

Company Registration No. 3774129 (England and Wales)

CLICKSTREAM TECHNOLOGIES PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004



CLICKSTREAM TECHNOLOGIES PLC

COMPANY INFORMATION

Directors	R S T Evison C P J Wightman S G Meeks B F Barclay (Appointed 1 July 2004)
Secretary	Jordan Company Secretaries Ltd
Company number	3774129
Registered office	20-22 Bedford Row London WC1R 4JS
Auditors	The Gallagher Partnership LLP Titchfield House 69/85 Tabernacle Street London EC2A 4RR
Business address	133 Station Road Histon Cambridge CB4 9NP
Bankers	National Westminster Bank plc 31 Fitzroy Street Cambridge Cambridgeshire CB1 1EU

CLICKSTREAM TECHNOLOGIES PLC

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CLICKSTREAM TECHNOLOGIES PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their report and financial statements for the year ended 31 December 2004.

Principal activities and review of the business

The principal activities of the company in 2004 focused solely on selling and developing the Company's Datasherpa software which collects, transmits and transforms user behavioural, transactional and environmental data in any web enabled system.

The new management team was fully in place by the end of Q3 in 2004 and this has had a major positive effect on the business operations of the company.

The product development team standardised and stabilised the Datasherpa Data Collection software so that it much easier to sell, install and configure. Several key new functions have been added, all of which meet our key principle of collecting all data automatically without any manual intervention in web pages.

The distribution network has expanded to over 14 companies in the Web Analytics and new media space. The increasing importance of all forms of on-line marketing and the large sums being spent have meant that new media agencies, which offer products, services and consulting to companies using the internet as a selling tool, have become increasingly interested in the ease of collection of data and in the importance of having accurate data with which to compare marketing tools. This plays directly to the strengths of the Datasherpa software.

However, the time taken to stabilise the product and the organisation in 2004 was much longer than anticipated and marketing of our product only started at the end of that year. Additionally, the movement away from the legacy analytics system continued to demand large support efforts until the end of October which drained R&D resources. This meant that sales for 2004 were well below expectations.

The beginning of 2005 saw increased direct selling, marketing and promotional activities which have led to increased awareness of Clickstream and the start of a good pipeline of prospects. The pipeline of partners and distributors has also increased with most of these being in the new media space while we have maintained good technical relationships with the Web Analytics vendors.

Results and dividends

The results for the year are set out on page 5.

The directors do not recommend payment of an ordinary dividend.

Directors

The following directors have held office since 1 January 2004 unless otherwise stated:

R S T Evison	
C P J Wightman	
GC Directors Ltd	(Resigned 26 July 2005)
S G Meeks	
A W G Borthwick	(Resigned 28 May 2004)
B F Barclay	(Appointed 1 July 2004)
M D Wheatley	(Resigned 19 February 2004)

CLICKSTREAM TECHNOLOGIES PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of 10p each	
	31 December 2004	1 January 2004
R S T Evison	328,289	328,289
C P J Wightman	682,402	682,402
GC Directors Ltd	-	-
S G Meeks	797,499	797,499
B F Barclay	-	-

Creditor payment policy

The company's current policy concerning the payment of trade creditors is to agree the terms of payment with suppliers at the outset of each transaction and pay in accordance with the company's contractual and other legal obligations.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that The Gallagher Partnership LLP be reappointed as auditors of the company will be put to the Annual General Meeting.


Directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control and safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



B F Barclay
Director
27 July 2005

CLICKSTREAM TECHNOLOGIES PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CLICKSTREAM TECHNOLOGIES PLC

We have audited the financial statements of Clickstream Technologies plc on pages 5 to 16 for the year ended 31 December 2004. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the uncertainty as to the company's future working capital requirements. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

CLICKSTREAM TECHNOLOGIES PLC

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF CLICKSTREAM TECHNOLOGIES PLC

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


The Gallagher Partnership LLP
Chartered Accountants
Registered Auditors

27 July 2005
.....
Titchfield House
69/85 Tabernacle Street
London EC2A 4RR

CLICKSTREAM TECHNOLOGIES PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £	2003 £
Turnover	2	155,745	255,146
Cost of sales		(203,326)	(226,554)
Gross (loss)/profit		(47,581)	28,592
Administrative expenses		(1,118,036)	(971,425)
Operating loss	3	(1,165,617)	(942,833)
Other interest receivable and similar income		1,354	663
Interest payable and similar charges	4	(86,276)	(69,513)
Loss on ordinary activities before taxation		(1,250,539)	(1,011,683)
Tax on loss on ordinary activities	5	68,260	(107,621)
Loss on ordinary activities after taxation	12	(1,182,279)	(1,119,304)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

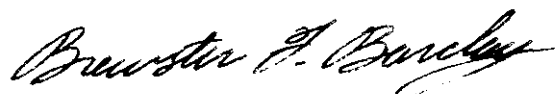
There are no recognised gains and losses other than those passing through the profit and loss account.

CLICKSTREAM TECHNOLOGIES PLC

BALANCE SHEET AS AT 31 DECEMBER 2004

	Notes	2004 £	£	2003 £	£
Fixed assets					
Intangible assets	6		6,406		27,636
Tangible assets	7		67,059		58,669
		
			73,465		86,305
Current assets					
Debtors	8	117,820		115,563	
Cash at bank and in hand		66,848		30,211	
		
		184,668		145,774	
Creditors: amounts falling due within one year	9	(975,683)		(553,916)	
		
Net current liabilities			(791,015)		(408,142)
		
Total assets less current liabilities			(717,550)		(321,837)
Creditors: amounts falling due after more than one year	10		-		(315,000)
Provisions for liabilities and charges			-		(16,995)
		
			(717,550)		(653,832)
		
Capital and reserves					
Called up share capital	11		1,078,621		838,985
Share premium account	12		2,238,113		1,359,188
Profit and loss account	12		(4,034,284)		(2,852,005)
		
Shareholders' funds - equity interests	13		(717,550)		(653,832)
		

The financial statements were approved by the Board on 27 July 2005



B F Barclay
Director

CLICKSTREAM TECHNOLOGIES PLC

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

	2004	2003
	£	£
Net cash outflow from operating activities	(1,070,362)	(762,984)
Returns on investments and servicing of finance		
Interest received	1,354	663
Interest paid	(86,276)	(69,513)
.....
Net cash outflow for returns on investments and servicing of finance	(84,922)	(68,850)
Taxation	51,265	-
Capital expenditure		
Payments to acquire tangible assets	(42,013)	(56,105)
.....
Net cash outflow for capital expenditure	(42,013)	(56,105)
.....
Net cash outflow before management of liquid resources and financing	(1,146,032)	(887,939)
Financing		
Issue of ordinary share capital	1,242,457	768,134
Cost of share issue	(123,896)	(75,580)
.....
Issue of shares	1,118,561	692,554
.....
Other new long term loans	-	(95,680)
Other new short term loans	335,045	64,320
Repayment of other short term loans	(263,637)	-
.....
Increase in debt	71,408	141,820
.....
Net cash inflow from financing	1,189,969	834,374
.....
Increase/(decrease) in cash in the year	43,937	(53,565)
.....

CLICKSTREAM TECHNOLOGIES PLC

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

1	Reconciliation of operating loss to net cash outflow from operating activities	2004	2003		
		£	£		
	Operating loss	(1,165,617)	(942,833)		
	Depreciation of tangible assets	33,623	53,736		
	Amortisation of intangible assets	21,230	21,229		
	Decrease in stocks	-	7,500		
	Increase in debtors	(2,257)	(27,558)		
	Increase in creditors within one year	42,659	124,942		
			
	Net cash outflow from operating activities	(1,070,362)	(762,984)		
			
2	Analysis of net debt	1 January 2004	Cash flow	Other non-cash changes	31 December 2004
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	30,211	36,637	-	66,848
	Bank overdrafts	(7,300)	7,300	-	-
	
		22,911	43,937	-	66,848
	
	Debt:				
	Debts falling due within one year	(301,820)	(386,408)	-	(688,228)
	Debts falling due after one year	(315,000)	315,000	-	-
	
	Net debt	(593,909)	(27,471)	-	(621,380)
	
3	Reconciliation of net cash flow to movement in net debt	2004	2003		
		£	£		
	Increase/(decrease) in cash in the year	43,937	(53,565)		
	Cash inflow from increase in debt	(71,408)	(141,820)		
			
	Movement in net debt in the year	(27,471)	(195,385)		
	Opening net debt	(593,909)	(398,524)		
			
	Closing net debt	(621,380)	(593,909)		
			

CLICKSTREAM TECHNOLOGIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company meets its day to day working capital requirements through increases in capital from new and existing shareholders.

The nature of the company's business is such that there can be considerable unpredictable variation in the timing of cash inflows.

Given the strong possibility of additional funds being made available by the major shareholders, the directors consider that it is appropriate to view the company as a going concern and have, therefore, prepared the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from the major shareholders not providing the required working capital as and when required.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards.

1.3 Turnover

Turnover represents amounts receivable for services net of VAT. Revenue is recognised in line with the accrual accounting based on fees received for services provided during the financial year.

1.4 Software licence

Software licences are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over five years.

1.5 Development costs

The cost of patents and registering domain names and development costs are written in equal annual instalments over their estimated useful economic lives. Domain names over five years and development costs over two years. Provision is made for any impairment.

1.6 Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

CLICKSTREAM TECHNOLOGIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

1 Accounting policies

(continued)

1.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment, where impairment is expected to be permanent. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Leasehold improvements	over period of the lease
Computer equipment	33% straight line
Furniture & equipment	20% straight line

1.8 Taxation

Corporation tax payable is provided on taxable profits at the current rates.

Deferred tax is provided in full on all timing differences that result in obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on the current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations of periods different from those in which they are included in the financial statements. Deferred assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

1.9 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2 Turnover

Geographical market

	Turnover	
	2004	2003
	£	£
United States of America	5,960	66,389
United Kingdom	149,786	188,757

	155,746	255,146

3 Operating loss

	2004	2003
	£	£
Operating loss is stated after charging:		
Amortisation of intangible assets	21,230	21,229
Depreciation of tangible assets	33,623	53,736
Loss on foreign exchange transactions	307	-
Auditors' remuneration	5,980	5,000

CLICKSTREAM TECHNOLOGIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

4	Interest payable	2004 £	2003 £
	On bank loans and overdrafts	1,232	314
	On other loans wholly repayable within 5 years	85,044	69,199
	
		86,276	69,513
	
5	Taxation	2004 £	2003 £
	Domestic current year tax		
	Adjustment for prior years	(51,265)	90,626
	
	Current tax charge	(51,265)	90,626
	Deferred tax charge/credit current year	(16,995)	16,995
	
		(68,260)	107,621
	
	Factors affecting the tax charge for the year		
	Loss on ordinary activities before taxation	(1,250,539)	(1,011,683)
	
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2003: 30.00%)	(375,162)	(303,505)
	
	Effects of:		
	Non deductible expenses	1,016	1,772
	Depreciation add back	10,087	20,921
	Capital allowances	(9,162)	(17,149)
	Tax losses utilised	373,221	297,961
	Adjustments to previous periods	(51,265)	90,626
	
		323,897	394,131
	
	Current tax charge	(51,265)	90,626
	

The company has tax losses carried forward for offset against future profits from the same trade. A deferred tax asset has not been recognised in respect of timing differences relating to the trading losses carried forward against future profits of the same trade and non-trading deficits eligible to be carried forward against non-trading income as there is insufficient evidence that the asset will be recovered. The asset would be recovered if sufficient taxable profits are made to offset these losses.

CLICKSTREAM TECHNOLOGIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

6 Intangible fixed assets

	Software licence £	Development costs £	Domain names £	Total £
Cost				
At 1 January 2004 & at 31 December 2004	81,176	211,257	26,147	318,580

Amortisation				
At 1 January 2004	64,000	211,257	15,687	290,944
Charge for the year	16,000	-	5,230	21,230

At 31 December 2004	80,000	211,257	20,917	312,174

Net book value				
At 31 December 2004	1,176	-	5,230	6,406

At 31 December 2003	17,176	-	10,460	27,636

7 Tangible fixed assets

	Leasehold improvements £	Computer equipment £	Furniture & equipment £	Total £
Cost				
At 1 January 2004	-	179,282	13,548	192,830
Additions	28,575	12,124	1,314	42,013

At 31 December 2004	28,575	191,406	14,862	234,843

Depreciation				
At 1 January 2004	-	129,426	4,735	134,161
Charge for the year	3,969	26,789	2,865	33,623

At 31 December 2004	3,969	156,215	7,600	167,784

Net book value				
At 31 December 2004	24,606	35,191	7,262	67,059

At 31 December 2003	-	49,856	8,813	58,669

CLICKSTREAM TECHNOLOGIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

8 Debtors	2004	2003
	£	£
Trade debtors	13,571	85,611
Other debtors	3,567	14,775
Prepayments and accrued income	100,682	15,177

	117,820	115,563

 9 Creditors: amounts falling due within one year	 2004	 2003
	£	£
Bank loans and overdrafts	-	7,300
Trade creditors	208,442	105,573
Taxes and social security costs	31,219	85,604
Other creditors	697,228	301,820
Accruals and deferred income	38,794	53,619

	975,683	553,916

 10 Creditors: amounts falling due after more than one year	 2004	 2003
	£	£
Other loans	-	315,000

 Analysis of loans		
Wholly repayable within five years	688,228	616,820

	688,228	616,820
Included in current liabilities	(688,228)	(301,820)

	-	315,000

 Loan maturity analysis		
In more than one year but not more than two years	-	315,000

CLICKSTREAM TECHNOLOGIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

11 Share capital	2004	2003
	£	£
Authorised		
20,000,000 Ordinary shares of 10p each	2,000,000	2,000,000

Allotted, called up and fully paid		
10,786,213 Ordinary shares of 10p each	1,078,621	838,985

During the year 1,242,858 ordinary shares of 10p each were allotted and fully paid at 35p per share for cash consideration and an additional 1,153,510 ordinary shares of 10p each were allotted and fully paid at 70p per share for cash consideration to provide additional working capital.

An Enterprise Management Incentive Scheme for employees of the company was established in 2001 under the provisions of Schg14 F.A. 2000. At 31 December 2004 there were 553,656 (2003 - 840,812) director and employee options exercisable at 32p and 35p per share.

There are further options which have not been exercised at 31 December 2004 totalling 939,689 (2003 - 939,689) of which 128,513 (2003 - 128,513) are exercisable at 32p per share; 770,976 (2003 - 770,976) at 35p per share and 40,200 (2003 - 40,200) at £1.50 per share. Included in the figures Equinox Capital Limited has options totalling 252,944 (2003 - 252,944) at exercise prices of 32p, 35p and £1.50 per share. The options cannot be exercised more than ten years after grant.

12 Statement of movements on reserves

	Share premium account	Profit and loss account
	£	£
Balance at 1 January 2004	1,359,188	(2,852,005)
Retained loss for the year	-	(1,182,279)
Premium on shares issued during the year	1,002,821	-
Share premium - other movements	(123,896)	-

Balance at 31 December 2004	2,238,113	(4,034,284)

13 Reconciliation of movements in shareholders' funds

	2004	2003
	£	£
Loss for the financial year	(1,182,279)	(1,119,304)
Proceeds from issue of shares	1,242,457	768,134
Cost of share issue written off to share premium account	(123,896)	(75,580)

Net depletion in shareholders' funds	(63,718)	(426,750)
Opening shareholders' funds	(653,832)	(227,082)

Closing shareholders' funds	(717,550)	(653,832)

CLICKSTREAM TECHNOLOGIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

14 Financial commitments

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2004	2003
	£	£
Expiry date:		
Between two and five years	90,000	-

15 Capital commitments

The directors have confirmed that at 31 December 2004 there were no capital commitments.

16 Directors' emoluments	2004	2003
	£	£
Emoluments for qualifying services	189,918	168,125
Compensation for loss of office	30,000	-

	219,918	168,125

17 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2004	2003
	Number	Number
Directors and management	3	3
Production and technical	8	6
Sales and marketing	3	3

	14	12

Employment costs

	£	£
Wages and salaries	793,108	596,294
Social security costs	86,219	68,202

	879,327	664,496

CLICKSTREAM TECHNOLOGIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

18 Control

The company is controlled by the directors.

19 Related party transactions

Clickstream Technologies plc shared control by common directors and shareholders with Green Cathedral plc.

During the year, Clickstream Technologies plc had trading transactions with Green Cathedral plc amounting to £64,8713 (2003 - £103,135) and the balance owed to that company at the year end was £25,183 (2003 - £17,900).

Green Cathedral plc had provided the company with a commercial loan repayable over a two year period. The interest chargeable on the loan was 10%, the loan was repaid during the year. The outstanding balance at 31 December 2004 was £nil (2003 - £237,500)

During the year the company incurred costs of £131,395 (2003 - £107,780) relating to raising of additional finance. These costs were paid to Equinox Securities Limited, a company in Which Mr C Wightman is a director and Mr A and Borthwick was a directors. At the year end the company had a payable to Equinox securities Limited of £80,396 (2003 - £7,500).

Equinox Capital Limited charged the company directors fees amounting to £19,000 (2003 - £60,765) for services of Mr C P J Wightman, a director of the company and Equinox Capital Limited and for services of an employee of Equinox capital Limited. At the year end the company had a payable of £11,803 (2003 - £8,286).

20 Post balance sheet events

Following the year end a further 315,479 ordinary shares of 10p each were issued at 70p each fully paid for a cash consideration to provide additional working capital. In addition 181,726 warrants were excercised at 35p and a further 705,351 warrants were excercised at 32p.