Optimisa Limited

Annual report and financial statements
For the year ended 31 December 2018

Company No. 03860539

Company Information

Company registration number	03860539
Registered office	256-260 Waterloo Road London SE1 8RF
Directors	R F Littleboy, Executive Chairman and Chief Executive R C Porter, Director S H Baird, Director (appointed on 15 January 2018)
Company Secretary	R C Porter
Bankers	Barclays Bank plc 1 Park Row, Leeds LS1 5WU
Solicitors	Grant Dawe LLP 30 Newman Street London W1T1PT
Independent auditors	Bright Grahame Murray Emperor's Gate, 114a Cromwell Road, Kensington, London, SW7 4AG
Registrars	Link Asset Services (formerly Capita Registrars) Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0GA

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Executive Chairman’s statement

Following the resignation of Richard Lintern in March 2018, I took over the role of CEO of KAE: Marketing Intelligence Limited ‘(KAE’), Optimisa Limited’s 100% subsidiary.

After a slow start to 2018 compounded by an increased cost base following our office move, and the temporary weakness in the US $, revenues, margins and profits improved.
Pre-tax profits of £545k for the financial year 2018 compare with an adjusted £590k in 2017 (adjusted to exclude the £140k profit on disposal of Optimisa Research Limited).
This was achieved in part by strict control of staff cost, notably the absence of Richard Linterns’ salary cost.

We continued to generate cash from operations during the year and net cash at the year-end was £3.1m despite the £2.7m cash cost of the share buy-back completed in September 2018.

The share buy-back offer to all shareholders at £13 per share resulted in 203,856 shares being purchased into treasury and these shares were subsequently cancelled prior to the year-end.

As a result of the buy-back I now own 63.80% of the total issued share capital.
Our cash position remains very strong and your board is again looking at investment and / or acquisition opportunities.

The uncertain economic outlook globally and concerns over Brexit may provide outstanding opportunities however your board will continue to take a cautious view when evaluating any potential investments.
The current financial year started even more slowly than 2018 with many of our major financial services clients deferring or cancelling projects. However, as in 2018 trading gradually improved and we are now performing well.

If the US $ remains at near current levels and revenues remain robust, Optimisa is on course to at least maintain pre-tax profits at the 2018 level and further strengthen it’s cash position.

Yours
faithfully

R F Littleboy

Chairman
ron.littleboy@optimisaltd.com

Strategic report

Business review and future developments

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

Principal risks and uncertainties

There is an on-going 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.

Finance strategy and liquidity

At the year end the Group maintained a positive cash position of £3,083,000 (2017: £5,011,000). The Board closely monitors the Group's level of liquidity to ensure that it has sufficient working capital. The Group had a positive cash flow from operating activities after capital expenditure on property, plant and equipment for the year of £622,000 (2017: negative cash flow £62,000) however following the buy-back of shares at a total cost (including expenses) of £2,678,000 completed in September 2018, overall cash balances were reduced. 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 can be at risk of decline in difficult economic climates. 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. The Group aims to continue to develop and expand these key relationships. In 2018 the continuing operations of the Group worked with 10 clients (2017: 17) with the top 20% of clients accounting for 83% (2017: 78%) of the 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, however there is a potential risk from Brexit immigration policy uncertainty. 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.

Information technology

The Group's IT systems are the main method through which 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 dedicated IT team ensures that security, functionality and accessibility are consistent across the Group, enabling the continuation and the support of further cross company activity whilst mitigating the risk of system issues.

Finance systems are supported and up to date and that benefits product improvements and assists 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 and the Group has a disaster recovery plan which would enable the Group to continue operations in light of a catastrophic event.

Strategic report (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 gross margin for continuing operations was 86% (2017: 78%) and the operating margin was 14% (2017: 16%).

The on-going 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. The net revenue generated per pound of salary cost for continuing operations was £1.66 (2017: £1.58).

Employees are also monitored on their achievement of targets in relation to their business development activities to ensure they are driving the business forward.

By order of the Board

R C Porter
Company Secretary

30 September 2019

Report of the directors

The directors present their report together with the audited consolidated financial statements for the year ended 31 December 2018.

Results and dividends

The Group made a profit for the year of £499,000 (2017: profit of £570,000).

The directors do not propose the payment of a dividend in respect of the financial year ended 31 December 2018 (2017: £nil). Details of the share buy-back completed in September 2018 are provided in Note 21.

Principal activities

The principal activity of the Group is that of marketing consultancy and market research services through it's sole operating company, KAE: Marketing Intelligence Limited. The Group's operations were located solely in the United Kingdom, however significant levels of revenue are earned from non-UK Customers.

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.

The principal activity of the Company which is a Limited company is that of a holding company.

Financial risk management

The Board closely monitors the Group's level of liquidity to ensure that it has sufficient working capital. Further information is included within the Strategic report on pages 5 and 6.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

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 Technology, Media and Telecommunications 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.

Robert Porter
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 Montagu & Co, 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.

Report of the directors (continued)

Steven Baird
Director

Steven has over 30 years of experience in stockbroking in the City of London. For the first half of his career he advised institutional fund managers on their holdings in UK and European equities. Over the past fifteen years he has concentrated on Corporate Finance, Corporate Advisory and Capital Raising. He has worked for several major international investment banks (HSBC James Capel, Nomura, Societe Generale) and helped set up Oriel Securities as a broking and corporate finance advisory firm which was later sold to Stifel.

Since 2010 Steven has been working in a number of Corporate Finance and Capital Raising consultancy roles and has been active in tech, natural resources, commercial property and renewable energy. This year he has taken on the role of Head of Private Capital Markets at First Equity, a boutique corporate finance business which has been active in the City of London for even longer than Steven.

Born in Glasgow, Steven moved to the Midlands as a youngster and then read Law & Accountancy at University College, Cardiff. He is married with three school age children and lives in Hertfordshire.

Gudleiv Bjorklund – resigned 10 September 2018.

The directors and their interests in the shares of the Company

The current directors of the Group together with their beneficial interests in the ordinary shares of the Company were as follows. The interests at 30 September 2019 have been included as the most recent data available.

Interests in shares

	At 30 September 2019	**At 31 December 2018**	At 31 December 2017
R F Littleboy	**122,973**	122,973	102,973
R C Porter	**4,509**	4,509	4,509
S Baird	**650**	3,300	3,300

Enterprise Management Incentive scheme

During 2018 nil share options were awarded to directors under Enterprise Management Incentive schemes (2017: 12,500).

Further detail of share options are provided in note 22 of the financial statements.

Report of the directors (continued)

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Political and charitable donations

During the year the Group made charitable donations of £450 (2017: £300).

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.

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 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 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Report of the directors (continued)

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Provision of information to auditors

In so far as each of the directors is aware:

1. there is no relevant audit information (as defined by section 418 of the Companies Act 2006) of which the Company's auditors are unaware; and
2. each director has taken all steps that one ought to have taken to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

The auditors, Bright Grahame Murray, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the annual general meeting.

The report was approved by the Board and signed on its behalf.

By order of the board

R C Porter
Company Secretary

30 September 2019

Independent auditors' report to the members of Optimisa Limited

Report on the Group financial statements

Opinion

We have audited the financial statements of Optimisa Limited (the "parent company") and its subsidiaries ("the Group") for the year ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet at 31 December 2018, Consolidated Cash Flow Statement, Consolidated Statement of Change in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their presentation is applicable law and International Financial Reporting Standards (IFRS's) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Groups and the parent company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS's as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the directors
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Eade (Senior Statutory Auditor)
for and on behalf of Bright Grahame Murray
Chartered Accountants
Statutory Auditor
Emperor's Gate
114a Cromwell Road
Kensington
London
SW7 4AG

30 September 2019

Consolidated statement of comprehensive income

	Note	2018 £'000	2017 £'000
Continuing operations			
Revenue	5	**3,444**	3,991
Cost of sales		**(468)**	(861)
Gross profit		**2,976**	3,130
Administrative expenses		**(2,507)**	(2,620)
Other profit – net	9	**0**	140
Operating profit		**469**	650
Finance income	6	**75**	80
Profit before income tax	8	**544**	730
Income tax expense	11	**(45)**	(112)
Profit for the year from continuing operations		**499**	618
(Loss) on Discontinued operations	27	-	(48)
Profit for the year		**499**	570
Total comprehensive income for the year		**499**	570

The notes on pages 17 to 41 are an integral part of these consolidated financial statements.

Consolidated balance sheet

	Note	2018 £'000	2017 £'000
Assets			
Non-current assets			
Property, plant and equipment	14	**118**	23
Intangible assets – goodwill	13	**1,304**	1,304
Intangible assets – other	13	**3**	3
Deferred income tax assets	12	**-**	3
Total non-current assets		**1,425**	1,333
Current assets			
Trade and other receivables	18	**1,560**	2,334
Cash and cash equivalents		**3,083**	5,011
Total current assets		**4,643**	7,345
Total assets		**6,068**	8,678
Current liabilities			
Trade and other payables	19	**(394)**	(877)
Current income tax liabilities		**(4)**	(84)
Derivative financial instruments	15	**-**	(3)
Total current liabilities		**(398)**	(964)
Non- current liabilities			
Deferred income tax liability	12	**(7)**	-
Total liabilities		**(405)**	(964)
Net assets		**5,663**	7,714
Equity attributable to owners of the Parent			
Ordinary shares	21	**964**	1,883
Share premium	-	**82**	82
Capital Reduction Reserve	23	**1,484**	465
Merger reserve	24	**914**	914
Retained earnings		**2,219**	4,370
Total equity		**5,663**	7,714

The notes on pages 17 to 41 are an integral part of these consolidated financial statements.

The financial statements on pages 13 to 41 were approved by the Board of Directors on 30 September 2019 and were signed on its behalf by:

R C Porter
Director

Optimisa Limited
Registered Number 03860539

Consolidated statement of changes in equity

	Ordinary Shares £'000	Share Premium £'000	Merger Reserve £'000	Capital Reduction Reserve £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 January 2017	**2,323**	**3,882**	**914**	**–**	**-**	**7,119**
Cancellation of treasury shares	(465)	–	–	465	-	-
Exercised share options	25	-	-	-	-	25
Cancellation of share premium		(3,800)			3,800	
Profit for the year	–	–	–	–	570	570
Balance at 31 December 2017	**1,883**	**82**	**914**	**465**	**4,370**	**7,714**
Profit for the year	–	–	–	–	499	499
Share buy-back and cancellation	(1,019)	–	–	1,019	(2,650)	(2,650)
Exercised share options	100	-	-	-	-	100
Balance at 31 December 2018	**964**	**82**	**914**	**1,484**	**2,219**	**5,663**

The notes on pages 17 to 41 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

	Note	**2018 £'000**	2017 £'000
Cash flows from operating activities:			
Profit before income tax operations		**544**	730
Adjustments for:			
Depreciation	**14**	**47**	25
Amortisation	**13**	**1**	1
Fair value loss on derivative financial instruments		**(3)**	-
Other net profit	**9**	**-**	(140)
Finance income	**6**	**(75)**	(80)
Operating cash flow before changes in working capital and provisions		**514**	536
Decrease/(Increase) in trade and other receivables		**774**	(525)
(Decrease) / Increase in trade and other payables		**(484)**	(91)
		804	(80)
Interest received		**75**	80
Finance cost		**-**	-
Income tax paid		**(114)**	(42)
Net cash generated from operating activities		**765**	(42)
Cash flows from financing activities:			
Proceeds of issue of shares	**22**	**100**	25
Cost of share buy-back	**22**	**(2,650)**	-
Net cash (used in) / from financing operations		**(2,550)**	25
Cash flows from investing activities:			
Disposal of asset classified as held for sale		**-**	185
Trade Loan		**-**	(1,000)
Net proceeds from sale of Optimisa Research Limited		**-**	2,305
Acquisition of property, plant and equipment (PPE)	**14**	**(142)**	(17)
Payments to acquire intangible assets	**13**	**(1)**	(3)
Net cash (used in) / from investing activities		**(143)**	1,470
Net (Decrease)/ Increase in cash and cash equivalents		**(1,928)**	1,453
Cash and cash equivalents and at beginning of year		**5,011**	3,558
Cash and cash equivalents at end of year		**3,083**	5,011

The notes on pages 17 to 41 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 of Optimisa Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), the Companies Act 2006 applicable to companies reporting under IFRS, and IFRS IC interpretations. These consolidated financial statements therefore comply with IFRS as adopted by the EU and have been prepared under the historical cost convention except for revaluation of certain financial instruments.

These financial statements are presented in sterling, which is the Group's functional currency. Amounts are rounded to the nearest thousand unless otherwise stated.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its 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 financial statements are disclosed in note 2.

1.1.1 Going concern

The Group meets its day-to-day working capital requirements through its cash position and bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's services; and (b) the availability of bank finance for the foreseeable future. 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 facilities. After making enquires, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group's banking facilities is given in note 20.

1.1.2 Changes in accounting policy and disclosures

Standards and interpretations in the current period

There were no new or amended IFRSs effective as of 31 December 2018 that impacted the financial statements of the Company other than the following:

- IFRS 15 Revenue from contracts with Customers.

  IFRS 15 was issued in May 2014 and establishes a new five step model that applies to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer. There is no impact of IFRS 15, which is effective as of 1 January 2018.

Standards which are in issue but not yet effective.

- Standards issued but not yet effective as of the date of issuance of the financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective:IFRS 9 Financial Instruments – Recognition and Measurement.

  IFRS 9 carries forward with one exception the IAS 19 requirement to measure all financial assets and liabilities at fair value at initial recognition (and adjusted in some cases for transaction costs). The Company is currently assessing the impact of this standard (effective for periods beginning on or after 1 January 2019).

IFRS 16 leases (effective for periods commencing on or after 1 January 2019).

Annual improvements to IFRSs 2015-2017 cycle (effective for period commencing on or after 1 January 2019)

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements. The Group does not intend to apply any of these pronouncements early.

Notes to the consolidated financial statements (continued)

1. Summary of significant accounting policies (continued)

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 2018. 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 Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Consolidation of the subsidiary Company financial statements within the Group is performed 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 transactions, balances and unrealised gains on transactions between Group Companies are eliminated. Unrealised losses are also eliminated.

1.3 Foreign currency translation

Functional and presentation currency

Items included in the financial statement of each of the 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.

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.

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

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.

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

Notes to the consolidated financial statements (continued)

1. Summary of significant accounting policies (continued)

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 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.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

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. Computer software is carried at cost, less accumulated amortisation to date.

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 Andrew Irving Associates Limited and Optimisa Holdings Limited 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. The assets are deemed to have a finite life and are 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. When capitalised development expenditure has been fully amortised and the period of expected future benefit has ended, it is treated as a disposal in that period.

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. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes to the consolidated financial statements (continued)

1. Summary of significant accounting policies (continued)

1.7 Financial assets

The Group classifies its financial assets at fair value through profit or loss, or as 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.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current if expected to be settled within 12 months; otherwise, they are classified as non-current.

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.

Assets are classified as held for sale if their carrying amount will be recovered or settled principally through a sale transaction rather than through continuing use. The asset must be available for immediate sale and the sale must be highly probable within one year.

1.8 Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

During 2017 and 2016 forward currency contracts have not been designated as hedging instruments.

If the derivative is not designated as a hedge it will be held at fair value through the profit and loss account, if it is designated as a hedge it will be designated as a cash flow hedge, as these are hedges against a particular risk associated with a recognised asset or liability or highly probable forecast transaction.

1.8.1 Cash flow hedge

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair values of the derivative instruments used for hedging purposes are disclosed in note 16. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other gains/(losses) – net'.

Notes to the consolidated financial statements (continued)

1. Summary of significant accounting policies (continued)

1.8.1 Cash flow hedge (continued)

Amounts accumulated in equity are reclassified to profit or loss in periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other gains/ (losses) – net'.

When a hedging instrument expires, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other gains/ (losses) – 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 initially at fair value and subsequently measured at amortised cost using the effective interest method, 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 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 than 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 financial statements 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 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.

1.17 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.

1.18 Revenue recognition

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

Revenue is recognised as follows:

a) Sales of services 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. Income may therefore be accrued or deferred based upon the amount of revenue invoiced relative to the amount of revenue being recognised.

b) Interest is recognised on an accruals basis.

Notes to the consolidated financial statements (continued)

1. Summary of significant accounting policies (continued)

1.19 Exceptional items

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

1.20 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 equity. 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.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of the reporting period the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates if any in the income statement with the corresponding adjustment in equity. The fair value of the options is measured using a Black Scholes valuation model of options with non-market performance conditions

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.

1.21 Leases

a) Operating leases

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

b) Finance leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

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.

Notes to the consolidated financial statements (continued)

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 tests annually and at other times when such indicators exist whether goodwill has suffered any impairment in accordance with the accounting policy (note 1.5 & 1.6). These calculations require the use of estimates to assess whether there are any indicators of impairment (note 13). 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.

Revenue recognition

Management judgement is required to determine the amount of revenue to be recognised in relation to projects which are not yet complete. Revenue recognition estimates are applied consistently in line with the procedure used to calculate the estimate.

3. Financial risk management

The Group's activities expose it to some financial risks, the main one being foreign exchange risk. The Group is also exposed to credit risk, interest rate 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 and recognised assets and liabilities.

b) 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 2018 no forward contracts were outstanding. Interest rate risk

The Group's interest risk arises from the use of the Group's overdraft facility. The Group maintains the facility for headroom. Management reviews the interest rate risk on a periodic basis. Further information on the Group's banking facilities is given in note 20.

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 partially mitigated by the invoicing of a proportion of the agreed project fee in advance.

Notes to the consolidated financial statements (continued)

3. Financial risk management (continued)

d) Liquidity risk

The Group is subject to the risk that it will not have sufficient cash balances or overdraft facilities to meet the Group's cash requirements. The Group manages this risk with weekly cash flow forecasts which extend to 31 December 2019. Funding adequacy throughout this period is demonstrated by the calculation of the headroom that the Group is forecasting to.

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, 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.

5. Revenue

a) Primary reporting format – business segments

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

b) Secondary reporting format – geographical segments

The Group's businesses are all based in the UK. 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.

	2018	2017
	£'000	£'000
Revenue		
United Kingdom	**837**	1,092
Rest of Europe	**-**	16
US	**1,598**	1,847
Other countries	**1,009**	1,036
	3,444	3,991

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

Notes to the consolidated financial statements (continued)

5. Revenue (continued)

	2018	2017
Total assets	**£'000**	£'000
United Kingdom	**6,068**	8,678
	6,068	8,678

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

6. Finance income

	2018	2017
	£'000	£'000
Interest receivable	**75**	80
	75	80

7. Directors and employees

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

By activity	**2018**	2017
	Number	Number
Marketing and research consultants	**32**	29
Support staff	**5**	8
	37	37

Notes to the consolidated financial statements (continued)

7. Directors and employees (continued)

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

	2018 £'000	2017 £'000
Wages and salaries	**1,555**	1,745
Social security costs	**142**	165
Other pension costs	**94**	72
	1,791	1,982

The pension cost charged to the income statement in the year of £94,000 (2017: £72,000) includes an amount of £4,000 (2017: £5,000) included in liabilities at the 31 December 2018 and paid in the following year.

Key management consists of the executive and non-executive directors.

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

	2018 £'000	2017 £'000
Emoluments	**183**	424
Pension contributions	**4**	72
	187	496

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

	2018 £'000	2017 £'000
Emoluments	**83**	228
Pension contributions	**4**	63
	87	291

Notes to the consolidated financial statements (continued)

8. Profit before income tax

	2018	2017
	£'000	£'000
The following items have been included in arriving at profit before income tax from continuing operations:		
Employee benefits expense (note 7)	1,791	1,982
Depreciation of property, plant and equipment (note 14):		
– Owned assets	**47**	25
Amortisation of intangible assets (note 13)	**1**	1
Foreign currency exchange (gains)	**(14)**	(33)
Operating lease payments	**191**	118

9. Other profit – net

	2018	2017
	£'000	£'000
Reversal on impairment of other receivables	**-**	140
	-	140

10. Services provided by the Group's auditors

During the year the Group obtained the following services from the Group's auditors, as detailed below:

	2018	2017
	£'000	£'000
Fees payable to Company's auditors for the audit of the Parent Company and consolidated financial statements	**10**	10
Fees payable to Company's auditors for other services:		
– audit of Company's subsidiaries	**8**	10
– tax compliance services	**5**	6
	23	26

Notes to the consolidated financial statements (continued)

11. Income tax expense

Analysis of charge in year	2018 £'000	2017 £'000
Current tax:		
– current year	**34**	138
– adjustments in respect of previous years	**1**	(27)
Total current tax	**35**	111
Deferred tax (note 12):		
– Origination and reversal of temporary differences	**12**	2
– Impact of change in UK tax rate	**(1)**	-
– Adjustments in respect of previous years	**(1)**	(1)
Total deferred tax	**10**	1
Total income tax expense	**45**	112

Tax reconciliation

The effective rate of corporation tax in the UK is 19. % (2017: 19.25%). The tax charge for the year is lower (2017: lower) than the standard rate, the differences are explained below:

	2018 £'000	2017 £'000
Profit before income tax	**544**	730
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 19% (2017: 19.25%)	**103**	140
Effects of:		
Expenses/(income) not deductible for/subject to tax purposes	**(58)**	(1)
Other short-term timing differences	**(1)**	-
Adjustments in respect of previous years	**1**	(27)
Total income tax expense	**45**	112

Notes to the consolidated financial statements (continued)

12. Deferred tax

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

	2018 £'000	2017 £'000
Deferred tax asset		
Deferred tax asset to be recovered after more than 12 months	-	3
	-	3
Deferred tax liability		
Deferred tax liability to be recovered after more than 12 months	(7)	-
Deferred tax (liability)/assets net	(7)	3

The gross movement on the deferred income tax account is as follows:

	2018 £'000	2017 £'000
At 1 January	3	2
Debited to the income statement – continuing operations	(10)	1
At 31 December	(7)	3

The movement in deferred tax assets and liabilities during the year is as follows:

Deferred tax assets	Depreciation and other timing differences £'000
At 1 January 2017	4
Debited to the income statement	(1)
At 31 December 2017	3
Debited to the income statement	(10)
At 31 December 2018	(7)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

There are currently no future tax rate changes which have not been subsequently enacted.

Notes to the consolidated financial statements (continued)

12. Deferred tax (continued)

Capital losses:
Unrelieved tax losses relating to capital disposals in previous years of approximately £13,074,000 (2017:£13,074,000) remain available to offset against future taxable gains in Optimisa Limited. The potential deferred tax asset at 17% of £2,223,000 (2017:£2,223,000) associated with these losses has not been recognised as the directors do not expect them to be utilised in the foreseeable future.

13. Intangible assets

	Goodwill £'000	Computer software £'000	Customer contracts and relationships £'000	Total £'000
Cost				
At 1 January 2018	1,304	59	-	1,363
Additions	–	1	–	1
At 31 December 2018	**1,304**	**60**	**-**	**1,364**
Accumulated amortisation				
At 1 January 2018	-	56	-	56
Charge for the year	-	1	–	1
At 31 December 2018	**-**	**57**	**-**	**57**
Net book amount at 31 December 2018	**1,304**	**3**	**–**	**1,307**
Cost				
At 1 January 2017	13,532	129	586	14,247
Additions	–	2	–	2
Discontinued operations	(12,228)	(72)	(586)	(12,886)
At 31 December 2017	**1,304**	**59**	**-**	**1,363**
Accumulated amortisation				
At 1 January 2017	10,028	111	586	10,725
Disposals	-	(1)	-	(1)
Charge for the year	-	1	-	1
Discontinued operations	(10,028)	(55)	(586)	(10,669)
At 31 December 2017	**-**	**56**	**-**	**56**
Net book amount at 31 December 2017	**1,304**	**3**	**–**	**1,307**

Amortisation is contained within 'administrative expenses' in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements (continued)

13. Intangible assets (continued)

Goodwill

Goodwill is allocated to the Group's cash generating units (CGU's) as presented below:

	2018	2017
	£'000	£'000
KAE: Marketing Intelligence Limited	**1,304**	1,304
	1,304	1,304

In accordance with the Group's accounting policy, the carrying value of goodwill is tested annually for impairment.

The recoverable amount of a CGU is determined based on value-in-use calculations. The value-in-use calculations use pre-tax cash flow projections based on the most up-to-date budgets and forecasts that have formally been approved by management. The basis for this is the 2017 and 2018 budgets with a growth rate thereafter of 2.0%, being taken to perpetuity. The discount rate of 9.3% 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.

The directors consider there are no reasonably possible changes in key assumptions that would result in an impairment to the goodwill attributed to KAE: Marketing Intelligence Limited.

Notes to the consolidated financial statements (continued)

14. Property, plant and equipment

	Short Leasehold Property £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 1 January 2018	-	107	107
Additions	-	142	142
At 31 December 2018	**-**	**249**	**249**
Accumulated depreciation			
At 1 January 2018	-	84	84
Charge for the year		47	47
At 31 December 2018	**-**	**131**	**131**
Net book amount at 31 December 2018	**-**	**118**	**118**
Cost			
At 1 January 2017	79	406	485
Additions	-	17	17
Disposals	–	(105)	(105)
Discontinued operations	(79)	(211)	(290)
At 31 December 2017	**-**	**107**	**107**
Accumulated depreciation			
At 1 January 2017	44	317	361
Charge for the year	-	25	25
Disposal	–	(105)	(105)
Discontinued operations	(44)	(153)	(197)
At 31 December 2017	**-**	**84**	**84**
Net book amount at 31 December 2017	**-**	**23**	**23**
Net book amount at 1 January 2017	**35**	**89**	**124**

Assets held under finance lease
There were no assets held under outstanding finance leases at 31 December 2017 and 31 December 2018.

Depreciation expense has been charged in 'administrative expenses' within the Consolidated Statement of Comprehensive Income.

Notes to the consolidated financial statements (continued)

15. Derivative financial instruments

	2018 Assets £'000	2018 Liabilities £'000	2017 Assets £'000	2017 Liabilities £'000
Forward foreign exchange contracts	–	-	–	3

Foreign exchange contracts have been recognised at fair value through the income statement, see note 3a.

16. Financial instruments

	Loans and receivables 2018 £'000	Loans and receivables 2017 £'000	Total 2018 £'000	Total 2017 £'000
At 31 December – Assets as per balance sheet				
Trade and other receivables – current (excluding prepayments and accrued income)	**1,431**	1,134	**1,431**	1,134
Cash and cash equivalents	**3,083**	5,011	**3,083**	5,011
	4,514	6,145	**4,514**	6,145

	Other financial liabilities at amortised cost 2018 £'000	Other financial liabilities at amortised cost 2017 £'000
At 31 December – Liabilities as per balance sheet		
Trade and other payables	**394**	267
	394	267

Notes to the consolidated financial statements (continued)

17. Financial assets

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. Further detail on how the directors manage credit risk is provided in note 3.

18. Trade and other receivables

	2018	2017
	£'000	£'000
Trade receivables	**298**	973
Other receivables including taxes	**133**	174
Loan repayment	**1,000**	1,000
Prepayments and accrued income	**129**	187
	1,560	2,334

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 2018, trade receivables of £298,000 (2017: £973,000) were fully performing, trade receivables of £24,000 (2017: £nil) were past due but not considered to be impaired, and trade receivables of £nil (2017: £nil) 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. The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

The ageing analysis of trade receivables is as follows:

			Past due but not impaired		Past due and provided for
	Total	Fully performing	Up to 3 months	3-6 months	3-6 months
	£'000	£'000	£'000	£'000	£'000
31 December 2018	**298**	**274**	**24**	–	**–**
31 December 2017	973	973	-	–	–

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

	2018	2017
	£'000	£'000
Pounds	**1,304**	1,555
Euros	**-**	76
US dollar	**256**	703
	1,560	2,334

Notes to the consolidated financial statements (continued)

19. Trade and other payables

	2018	2017
	£'000	£'000
Trade and other payables	**64**	164
Social security and other taxes	**50**	52
Accruals and deferred income	**280**	661
	394	877

The directors consider that the carrying amount of trade and other payables is approximately equal to their fair value.

20. Borrowings

The Group had maintained an overdraft facility of £10,000 (2017: £10,000) until it was cancelled in July 2017. The facility was secured by a cross guarantee and debenture by and between Optimisa Limited, and its wholly owned subsidiaries.

All bank borrowings are denominated in UK pounds.

The maturity profile of the contractual payments, including finance charges, of the Group's financial liabilities as at 31 December 2018 is as follows:

	Less than 1 year	1-2 years	2-3 years	3-5 years	**Total**
	£'000	£'000	£'000	£'000	**£'000**
Trade and other payables	399	–	–	–	**399**

The maturity profile of the contractual payments, including finance charges, of the Group's financial liabilities as at 31 December 2017 was as follows:

	Less than 1 year	1-2 years	2-3 years	3-5 years	**Total**
	£'000	£'000	£'000	£'000	**£'000**
Trade and other payables	877	–	–	–	**877**

Notes to the consolidated financial statements (continued)

21. Ordinary shares

	2018 **£'000**	2017 £'000
Authorised		
750,000 (2017: 750,000) ordinary shares of £5 each	**3,750**	3,750
Issued and fully paid		
192,738 (2017: 376,594) ordinary shares of £5 each	**964**	1,883

The net reduction in issued and fully paid shares results from the cancellation of 203,856 shares resulting from the share buyback completed in September 2018 at £13 per share, and the exercise of options on 20,000 ordinary shares.

These shares carry no right to fixed income or have any preferences attached to them.

22. Share options

Share options are granted to selected directors.

Options on nil ordinary shares were granted to directors in 2018 (2017: 12,500).

Options were valued using the Black-Scholes option-pricing model. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	31/1/2017	26/03/2010
Share price at grant date (pence)	800	170
Exercise price (pence)	900	500
Number of employees	2	3
Shares under option	12,500	52,500
Expected volatility	50%	26.90%
Option life (years)	10	10
Expected life (years)	2.5	2.5
Risk-free rate	1%	1.59%
Expected annual dividend yield	0.00%	0.00%
Fair value per option (pence)	0.0336	0.28

The expected volatility is based on a comparable AIM listed company over a time consistent with the expected life of the option. The risk-free rate is the continuously compounded yield on zero-coupon UK government bonds of a term consistent with the expected life of the option. A reconciliation of movements over the year to 31 December 2018 is shown below:

	2018		2017	
	Number	**Weighted average exercise price pence**	Number	Weighted average exercise price pence
Outstanding at 1 January	**32,500**	**654**	25,000	500
Exercisable at 1 January	**32,500**	**654**	25,000	500
Granted	-	–	12,500	900
Exercised	**(20,000)**	**5**	(5,000)	500
Outstanding at 31 December	**12,500**	**900**	32,500	654
Exercisable at 31 December	**12,500**	**900**	32,500	654

The charge to the income statement in the year in relation to outstanding options over the Company's ordinary shares is £nil (2017: £1,000).

In 2018 20,000 options over shares were exercised (2017: 5,000).

Notes to the consolidated financial statements (continued)

23. Capital Reduction reserve

The increase in the reserve, which is non-distributable, arose on the cancellation of 203,856 £5 ordinary shares in 2018.

24. Merger reserve

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 the merger relief provisions of the Companies Act 2006.

25. Operating lease commitments

The Group leases premises under non-cancellable operating lease agreements. The leases have various terms typical of property lease arrangements and are renewable at the end of the lease period at the market rate.

The Group also leases various equipment under non-cancellable operating leases. The lease terms are between 3 and 5 years.

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

	2018 Land and buildings £'000	2017 Land and buildings £'000
No later than 1 year	**163**	184
Later than 1 year and no later than 5 years	**152**	318
	315	502

26. Related party transactions

Following the Tender Offer completed in September and the cancellation of 203,856 shares the Group is controlled by Ron Littleboy and related concert party. The financial statements of Optimisa Limited are available from 256 Waterloo Road, London SE1 8RF.

Directors' emoluments and key management compensation are disclosed in note 7.

Transactions between the Company and its subsidiaries are eliminated on preparation of the consolidated financial statements of the Group.

Certain fees paid to directors are paid to companies in which the director has a controlling interest. An amount of £3,083 was owed to R. Porter at 31 December 2018.

There are no other material related party transactions in the year ended 31 December 2018

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27. Discontinued operations

During 2017, the Group disposed of Optimisa Research Limited, its principal activities were consultancy in research and marketing strategy.

The disposal was completed on 1 August 2017 and resulted from an unsolicited approach to acquire at a value its directors considered very attractive.

The consideration received was £2,380,991, which resulted in a profit on disposal of £62,081, calculated as follows.

The results of the discontinued operations have been included in the consolidated financial statements until the date the disposal was completed.

There are as following:

	2017 £'000
Revenue	1,620
Cost of sales	(367)
Gross profit	1,253
Administrative expenses excluding depreciation, amortisation and impairments	(1,343)
Depreciation	(20)
Total administrative expenses	(1,363)
(Loss) / profit before tax from discontinued operations	(110)
Tax	-
(Loss) / profit after tax from discontinued operations	(110)
Net profit on disposal of subsidiary undertakings	62
(Loss) / profit from discontinued operations	(48)

The net cashflow arributable to the Groups operating, financing and investing activities of Optimisa Research Limited were

	2018 **£'000**	2017 **£'000**
Net operating cashflows	**0**	127
Net investing cashflows	**0**	6

27. Discontinued operations (Continued)

Profit on Disposal of Optimisa Research Limited during 2017

	2017 £'000
Property, plant and equipment	96
Intangible assets	-
Debtors	649
Creditors	(812)
Cash	160
Net assets at disposal	93
Investment	2,200
Cash consideration	2,381
Disposal costs	(26)
Profit on disposal	62

28. Post Balance Sheet Events

There were no post balance sheet events to note.

Independent auditors' report to the members of Optimisa Limited

Report on the Parent Company financial statements

Opinion

We have audited the financial statements of Optimisa Limited (the 'company') for the year ended 31 December 2018 which comprise the Statement of Income and Retained Earnings, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its Profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Independent auditors' report to the members of Optimisa Limited

Report on the Parent Company financial statements (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Eade (Senior Statutory Auditor)

for and on behalf of Bright Grahame Murray
Chartered Accountants
Statutory Auditor
Emperor's Gate
114a Cromwell Road
Kensington
London
SW7 4AG

30 September 2019

Parent Company balance sheet

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	(e)	1	1
Investments	(f)	2,017	2,017
Deferred income tax assets	(h)	1	2
		2,019	2,020
Current assets			
Debtors (2017: including £1,000,000 due after one year)	(g)	1,188	1,264
Cash at bank and in hand		2,419	4,359
		3,607	5,623
Creditors – amounts falling due within one year	(i)	(450)	(539)
Net current assets		3,157	5,084
Total assets less current liabilities		5,176	7,104
Net assets		5,176	7,104
Capital and reserves			
Called up share capital	(j)	964	1,883
Share premium account	(k)	82	82
Capital reduction reserve	(m)	1,484	465
Merger reserve	(m)	914	914
Profit and loss account	(l)	1,732	3,760
Total shareholders' funds	(n)	5,176	7,104

The notes on pages 46 to 57 are an integral part of these Parent Company financial statements. The financial statements were approved by the Board of directors on 30 September 2019 and were signed on its behalf by:

R F Littleboy
Director
Registered number: 03860539

Parent statement of changes in equity

	Ordinary Shares £'000	Share Premium £'000	Merger Reserve £'000	Retained earnings/ (Accum-ulated Losses) £'000	Capital reduction reserve £'000	Total Equity £'000
Balance at 1 January 2017	**2,323**	**3,882**	**914**	**(389)**	–	**6,730**
Issue of share capital	25	-	-		–	**25**
Cancellation of treasury shares	(465)	-	-	-	**465**	-
Cancellation of share premium	-	(3,800)	-	3,800	-	-
Profit for the year	–	–	–	349	–	**349**
Total comprehensive income	(440)	(3,800)	–	4,149	**465**	**374**
Balance at 31 December 2017	**1,883**	**82**	**914**	**3,760**	**465**	**7,104**
Issue of share capital	100	–	–	–	–	**100**
Share buyback	-	-	-	(2,650)	-	**(2,650)**
Cancellation of treasury shares	(1,019)	–	–	–	**1,019**	-
Profit for the year	–	–	–	622	–	**622**
Total comprehensive income	(919)	-	–	(2,028)	**1,019**	**(1,928)**
Balance at 31 December 2018	**964**	**82**	**914**	**1,732**	**1,484**	**5,176**

Notes to the Parent Company financial statements

a) **Accounting policies**

Company information

Optimisa Limited is a public limited company domiciled and incorporated in England and Wales. The registered office is 256-260 Waterloo Road, London SE1 8RF.

i. Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest thousand.

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

In preparing these financial statements, the Company has taken advantage of the following disclosure exemptions, as permitted by FRS 102 paragraph 1.12:

- the requirement of Section 7 to prepare a Statement of Cash Flows;
- the requirement of Section 33 in respect of Related Party Disclosures paragraph 33.7.

ii. Going concern

These financial statements have been prepared on a going concern basis.

The current economic conditions present increased risks for all businesses. In response to such conditions, the directors have fully considered these risks, including an assessment of uncertainty on future trading projection for a period of at least twelve months from the date of signing the financial statements, and the extent to which they might affect the preparation of the financial statements on a going concern basis.

Based on this assessment, the directors consider that the Company maintains an appropriate level of liquidity, sufficient to meet the demands of the business including any capital and servicing obligations of external debt liabilities.

In addition, the Company's assets are assessed for recoverability on a regular basis, and the directors consider that the Company is not exposed to losses on these assets which would affect their decision to adopt the going concern basis.

The directors have at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

As highlighted in note 20 to the Optimisa Limited ("Group") financial statements, the Group meets its day to day working capital requirements through its positive cash position and when necessary an overdraft facility. The Company's funding and working capital requirements are provided by the Parent Company as part of the overall facilities of the Group. The Parent Company ("Optimisa Limited") has confirmed they will continue to support the Company for the foreseeable future.

Notes to the Parent Company financial statements (continued)

a) Accounting policies (continued)

ii. Going concern (continued)

The Group had maintained a bank overdraft facility until it was cancelled in July 2017.

iii. Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Deferred income represents the portion of marketing services invoiced in advance, which is recognised in the profit and loss account as and when the services have been performed.

Accrued income represents the portion of income which is recognised in the profit and loss account in line with an accounting estimate of the proportion of the service that has been performed and which has not yet been invoiced.

iv. Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, on a straight line basis over their expected useful lives, as follows:

Office equipment, Fixtures and fittings	3 – 5 year
Leasehold improvements	over of the term of the lease

v. Impairment of fixed assets

At each reporting end date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Notes to the Parent financial statements (continued)

a) Accounting policies (continued)

v. Impairment of fixed assets (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

vi. Cash and cash equivalents

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

vii. Financial instruments

The Company has elected to apply the provisions of Section 11 ‘Basic Financial Instruments’ and Section 12 ‘Other Financial Instruments Issues’ of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Notes to the Parent Company financial statements (continued)

a) **Accounting policies (continued)**

Impairment of financial assets
Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Classification of financial liabilities
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Basic financial liabilities
Basic financial liabilities, including trade and other payables, bank loans, loans from fellow Group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities
Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Derecognition of financial liabilities
Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled, or they expire.

viii. Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

ix. Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

Notes to the Parent Company financial statements (continued)

a) Accounting policies (continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

x. Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received. Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

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.

At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to its original estimates, if any, in the income statement with a corresponding charge to equity.

xi. Pension costs and retirement benefits

Contributions in respect of the Company's defined contribution pension scheme for its directors and employees are charged to the profit and loss account in the period in which the obligation arises.

The Company operates defined contribution pension schemes. A defined contribution plan is a pension plan under which the Company pays contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Company no longer contributes to any other type of pension scheme, nor does it have any liabilities in relation thereto.

Notes to the Parent Company financial statements (continued)

a) **Accounting policies (continued)**

xi. Pension costs and retirement benefits (continued)

The Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

xiii. Foreign currency translation

Foreign currency transactions are translated using the exchange rates prevailing at the dates of such transactions. Foreign exchange gains or 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.

b) **Judgements and key sources of estimation uncertainty**

The Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Key sources of estimation uncertainty

The key estimation uncertainties are set out below:

Recoverability of trade debtors

The Company establishes a provision for trade debtors that are estimated not to be recoverable. When assessing recoverability the directors consider factors such as the ageing of the trade debtors, past experience of recoverability, and the credit profile of individual or Groups of customers.

Determining residual values and useful economic lives of tangible fixed assets

The Company depreciates tangible fixed assets over their useful economic lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Judgement is applied by management when determining the residual values of tangible fixed assets. When determining the residual value management aim to assess the amount that the Company would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life. Where possible this is done with reference to external marker prices.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Notes to the Parent Company financial statements (continued)

c) **Profit and loss account**

The directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a profit and loss account for the Company. The Profit for the financial year for the Company was £622,000 (2017: £349,000).

d) **Services provided by the Company's auditors**

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

	2018	2017
	£'000	£'000
Fees payable to the Company auditors for the audit of the Parent Company and consolidated financial statements	**10**	10
Tax services	**3**	3
	13	13

e) **Tangible fixed assets**

	Fixtures, fittings and equipment £'000
Cost	
At 1 January 2018	3
At 31 December 2018	**3**
Accumulated depreciation	
At 1 January 2018	2
At 31 December 2018	**2**
Net book amount at 31 December 2018	**1**
Net book amount at 31 December 2017	1

Notes to the Parent Company financial statements (continued)

f) Fixed asset investments

	Group companies £'000
Cost	
At 1 January 2018	2,017
At 31 December 2018	**2,017**
Net book value	
At 31 December 2018	**2,017**
At 31 December 2017	2.017

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.

Further details of the impairment tests are contained within note 13 of the consolidated financial statements.

The Company's significant 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
KAE: Marketing Intelligence Limited	England and Wales	Marketing consultancy	100%
Optimisa Holdings Limited	England and Wales	Holding company	100%

There were no subsidiaries of Optimisa Holdings Limited as at 31st December 2018.

All subsidiaries have the same reporting date as the Company.

Notes to the Parent Company financial statements (continued)

g) Debtors

	2018 £'000	2017 £'000
Amounts falling due within one year		
Amounts owed by Group undertakings	**63**	136
Other debtors	**86**	126
Prepayments and accrued income	**2**	2
Corporation tax receivable	**37**	-
	188	264
Amounts falling due after more than one year		
Trade Loan	**1,000**	1,000
Total debtors	**1,188**	1,264

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

h) Deferred taxation

	2018 £'000	2017 £'000
At 1 January	**2**	**2**
Charge in profit and loss account	**(1)**	-
At 31 December	**1**	**2**

The deferred tax asset relates to timing differences between deprecation and capital allowances.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

There are currently no future tax rate changes which have not been subsequently enacted.

Notes to the Parent Company financial statements (continued)

h) Deferred taxation (continued)

Capital losses:
Unrelieved tax losses relating to capital disposals of approximately £13,074,000 (2017: £13,074,000) are available to offset against future taxable gains. The potential deferred tax asset of £2,223,000 (2017: £2,223,000) associated with these losses has not been recognised as the directors do not expect them to be utilised in the foreseeable future.

i) Creditors – amounts falling due within one year

	2018	2017
	£'000	£'000
Trade creditors	**15**	34
Other creditors including taxation and social security	**3**	71
Accruals and deferred income	**36**	46
Derivative financial instruments	**-**	3
Amount due to Subsidiary undertakings	**396**	385
	450	539

Amounts owed to Group undertakings other than those amounts identified in note (g) are non-interest bearing, unsecured and repayable on demand.

Notes to the Parent Company financial statements (continued)

j) Called up share capital

	2018 £'000	2017 £'000
Authorised		
750,000 (2017: 750,000) ordinary shares of £5 each	**3,750**	3,750
Allotted, called up and fully paid		
192,738 (2017: 376,594) ordinary shares of £5 each	**964**	1,883

The net reduction in issued and fully paid shares results from the cancellation of 203,856 shares previously held as treasury shares and the exercise of options. on 20,000 ordinary shares.

k) Share premium account

	2018 £'000	2017 £'000
Share premium account	**82**	82

l) Profit and loss account

	2018 £'000	2017 £'000
At 1 January	**3,760**	(389)
Share buy-back	**(2,650)**	-
Cancellation of share premium	**-**	3,800
Profit for the year (note c)	**622**	349
At 31 December	**1,732**	3,760

m) Other reserves

	Reserve 2018 £'000	**Reserve 2017 £'000**
Merger Reserves	**914**	914
Capital reduction reserve	**1,484**	465
Total Other Reserves	**2,398**	1,379

Further details of the Merger reserve are included in note 24 of the consolidated financial statements.

n) Reconciliation of movements in shareholders' funds

	2018 £'000	2017 £'000
Profit for the financial year (note c)	**622**	349
Excercised share options	**100**	25
Share buy-back	**(2,650)**	-
Net (decrease) /increase in shareholders' funds	**(1,928)**	374
Opening equity shareholders' funds	**7,104**	6,730
Closing equity shareholders' funds	**5,176**	7,104

o) Employees and directors

	2018 Number	2017 Number
The average monthly number of persons (including executive directors) employed by the Company during the year was:	**3**	3

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

	2018 £'000	2017 £'000
Wages and salaries	**178**	312
Social security costs	**6**	16
	184	328

The aggregate remuneration of the directors of the Company for the year was £178,000 (2017: £312,000). Details of directors' remuneration are set out in note 7 of the consolidated financial statements.

One director was remunerated by Optimisa Limited and their remuneration was partly recharged to a subsidiary company. Their aggregate remuneration has been included within the aggregate directors remuneration set out above.

p) Related party transactions

R Littleboy is the controlling party. The financial statements of Optimisa Limited are available from 256-260 Waterloo Road, London SE1 8RF.

The Company has taken advantage of the exemption permitted by Section 33 'Related Party Disclosures' not to provide disclosures of transactions entered into with wholly owned members of the Group.

Certain fees paid to directors are paid to companies in which the director has a controlling interest. An amount of £3,083 was owed to R. Porter at 31 December 2018.

There were no other material related party transactions in the year ended 31 December 2018.

q) **Post Balance Sheet Events**

There were no post balance sheet events to note.