

REGISTERED NUMBER: 03356394 (England and Wales)

INSITU LIMITED
REPORT OF THE DIRECTORS AND
UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2005



INSITU LIMITED

**CONTENTS OF THE FINANCIAL STATEMENTS
for the Year Ended 31st March 2005**

	Page
Company Information	1
Report of the Directors	2
Profit and Loss Account	3
Balance Sheet	4
Notes to the Financial Statements	5
Chartered Accountants' Report	9
Trading and Profit and Loss Account	10

INSITU LIMITED

COMPANY INFORMATION
for the Year Ended 31st March 2005

DIRECTORS:	T J Ferrer T H Ferrer D W Brunsdon
SECRETARY:	T J Ferrer
REGISTERED OFFICE:	15 Wheeler Gate Nottingham Nottinghamshire NG1 2NA
REGISTERED NUMBER:	03356394
ACCOUNTANTS:	Duncan & Toplis 18 Northgate Sleaford Lincolnshire NG34 7BJ
SOLICITORS:	Pinsent Curtis Dashwood House 69 Old Broad Street London EC2M 1NR

INSITU LIMITED

REPORT OF THE DIRECTORS for the Year Ended 31st March 2005

The directors present their report with the financial statements of the company for the year ended 31st March 2005.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of providing digital marketing services.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

InSitu Limited is a marketing company that specialises in providing digital marketing services. Our Talkback Channel service, developed since 2002, is underpinned by patented technology and focused on enhancing in-store promotional marketing capabilities of retailers and their brand suppliers. JF

A successful technical proof of concept for Talkback at five retail sites in the Midlands concluded in February 2005. Following this the directors have generated a number of sales prospects and we are confident that these will lead to a pilot in 2005 and lead to its first major roll out in 2006. Our sales prospects include the global leader in ~~retailing~~ convenience and a major forecourt retail chain. JF

Whilst the company has focused its attention on the development of Talkback and building of a sales pipeline, the company generated revenues of £34,374 from ad-hoc consultancy. With the anticipated closing of its first major contract in 2006, the directors believe that the company is on track to reach break-even in 2006.

DIVIDENDS

No dividends will be distributed for the year ended 31st March 2005.

DIRECTORS

The directors during the year under review were:


T J Ferrer	
T H Ferrer	
D W Brunsdon	
N G L Timpson	- resigned 24.3.2005
N C Farrington Darby	- resigned 1.3.2005

The beneficial interests of the directors holding office on 31st March 2005 in the issued share capital of the company were as follows:

	31.3.05	1.4.04
Ordinary £0.10 shares		
T J Ferrer	91,840	91,840
T H Ferrer	167,190	158,386
D W Brunsdon	17,973	15,640

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

ON BEHALF OF THE BOARD:


T J Ferrer - Director

Date: 12/01/06

INSITU LIMITED

PROFIT AND LOSS ACCOUNT
for the Year Ended 31st March 2005

		<u>2005</u>	<u>2004</u>
	Notes	£	£
TURNOVER		34,374	120,324
Cost of sales		<u>15,446</u>	<u>13,004</u>
GROSS PROFIT		18,928	107,320
Administrative expenses		<u>435,794</u>	<u>622,448</u>
OPERATING LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(416,866)	(515,128)
Tax on loss on ordinary activities	3	<u>(99,871)</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION		(316,995)	(515,128)
Deficit brought forward		<u>(1,996,900)</u>	<u>(1,481,772)</u>
DEFICIT CARRIED FORWARD		<u>£(2,313,895)</u>	<u>£(1,996,900)</u>

The notes form part of these financial statements

INSITU LIMITED

BALANCE SHEET
31st March 2005

		2005		2004	
	Notes	£	£	£	£
FIXED ASSETS:					
Intangible assets	4		637,788		637,788
Tangible assets	5		<u>7,164</u>		<u>10,236</u>
			644,952		648,024
CURRENT ASSETS:					
Debtors	6	64,226		46,487	
Cash at bank		<u>2,257</u>		<u>17,723</u>	
		66,483		64,210	
CREDITORS: Amounts falling due within one year	7	<u>158,927</u>		<u>229,551</u>	
NET CURRENT LIABILITIES:			<u>(92,444)</u>		<u>(165,341)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			<u>£552,508</u>		<u>£482,683</u>
CAPITAL AND RESERVES:					
Called up share capital	8		102,347		89,224
Share premium	9		2,764,056		2,390,359
Profit and loss account			<u>(2,313,895)</u>		<u>(1,996,900)</u>
SHAREHOLDERS' FUNDS:			<u>£552,508</u>		<u>£482,683</u>

The company is entitled to exemption from audit under Section 249A(1) of the Companies Act 1985 for the year ended 31st March 2005.

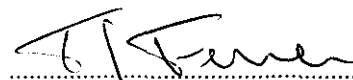
The members have not required the company to obtain an audit of its financial statements for the year ended 31st March 2005 in accordance with Section 249B(2) of the Companies Act 1985.

The directors acknowledge their responsibilities for:

- ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985 and
- preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Section 226 and which otherwise comply with the requirements of the Companies Act 1985 relating to financial statements, so far as applicable to the company.

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

ON BEHALF OF THE BOARD:


T J Ferrer Director

Approved by the Board on 2/6/06

The notes form part of these financial statements

INSITU LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the Year Ended 31st March 2005

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Research and development

Development costs incurred on all specific projects are capitalised when their recoverability can be assessed with reasonable certainty.

These costs are deferred and matched against related future revenues over the periods in which such revenues are expected to occur.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings	- 25% on cost
Computer equipment	- 25% on cost

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

Going concern

The financial statements have been prepared on a going concern basis, which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the company's ability to meet its debts as they fall due for payment.

If the company were unable to continue in operational existence for the foreseeable future, adjustments would need to be made to reduce the balance sheet values of the assets to their recoverable amounts and to reclassify fixed assets to current assets.

The directors are actively seeking further capital finance to support the company's operations and development.

As a result of these actions, the company is in a position to develop its products and services on a sound financial basis and, therefore, the directors feel it is appropriate for the financial statements to be prepared on a going concern basis.

2. OPERATING LOSS

The operating loss is stated after charging:

	2005	2004
	£	£
Depreciation - owned assets	5,215	5,740
Pension costs	<u>11,685</u>	<u>4,737</u>
Directors' emoluments and other benefits etc	<u>117,491</u>	<u>64,000</u>

INSITU LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31st March 2005**

3. TAXATION

Analysis of the tax credit

The tax credit on the loss on ordinary activities for the year was as follows:

	2005 £	2004 £
Current tax:		
Adjustment in respect of previous years:		
Corporation tax	(99,871)	-
Tax on loss on ordinary activities	(99,871)	-

4. INTANGIBLE FIXED ASSETS

	Research and development £
COST:	
At 1st April 2004	
and 31st March 2005	<u>637,788</u>
NET BOOK VALUE:	
At 31st March 2005	<u>637,788</u>
At 31st March 2004	<u>637,788</u>

5. TANGIBLE FIXED ASSETS

	Fixtures and fittings £	Computer equipment £	Totals £
COST:			
At 1st April 2004	31,517	6,606	38,123
Additions	2,143	-	2,143
Disposals	-	(6,606)	(6,606)
At 31st March 2005	<u>33,660</u>	-	<u>33,660</u>
DEPRECIATION:			
At 1st April 2004	21,281	6,606	27,887
Charge for year	5,215	-	5,215
Eliminated on disposals	-	(6,606)	(6,606)
At 31st March 2005	<u>26,496</u>	-	<u>26,496</u>
NET BOOK VALUE:			
At 31st March 2005	<u>7,164</u>	-	<u>7,164</u>
At 31st March 2004	<u>10,236</u>	-	<u>10,236</u>

INSITU LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31st March 2005**

**6. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	2005 £	2004 £
Trade debtors	10,615	21,485
Other debtors	10,170	17,502
Prepayments and accrued income	7,453	7,500
Corporation Tax receivable	<u>35,988</u>	<u>-</u>
	<u>64,226</u>	<u>46,487</u>

**7. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	2005 £	2004 £
Trade creditors	55,548	108,426
Other creditors	14,715	22,245
Directors' current accounts	44,603	19,635
Other taxes and social security costs	23,933	15,855
Accrued expenses	<u>20,128</u>	<u>63,390</u>
	<u>158,927</u>	<u>229,551</u>

8. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	2005 £	2004 £
1,023,469	Ordinary	£0.10	102,347	100,000
(2004 - 1,000,000)			<u> </u>	<u> </u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2005 £	2004 £
1,023,469	Ordinary	£0.10	102,347	89,224
(2004 - 892,240)			<u> </u>	<u> </u>

The following fully paid shares were allotted during the year at a premium as shown below:

131,229 Ordinary shares of £0.10 each at £2.84767 per share

At the balance sheet date the number of shares issued exceeded the number authorised (1,000,000). The company has corrected this via an Extraordinary General Meeting held on 9th November 2005.

9. SHARE PREMIUM

	2005 £	2004 £
Brought forward	2,390,359	2,081,699
Cash share issue	<u>373,697</u>	<u>308,660</u>
	<u>2,764,056</u>	<u>2,390,359</u>

INSITU LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31st March 2005

10. TRANSACTIONS WITH DIRECTORS

During the year T J Ferrer and T H Ferrer, directors and shareholders of the company provided financial assistance to the company. At the year-end the company owed T J Ferrer £35,610 and T H Ferrer £8,993.

11. RELATED PARTY DISCLOSURES

The company has incurred consultancy costs from P Harding of £6,000 and Prima Venta Limited, an entity controlled by P Brindley, of £68,000. P Harding, Prima Venta Limited and P Brindley are all shareholders of InSitu Limited.

**CHARTERED ACCOUNTANTS' REPORT TO THE BOARD OF DIRECTORS
ON THE UNAUDITED FINANCIAL STATEMENTS OF
INSITU LIMITED**

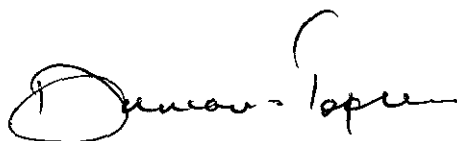
In accordance with our terms of engagement and in order to assist you to fulfil your duties under the Companies Act 1985, we have compiled the financial statements of the company for the year ended 31st March 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes from the accounting records and information and explanations you have given to us.

This report is made to the company's Board of Directors, as a body, in accordance with the terms of our engagement. Our work has been undertaken so that we might compile the financial statements that we have been engaged to compile, report to the company's Board of Directors that we have done so, and state those matters that we have agreed to state to them in this 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 Board of Directors, as a body, for our work or for this report.

We have carried out this engagement in accordance with technical guidance issued by the Institute of Chartered Accountants in England & Wales and have complied with the ethical guidance laid down by the Institute relating to members undertaking the compilation of financial statements.

You have acknowledged on the Balance Sheet as at 31st March 2005 your duty to ensure that the company has kept proper accounting records and to prepare financial statements that give a true and fair view under the Companies Act 1985. You consider that the company is exempt from the statutory requirement for an audit for the year.

We have not been instructed to carry out an audit of the financial statements. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the financial statements.



Duncan & Toplis
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Date: 20 January 2006