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MIRACLE HINDSIGHT LIMITED

Annual report and financial statements

For the 18 month period ended

31 December 2004



MIRACLE HINDSIGHT LIMITED

REPORT AND FINANCIAL STATEMENTS 2004

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MIRACLE HINDSIGHT LIMITED

REPORT AND FINANCIAL STATEMENTS 2004

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

I Humphries	(resigned 1 October 2004)
P A Lingham	(resigned 1 October 2004)
G Wigglesworth	(resigned 1 October 2004)
N A Makeham	(appointed 1 October 2004)
D J Bolton	(appointed 1 October 2004)
R E Dorset	(appointed 1 October 2004)

SECRETARY

S C Kidwell	(appointed 1 October 2004)
P A Lingham	(resigned 1 October 2004)

REGISTERED OFFICE

Linden Business Centre
Linden Road
Colne
Lancashire
BB8 9BA

BANKERS

Royal Bank of Scotland plc
Telford

SOLICITORS

Addlestone Keane
Leeds

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Manchester

MIRACLE HINDSIGHT LIMITED

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company, together with the audited financial statements for the 18 month period ended 31 December 2004. During the period the company changed its accounting reference date from 30 June to 31 December.

PRINCIPAL ACTIVITY

The principal activity of the company is the supply of computer software and consultancy.

On 1 October 2004 the entire share capital of the company was acquired by K3 Business Technology Group plc, a company incorporated in England and Wales.

REVIEW OF BUSINESS

The directors expect the general level of activity to be maintained.

RESULTS, DIVIDENDS AND TRANSFERS TO RESERVES

The profit for the 18 month period after taxation was £126,173 (year to June 2003 - £48,354).

An interim dividend of £33,000 (year to June 2003 - £33,750). The directors do not propose the payment of a final dividend (2003 - £nil).

DIRECTORS AND THEIR INTERESTS

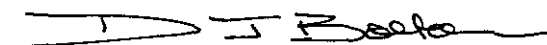
The directors who served during the period are as set out on the previous page.

No director holding office at 31 December 2004 has any beneficial interest in the shares of the company. The interests of the directors in the shares of the parent company are disclosed in the financial statements of that company.

AUDITORS

BDO Stoy Hayward resigned as the company's auditors in September 2004. Deloitte & Touche LLP, who were subsequently appointed as auditors to the company by the directors, have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



D J Bolton
Director

27 October 2005

MIRACLE HINDSIGHT LIMITED

STATEMENT OF 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 as at the end of the financial year 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; and
- 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIRACLE HINDSIGHT LIMITED

We have audited the financial statements of Miracle Hindsight Limited for the period ended 31 December 2004 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 17. 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 auditors' 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 directors and auditors

As described in the statement of directors' responsibilities, 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 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 for the above period and consider the implications for our report if we become aware of any apparent misstatements.

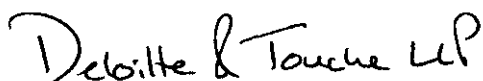
Basis of audit opinion

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.

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 profit for the 18 month period then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Manchester

28 October 2005

MIRACLE HINDSIGHT LIMITED

PROFIT AND LOSS ACCOUNT

Period ended 31 December 2004

		18 months to 31 December 2004 £	12 months to 30 June 2003 £
	Note		
TURNOVER	2	409,073	92,058
Cost of sales		(36,172)	(16,627)
GROSS PROFIT		372,901	75,431
Administrative expenses		(212,966)	(15,675)
OPERATING PROFIT	4	159,935	59,756
Interest payable and similar charges	5	-	(60)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		159,935	59,696
Tax on profit on ordinary activities	6	(33,762)	(11,342)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		126,173	48,354
Dividends	7	(33,000)	(33,750)
RETAINED PROFIT FOR THE FINANCIAL PERIOD	14	93,173	14,604
Retained profit/(loss) brought forward		6,839	(7,765)
Retained profit carried forward		100,012	6,839

All activity has arisen from continuing operations.

The company has no recognised gains or losses other than the result for that financial period, accordingly a statement of total recognised gains and losses has not been prepared.

MIRACLE HINDSIGHT LIMITED

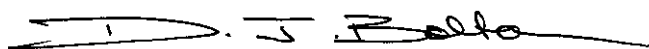
BALANCE SHEET

31 December 2004

	Note	31 December 2004 £	30 June 2003 £
FIXED ASSETS			
Tangible assets	8	637	-
CURRENT ASSETS			
Debtors	9	325,203	108,168
		325,203	108,168
CREDITORS: amounts falling due within one year	10	(225,801)	(101,326)
NET CURRENT ASSETS		99,402	6,842
TOTAL ASSETS LESS CURRENT LIABILITIES		100,039	6,842
PROVISIONS FOR LIABILITIES AND CHARGES		(24)	-
NET ASSETS		100,015	6,842
CAPITAL AND RESERVES			
Called up share capital	13	3	3
Profit and loss account		100,012	6,839
EQUITY SHAREHOLDER'S FUNDS	14	100,015	6,842

These financial statements were approved by the Board of Directors on 27 October 2005.

Signed on behalf of the Board of Directors



D Bolton
Director

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 December 2004

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding period.

The financial statements are prepared in accordance with United Kingdom applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Tangible fixed assets are held at cost, net of depreciation on provision for impairment.

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Plant and machinery, office equipment	33 %
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Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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 resulted in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as 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 at the average 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 that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Turnover

Turnover for the computer software and consultancy businesses is calculated net of value added tax and represents the total amount receivable by the company in respect of the sale of software licences, customised software, hardware and fees derived from installation, consultancy, training and support.

Income from the sale of software licences, customised software, hardware and installation is recognised upon delivery to a customer or on completion of contractual milestone performance obligations. Income from training and consultancy is recognised on performance of the service. Income from support is generally invoiced in advance, termed 'deferred income', and taken to income in equal monthly instalments over the relevant periods.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. All exchange differences are included in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 December 2004

2. SEGMENT INFORMATION

All turnover arises from the company's principal activity.

	18 months to 31 December 2004 £	12 months to 30 June 2003 £
United Kingdom	-	92,058
Europe	409,073	-
	<u>409,073</u>	<u>92,058</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

There are no employees other than the directors. No director received any remuneration during either period.

4. OPERATING PROFIT

	18 months to 31 December 2004 £	12 months to 30 June 2003 £
Operating profit is after charging:		
Depreciation		
- Owned assets	424	-
Auditors' remuneration		
- Audit	5,000	-
- Non audit	-	-
	<u>-</u>	<u>-</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	18 months to 31 December 2004 £	12 months to 30 June 2003 £
Other interest payable	-	60
	<u>-</u>	<u>60</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	18 months to 31 December 2004 £	12 months to 30 June 2003 £
United Kingdom corporation tax		
Current year	33,738	11,342
Deferred taxation		
Current period (see note 12)	24	-
Total tax charge	<u>33,762</u>	<u>11,342</u>

MIRACLE HINDSIGHT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 December 2004

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The differences between the total current tax shown and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	18 months to 31 December 2004 £	12 months to 30 June 2003 £
Profit on ordinary activities before tax	<u>159,935</u>	<u>59,696</u>
Tax on profit on ordinary activities at standard corporation tax in the UK of 30% (2003 - 30%)	47,981	17,909
Effects of:		
Rate difference on current tax	(24)	(6,567)
Movement in short term timing differences	(7,890)	-
Group relief	(6,329)	-
Total current tax charge for the period	<u>33,738</u>	<u>11,342</u>

7. DIVIDENDS

	18 months to 31 December 2004 £	12 months to 30 June 2003 £
Interim dividend of £11,000 (2003 - £11,250) per £1 share	<u>33,000</u>	<u>33,750</u>

8. TANGIBLE FIXED ASSETS

	Plant, machinery and office equipment £
Cost	
At 1 July 2003	-
Additions	1,061
At 31 December 2004	<u>1,061</u>
Accumulated depreciation	
At 1 July 2003	-
Charge for the period	424
At 31 December 2004	<u>424</u>
Net book value	
At 31 December 2004	<u>637</u>
At 30 June 2003	<u>-</u>

MIRACLE HINDSIGHT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 December 2004

9. DEBTORS

	31 December 2004 £	30 June 2003 £
Amounts falling due within one year:		
Trade debtors	314,975	108,168
Other debtors	10,228	-
	<u>325,203</u>	<u>108,168</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2004 £	30 June 2003 £
Bank overdrafts (see note 11)	335	28,447
Trade creditors	10,813	28,800
Amounts owed to group undertakings	147,846	-
UK corporation tax	33,807	11,342
Other taxes and social security	-	16,110
Accruals and deferred income	-	16,627
Proposed dividend	33,000	-
	<u>225,801</u>	<u>101,326</u>

11. BANK OVERDRAFTS

	31 December 2004 £	30 June 2003 £
Due within one year	<u>335</u>	<u>28,447</u>

The bank overdrafts are secured over the assets of the company.

12. PROVISIONS FOR LIABILITIES AND CHARGES

	£
Deferred taxation	
Balance at 1 July 2003	-
Provision – current period	<u>24</u>
Balance at 31 December 2004	<u>24</u>

MIRACLE HINDSIGHT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 December 2004

13. CALLED UP SHARE CAPITAL

	31 December 2004 £	30 June 2003 £
Authorised 1,000 ordinary shares of £1 each	1,000	1,000
Called up, allotted and fully paid 3 ordinary shares of £1 each	3	3

14. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDER'S FUNDS

	31 December 2004 £	30 June 2003 £
Profit for the financial period	93,173	14,604
Net increase in equity shareholder's funds	93,173	14,604
Opening equity shareholder's funds/(deficit)	6,842	(7,762)
Closing equity shareholder's funds	100,015	6,842

15. CASH FLOW STATEMENT

As permitted by Financial Reporting Standard No. 1 (revised 1996) "Cash Flow Statements", the company has not produced a cash flow statement, as it is a wholly-owned subsidiary undertaking of K3 Business Technology Group plc which has produced consolidated financial statements that are publicly available.

16. PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

The company is a subsidiary undertaking of K3 Business Technology Group plc which is incorporated in Great Britain and registered in England and Wales. The largest and smallest group in which the results of the company are consolidated is that headed by K3 Business Technology Group plc. Copies of the group financial statements are available from Linden Business Centre, Linden Road, Colne, Lancashire BB8 9BA.

The directors consider the K3 Business Technology Group plc to be the ultimate controlling party.

17. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption within FRS 8 not to disclosed related party transactions with fellow group undertakings.

Included within other debtors is a loan of £9,000 (2003 - £nil) to Mr I Humphries, a director of the company until his resignation on 1 October 2004. £9,000 was the maximum outstanding at any point during the period. The debt was repaid on 17 March 2005.

There were no other related party transactions.