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**PRELIMINARY RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**Rapid group development combined with strong organic growth  
delivers market beating performance**

17 April 2008

The Mission Marketing Group plc (“TMMG, th<sup>e</sup>mission®”), the UK marketing communications group, today announces its preliminary results for the year ended 31 December 2007.

The highlights below show the results for the period with comparable results for the previous year. Proforma numbers assume all the existing Group companies have been owned since 1 January 2006.

- Operating income up 120% to £33.0m (2006: £15.1m)
- Operating profit up 195% to £7.4m (2006: £2.5m)
- Operating margin increased from 16.8% to 22.5%
- Proforma turnover up 10% to £103.7m (2006: £94.6m)
- Proforma operating income up 14% to £42.3m (2006: £37.1m)
- Proforma operating profit up 15% to £11.0m (2006: £9.6m)
- Proforma profit before tax up 19% to £9.0m (2006: £7.5m)
- Diluted EPS up 173% to 13.44 pence (2006: 4.92 pence)
- Diluted EPS excluding IFRS interest up 162% to 17.82 pence (2006: 6.79 pence)
- Final dividend of 0.74 pence per share proposed, full year up 10% to 1.1 pence (2006: 1.0 pence)
- Net cash of £8.9m (2006: £5.2m) with strong operating cash flow and cash conversion
- Digital revenue trebled (proforma 61%) and made up 14% of full year operating income
- New on-line and off-line clients include West Indies Rum and Spirit Producers Association, AEGON, Domino’s Pizza, Sharwoods, Grant Thornton, Sugar Puffs and St Austell Tribute Ale

- Acquisition strategy actively implemented: four major acquisitions made during the year. Integration benefits coming through as planned
- The current year has started well and the Board remains confident of the prospects for the year.

Iain Ferguson, CEO of themission<sup>®</sup> said:

“Record operating profit growth of 195% has made 2007 another good year for the Group. themission<sup>®</sup>'s dramatic growth in the last two years has seen it become one of the largest networks in the UK and continue to deliver market beating performance. The Group's strong proforma growth demonstrates that all of our agencies are performing well. In addition, network development is enhancing our service offer and has attracted significant new clients. The rapid assimilation of our high-quality acquisitions continues to create opportunities to deliver new and improved services to clients and to leverage the collective strength of themission<sup>®</sup>'s expanding portfolio of capabilities.

“The current year has started well with all of the acquisitions already successfully integrated. The benefits are beginning to come through as planned and significant growth compared with 2007 will be delivered through the full year effect of the acquisitions and continued organic growth. While we continue to monitor the volatile economic environment, trading is good and we are confident that the enlarged Group is well positioned to continue to outperform the markets in which we operate and that 2008 will be another successful year for themission.”

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themission<sup>®</sup> is a national marketing communications and advertising group with 13 offices across the UK. The Group specialises in providing national and international clients with award winning marketing, advertising and business communications. Group members include April-Six, Bray Leino, Big Communications, Fuse Digital, thinkBDW, Story UK and RLA. themission<sup>®</sup> employs over 600 staff nationally and is listed on AIM (TMMG).

## **Chairman's Statement**

themission<sup>®</sup> has had another good year. The Group has maintained its strong proforma growth as well as acquiring complementary companies that will contribute to future growth. We have welcomed some 250 new staff across our network of 13 offices.

In addition to rapidly growing our existing businesses we have successfully completed four major acquisitions reinforcing our already strong position as one of the UK's leading group of agencies outside central London. These new resources from thinkBDW, April-Six, Story and RLA increase the capabilities of the Group to respond to rapidly changing client needs and give us presence in dynamic growth sectors.

The strength of our business model is reflected in our ability to attract top quality clients and staff as well as to create value for shareholders. The continued success of the Group is a tribute to the effort and enthusiasm of our management teams and our people across the country and the commitment of each agency in themission<sup>®</sup> to be a trusted, reliable, effective partner to the companies we serve - locally and nationally and around the world.

themission<sup>®</sup>'s strategy to build a profitable, dynamic national communications Group is progressing well and as planned.

In these times of rapid change, we are well placed for the year ahead and look forward to continued success in the coming years. 2008 has started well and we remain confident of the prospects for the full year.

**Rt Hon Francis Maude MP**  
Chairman

## Chief Executive's Review

### Overview and strategy

themission<sup>®</sup> has maintained its strong momentum and delivered growth substantially in excess of the UK market. Through a combination of proforma growth and selective acquisitions Group turnover has grown dramatically – from an annualised £5.1m at IPO in April 2006 through to an annualised £103.7m by the end of 2007. This has allowed us to report a strong set of results with proforma profit before tax growth of 19% at £9.0m on turnover of £103.7m up 10%.

A series of strategic acquisitions have allowed us to rapidly develop the Group in terms of scale, scope and reach. Today, in just the second year since its admission to the AIM market, themission<sup>®</sup> consists of seven leading agencies, in thirteen locations, employing over 600 talented staff servicing scores of national and international blue chip clients.

The strategy of bringing together established leading agencies, in lower-cost locations, with expertise in dynamic sectors, to deliver incremental services to existing and new clients continues to bear fruit. The integration model we have in place has also allowed for a rapid assimilation of the reporting and other standards required by a public company. The integration of newly acquired agencies is going well.

Our acquisitions in March 2007 of thinkBDW and April-Six – specialists in property marketing and the business-to-business IT sector respectively, were followed in September and December by the addition of two new agencies. Story, based in Edinburgh is a leader in direct and data based communications with clients in financial services, luxury brands and privatised utilities. Story immediately leveraged its membership of the Group, launching a sales and client service capability located in themission<sup>®</sup> offices in London. RLA, based by Bournemouth International Airport and with offices in Belfast and a co-location office in Edinburgh with Story, is a leader in executing national communications on a localised basis, delivering creative services and media buying for clients in the automotive and retail sectors. RLA gives the Group both new capabilities and a presence in Ireland.

The media world is shifting to become an increasingly digital and on-line environment and we are, in every agency, developing our already significant capabilities in pursuit of a rapidly growing on-line advertising, communications and e-commerce market. Our strategic intent is to ensure that we are completely 'bi-lingual' in all on-line and off-line operations; in all planning, in all creative thinking and in the means to execute all programmes for our clients. Our aim is to be their trusted guide through the rapidly emerging and highly competitive, multimedia world in which they now do business.

We continue to enjoy success in attracting top-quality talent through our combination of strong agency brands and the collective appeal of themission<sup>®</sup> as one of the UK's most dynamic new groups. Key senior hires in finance, in planning, in account service, in creative and in new business are now in place across the Group and are an important addition to our human asset base and part of our long-term succession plan.

The current year is expected by commentators to be turbulent following the credit crisis and the various knock-on effects in some industry sectors. General visibility in the economy has decreased somewhat but we are encouraged by the most recent Bellwether report which anticipates, albeit at slower rates, continued growth in some elements of marketing activity – notably digital and on-line. For themission<sup>®</sup> the year has started well, the momentum from last year has not reduced and we remain focussed on highlighting and delivering the benefits of our lower cost base, multiple service offering and on-line expertise to help clients move forward.

We have a firm platform from which to pursue our strategy of combining further proforma growth with selective earnings enhancing acquisitions.

## **Results**

The Group consists of The Mission Marketing Group Plc, Big Communication Limited (“Big”), Fuse Digital Limited (“Fuse”), Bray Leino Limited (“Bray Leino”), The Driver is Limited (“TDI”), Bastin Day Westley Limited (“thinkBDW”), April-Six Limited (“April-Six”), PCM Limited (“PCM”), Story Limited (“Story”) and RLA Group Limited (“RLA”).

The results contain TDI from 6 February, thinkBDW from 9 March, April-Six from 21 March, PCM from 6 August, Story from 14 September and no results are included for RLA which effectively completed at the year end.

Turnover for the period was £79.5m (2006: £37.5m) up 112%, operating income was £33.0m (2006: £15.1m) up 120%, operating profit was £7.4m (2006: £2.5m) up 195% and diluted EPS was 13.44 pence (2006: 4.92 pence) up 173%. Headline PBT (excluding non-cash IFRS interest charges) was £6.4m (2006: £2.2m) up 190%.

To provide meaningful information and to build on the proforma information provided in the 2006 Annual Report, we have provided proforma financials for the full twelve months to 31 December 2007 and comparatives for the full year of 2006, as if the Group had existed in its current form throughout those periods.

In 2007 themission<sup>®</sup> delivered proforma turnover growth of 10% from £94.6m to £103.7m and resulting in operating profit growth of 15% from £9.6m to £11.0m in a market which is estimated to have grown by 6.4%. Net interest payable was £936,000 and the proforma profit before taxation and IFRS charges was up 16% to £10.1m. As a result the post-tax profit, earnings and EPS all grew by 20% (identical tax and number of shares assumptions for the periods).

## **Dividend**

The Group has delivered as planned and, reflecting our confidence in the year ahead and our balanced dividend policy, the Board is recommending a final dividend payment of 0.74p per share be paid to all shareholders on the register at the close of business on 23 May 2008, subject to shareholder approval. This represents a 1.1 pence dividend for the year, up 10% from last year. The ex-dividend date is 21 May 2008 and the payment date is 20 June 2008.

## Review of Operations

themission<sup>®</sup> has again significantly outperformed forecasts for growth in the UK marketing services sector – expected at 6.4% (Carat ad-spend forecast) – compared with our own proforma growth in operating income of 14%.

The Group successfully completed four major acquisitions during the period – thinkBDW and April-Six in March, Story UK in September and RLA in December, just prior to the year end. All acquisitions have been successfully assimilated alongside the Group's other agencies and the benefits of being part of an enlarged group are coming through as planned.

These acquisitions enable us to continue rapidly to extend our service offering and geographic reach as well as strengthening our position in our chosen, high growth sectors. Since becoming part of themission<sup>®</sup> Story have gained new business as a direct result of adding a London presence offering specialist media planning and buying. thinkBDW have opened new service centres in our existing locations in Bristol and the Midlands and have up-weighted their on-line capacity. Additionally, a team of creative and account service staff from Rhythmm in Bristol have joined Bray Leino in Bristol, further enhancing Bray Leino's integrated communications capabilities.

Our committed approach to integration, our focus on creating and developing new business lines across multiple locations and our wide geographic footprint all combine to increase the potential benefits from these and from future acquisitions.

### **Business segments:**

The Group's business mix is based on, and reported under, five strategic capabilities – Branding and Advertising, Digital and On-line, Learning and Events, Media, and Public Relations. These areas operate on a standalone or combined basis according to specific client needs and the continued ability of our teams to quickly adjust the 'mixing desk' in pursuit of maximised performance and return has been a major strength in our service offering over the last twelve months. Our 'bi-lingual' approach across all media platforms in each strategic area ensures that work is executed in the most effective and appropriate way.

**Branding and Advertising** is our largest area of activity representing some 62% of operating income. Within this segment, themission<sup>®</sup> agencies deliver business and marketing consultancy, design and packaging, and creative and production services. This is all in addition to TV, radio, poster, and national and regional press campaigns – usually spanning both traditional off-line media and on-line techniques. Performance here has been extremely encouraging with wins from West Indies Rum and Spirits Producer's Association, Sugar Puffs, Teleflorist, Nortel Networks, Amdocs and, at the turn of the year, Domino's Pizza. These are in addition to on-going work for sector-leading clients such as Volkswagen, Goodyear Dunlop, Kingfisher PLC, WKD, Symantec, Wrigleys, Dermal, Bellway and Spicer Haart. One of the continuing strengths of all agencies in the themission<sup>®</sup> is the fundamental media neutrality of our approach which puts the business performance of our clients at the top of our list of deliverables. This attitude has helped drive operating income growth of 131% (proforma up 10%).

**Digital and On-line** continues to deliver dramatic growth, trebling operating income (proforma up 61%) and now makes up 14% of the Group's total, the second largest segment. This is our fastest growing area and a number of development initiatives have been completed in the period. We identified, and added to our business, a full team of on-line experts in the south west and made further successful headway, through our involvement at Bray Leino with i-blink, into the design and provision of digital in store

content for innovative retailers such as Superdrug. The year also saw continued rapid development in our Computer Generated Images (CGI) capabilities and this, along with rapid expansion of touch screen technology at thinkBDW, is creating new, highly effective media platforms for our clients in the property sector. We continue to win major new assignments including a world first, an on-line viral campaign for LVMH malt Ardbeg, voiced entirely in Gaelic, the creation of an on-line store for Charnos Lingerie and on-line presence for ecological cleaning brand Ecover.

**Learning and Events** are specialist capabilities where the Group's Bray Leino agency has built significant capabilities to service clients in the Luxury Goods and Oil and Gas sectors -both major movers in the international events business - and the Public Sector, a major investor in learning and people development. Events had a strong performance up 36% from the previous year, working with major global offshore industry clients such as the Wood Group. In Learning, despite a slowdown in QinetiQ spending and the non take-up of a large contracted project by a Government agency, the year ended strongly.

Building on our commitment to create a world class Learning and Training Business, Bray Leino has joined forces with BroadSkill, one of the UK's leading providers of business process and IT training. David Harman, previously at Leadership Development Ltd, has been appointed CEO of the enlarged unit, reporting to the Bray Leino board, which will be strengthened by the addition of Henry Jodrell from BroadSkill. The enlarged business will be known as Bray Leino BroadSkill and will work with a range of blue chip companies and organisations helping them to develop their people and business processes, including leadership and executive coaching, change management and IT skills.

**Media** has again delivered strong growth. Significantly adding to our already broad media client base at Story, RLA and Bray Leino our agencies have secured wins with Explore Living and top ten insurance firm Hastings in a multi million pound deal. We have also worked alongside HBOS, creating an industry first allowing the automatic central provision of artwork to the regional press. We have deep expertise in all media platforms. As the largest buyer of media on GMTV we are rapidly building a strong reputation for smart, responsive, cost-effective media planning and buying. Developing existing and new client relationships and enhancing our growing reputation in the automotive and property sectors has driven growth. Media mix represents 8% of operating income and has grown by 164% (proforma up 18%).

**Public Relations** had another strong year – benefiting in particular from its established and fast-growing national reputation for leadership on ethical, environmental and re-cycling issues. The business spans both private and public sector clients and posted a creditable 55% growth (proforma up 24%) against the comparable period in 2006. In a busy year, we have opened a new PR office in Leicester, expanded our presence in London and initiated a new PR offer specifically for the property and real estate sector. Meantime, key clients continued to invest behind success on brands such as Ecover, G R Lanes, HSA and Bibby Financial Services, while new business wins included the Ethical Superstore and a first assignment for Innocent.

### **New Business**

The Group enjoyed a record year for new business with wins including Bradford and Bingley, Sugar Puffs, Sharwoods and Teleflorist. In addition we continue to develop our capacity and practices to deliver incremental services to clients. This collaborative intent is one of the key criteria employed in selecting acquisition targets and our specialist teams in various agencies now work together on a daily basis. This has allowed delivery of new services to clients in new places and has helped win major new cross agency business assignments such as the West Indies Rum and Spirits Producer's Association – a European assignment led by Bray Leino.

## **Awards and Recognition**

2007 was another outstanding year for the Group with agencies receiving over 65 awards. Big Communications and Bray Leino recorded their biggest ever haul of awards at this year's Cream Awards which recognise excellence in the creative industry in the English and Welsh regions. Bray Leino collected 10 awards – three gold, three silver and four bronze; Big Communications were awarded 11 awards - six silver and five bronze. The awards covered a range of advertising mediums, ranging from TV to outdoor to press.

The Cream Awards followed on from themission<sup>®</sup> agency successes at the regional Fresh and Rose Awards which saw Big Communications, Fuse Digital, and Bray Leino awarded 28 awards for work for clients including WKD, Foods from Spain, Sustrans and Grant Thornton.

In October, Bray Leino received the title of 'Best Green Press Advertisement under £100K' for the Sustrans 'Tax Disc' campaign, at The Green Awards. Launched in 2006, The Green Awards recognise outstanding creative work that communicates the importance of CSR, sustainable development and ethical best practice in any sector and across any marketing discipline for brands promoting everything from fair trade and renewable energy to resource efficiency and waste awareness, demonstrating our strong presence in the ethical and green issues arena. Bray Leino also won the PR Week award for 'Cheddarvision' a cheesy tale that featured on National TV news and even had its own web fan club.

Newly acquired April-Six was named as the largest specialist B2B agency in the UK in Marketing Magazine's annual league tables recognising April-Six's development since its foundation only seven years ago. The league tables also highlighted that April-Six is both the largest and the fastest growing agency specialising in the technology sector, identified in the survey as the largest sector in the B2B market, reinforcing our belief that IT represents a dynamic growth sector.

Story was awarded a total of 16 international awards in 2007 including two Marketing Society Excellence Awards for Brand Development and Communication Excellence. Other awards included several for work on Ardbeg 1965 – Dadi On-line Award for Best Commercial Project and Best Viral Campaign and two gold, one silver and one bronze at the DMA Awards. Dave Mullen, co founder and creative director, was ranked sixth in Campaign's Top 10 DM Creative Directors.

In 2008 Big Communications, Bray Leino and Story gained positions in the top 25 of The Drum magazine's first fully integrated table of the Top 100 marketing services companies outside of London highlighting our commitment to driving growth through new client development and our ability to derive benefits from being an enlarged network of agencies with a wide geographic footprint.

## **Corporate Governance**

The Board recognise the importance of sound corporate governance and will, insofar as practicable given the Company's size; comply with the main provisions of the Combined Code: Principles of Corporate Governance and Code of Best Practice.

## **Current Trading and Outlook**

The current year has started well. Last year's acquisitions have now been successfully integrated and the operational benefits are beginning to come through as planned with more clients being offered more services in more locations. New business has been good during the first quarter with wins such as Hastings and Domino's. While we continue to

monitor the macro-economic environment, we are confident that the enlarged group is well positioned to continue to outperform the markets in which we operate and that 2008 will be another successful year for the mission.

**Iain Ferguson**  
Chief Executive

## **Chief Financial Officer's Review**

### **Key Performance Indicators**

The Group manages its internal operational performance by monitoring various key performance indicators ("KPIs"). The KPIs are tailored to the level at which they are used and their purpose. At the Group level the KPIs are EPS growth, gearing, liquidity, amount of EBIT acquired and especially proforma growth.

### **International Financial Reporting Standards ("IFRS")**

In line with all companies listed on European Stock Exchanges, The Group results have been prepared under International Financial Reporting Standards ("IFRS") for the 2007 financial year. The comparative results for 2006 have been restated to comply with IFRS.

The 3 principal changes that have resulted from the restatement under IFRS are:

1. The costs of discounting deferred consideration provisions, included in the IFRS interest charges. This amounted to £826,000 in 2007 (2006: £284,000).
2. The cost of bank arrangement fees, included in the IFRS interest charge. This amounted to £320,000 in 2007 (2006: £120,000).
3. Decrease in outstanding acquisition consideration liabilities as a result of the adjustment to the deferred consideration component of the cost of acquisition to present value of £2,506,000 (2006: £799,000).

### **Banking Arrangements**

At the start of the year the Group had a £23.0m revolving credit facility (RCF) with the Royal Bank of Scotland and a £2.0m overdraft facility of which only £8.0m of the RCF had been used. As progressive drawdown on the RCF for the thinkBDW, April-Six and Story acquisitions caused this RBS revolving credit facility to approach its limit, a further £25.0m facility was arranged with HSBC and the two were combined under a club arrangement. This was used for the acquisition of RLA which increased the total drawdown to £25.7m (2006: £8.0m), and the amount of Bank debt drawn down at 31 December 2007 was £25.4m. This leaves committed headroom of £0.3m and an uncommitted facility of £21.0m for new acquisitions. The overdraft facility of £2.0m continues, but has not been used. This is deemed adequate for the Group's growth for the near term. There is a cross guarantee structure in place with the Group's bankers by means of a fixed and floating charge over all of the assets of the Group companies in favour of the Royal Bank of Scotland and HSBC Bank plc.

### **Liquidity**

In addition to the long term debt facility above, the Group maintains a significant cash balance for working capital, acquisitions and other growth opportunities. At 31 December 2007 this amounted to £9,561,000, however some of this is held in escrow against short term loan notes, so the underlying net cash balance was £8,901,000 (2006: £5,131,000).

The operating cash flow of the Group together with the Group cash and debt facilities are deemed adequate to meet all current and future obligations and also to meet the ongoing growth strategy.

### **Treasury Policy**

The Group's policy is not to use any financial instruments for speculating but to use hedging of interest rates and currencies appropriate to the level of debt and trade

respectively. Approximately half of the Group's debt is hedged for three years under a cap or cap and collar arrangement which limits the maximum interest rate that can be paid. The Group does not have a material amount of its turnover in foreign currencies and natural hedges are used where possible, matching revenues and costs in the same currency. Where this is not possible appropriate currency hedging is used.

The Group operates a virtual cash pooling arrangement where the total balance can be deposited to maximise the interest rate receivable. Part of this balance is offset against the revolving credit facility to reduce overall interest costs further.

### **Balance Sheet, Net Debt and Gearing**

The Group has a policy of issuing equity to the ongoing management of acquisitions (but not exiting vendors) of up to 50% in order to align the interests of all Group executives. There is also a policy to maintain growth within prudent limits. During the year, shares were issued as part of the thinkBDW, April-Six, Story and RLA acquisitions. In addition, shares were issued through a private placing raising £5m. Provisions were also raised relating to the acquisitions of April-Six, thinkBDW, Story and RLA amounting to £6,667,000 payable in early 2010 and £8,468,000 payable in 2011, in cash and up to 50% shares at the Group's option. The Bray Leino initial consideration loan notes were fully paid off in May 2007 and the total outstanding acquisition liabilities are detailed in note 8.

Equity attributable to shareholders of the Group was £44.7m at 31 December 2007 (2006: £25.9m) and the number of shares increased to 33.1m (2006: 21.6m).

Net debt, being the Bank debt less the underlying net cash balance amounted to £16.5m (2006: £2.9m)

Gearing, as measured by net debt over equity, amounted to 37% at 31 December 2007 (2006: 11%).

The Mission Marketing Group maintains a policy of restricting net debt and gearing to conservative and manageable levels in order to preserve its financial stability.

### **Taxation**

The effective tax rate, after adding back the notional IFRS interest charges which are not taxable, for 2007 was 31% (2006: 33.8%) The tax charge of £1,766,000 benefited from reductions from the prior period.

### **Cash Flows**

The Group received cash by increasing its debt from £8.0m to £25.4m and by placing £5.0m of new equity. In addition operational cash flow was strong. The Group acquired four major companies during the period and fulfilled its debt repayment schedule, and paid off some £6.0m of loan notes. The net cash after those movements increased to £8.9m. Based on current projections the Group can pay off all its debt obligations and the cash element of the deferred consideration payments as well as part of the payments currently assumed to be payable in shares.

**Tim Alderson**  
Chief Financial Officer

**Consolidated Income Statement  
For the year ended 31 December 2007**

		Year ended 31 December 2007	Period ended 31 December 2006 Restated*
	Note	£'000	£'000
<b>TURNOVER</b>	<b>2</b>	<b>79,540</b>	37,468
Cost of sales		<b>(46,493)</b>	(22,417)
<b>OPERATING INCOME</b>	<b>2</b>	<b>33,047</b>	15,051
Operating expenses		<b>(25,614)</b>	(12,528)
<b>OPERATING PROFIT</b>	<b>2</b>	<b>7,433</b>	2,523
Share of results of equity accounted associate		<b>(14)</b>	-
Investment income (bank interest)		<b>400</b>	281
Finance costs	<b>4</b>	<b>(1,390)</b>	(590)
IFRS interest charges	<b>4</b>	<b>(1,146)</b>	(404)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>3</b>	<b>5,283</b>	1,810
Taxation		<b>(1,766)</b>	(749)
<b>PROFIT FOR THE PERIOD</b>		<b>3,517</b>	<b>1,061</b>
<b>Basic earnings per share (pence)</b>	<b>6</b>	<b>13.44</b>	5.16
<b>Diluted earnings per share (pence)</b>	<b>6</b>	<b>13.44</b>	4.92

\*Restated under IFRS (see note 11)

**Consolidated Balance Sheet  
As at 31 December 2007**

		As at 31 December 2007	As at 31 December 2006 Restated*
	Note	£'000	£'000
<b>FIXED ASSETS</b>			
Intangible assets	7	87,182	37,292
Investments in associates		10	-
Property, plant and equipment		2,534	1,443
		<u>89,726</u>	<u>38,735</u>
<b>CURRENT ASSETS</b>			
Work in progress		822	237
Trade and other receivables		16,624	9,642
Cash and short term deposits		9,561	11,082
		<u>27,007</u>	<u>20,961</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		(12,075)	(6,928)
Accruals		(2,943)	(1,347)
Corporation tax payable		(1,640)	(590)
Social security and other taxes		(1,985)	(1,223)
Bank loans		(3,062)	(700)
Acquisition loan notes and shares	8.1	(3,894)	(7,151)
Acquisition contingent payments	8.1	(122)	-
		<u>(25,721)</u>	<u>(17,939)</u>
<b>NET CURRENT ASSETS</b>		1,286	3,022
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		91,012	41,757
<b>NON CURRENT LIABILITIES</b>			
Bank loans		(22,383)	(7,300)
Obligations under finance leases		(17)	(28)
Acquisition loan notes and shares	8.1	(1,637)	(1,923)
Acquisition contingent payments	8.1	(22,229)	(6,599)
Deferred tax liabilities		(81)	(45)
<b>NET ASSETS</b>		<u>44,665</u>	<u>25,862</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	3,308	2,156
Share premium account		36,643	22,517
Staff remuneration reserve		445	128
Retained earnings		4,269	1,061
<b>TOTAL EQUITY</b>		<u>44,665</u>	<u>25,862</u>

\*Restated under IFRS (see note 11)

**Consolidated Cash Flow Statement  
for the year ended 31 December 2007**

	Year to 31 December 2007	Period to 31 December 2006
Note	£'000	£'000
<b>OPERATING CASH FLOW</b>		
Net finance costs	8,160	2,207
Tax paid	(1,310)	(309)
	(1,718)	(782)
<b>Net cash inflow from operating activities</b>	5,132	1,116
<b>INVESTING ACTIVITIES</b>		
Proceeds on disposal of property, plant and equipment	22	-
Purchase of property, plant and equipment	(753)	(368)
Acquisition of subsidiaries	(26,997)	(2,436)
Net Cash acquired with subsidiaries	6,605	3,464
Acquisition of associate companies	(24)	-
<b>Net cash (outflow)/inflow from investing activities</b>	(21,147)	660
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(309)	-
Repayments of amounts borrowed	(7,492)	(12,331)
Movement in HP creditor and finance leases	-	28
Receipts from long term loans	19,001	8,000
Repayment of long term loans	(1,556)	-
Proceeds on issue of ordinary share capital	5,000	14,800
Financing and share issue costs	(150)	(1,191)
<b>Net cash inflow from financing activities</b>	14,494	9,306
<b>(Decrease)/increase in cash and cash equivalents</b>	(1,521)	11,082
<b>Cash and cash equivalents at beginning of year</b>	11,082	-
<b>Cash and cash equivalents at end of year</b>	9,561	11,082

**Consolidated Statement of Changes in Equity**  
**Year ended 31 December 2007**

	Share capital £'000	Share premium £'000	Retained earnings £'000	Staff remuneration reserve £'000	Total £'000
<b>Changes in equity</b>					
<b>At 7 March 2006 (incorporation)</b>	-	-	-	-	-
New shares issued	2,156	22,517	-	-	24,673
Credit for share option scheme	-	-	-	128	128
Profit for the period	-	-	1,061	-	1,061
Dividends	-	-	-	-	-
<b>At 31 December 2006</b>	<b>2,156</b>	<b>22,517</b>	<b>1,061</b>	<b>128</b>	<b>25,862</b>
New shares issued	1,152	14,126	-	-	15,278
Credit for share option scheme	-	-	-	317	317
Profit for the period	-	-	3,517	-	3,517
Dividends	-	-	(309)	-	(309)
<b>At 31 December 2007</b>	<b>3,308</b>	<b>36,643</b>	<b>4,269</b>	<b>445</b>	<b>44,665</b>

## Notes to the Consolidated Financial Statements

### 1. Accounting policies

#### Basis of preparation

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for the first time. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in notes 11, 12 and 13. The Financial statements have also been prepared in accordance with IFRS adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis.

#### Basis of consolidation

The Group's financial statements consolidate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Any deficiency of the cost of acquisition below the fair value of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

#### Revenue and revenue recognition

Turnover is in respect of the provision for services including fees, commissions, rechargeable expenses and sales of materials performed subject to specific contract. Where recorded turnover exceeds amounts invoiced to clients, the excess is classified as accrued income.

Income is taken on fee income in the period to which it relates. Project income is recognised in the period in which the project is worked on. For projects, which fall over the accounting year end, income is recognised to reflect the partial performance of the contractual obligations in accordance with IAS 18 Revenue.

Income is recognised on the following basis:

- Retainer fees are apportioned over the time period to which they relate.
- Project income is recognised by apportioning the fees billed or billable to the time period for which those fees were earned by relationship to the percentage of completeness of the project to which they relate.

- Media commission is recognised, when the advertising has been satisfactorily aired or placed.
- Unbilled costs relating to contracts for services are included at rechargeable value in accrued income.
- Unbilled costs relating to contracts for products are carried forward at the lower of cost and net realisable value with no profit recognition.
- Financial liabilities are released to income when the liability is extinguished.

### **Share-based payment transactions**

In accordance with IFRS 3 certain payments made to employees in respect of earn-out arrangements are required to be treated as remuneration within the income statement. These amounts are required to be charged to the income statement.

The Group has applied the requirements of IFRS 2 Share-based Payments. IFRS 2 has been applied to all grants of equity instruments.

Equity-settled share-based payments, such as share options, are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest.

Fair value is measured by use of a Black Scholes model on the grounds that there are no market related vesting conditions. The expected life used in the model has been adjusted, based on the management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Market price on any given day is obtained from external publicly available sources.

### **Goodwill**

Goodwill arising from the purchase of subsidiary undertakings, represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable asset, liabilities and contingent liabilities of the subsidiary acquired, and is capitalised in accordance with the requirements of IFRS 3. Future anticipated payments to vendors in respect of earn-outs are based on the Directors' best estimates of these obligations. Earn-outs are dependent on the future performance of the relevant business and are reviewed annually. The deferred consideration is discounted to its fair value in accordance with IFRS 3 and IAS 39. The difference between the fair value of these liabilities and the actual amounts payable are charged to the income statement as notional finance costs over the life of the associated liability.

Goodwill is not amortised, but is reviewed annually for impairment. Goodwill impairment is assessed by comparing the carrying value of goodwill to the net present value of future cash flows derived from the underlying assets considering forecast cash flows over an initial projection period of up to three years for each cash-generating unit. After this period, growth rates equivalent to nominal GDP are generally assumed. In accordance with IFRS 3 the carrying value of goodwill will continue to be reviewed for impairment on the basis stipulated and adjusted should this be required. Impairment is recognised in the income statement and is not subsequently reversed. The individual circumstances of each future acquisition will be assessed to determine the appropriate treatment of any related goodwill.

### **Work in progress**

Work in progress is stated at the lower of cost and net realisable value and includes the costs of direct materials and purchases, and the costs of direct labour. Net realisable value is based on estimated invoice value less further costs expected to be incurred to

completion.

### **Deferred consideration**

The terms of an acquisition may provide that the value of the purchases consideration, which may be payable in cash, shares or other security at a future date, depends on uncertain future events, such as the future performance of the acquired company. Where it is not possible to estimate the amounts payable with any degree of certainty, the amounts recognised in the financial statements represent a reasonable estimate at the balance sheet date of the amounts expected to be paid. The deferred consideration is discounted to a fair value. The difference between the fair value of the liabilities and the actual amounts payable are charged to the income statement as notional finance costs (calculated at annual rates of between 4.5% and 5.5% over the life of the associated liability). The rate used is the risk free rate applicable at the time of acquisition of the relevant entity. The Directors consider these rates to be reasonable in light of similar rates available on debt instruments.

### **Financial instruments**

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Issue costs are offset against the proceeds of such instruments.

### **Financial liabilities and equity**

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 Group after deducting all of its liabilities. The Group has only one class of share in existence.

### **Finance costs**

Finance costs, which include interest, bank charges and the unwinding of the discount on deferred consideration, are recognised in the income statement in the year in which they are incurred.

### **Accounting estimates and judgements**

The Group makes estimates and judgements concerning the future and the resulting estimates may, by definition, vary from the actual results. The Directors considered the critical accounting estimates and judgements used in the financial statements and concluded that the main areas of judgement are:

- Revenue recognition policies in respect of contracts which straddle the year end;
- Contingent deferred payments in respect of acquisitions;
- Recognition and quantification of share based payments; and
- Valuation of intangible assets.

These estimates are based on historical experience and various other assumptions that management and the Directors believe are reasonable under the circumstances and are discussed, to the extent necessary, in more detail in their respective notes.

## 2. Segmental Information

### Business segmentation

For management purposes the Group had seven operating subsidiaries during the period, Bray Leino Limited, Big Communications Limited, Fuse Digital Limited, Bastin Day Westley Limited, April-Six Limited, Story UK Limited and RLA Group Limited. These have been divided into five segments which form the basis of the Group's primary segmentation namely; Branding and Advertising, Media, Digital, Events and Learning, and Public Relations.

	Branding & Advertising £'000	Media £'000	Digital £'000	Events & Learning £'000	Public Relations £'000	Group £'000
<b>Year to 31December 2007</b>						
<b>Turnover</b>	31,898	29,306	6,526	9,733	2,077	79,540
<b>Operating income</b>	20,376	2,773	4,583	3,699	1,616	33,047
<b>Segmental operating profit</b>	6,167	1,219	1,214	578	82	9,260
Unallocated corporate expenses						(1,827)
<b>Operating profit</b>						7,433
Share of results of equity accounted associate						(14)
Investment income						400
Finance costs						(1,390)
IFRS interest charges						(1,146)
<b>Profit on ordinary activities before taxation</b>						5,283
Taxation						(1,766)
<b>Profit for year</b>						3,517
<b>Other Information</b>						
Capital expenditure	523	19	98	131	47	818
Unallocated capital expenditure						21
<b>Total capital expenditure</b>						839
Depreciation and amortisation	265	18	62	121	29	495
Unallocated depreciation						21
<b>Total depreciation</b>						516
<b>Balance Sheet</b>						
<b>Assets</b>						
Segment assets	23,345	4,058	3,213	1,334	189	32,139
Unallocated corporate assets						84,594
<b>Consolidated total assets</b>						116,733
<b>Liabilities</b>						
Segment Liabilities	7,105	2,419	1,117	444	63	11,148
Unallocated corporate liabilities						60,920
<b>Consolidated total liabilities</b>						72,068
<b>Consolidated net assets</b>	16,240	1,639	2,096	890	126	44,665

Unallocated corporate expenses include corporate administration expenses necessary for a quoted company. It is considered impractical to split the debt interest and notional IFRS charges into segments.

The split of assets and liabilities has been estimated, but is not considered meaningful as the businesses are integrated. Unallocated corporate assets and liabilities include unallocated IFRS assets and liabilities, corporate assets and liabilities, group cash reserves, drawn debt liabilities and payments due to vendors.

Period to 31 December 2006	Branding & Advertising £'000	Media £'000	Digital £'000	Events & Learning £'000	Public Relations £'000	Group £'000
<b>Turnover</b>	11,548	15,026	2,550	7,042	1,302	37,468
<b>Operating income</b>	8,807	1,052	1,480	2,670	1,042	15,051
<b>Segmental operating profit</b>	1,365	1,102	509	456	94	3,526
Unallocated corporate expenses						(1,003)
<b>Operating profit</b>						2,523
Investment income						281
Finance costs						(590)
IFRS interest charges						(404)
<b>Profit on ordinary activities before taxation</b>						1,810
Taxation						(749)
<b>Profit for period</b>						1,061
<b>Other Information</b>						
Capital expenditure	143	4	11	114	13	285
Unallocated capital expenditure						83
<b>Total capital expenditure</b>						368
Depreciation and amortisation	114	6	13	84	19	236
Unallocated depreciation						12
<b>Total depreciation</b>						248
<b>Balance Sheet</b>						
<b>Assets</b>						
Segment assets	10,314	3,071	2,353	2,059	319	18,116
Unallocated corporate assets						41,580
<b>Consolidated total assets</b>						59,696
<b>Liabilities</b>						
Segment Liabilities	5,868	1,741	1,303	1,167	181	10,260
Unallocated corporate liabilities						23,574
<b>Consolidated total liabilities</b>						33,834
<b>Consolidated net assets</b>	4,446	1,330	1,050	892	138	25,862

### 3. Profit on ordinary activities before tax

Profit on ordinary activities before taxation is stated after charging:-

	Year to 31 December 2007 £'000	Period to 31 December 2006 £'000
Depreciation of owned tangible fixed assets	503	245
Depreciation of tangible fixed assets held under finance leases	13	3
(Profit) / Loss on disposal of property, plant and equipment	(3)	14
Operating lease rentals - Land and buildings	570	360
Operating lease rentals - Plant and equipment	280	188

Operating lease rentals - Other assets	216	9
Staff costs	18,631	9,599
Auditors' remuneration	132	96
Profit on foreign exchange	4	-

Included in staff costs is an FRS20 non-cash option charge of £317,000 (2006:£128,000)

#### 4. Finance costs and IFRS interest charges

	Year to 31 December 2007 £'000	Period to 31 December 2006 £'000
Interest on bank loans and overdrafts	(1,280)	(398)
Interest on loan notes	(110)	(192)
	<u>(1,390)</u>	<u>(590)</u>
<b>IFRS interest charges:</b>		
Finance cost of deferred consideration	(826)	(284)
Bank arrangement fees	(320)	(120)
	<u>(1,146)</u>	<u>(404)</u>

#### 5. Dividends

	Year to 31 December 2007 £'000	Period to 31 December 2006 £'000
Amounts recognised as distributions to equity holders in the year		
Prior year final (full period) dividend of 1.00 pence per share (2006: 0.0 pence)	215	-
Interim dividend of 0.36 pence per share (2006: 0.0 pence )	94	-
	<u>309</u>	<u>-</u>

A final dividend of 0.74 pence is to be paid on 20 June 2008 to those shareholders on the register at 23 May 2008. In accordance with IFRS the final dividend of £0.74p will be recognised in the 2008 accounts, should it be approved by shareholders at the AGM.

#### 6. Earnings per Share

The calculation of the basic and diluted earnings per share is based on the following data, determined in accordance with the provisions of IAS33: "Earnings per Share".

	Year to 31 December 2007 £'000	Period to 31 December 2006 £'000
<b>Earnings</b>		
Earnings for the purpose of reported earnings per share being net profit attributable to equity holders of the parent	3,517	1,061
Add back IFRS interest charges	<u>1,146</u>	<u>404</u>
Earnings for the purpose of headline earnings per share	<u>4,663</u>	<u>1,465</u>
<b>Number of shares</b>		

Weighted average number of ordinary shares for the purpose of basic earnings per share

	<b>26,163,476</b>	20,567,372
<hr/>		
<b>Reported basis:</b>		
Basic earnings per share (pence)	<b>13.44</b>	5.16
Diluted earnings per share (pence)	<b>13.44</b>	4.92
<hr/>		
<b>Headline basis:</b>		
Basic earnings per share (pence)	<b>17.82</b>	7.12
Diluted earnings per share (pence)	<b>17.82</b>	6.79

Basic earnings per share includes shares to be issued subject only to time as if they had been issued at the beginning of the period.

There were no shares to be issued subject to performance achieved within the period in 2007. Those in 2006 relate to Bray Leino.

The additional consideration shares included in non current liabilities have not been included in the diluted earnings per share because the conditions for their issue had not been met in the period. Options issued are included in diluted earnings per share to the extent that the market price is above the exercise price in accordance with IAS33.

## 7. Intangible assets - Goodwill

	<b>£'000</b>
<b>At 7 March 2006</b>	-
Recognised on acquisition of subsidiaries ( as restated under IFRS)	37,034
Adjustment to consideration and net assets	258
<b>At 31 December 2006</b>	37,292
Recognised on acquisition of subsidiaries (see note 8)	48,076
Adjustment to consideration and net assets	1,814
<b>At 31 December 2007</b>	87,182

As explained in the Accounting Policies note and in line with IFRS, goodwill has not been amortised.

The adjustments to consideration relate to changes in the estimated deferred consideration in the earn-out period under the terms of the relevant sale and purchase agreement. In addition, the adjustments to consideration include reclassifications of acquisition costs previously included in prepayments.

In accordance with the Group's accounting policies, an annual impairment test is applied to the carrying value of goodwill and other intangible assets. The review performed assesses whether the carrying value of goodwill is supported by the net present value of future cash flows derived from the underlying assets considering forecast cash flows over an initial projection period of three years for each cash-generating unit. After this period, growth rates equivalent to nominal GDP are assumed for all units. The discount rate used is the Group's estimated pre-tax weighted average cost of capital, which is 14.3%. Similarly the cash flow projections used in the calculations are pre-tax.

Goodwill is comprised of the following substantial components:

<b>Year to 31 December 2007</b>	<b>Period to 31 December 2006</b>
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	£'000	£'000
The Mission Marketing Holdings Ltd	-	1,106
Big Communications Ltd/Fuse Digital Ltd	8,122	7,965
Bray Leino Ltd	30,984	28,221
April-Six Ltd	12,182	-
Bastin Day Westley Ltd	9,028	-
The Driver Is Ltd	396	-
Story UK Limited	10,075	-
PCM Ltd	526	-
RLA Group Limited	15,869	-
	<u>87,182</u>	<u>37,292</u>

The Mission Marketing Holdings Limited has been made non-trading and the goodwill previously held in it as owner of Big Communications Limited and Fuse Digital Limited has been reallocated to those companies.

## 8. Acquisitions

### 8.1 Acquisition loan notes and acquisition contingent payments

The terms of an acquisition may provide that the value of the purchase consideration, which may be payable in cash or shares or other securities at a future date, depends on uncertain future events such as the future performance of the acquired company. The directors estimate that the liability for payments that may be due are as follows:

	Initial Consideration Loan Notes £'000	Additional Consideration Loan Notes £'000	Shares to be issued £'000	Total £'000
Less than one year	3,444	61	511	4,016
Between one and two years	1,092	5,032	4,305	10,429
Between two and three years	184	2,979	2,980	6,143
Between three and four years	-	3,647	3,647	7,294
	<u>4,720</u>	<u>11,719</u>	<u>11,443</u>	<u>27,882</u>
	<b>&lt;1yr</b>	<b>&gt;1yr</b>	<b>Total</b>	
Acquisition loan notes and shares	3,894	1,637	5,531	
Acquisition contingent payments	122	22,229	22,351	
	<u>4,016</u>	<u>23,866</u>	<u>27,882</u>	

### 8.2 Acquisition of Bastin Day Westley Limited (“thinkBDW”)

On 9 March 2007, The Group acquired the whole issued shared capital of Bastin Day Westley Limited. The fair value of the consideration given for the acquisition was £11,236,212. An initial payment of £5,293,892 was satisfied by cash on completion. Costs relating to the acquisition amounted to £449,031.

Maximum contingent consideration of £7,900,000 is dependent on the profitability of Bastin Day Westley Limited for the 3 years to 14 March 2010. The Group has provided for contingent consideration of £3,240,692 to date. This has been discounted to a net present value of £2,791,448, with the resulting discounting charge of £449,244 to be taken thorough the income statement over the earnout period. Up to 50 percent of this contingent consideration is payable in the form of shares at the option of The Mission Marketing Group Plc.

The fair value of the net assets acquired was £2,208,686 resulting in goodwill of £9,027,526 which has been capitalised as an intangible asset.

	Book Value	Fair Value adjustments	Fair value
	£'000	£'000	£'000
Net assets acquired			
Fixed assets	251	-	251
Inventory	10	-	10
Trade and other receivables	3,021	-	3,021
Cash and cash equivalents	2,563	-	2,563
Trade and other payables	(3,618)	-	(3,618)
Deferred taxation liability	(19)	-	(19)
			<u>2,208</u>
Goodwill			<u>9,028</u>
Total consideration			<u>11,236</u>
Satisfied by:			
Cash			5,294
Shares issued			1,980
Loan notes issued			572
Deferred initial consideration			150
Deferred contingent consideration			2,791
Acquisition costs			449
			<u>11,236</u>

The goodwill arising on the acquisition is attributable to the anticipated profitability of the Company and the anticipated future operating synergies from the combination.

### 8.3 Acquisition of April-Six Limited

On 21 March 2007, The Group acquired the whole issued shared capital of April-Six Limited. The fair value of the consideration given for the acquisition was £13,834,998. An initial payment of £6,793,864 was satisfied by cash on completion. Costs relating to the acquisition amounted to £449,031.

Maximum contingent consideration of £7,774,000 is dependent on the profitability of April-Six Limited for the 3 years to 16 March 2010. The Group has provided for contingent consideration of £3,220,092 to date. This has been discounted to a net present value of £2,773,704, with the resulting discounting charge of £446,388 to be taken through the income statement over the earnout period. Up to 50 percent of this contingent consideration is payable in the form of shares at the option of The Mission Marketing Group Plc.

The fair value of the net assets acquired was £1,652,851, resulting in goodwill of £12,182,147 which has been capitalised as an intangible asset.

	Book Value	Fair Value adjustments	Fair value
	£'000	£'000	£'000
Net assets acquired			
Fixed assets	163	(20)	143
Trade and other receivables	1,147	-	1,147
Cash and cash equivalents	1,274	-	1,274
Trade and other payables	(894)	-	(894)
Deferred taxation liability	(17)	-	(17)
			<u>1,652</u>

	1,653
Goodwill	12,182
Total consideration	<u>13,835</u>
Satisfied by:	
Cash	6,794
Shares issued	3,818
Loan notes issued	-
Deferred contingent consideration	2,774
Acquisition costs	449
	<u>13,835</u>

The goodwill arising on the acquisition is attributable to the anticipated profitability of the Company and the anticipated future operating synergies from the combination.

#### 8.4 Acquisition of Story UK Limited (“Story”)

On 14 September 2007, The Group acquired the whole issued shared capital of Story. The fair value of the consideration given for the acquisition was £11,725,620. An initial payment of £5,201,600 was satisfied by cash on completion. Costs relating to the acquisition amounted to £391,250.

Maximum contingent consideration of £6,362,602 is dependent on the profitability of Story for the 3.3 years to 31 December 2010. The Group has provided for contingent consideration of £3,746,684 to date. This has been discounted to a net present value of £3,148,020, with the resulting discounting charge of £598,664 to be taken through the income statement over the earnout period.

The fair value of the net assets acquired was £1,650,949, resulting in goodwill of £10,074,671 which has been capitalised as an intangible asset.

	Book Value	Fair Value	Fair value
	£'000	adjustments	£'000
		£'000	
Net assets acquired			
Fixed assets	26	-	26
Cash and cash equivalents	2,017	-	2,017
Trade and other receivables	1,028	-	1,028
Trade and other payables	<u>(1,420)</u>	-	<u>(1,420)</u>
			1,651
Goodwill			10,075
Total consideration			<u>11,726</u>
Satisfied by:			
Cash			5,202
Shares issued			2,775
Loan notes issued			210
Deferred contingent consideration			3,148
Acquisition costs			391
			<u>11,726</u>

The goodwill arising on the acquisition is attributable to the anticipated profitability of the Company and the anticipated future operating synergies from the combination.

#### 8.5 Acquisition of RLA Group Limited (“RLA”)

On 21 December 2007, The Group acquired the whole issued shared capital of RLA. The fair value of the consideration given for the acquisition was £16,725,039. An initial payment of £7,722,135 was satisfied by cash on completion. Costs relating to the acquisition amounted to £658,982.

Maximum contingent consideration of £9,972,134 is dependent on the profitability of RLA for the 3 years to 31 December 2010. The Group has provided for contingent consideration of £4,721,005 to date. This has been discounted to a net present value of £4,091,725, with the resulting discounting charge of £629,280 to be taken through the income statement over the earnout period.

The fair value of the net assets acquired was £855,659, resulting in goodwill of £15,869,380 which has been capitalised as an intangible asset.

	Book Value	Fair Value	Fair value
	£'000	adjustments	£'000
		£'000	
Net assets acquired			
Fixed assets	368	-	368
Cash and cash equivalents	757	-	757
Inventory	530	-	530
Trade and other receivables	2,199	-	2,199
Trade and other payables	(2,998)	-	(2,998)
			856
Goodwill			15,869
Total consideration			16,725
Satisfied by:			
Cash			7,722
Shares issued			1,855
Loan notes issued			450
Deferred initial consideration			1,947
Deferred additional consideration			4,092
Acquisition costs			659
			16,725

The goodwill arising on the acquisition is attributable to the anticipated profitability of the Company and the anticipated future operating synergies from the combination.

Management carried out a review to assess whether any intangible assets relating to brand names, customer relationships and contractual arrangements were acquired as part of the transactions. Management concluded that no value could be ascribed to these intangible assets on the basis that other intangibles and goodwill cannot be separately valued, due to the nature of the intangible assets in question.

## 9. Share capital

	Year to 31 December 2007	Period to 31 December 2006
	£	£
<b>Authorised:</b>		
85,000,000 ordinary shares of 10 p each (2006: 85,000,000 ordinary shares of 10p each)	<b>8,500,000</b>	8,500,000

**Allotted and called up:**

33,076,828 ordinary shares of 10 p each (2006: 21,561,646 ordinary shares of 10 p each)

<b>3,307,683</b>	2,156,165
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On 22 March 2007 2,946,751 shares with a total nominal value of £294,675 were issued to the vendors of April-Six Limited as part of the consideration for the acquisition at a value of 129.58p each, for a total consideration of £3,818,400. In addition, 1,528,014 shares with a total nominal value of £152,801 were issued on 22 March 2007 in connection with the acquisition of Bastin Day Westley Limited at a value of 129.58p each for a total consideration of £1,980,000.

On 20 September 2007 2,060,485 shares were issued as part of the consideration for the acquisition of Story UK Limited. These shares, with a total nominal value of £206,049, were issued at a value of 134.68p each for a total consideration of £2,774,959.

3,571,429 shares with a total nominal value of £357,143 were issued through a private placing on 22 November 2007, these shares being issued at a value of 140p each, for a total consideration of £5,000,000. £150,098 of share issue costs were incurred in connection with this private placing and were written off to share premium.

On 21 December 2007 1,408,503 shares with a total nominal value of £140,850 were issued to the vendors of RLA Group Limited as part of the consideration for the acquisition at a value of 131.73p each, for a total consideration of £1,855,350.

**10. Reconciliation of operating profit to operating cash flow**

	Year ended 31 December 2007 £'000	Period ended 31 December 2006 £'000
Operating profit	7,433	2,523
Depreciation charges	516	248
Gain on disposal of property, plant and equipment	(3)	-
Non cash charge for share options	317	128
Decrease in receivables	416	1,320
Increase in work in progress	(25)	(98)
Decrease in payables	(494)	(1,914)
<b>Operating cash flow</b>	<b>8,160</b>	<b>2,207</b>

**11. Explanation of transition to IFRSs**

This is the first year that the company has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The last financial statements under UK GAAP were for the period ended 31 December 2006 and the date of transition to IFRS was therefore 7 March 2006 (incorporation).

**12. Reconciliation of Equity at 31 December 2006 (date of last UK GAAP financial statements)**

	UK GAAP As previously reported	Effect of transition to IFRSs	IFRSs
Note	£'000	£'000	£'000
<b>FIXED ASSETS</b>			

Intangible assets	a, d	38,315	(1,023)	37,292
Property, plant and equipment		1,443	-	1,443
		<u>39,758</u>	<u>(1,023)</u>	<u>38,735</u>
<b>CURRENT ASSETS</b>				
Work in progress		237	-	237
Trade and other receivables		9,642	-	9,642
Cash and short term deposits		11,082	-	11,082
		<u>20,961</u>	<u>-</u>	<u>20,961</u>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	d	(7,971)	(180)	(8,151)
Accruals		(1,347)	-	(1,347)
Corporation tax payable		(590)	-	(590)
Bank loans		(700)	-	(700)
Acquisition loan notes		(7,151)	-	(7,151)
		<u>(17,759)</u>	<u>(180)</u>	<u>(17,939)</u>
<b>NET CURRENT ASSETS</b>				
		<u>3,202</u>	<u>(180)</u>	<u>3,022</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>				
		<u>42,960</u>	<u>(1,203)</u>	<u>41,757</u>
<b>NON CURRENT LIABILITIES</b>				
Bank loans		(7,300)	-	(7,300)
Acquisition loan notes	b	(2,047)	124	(1,923)
Acquisition contingent payments	c	(7,274)	675	(6,599)
Obligations under finance leases		(28)	-	(28)
Deferred tax liabilities		(45)	-	(45)
		<u>(16,694)</u>	<u>799</u>	<u>(15,895)</u>
<b>NET ASSETS</b>				
		<u>26,266</u>	<u>(404)</u>	<u>25,862</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital		2,156	-	2,156
Share premium account		22,517	-	22,517
Staff remuneration reserve		128	-	128
Retained earnings		1,465	(404)	1,061
<b>TOTAL EQUITY</b>				
		<u>26,266</u>	<u>(404)</u>	<u>25,862</u>

Note		31 December 2006
	Total equity previously reported under UK GAAP	26,266
a	Decrease in Goodwill as a result of adjustment to deferred consideration component of cost of acquisition to present value at acquisition date	(1,203)
b	Adjustment to outstanding deferred consideration acquisition loan notes to present value	124
c	Adjustment to outstanding deferred consideration acquisition contingent payments to present value	675
d	Adjustment to reverse media accrual writebacks previously recognised under UK GAAP	
	- Increase in Goodwill	180
	- Increase in Trade and other payables	(180)
	Total adjustment to equity	(404)
	Total equity IFRSs	<u>25,862</u>

### 13. Reconciliation of Profit or Loss for the 8.5 months to 31 December 2006

	UK GAAP	Effect of	IFRSs
	As	transition	
	previously	to IFRSs	
Note	reported	£'000	£'000
	£'000	£'000	£'000
Turnover	37,468	-	37,468
Cost of sales	(22,417)	-	(22,417)
Operating Income	15,051	-	15,051
Operating expenses	(12,528)	-	(12,528)
Operating profit	2,523	-	2,523
Investment income	281	-	281
Finance cost	(590)	-	(590)
IFRS interest charges	a, b	(404)	(404)
Profit before tax	2,214	(404)	(1,810)
Tax expense	(749)	-	(749)
Profit for the period	1,465	(404)	1,061

Note	Operating profit	Profit on Ordinary Activities before taxation	Profit for the period	
	£'000	£'000	£'000	
	Profit as previously reported under UK GAAP	2,523	2,214	1,465
a	Interest charge on deferred consideration on acquisitions	-	(284)	(284)
b	Bank arrangement fees	-	(120)	(120)
	Total adjustment to profit	-	(404)	(404)
	Profit per IFRS	2,523	1,810	1,061

### 14. Post Balance Sheet Events

Subsequent to year end Bray Leino acquired the entities Broadskill Ltd and Rhythmm Ltd. These businesses will be managed by Bray Leino.

### 15. Preliminary announcement information

The financial information set out in this preliminary announcement does not constitute the Group's statutory accounts within the meaning of section 240 of the Companies Act 1985.

**Proforma Consolidated Income Statement  
for the twelve months ended 31 December 2007**

The financial statements for the year ended 31 December 2007 includes a full twelve month trading period, whereas the comparative period to 31 December 2006 covers only an eight and a half month trading period. In addition, the Group acquired April-Six Limited and Bastin Day Westley Limited in March 2007, Story UK Limited in September 2007 and RLA Group Limited in December 2007. The Group is also presenting its year end financial statements under IFRS for the first time.

As a result of the aforementioned factors, comparison of the results does not reflect the underlying like for like growth of the Group. A comparable proforma financial statement has therefore been prepared. Proforma figures for both the current year ended 31 December and the comparative period include all current trading units for the full twelve months ended 31 December. This gives a representative picture of the underlying trading performance of the Group, the comparisons representing purely proforma growth.

	Year to 31 December 2007 Unaudited £'000	% growth	Year to 31 December 2006 Unaudited £'000
<b>TURNOVER</b>	103,744	+10%	94,553
Cost of sales	(61,399)	+7%	(57,406)
<b>OPERATING INCOME</b>	<b>42,345</b>	<b>+14%</b>	<b>37,147</b>
Operating expenses	(31,297)	+14%	(27,521)
<b>OPERATING PROFIT</b>	<b>11,048</b>	<b>+15%</b>	<b>9,626</b>
Share of results of equity accounted associate	(14)		(14)
Investment income	401		401
Finance costs	(1,337)		(1,337)
IFRS interest charge	(1,146)		(1,146)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>8,952</b>	<b>+19%</b>	<b>7,530</b>
Taxation	(3,130)		(2,689)
<b>PROFIT FOR THE YEAR</b>	<b>5,822</b>	<b>+20%</b>	<b>4,841</b>
<b>Basic earnings per share (pence)</b>	<b>17.60</b>	<b>+20%</b>	<b>14.63</b>
<b>Diluted earnings per share (pence)</b>	<b>17.60</b>	<b>+20%</b>	<b>14.63</b>

The current level of net interest costs and IFRS interest charges has been applied to all periods presented to reflect the costs associated with the current size of the Group and the current levels of debt. In addition, the current share of results of the equity accounted

associate was applied to the 2006 year as the associate was only formed during 2006 and did not trade for the full year. A tax rate of 31% has been applied to profit before IFRS interest charges for both periods presented. In calculating the earnings per share, the proforma number of shares was calculated and has been used for both periods, (Basic: 33,076,828, Diluted: 33,076,828).

### Segmentation Note

For management purposes the Group had seven operating subsidiaries during the period, Bray Leino Limited, Big Communications Limited, Fuse Digital Limited, Bastin Day Westley Limited, April-Six Limited, Story UK Limited and RLA Group Limited. These have been divided into five segments which form the basis of the Group's primary segmentation namely: Branding and Advertising, Media, Events and Learning, Public Relations and Digital. The Group's operations are all based in the UK and substantially all the Group's business is executed in the UK.

	Year to 31 December 2007 Unaudited £'000	% growth	Year to 31 December 2006 Unaudited £'000
	<b>Turnover</b>		
<b>Business segment</b>			
Branding and Advertising	46,387	+15%	40,206
Media	38,090	+2%	37,285
Events and Learning	9,733	-5%	10,216
Public Relations	2,077	+25%	1,663
Digital and On-line	7,457	+44%	5,183
	<b>103,744</b>	<b>+10%</b>	<b>94,553</b>
	<b>Operating income</b>		
<b>Business segment</b>			
Branding and Advertising	28,274	+10%	25,721
Media	3,365	+18%	2,863
Events and Learning	3,699	-5%	3,911
Public Relations	1,616	+24%	1,300
Digital and On-line	5,391	+61%	3,352
	<b>42,345</b>	<b>+14%</b>	<b>37,147</b>
	<b>Operating profit</b>		
<b>Business segment</b>			
Branding and Advertising	9,294	+12%	8,272
Media	1,377	+16%	1,186
Events and Learning	578	-25%	773
Public Relations	82	+12%	73
Digital and On-line	1,544	+34%	1,150
	<b>12,875</b>	<b>+12%</b>	<b>11,454</b>
Central costs	<b>(1,827)</b>		<b>(1,827)</b>
	<b>11,048</b>	<b>+15%</b>	<b>9,627</b>