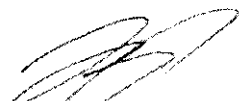


IMAGINATIK LIMITED

BALANCE SHEET

31 AUGUST 2006

| | 31 Aug 06 | | 31 Mar 06 | |
|---|----------------|----------------|----------------|------------------|
| | £ | £ | £ | £ |
| Fixed assets | | | | |
| Tangible assets | | 17,892 | | 8,504 |
| Investments | | 7 | | - |
| | | <u>17,899</u> | | <u>8,504</u> |
| Current assets | | | | |
| Debtors | 630,823 | | 477,732 | |
| Cash at bank and in hand | 262,877 | | 142,426 | |
| | <u>893,700</u> | | <u>620,158</u> | |
| Creditors: amounts falling due within one year | (788,638) | | (936,391) | |
| Net current assets/(liabilities) | | 105,062 | | (316,233) |
| Total assets less current liabilities | | <u>122,961</u> | | <u>(307,729)</u> |
| Creditors: amounts falling due after more than one year | | (110,277) | | (161,871) |
| | | <u>12,684</u> | | <u>(469,600)</u> |
| Capital and reserves | | | | |
| Called-up share capital | | 1 | | 1 |
| Profit and loss account | | 12,683 | | (469,601) |
| Shareholders' funds | | <u>12,684</u> | | <u>(469,600)</u> |


Mr SK Taylor
Director

20 October 2006



IMAGINATIK LIMITED
NOTES TO THE BALANCE SHEET
31 AUGUST 2006

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards, and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

Basis of preparation

The financial information has been prepared in accordance with applicable United Kingdom accounting standards under the historical cost convention and on a going concern basis.

IMAGINATIK LIMITED
NOTES TO THE BALANCE SHEET
31 AUGUST 2006

1. Accounting policies (continued)

Turnover

Income for the company is derived from a number of different sources. Following the principles of FRS 5 Application Note G, the policies for income recognition in respect of each of the different sources of income are such that income is recognised to the extent that the company has obtained the right to consideration through its performance or delivery of a service in the period of account. Certain forms of income require a contractual obligation to be entered into between the company and the customer. In applying the income recognition policies below where there is a requirement for a contract to be signed, income is recognised in accordance with the policy when the contract has been signed or there is persuasive evidence that the contract will be signed.

a) Conference Income:

Income receivable for any conferences organised by the company shall be recognised in the month that the conference occurs.

b) Consulting:

Income derived from consulting workshops subject to contracts is recognised in the month in which the workshops take place. Longer term consulting arrangements shall be recognised evenly over the term of the contract.

c) Development:

Custom development work income is recognised in the month in which the work is performed and enhancements delivered to the client.

d) Hosting:

Hosting income is recognised evenly over the term of the contract. Where hosting is included as part of a bundle within a contract and is not specifically itemised, an apportionment is taken as the hosting element of the contract. This amount is accrued over the period of hosting.

e) Hosting Set-Up:

Income derived from the initial hosting set-up of a customer environment is recognised in the period in which the work is performed.

f) Licence Fees - Annual & Perpetuity:

Income that arises from annual licences is recognised in equal instalments over the number of years to which the contractual arrangement relates. Income arising from perpetual licences is recognised in full in the period in which the contractual agreement has been signed or where there is persuasive evidence that the contract will be signed.

g) Actual User Licence:

Income that arises from actual user licences is recognised at the point(s) where there is persuasive evidence that income has been generated by actual users of the system and the company is entitled to consideration.

h) Maintenance:

Income derived from maintenance fees is recognised over the term of the contract. Where a maintenance fee is not itemised in the contract but is still provided as part of the contractual arrangement, an apportionment is taken as the maintenance amount.

IMAGINATIK LIMITED
NOTES TO THE BALANCE SHEET
31 AUGUST 2006

1. Accounting policies (continued)

i) Support:

Income derived from technical support services is recognised in the period in which the support or service is provided to the client.

j) Software Rental:

Income derived from the short term rental of software is recognised in the first month in which the client uses the software for an event.

k) User Training:

Income derived from the provision of training is recognised in the month during which that training is provided to the client. The same principle applies whether the training is supplied by in-house personnel or is delivered by a subcontractor.

Research and development

Research and development expenditure is written off in the period in which it is incurred.

Tangible fixed assets

Fixed assets are stated at cost less any provision for depreciation. Cost includes all incidental expenditure incurred in bringing the asset into working condition for its intended use.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

| | |
|---------------------|----------------------------|
| Fixtures & Fittings | - 33% straight line |
| Equipment | - 33% to 50% straight line |

Depreciation shall begin to be charged in the month of purchase.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Deferred taxation

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 that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions.

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

IMAGINATIK LIMITED
NOTES TO THE BALANCE SHEET
31 AUGUST 2006

1. Accounting policies *(continued)*

Foreign currencies

Transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

The company finances its operations through a mixture of retained profits and where necessary to fund expansion or capital expenditure programmes through bank and other borrowings.

The management objectives are to:

- Retain sufficient liquid funds to enable the company to meet its day to day obligations as they fall due whilst maximising returns on surplus funds;
- Minimise the company's exposure to fluctuating interest rates when seeking new borrowings; and
- Match the repayment schedule of any external borrowings or overdrafts with the expected future cash flows expected to arise from the company's trading activities.

The company's surplus funds are held primarily in short term variable rate deposit accounts. The directors believe that this gives them the flexibility to release cash resources at short notice and also allows them to take advantage of changing conditions in the finance markets as they arise. All deposits are with reputable European and American banks and the directors believe their choice of bank minimises any credit risk associated with not placing funds on deposit with a UK clearing bank.

The company does not use hedge accounting and considers the financial impact arising as a result of movements in exchange rates to be insignificant as a result of the utilisation of surplus funds in the local currency to the country of operation. The directors review this policy from time to time and will implement hedge accounting where the risk arising from movements in exchange rates become significant.

The company's borrowings are in variable and fixed interest loans which exposes the company to a cash flow risk associated with changing interest payments. The directors believe the ability to take advantage of changes in interest rates is more important than the certainty of knowing their financial commitments when managing the company's trading activities.

IMAGINATIK LIMITED
NOTES TO THE BALANCE SHEET
31 AUGUST 2006

2. Fixed assets

| | Tangible Assets £ |
|-----------------------|----------------------------------|
| Cost | |
| At 31 March 2006 | 11,392 |
| Additions | <u>13,423</u> |
| At 31 August 2006 | <u>24,815</u> |
| Depreciation | |
| At 31 March 2006 | 2,888 |
| Charge for year | <u>4,035</u> |
| At 31 August 2006 | <u>6,923</u> |
| Net book value | |
| At 31 March 2006 | <u>8,504</u> |
| At 31 August 2006 | <u>17,892</u> |

3. Creditors: amounts falling due within one year

The following liabilities disclosed under creditors falling due within one year are secured by way of a personal guarantee provided by Mr M C Turrell, a director of the company. The other loans are secured by way of key man insurance policies in the names of Dr Y U Lindow and Mr M C Turrell, both directors of the company.

| | August 2006 £ | March 2006 £ |
|---------------------------|------------------------------|-----------------------------|
| Bank loans and overdrafts | 26,616 | 26,616 |
| Other loans | <u>40,000</u> | <u>23,333</u> |
| | <u>66,616</u> | <u>49,949</u> |

4. Creditors: amounts falling due after more than one year

The following liabilities disclosed under creditors falling due after more than one year are secured as detailed in note 3 above.

| | August 2006 £ | March 2006 £ |
|---------------------------|------------------------------|-----------------------------|
| Bank loans and overdrafts | 50,277 | 59,487 |
| Other loans | <u>60,000</u> | <u>102,384</u> |
| | <u>110,277</u> | <u>161,871</u> |

IMAGINATIK LIMITED
NOTES TO THE BALANCE SHEET
31 AUGUST 2006

5. Transactions with the directors

At 31 August 2006 (31 March 2006), the Directors had amounts owing in respect of unpaid salaries, pensions contributions and other sundry amounts incurred in connection with their duties as Directors.

| | 31 Aug 06 | 31 Mar 06 |
|--|------------------|------------------|
| | £ | £ |
| M C Turrell - loan | 95,661 | 80,636 |
| - accrued interest | 5,070 | 1,159 |
| | <u>100,731</u> | <u>81,795</u> |
| Maximum liability | <u>100,731</u> | <u>81,795</u> |
| Y U Lindow - loan | 153,053 | 121,804 |
| - accrued interest | 9,432 | 30,000 |
| | <u>162,485</u> | <u>151,804</u> |
| Maximum liability | <u>166,485</u> | <u>151,804</u> |
| S K Taylor - loan | 34,682 | 40,000 |
| Maximum liability | <u>34,682</u> | <u>40,000</u> |
| A K Wainwright - pension contributions | 41,268 | 38,351 |
| Maximum liability | <u>41,268</u> | <u>38,351</u> |

M C Turrell, Y U Lindow, A K Wainwright and S K Taylor are all related parties by virtue of their directorships. A Wainwright is a related party by virtue of being a connected person with A K Wainwright, and provided a loan to the company as follows:

| | 31 Aug 06 | 31 Mar 06 |
|---------------------|------------------|------------------|
| | £ | £ |
| A Wainwright - loan | 100,000 | 100,000 |
| - accrued interest | 32,359 | 12,944 |
| | <u>132,359</u> | <u>112,944</u> |
| Maximum liability | <u>132,359</u> | <u>112,944</u> |

The company has paid £3,333 in the period to 31 August 2006 (31 March 2006 - £7,222) in respect of leasing commitments entered into by Y U Lindow and M C Turrell in their personal capacities. These commitments consist of a motor vehicle and offices for utilisation by the company in carrying on its operating activities.

There were no other related party transactions in the period ended 31 August 2006 (31 March 2006 - £nil).

IMAGINATIK LIMITED
NOTES TO THE BALANCE SHEET
31 AUGUST 2006

6. Share capital

Authorised share capital:

| | August 2006 | March 2006 |
|----------------------------------|------------------------|-----------------------|
| | £ | £ |
| 1,000 Ordinary shares of £1 each | <u>1,000</u> | <u>1,000</u> |

Allotted, called up and fully paid:

| | August 2006 | | March 2006 |
|----------------------------|------------------------|----------|-----------------------|
| | No | £ | No |
| | | | £ |
| Ordinary shares of £1 each | <u>1</u> | <u>1</u> | <u>1</u> |