 4.2.

c) Wages, salaries and holiday pay

Liabilities for employee benefits for wages, salaries and holiday pay represent present obligations resulting from employees' service provided to the reporting date. These liabilities are calculated at undiscounted amounts, based on remuneration wage rates that the Group expects to pay as at reporting date.

Holiday pay is a non-vesting benefit that expires at 31 December each year if unused. The liability represents management's best estimate of the liability at the reporting date, taking into consideration past history and expectations in relation to the utilisation of holiday entitlements.

2.13 Leasing

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

2.14 Revenue recognition

Revenue comprises the fair value of the sale of services, net of value-added tax and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

a) Provision of services

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

b) Interest income

Interest is recognised on an accruals basis.

2.15 Dividends

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 condensed consolidated interim financial statements (continued)

2.16 Investments

The Group classifies its investments as available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired and held at reporting date. Where investments are expected to be realised within 12 months the investments are recognised as financial assets at fair value through profit or loss.

Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

2.17 Interim measurement note

a) Seasonality of the business

The business is subject to seasonal fluctuations, with activity skewed to the first half of each year. For the six months ended 30 June 2006, income from continuing operations represented 54% of the annual level of income from continuing operations in the year ended 31 December 2006. However, it should be noted that nxtMOVE contributed a full second half, following its acquisition in March 2006 and Andrew Irving Associates Limited contributed for part of the second half, following its acquisition in October 2006.

b) Current income tax

Current income tax expense is recognised in these interim consolidated financial statements based on management's best estimates of the weighted average annual income tax rate expected for the full financial year.

c) Costs

Costs that incur unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

3 Financial risk management

3.1 Financial risk factors

a) Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from exchange rate movements between the US dollar and the UK pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Entities in the Group use forward contracts to manage their foreign exchange risk arising from future commercial transactions, recognised assets and liabilities. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. Group management is responsible for managing the net position in each foreign currency by using external forward currency contracts.

b) Liquidity risk

The company takes a prudent approach to managing liquidity risk to ensure sufficient cash is available to meet foreseeable needs and to invest cash assets safely and profitably.

Notes to the condensed consolidated interim financial statements (continued)

4 Transition to IFRS

4.1 Basis of transition to IFRS

The Group's financial statements for the year ending 31 December 2007 will be the first financial statements that comply with IFRS. These interim financial statements, which form part of the financial statements for the full year, have been prepared to accordance with IFRS as described in note 2.1.

4.2 Transitional exemptions and decisions

In preparing these interim financial statements as permitted by IFRS 1 "First time adoption of International Reporting Standards", the Group has applied the following transitional exemptions and decisions have been applied in these restated financial statements.

a) Business combinations

Business combinations arising prior to 1 January 2006, the Group's date of transition to IFRS, have not been restated to comply with IFRS 3 "Business Combinations". Existing goodwill has been held at net book value on transition and has been denominated in the functional currency of the operating unit to which it relates.

b) Share based payments

Recognition and measurement criteria for share based payments have been applied prospectively for equity instruments granted after 7 November 2002. No adjustment has been made in respect of equity instruments issued prior to this date.

Measurement criteria for share based payments have been applied prospectively for equity instruments vesting after 1 January 2006, the date of transition to IFRS. The Group has elected not to value equity instruments vesting before this date.

4.3 Effect of transition

The analysis below explains in detail the significant adjustments arising on transition to IFRS, as presented in the subsequent reconciliations.

a) Goodwill & intangible assets

Under the IFRS requirements for recognising business combinations intangible assets relating to customer relationships and contracts were identified and have been recognised at the relevant acquisition date. This has resulted in an increase in intangible assets, and a corresponding decrease in the carrying value of goodwill of £59,989 at 30 June 2006 and £76,732 at 31 December 2006. Related amortisation expense of £18,944 for the period ended 30 June 2006 and £26,156 for the year ended 31 December 2006 have been recognised.

b) Reclassification from retained earnings to foreign currency translation reserve.

Foreign currency translation amounts that were previously recognised in the profit and loss account in equity are now, under IFRS, recognised in a foreign currency translation reserve.

This has resulted in an increase in retained earnings, and a corresponding decrease in the foreign currency translation reserve, of £29,000 at 30 June 2006 and £99,000 at 31 December 2006.

c) Holiday Pay

IAS 19 Employee Benefits requires the recognition of a liability to reflect future cash outflows in relation to services rendered to reporting date. Previously under UK GAAP these costs were expensed when paid. As a result a provision of £15,409 for the period to 30 June 2007 (30 June 2006: £20,566) for holiday pay has been recognised. A deferred tax asset and reduction in deferred tax

Notes to the condensed consolidated interim financial statements (continued)

expense of £4,623 (30 June 2006: £6,170) have been recognised in relation to the holiday pay provision.

Due to the non-vesting nature of staff entitlements no holiday pay provision exists at 31 December 2006.

d) Investments

IFRS requires that management determine at acquisition, and review at the reporting date, the designation of each investment. The Group classifies its investments as available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired and held at reporting date. Where investments are expected to be realised within 12 months the investments are recognised as financial assets at fair value through profit or loss.

e) Intangible assets

Previously computer software and computer software licences were included as a component of fixtures, fittings and equipment. These have been reclassified as an intangible asset under IFRS. The net book value effect of this reclassification at transition is £24,188 (1 January 2006 £24,163). The related amortisation of these assets has been reclassified from depreciation to amortisation in the amount of £8,416 for the period ended 30 June 2007 (period ended 30 June 2006: £5,670).

f) Website costs

Under IFRS website costs can only be recognised where the website itself generates revenue. As a result website costs of £14,595 have been derecognised at 31 December 2006 (1 January 2006: £nil). A resultant decrease in depreciation for the year to 31 December 2006 of £1,430 has resulted.

Notes to the condensed consolidated interim financial statements (continued)

4.4 Reconciliations between UK GAAP and IFRS

The following reconciliations provide a quantification of the effect of the transition to IFRS:

- equity at 1 January 2006
- equity at 30 June 2006
- equity at 31 December 2006
- net income 30 June 2006
- net income 31 December 2006

a) Reconciliation of Equity at 1 January 2006

	Note	UK GAAP	Intangibles	Cash Reclassification	IFRS
Non-current assets		**£'000**	**£'000**	**£'000**	**£'000**
Property, plant and equipment	i)	47	(24)	-	23
Goodwill		1,304	-	-	1,304
Other intangible assets	i)	-	24	-	24
Available-for-sale investments		411	-	-	411
Deferred tax assets		159	-	-	159
Total non-current assets		1,921	-	-	1,921
Current assets					
Trade and other receivables		398	-	-	398
Other current assets		209	-	-	209
Cash and cash equivalents	ii)	757	-	49	806
Total current assets		1,364	-	49	1,413
Total assets		**3,285**	**-**	**49**	**3,334**
Current liabilities					
Trade and other payables		67	-	-	67
Short-term borrowings	ii)	-	-	49	49
Current tax payables		72	-	-	72
Other liabilities		295	-	-	295
Total current liabilities		434	-	49	483
Total liabilities		**434**	**-**	**49**	**483**
Net assets		**2,851**	**-**	-	**2,851**
Equity					
Share Capital		1,279	-	-	1,279
Share premium account		502	-	-	502
Merger reserve		612	-	-	612
Retained Earnings		458	-	-	458
Total equity		**2,851**	**-**	**-**	**2,851**

i) Previously computer software and computer software licences were included as a component of fixtures, fittings and equipment. These have been reclassified as an intangible asset under IFRS. The effect of this reclassification at 1 January 2006 is £24,163.

ii) Under UK GAAP a current account was netted, under IFRS this is recorded gross. The adjustment results in an increase in cash and cash equivalents, and a corresponding increase in short-term borrowings.

Notes to the condensed consolidated interim financial statements (continued)

b) Reconciliation of Equity at 30 June 2006

		UK GAAP	Intangibles	Holiday pay	Foreign translation	Business Combinations	IFRS
Non-current assets		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Property, plant and equipment	i)	106	(29)	-	-	-	77
Goodwill	ii)	1,911	-	-	-	(60)	1,851
Other intangible assets	i) ii)	-	29	-	-	36	65
Deferred tax assets	iii)	108	-	6	-	-	114
Total non-current assets		2,125	-	6	-	(24)	2,107
Current assets							
Trade and other receivables		2,183	-	-	-	-	2,183
Other intangible assets	ii)	-	-	-	-	5	5
Other current assets		118	-	-	-	-	118
Cash and cash equivalents		683	-	-	-	-	683
Total current assets		2,984	-	-		5	2,989
Total assets		**5,109**	**-**	**6**	**-**	**(19)**	**5,096**
Current liabilities							
Trade and other payables		581	-	-	-	-	581
Current tax payables		11	-	-	-	-	11
Other liabilities	iii)	370	-	21	-	-	391
Total current liabilities		962	-	21	-	-	983
Non-current liabilities							
Deferred tax liabilities	ii)	-	-	-	-	12	12
Total non-current liabilities		-	-	-	-	12	12
Total liabilities		**962**	**-**	**21**	**-**	**12**	**995**
Net Assets		**4,147**	**-**	**(15)**	**-**	**(31)**	**4,101**
Equity							
Share Capital		1,297	-	-	-	-	1,297
Share premium account		1,334	-	-	-	-	1,334
Merger reserve		765	-	-	-	-	765
Foreign currency translation reserve		-	-	-	(29)	-	(29)
Retained Earnings	i) ii) iii)	751	-	(15)	29	(31)	734
Total equity		**4,147**	**-**	**(15)**	**-**	**(31)**	**4,101**

i) Previously computer software and computer software licences were included as a component of fixtures, fittings and equipment. These have been reclassified as an intangible asset under IFRS. The net book value effect of this reclassification at 30 June 2006 is £29,210 (1 January 2006 £24,163).

ii) Intangible assets relating to customer relationships and contracts were identified and have been recognised at the relevant acquisition date. This has resulted in an increase in intangible assets, and a corresponding decrease in the carrying value of goodwill of £59,989 at 30 June 2006. Related amortisation expense of £18,944 for the period ended 30 June 2006 has also been recognised. A deferred tax liability of £12,313 results at 30 June 2006.

iii) IAS 19 Employee Benefits requires the recognition of a liability to reflect future cash outflows in relation to services rendered to reporting date. Previously under UK GAAP these costs were expensed when paid. As a result a provision of £20,566 for holiday pay has been recognised at 30 June 2006. A deferred tax asset and reduction in deferred tax expense of £6,170 for the period to 30 June 2006 have been recognised in relation to the holiday pay provision.

Notes to the condensed consolidated interim financial statements (continued)

c) Reconciliation of Equity at 31 December 2006

		UK GAAP	Intangibles	Foreign translation	Business Combinations	IFRS
Non-current assets		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Property, plant and equipment	i)	144	(39)	-	-	105
Goodwill	ii)	2,062	-	-	(77)	1,985
Other intangible assets	i) ii)	-	24	-	44	68
Deferred tax assets	iii)	85	-	-	-	85
Total non-current assets		2,291	(15)	-	(33)	2,243
Current assets						
Trade and other receivables		1,557	-	-	-	1,557
Intangible assets	ii)	-	-	-	7	7
Other current assets		91	-	-	-	91
Cash and cash equivalents		1,596	-	-	-	1,596
Total current assets		3,244	-	-	7	3,251
Total assets		**5,535**	**(15)**	**-**	**(26)**	**5,494**
Current liabilities						
Trade and other payables		319	-	-	-	319
Current tax payables		38	-	-	-	38
Other liabilities		619	-	-	-	619
Total current liabilities		976	-	-	-	976
Non-current liabilities						
Deferred consideration		101	-	-	-	101
Deferred tax liabilities	iii)	-	-	-	15	15
Total non-current liabilities		101	-	-	15	116
Total liabilities		**1,077**	-	**-**	**15**	**1,092**
Net Assets		**4,458**	**(15)**	**-**	**(41)**	**4,402**
Equity						
Share Capital		1,323	-	-	-	1,323
Share premium account		1,334	-	-	-	1,334
Merger reserve		914	-	-	-	914
Foreign currency translation reserve		-	-	(99)	-	(99)
Retained Earnings	i) ii)	887	(15)	99	(41)	930
Total equity		**4,458**	**(15)**	**-**	**(41)**	**4,402**

i) Previously computer software and computer software licences were included as a component of fixtures, fittings and equipment. These have been reclassified as an intangible asset under IFRS. The net book value effect of this reclassification at 31 December 2006 is £24,188.

ii) Under IFRS website costs can only be recognised where the website itself generates revenue. As a result of this website costs of £14,595 have been derecognised at 31 December 2006 (1 January 2006: £0). A decrease in depreciation for the year to 31 December 2006 of £1,430 has resulted.

iii) Intangible assets relating to customer relationships and contracts were identified and have been recognised at the relevant acquisition date. This has resulted in an increase in intangible assets, and a corresponding decrease in the carrying value of goodwill of £76,732 at 31 December 2006. Related amortisation expense of £26,156 for the period ended 31 December 2006 has also been recognised. A deferred tax liability of £15,173 results at 31 December 2006.

Notes to the condensed consolidated interim financial statements (continued)

d) Reconciliation of net income for the 6 months to 30 June 2006

		UK GAAP	Effect of Transition	IFRS
		£'000	£'000	£'000
Continuing operations				
Net sales revenue		2,815	-	2,815
Cost of sales		(614)	-	(614)
Gross profit		**2,201**	**-**	**2,201**
Administrative expenses	i)	(1,709)	(21)	(1,730)
Depreciation		(33)	-	(33)
Amortisation	ii)	-	(19)	(19)
Total operating expenses		(1,742)	(40)	(1,782)
Other operating income		1	-	1
Operating profit		**460**	**(40)**	**420**
Interest income		10	-	10
Interest expense		(15)	-	(15)
Profit before tax		**455**	**(40)**	**415**
Income tax expense	i)ii)	(63)	(6)	(69)
Profit for the period		**392**	**(46)**	**346**
Profit for the financial period attributable to equity shareholders of the parent company		392	(46)	346

i) IAS 19 Employee Benefits requires the recognition of a liability to reflect future cash outflows in relation to services rendered to reporting date. Previously under UK GAAP these costs were expensed when paid. As a result a provision of £20,566 for the period to 30 June 2006 for holiday pay has been recognised. A reduction in deferred tax expense of £6,170 has been recognised in relation to the holiday pay provision.

ii) Intangible assets relating to customer relationships and contracts were identified and have been recognised at the relevant acquisition date. Related amortisation expense of £18,944 for the period ended 30 June 2006 has been recognised. A deferred tax liability, and deferred tax expense, of £12,313 results at 30 June 2006.

Notes to the condensed consolidated interim financial statements (continued)

e) Reconciliation of net income for the 12 months to 31 December 2006

		UK GAAP	Effect of Transition	IFRS
		£'000	**£'000**	**£'000**
Continuing operations				
Net sales revenue		5,894	-	5,894
Cost of sales		(1,275)	-	(1,275)
Gross profit		**4,619**	**-**	**4,619**
Administrative expenses	i)	(3,832)	(15)	(3,847)
Depreciation	ii)	(42)	-	(42)
Amortisation	ii)	-	(26)	(26)
Total operating expenses		(3,874)	(41)	(3,915)
Other operating income		18	-	18
Operating profit		**763**	**(41)**	**722**
Interest income		26	-	26
Interest expense		(21)	-	(21)
Profit before tax		**768**	**(41)**	**727**
Income tax expense		(105)	(15)	(120)
Profit for the period		**663**	**(56)**	**607**
Profit for the financial period attributable to equity shareholders of the parent company		**663**	**(56)**	**607**

i) Under IFRS website costs can only be recognised where the website itself generates revenue. As a result website costs of £14,595 have been derecognised at 31 December 2006.

ii) An Amortisation expense relating to customer relationships and contracts of £26,156 for the period ended 31 December 2006 has been recognised under IFRS. A deferred tax liability, and deferred tax expense, of £15,173 results at 31 December 2006.

Notes to the condensed consolidated interim financial statements (continued)

5 Segment Information

The Group operates two distinct geographical segments, being the United Kingdom and Rest of World. The revenues and operating profit generated by each of the Groups' geographical segments are summarised as follows:

	6 months ended 30 June	6 months ended 30 June	Year ended 31 December
	2007	2006	2006
	£'000	£'000	£'000
Revenue			
United Kingdom	**3,768**	2,273	4,412
Rest of World	**956**	542	1,482
	4,724	2,815	5,894
Operating Profit			
United Kingdom	**600**	460	690
Rest of World	**173**	(40)	32
	773	420	722

6 Earnings per share

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

The calculation of diluted earnings per share is based on the basic earnings per share adjusted for dilutive effects of securities under options

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

	Profit	**Weighted average number of shares**	**Pence per share**
	£'000		
Basic earning per share			
Six months ended 30 June 2007	**648**	**882,151**	**73.4**
Six months ended 30 June 2006	346	724,728	47.7
Year ended 31 December 2006	607	799,576	75.9
Diluted earnings per share			
Six months ended 30 June 2007	**648**	**889,209**	**72.8**
Six months ended 30 June 2006	346	762,641	45.3
Year ended 31 December 2006	607	821,952	73.8

Notes to the condensed consolidated interim financial statements (continued)

7 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

If the actual value in use calculations had been lower, either from gross margin assumptions or the pre-tax discount rate higher than management's estimates, the Group would not be able to reverse any impairment losses that arose on goodwill.

b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. Management estimates the liability for the interim period based on assumptions of the full year income tax rate. If the full year assumed rate were to differ from that used it would affect the income tax expense and current income tax provision.

c) Deferred consideration

The Group has obligations for deferred consideration in relation to completed acquisitions. In assessing the recognised consideration management have considered the terms of the relevant sale and purchase agreement and the likelihood of the operating performance of the acquiree being adequate to result in the payment of the deferred amounts.

The obligations could total a maximum of £101,000 and £2,200,000 in relation to the acquisitions of Andrew Irving Associates Limited and Report International Limited. These payments are dependent on the gross profit earned by each entity in the 2007 and 2008 and 2007, 2008 and 2009 financial years respectively. The deferred consideration will be paid through a mixture of equity shares and cash in accordance with the associated sale and purchase agreement.

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

8 Dividends

During the first six months of 2007, Optimisa plc paid dividends of £ 132,000 to its equity shareholders (first six months of 2006: £ 69,000; 2006: £ 135,000). This represents a payment of £0.15 per share (first six month of 2006: £ 0.10; 2006: £ 0.175).

An interim dividend of £0.10 per ordinary share will be paid on 8 October 2007 to all shareholders on the register at close of business on 29 August 2007.

Notes to the condensed consolidated interim financial statements (continued)

9 Business Combinations

The following acquisition was made during the period:

Report International Limited

On 2 May 2007 the Group acquired 100% of the share capital of Report International Limited, a company based in the UK. The consideration payable consists of an initial cash payment of an amount equal to 1.25 times the Company's net assets as at 30 April 2007. Further cash consideration will be payable amounting to 1.25 times the pre-tax profits of RIL for the eight months ending 31 December 2007. In addition, a second earn out consideration will be payable on the basis of a multiple of Report International Limited's average profit before tax for the two years ending 31 December 2009, up to a maximum of £2.2 million.

The total cost of acquisition includes the components stated below:

	£'000
Deferred Consideration – Current	111
Deferred Consideration – Non Current	488
Other professional fees	38
Total cost of acquisition	637
Interest on Deferred Consideration	6
Total Deferred Consideration at 30 June 2007	605

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

The allocation of the purchase price to the assets and liabilities of Report International Limited was only provisionally completed at 30 June 2007. The amounts provisionally recognised for each class of the acquiree's assets, liabilities and contingent liabilities recognised at the acquisition date are as follows:

	£'000
Non-current assets	
Property, plant and equipment	35
Intangible assets	67
Deferred income tax assets	14
Total non-current assets	**116**
Current assets	
Trade and other receivables	160
Intangible assets	13
Other current assets	76
Cash and cash equivalents	28
Total current assets	**277**
Total assets	**393**

Notes to the condensed consolidated interim financial statements (continued)

Current liabilities	
Trade and other creditors	256
Short term borrowings	85
Total liabilities	**341**
Net Assets	**52**
Fair Value of consideration	637
Goodwill	**585**

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

The profit after taxation for the period from acquisition to 30 June 2007 was £3,000. It is not practical to include the revenue and profit or loss for the period under review prior to acquisition as these would be based on averages and would not be representative of the revenue, profit or loss during the period under review.

Andrew Irving Associates Limited

An additional goodwill amount of £3,000 has been recognised in relation to the acquisition of Andrew Irving Associates during this period.

10 Intangible assets

	Note	Goodwill £'000	Computer Software £'000	Customer contracts and relationships £'000	Development £'000	Total £'000
Cost						
At 1 January 2007		1,985	38	77	-	115
Additions		-	8	-	-	8
On acquisition of subsidiary	9	588	-	13	67	80
Currency movement		(19)	-	-	-	-
At 30 June 2007		**2,554**	**46**	**90**	**67**	**203**
Accumulated Amortisation						
At 1 January 2007		-	(14)	(26)	-	(40)
Amortisation		-	(8)	(9)	(3)	(20)
At 30 June 2007		**-**	**(22)**	**(35)**	**(3)**	**(60)**
Net book value at 30 June 2007		**2,554**	**24**	**55**	**64**	**143**
Net book value at 31 December 2006		1,985	24	51	-	75

Notes to the condensed consolidated interim financial statements (continued)

11 Property, plant and equipment

	Note	Leasehold Property £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost				
At 1 January 2007		37	124	161
Additions		-	65	65
On acquisition of subsidiary	9	8	27	35
Currency movement		(1)	(1)	(2)
At 30 June 2007		**44**	**215**	**259**
Accumulated Depreciation				
At 1 January 2007		(7)	(49)	(56)
Depreciation		(5)	(19)	(24)
Currency movement		1	2	3
At 30 June 2007		**(11)**	**(66)**	**(77)**
Net book value at 30 June 2007		**33**	**149**	**182**
Net book value at 31 December 2006		30	75	105

12 Interim Report

The board of directors approved the interim statement on 20 August 2007. Copies of the statement will be available for a period of one month to members of the public, free of charge, from the Company's registered office or can be downloaded from the investor centre at www.optimisaplc.com.

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