HASGROVE

www.hasgrove.com

Hasgrove plc | Annual Report | 2007

The Numbers.

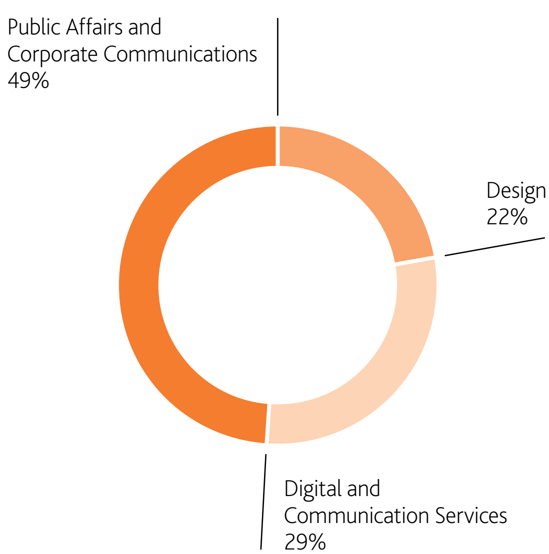
Designed by The Chase

What we do.

Hasgrove is the holding company for a fully integrated group of companies. Those companies, combined, are spread across Europe. They are concentrated into three divisions: Public Affairs and Corporate Communications, Digital and Communication Services and Design. The Group encourages each of the companies to interact, through their individual disciplines, on cohesive public and private sector projects. The work produced is a direct response to the rapid changes that are evolving in those sectors.

Revenue by division

Year to December 2007
Total revenue £21.7m



How we did it.

Turnover increased by 42% to £21.7m (2006: £15.3m*).

Gross profits increase to £15.1m (2006: £10.3m*): like for like up 6.7%.

Strong performance by Public Affairs and Corporate Communications division and Digital and Communication Services division: operating profits up 63% and 22% respectively.

Headline PBT jumps up 44% to £2.6m (2006: £1.8m*).

Headline basic EPS up by 6.5% to 9.8p (2006: 9.2p*).

The Board is proposing a maiden dividend of 0.5p per share.

Net debt at 31 December 2007 £4.9m (2006: net cash £3.5m*).

Four substantial acquisitions: Cabinet Stewart, Odyssey, Pavilion and Amaze completed.

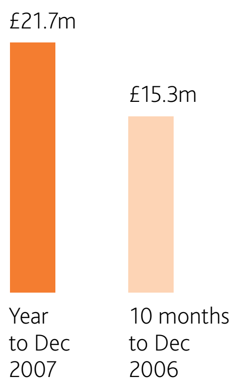
Acquisition of Politics International, a leading London based Public Affairs consultancy in February 2008.

* Comparative figures for 2006 represent results for the ten months ended 31 December 2006.

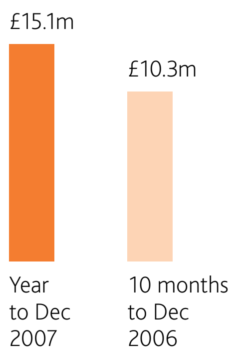
Headline profit before tax up 44% and a maiden dividend proposed as the Group integrates four acquisitions.

The numbers at a glance.

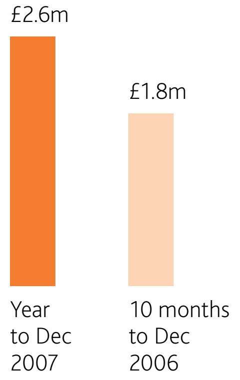
Turnover



Gross profit



Headline PBT



Headline basic EPS

FROM GODFREY TAYLOR, CHAIRMAN

Hasgrove was formed because we believed that we could flourish in the rapidly changing marketing and communications sector thanks to the 'digital age'. Since inception, we have moved swiftly by building a pan European group operating in high growth niche sectors in which we can, over time, establish market leadership.

2007 has been a significant year and here are a few highlights:

- The public affairs business made exceptional progress with profits increasing by 63% and the network being extended into London with the acquisition of Politics International in early 2008.
- The digital communications business has grown rapidly through acquisition and now employs 170 people. It is now a 'top ten' business in its UK market with ambitious plans for the future.
- All the businesses continue to attract significant work from 'blue chip' clients and the new trading year has started well.

I want to use this opportunity to thank everyone in the group for their commitment and skill. We have many reasons to look forward to 2008 with confidence despite an economic slowdown.

FROM ROD HYDE, CHIEF EXECUTIVE

Welcome to the Group's second Annual Report.

Last year I closed the Review with these words: "By the end of 2007 we expect to see some of our individual prospects (the newer acquisitions) not only implemented but also starting to generate synergies (within the Group)". I am happy to report back that the pooling of resources, anticipated then, is functioning so well now.

Although the three operating divisions which make up the Group are managed independently, on a day to day basis, each of the businesses realise benefits from Hasgrove's overall structure.

The Group's financial disciplines and resources are applied across local operational management in this country and continental Europe. Increasingly, on some of the larger communications projects, we now see personal skills in different disciplines being transferred also across companies.

The growth of the Group has resulted in an increase in revenue synergy opportunities, these are currently being converted into profitable growth. Initiatives are being developed to encourage more of this integrated approach to working, including the geographical consolidation of our UK offices.

One of those initiatives, just launched, is Hasgrove College: a training programme designed to facilitate emerging leaders with the ability to operate effectively within a growing international group. Although the emphasis in 2008 is on integration and exploiting operational and financial synergies, the Board will continue to seek acquisition prospects in its targeted sectors.

Just over 85% of the Group's revenue is currently generated by our Corporate Communications and Digital divisions. Research indicates online marketing will continue to grow, Forrester Research predicts double digit growth in that area this year. Public Relations is also taking a larger part of communication spend. Moreover, Hasgrove has a benefit in that corporate communication, including public affairs, is generally less susceptible in an economic downturn.

In its second year since admittance to the AIM the Group has continued to trade well within the Board's expectations. There is also an encouraging beginning to 2008, each division winning important clients.

Within the Group operating profits of £2.7m there is recognised a head office profit, after the management recharges to each division, of £223,000.

Over the page we'll look at each division in detail.

Public Affairs and Corporate Communications

This division consists of Interel, Cabinet Stewart and Odyssey: it showed consistent growth with revenues increasing to £10.7m (2006: £5.9m) and the operating profit, after management charges, up by 63% to £1.3m (2006: £0.8m). Like for like the growth in gross profit was 9.4%.

The European corporate affairs offering is focussed on public affairs, strategic communications and association management underpinned by a broad range of services: government relations, association management, online communications, corporate design and media relations.

The acquisition of Cabinet Stewart consolidates and enhances Interel's position as one of the most noted consultancies in Europe. Their head office is in Brussels and Interel has made significant progress towards its mission: to be at the forefront of European Public Affairs.

The strategy has been to build a strong hub in Brussels supported by a significant London presence, a referral office in Washington and a network of smaller European offices.

During the year this division completed a number of investments in order to extend growth organically:

- building an efficient service infrastructure of senior people to safeguard the enlarged amount of business;
- utilising the Digital division to build an online communications service;
- establishing a new practice of international public relations by utilising its membership of PROI and GFC Net, the most prominent international networks of PR consultancies;
- expanding its association management services through IT infrastructure investments and hiring several strategic thinkers.

In September, Odyssey Interactive joined the Group, adding an important digital capability to this division's change and internal communications offering: an area of increasing maturity.

Formed in 1996, based near Manchester, Odyssey has built its good reputation through concentrating on providing Intranet solutions. Odyssey has many private and public sector clients, its Interact product is the leading Intranet solution for Housing Associations. There are now around 100 sites using the Interact product supporting over 100,000 users.

In addition to generating strong repeat revenues from support contracts, the company is continually developing additional modules that are offered to the client base.

Odyssey has performed strongly in the first quarter of 2008.

In February of 2008 the Group acquired Politics International, a leading London based public affairs consultancy for a consideration expected to be between £2.7m to £3m.

As a Group division Public Affairs and Corporate Communications is represented in Brussels, Paris, London, Manchester, Washington DC, Prague, Madrid and Berlin. Also, Interel has launched its European Public Affairs network which comprises partner consultancies in Athens, Amsterdam, Budapest, Lisbon, Ljubljana, Rome, Stockholm and Warsaw.

Digital and Communication Services

This division has earned an increase in revenues of 44%, up to £6.2m (2006: £4.3m). The operating profit, after management charges, also increased by 22% up to £614,000 (2006: £505,000).

The Board had anticipated that trading conditions would be very challenging for the more traditional marketing companies, with a like for like reduction in profit of about 2.9%.

Consequently there was an intense effort to identify a digital marketing agency of the right calibre and the right cultural fit, to spearhead the Group's ambition towards clearly focused digital marketing.

This plan has proved successful. The Group has been growing the digital focus of its operations with a significant increase in revenue, generated from integral campaigns with an online contribution.

This year the Group made two substantial digital marketing acquisitions: Pavilion Communication Services and Amaze Europe. The division now employs around 170 people which on a combined basis would make it a top ten UK interactive agency. These companies are developing combined services and integrating well.

Pavilion joined the Group in September. Formed in 1986 it has worked with The Co-operative Group, Odeon Cinemas and the Learning and Skills Council for some years. In September 2006 Pavilion was appointed global agency for Siemens Enterprise Communications. Pavilion has developed its own intellectual property, a content management system and digital sign solution that is used in over 1,700 UK Co-operative stores.

Amaze Europe joined Hasgrove in late November. Amaze provides both international and national clients with a wide range of marketing solutions across all digital platforms, including the delivery of web technology solutions. The company services its clients from operations in Cheshire and London, Amaze has extensive experience in the automotive, professional and public sectors.

Forrester Research says that the larger international clients now require, from their suppliers, 'wider and deeper' understanding of digital marketing. We feel that this division can demonstrate the technical ability to go farther, showing that imagination can be applied not only to creativity but also to technology.

Design

The division's revenue decreased from £5m to £4.7m. Adjusting for the tail-off of the print work for The Co-operative Bank, underlying gross profit increased by 7.3%. Operating profit fell to £528,000 from £601,000 partly due to the loss of the Co-operative account in 2007, which was known before The Chase business was acquired, with the impact mitigated within the earn-out structure.

Revenue growth opportunities have been identified for this division. We have a strong base in Brussels, where an increasing number of organisations are locating their European headquarters, and each of the design companies (The Chase, Landmarks and Hailstone) have earned revenue from projects in that area.

Landmarks have recently been working alongside Public Affairs. There is future scope here as the rise in democratic processes is making advocacy much more of a visible public process.

Hailstone was a consultancy acquired in June 2007 that has been integrated into Landmarks. The two companies share an affinity as a direct result of working together on a number of projects over the years.

It is encouraging that the Design division has turned in a good first quarter in the new financial year. Some interesting projects from good clients, in both public and private sectors, are currently underway.

FROM PAUL SANDERS, GROUP FINANCE DIRECTOR

Group turnover for the 12 months increased by 42% to £21.7m, compared to £15.3m for the 10 months to 31 December 2006.

Gross profits increased to £15.1m (2006:£10.3m*). On a like for like basis this represented a 6.7% increase.

Operating profit has increased by 42% to £2.7m (2006:£1.9m*) as the Group continued to keep a tight control of all costs during its rapid development.

Headline profit before tax, after adding back non cash charges for share options and notional finance costs, was up 44% to £2.6m (2006:£1.8m*). Reported profit before tax has increased also, to £2.4m (2006:£1.7m*). The headline effective tax rate was 28% whilst the reported tax rate was 30.4%. The difference reflects the non-tax deductibility of the share based payments charge and the notional finance charge on deferred consideration.

Headline basic earnings per share were up 6.5% to 9.8p (2006:9.2p*). Reported basic earnings per share were 8.7p (2006:8.1p*).

The Board has proposed to pay a maiden dividend of 0.5p per share on 15 July 2008 to all shareholders on the register at 27 June 2008. It is anticipated that proposed dividends will increase in line with the Group's profitable growth.

Operating cash flow of £1.1m was affected by the acquisition of part of the trade and assets of Amaze from the administrators. The Group's net debt position at 31 December 2007 was £4.9m (2006:net cash £3.5m*)

During September 2007 the Group arranged a £10m bank facility to support its acquisition programme through KBC Bank NV. During the year £8m was invested as initial consideration for acquisitions. With effect from 1 April 2008 the Group has entered into global cash pooling arrangements with KBC Bank NV, which should significantly improve cash management.

* Comparative figures for 2006 represent results for the ten months ended 31 December 2006.

The Numbers.

Directors' Report for the year ended 31 December 2007

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditors' report, for the year ended 31 December 2007.

Principal activities

The principal activities of the Group comprise provision of services in the areas of marketing, public affairs, public relations, graphic design, web design, intranet solutions, online marketing and advertising.

The subsidiary undertakings principally affecting the profits or net assets of the Group in the year are listed in note 38 to the financial statements.

Business review

The Company is required by the Companies Act to include a business review in this report. The information that fulfils the requirements of the business review can be found within the Chairman's, Chief Executive's and Group Finance Director's reviews, which are incorporated in this report by reference. These pages also include the information required from an Operating and Financial Review being, an overview of activities and performance, details of the key performance indicators that management use and information on expected future developments in the business of the Group,

Financial instruments

Information about the use of financial instruments by the Company and its subsidiaries is given in note 3 to the financial statements.

Post balance sheet events

On 12 February 2008 the Group acquired the entire issued share capital of Politics International Limited for estimated consideration of between £2,700,000 and £3,000,000, subject to earnout. The consideration includes 485,830 new ordinary shares which were issued at their market value of 123.5p per ordinary share. The fair value of net assets acquired has been provisionally determined at £550,000.

Dividends

The Directors recommend a maiden dividend of 0.5p per ordinary share to be paid on 15 July 2008 to ordinary shareholders on the register on 24 June 2008.

Capital structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 25. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 31.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association and the Companies Acts and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Corporate Governance Statement.

Under its Articles of Association, the Company has authority to issue 6,204,676 ordinary shares; this authority expires at the date of the next AGM.

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company such as commercial contracts, bank loan agreements, property lease arrangements and employees' share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Furthermore, the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Directors

The Directors, who served throughout the year except as noted, were as follows:

Godfrey Taylor (54), Chairman and Non-executive Director

Godfrey is the Non-executive Chairman. Godfrey was the Senior Partner of Deloitte & Touche LLP (and formerly Arthur Andersen) in Manchester from 1997 to 2003 with responsibility for 30 partners and 700 personnel. Godfrey subsequently branched out into his own enterprises, developing property and sports interests.

Godfrey was a founding Director of Hasgrove (November 2004).

Rod Hyde (58), Chief Executive

Rod is responsible for delivering the Board's strategy and is actively involved in acquisitions, integration and fund-raising. Rod spent his early career at ICI in various design and management roles. He then founded and managed a successful flight simulation games Company that he sold in 2000.

Since then Rod has been involved in corporate finance activities, specialising in the technology sector. This work has included running large web-based market services operations.

Rod was a founding Director of Hasgrove (November 2004).

Paul Sanders (43), Group Finance Director

Paul is a member of the Institute of Chartered Accountants in England and Wales. Paul has been Finance Director of a number of public and private companies, including SSL International plc and Baltimore Technologies plc and was also acting CEO of the latter.

Stephen Rodgers (51), Non-executive Director

Stephen began his career in advertising as a junior creative, before working through the disciplines of print buying, media and account handling. In 1990 Stephen joined the board of Brunnings, an advertising agency in Manchester, which he then left in 1993 to found Connectpoint, a specialist creative agency, which soon flourished into an integrated marketing services agency offering advertising, public relations and digital services.

Jean-Léopold Schuybroek (59), President of Interel and Non-executive Director

Jean-Léopold was a founding partner of Interel. He is past President of ICCO, the worldwide public relations consultancy association, and of ABCRP, the Belgian association of public relations consultancies.

He is currently a member of the executive committee of ICCO and Chairman of the membership and governance committee of ICCO. He is also one of the three members of the executive committee of the ABCRP.

Rob McLoughlin (48), Deputy Chairman to 10 December 2007

Rob retired on 10 December 2007 to focus on a series of new business and media projects outside Hasgrove plc. However, he will continue to be available to advise the board on any acquisitions or market developments which fall within his expertise. Rob was an important factor in the creation of the Group and we are pleased that he will continue to support the Group.

Directors' interests

The Directors who held office at 31 December 2007 had the following interests in the ordinary shares of the Company:

Name of director	31 December 2007 (No.)	31 December 2006 (No.)
Godfrey Taylor	2,100,000	2,000,000
Rhoderick Hyde	658,750	658,750
Stephen Rodgers	1,500,000	1,500,000
Jean-Léopold Schuybroek	1,268,755	1,268,755
Paul Sanders	10,000	10,000

No changes took place in the interests of Directors between 31 December 2007 and 11 April 2008.

Directors' share options

Share options issued under the Employee Management Incentive scheme (EMI) are dependent on certain time based criteria.

Share options issued under the Long Term Incentive Plan (LTIP) are dependent on the Company achieving certain share price targets.

The Directors had interests in the following share options at both 31 December 2007 and 31 December 2006:

Name of holder	EMI Options	Exercise Price	LTIP	Exercise Price
Rhoderick Hyde	–	–	250,000	£0.10
Paul Sanders	100,000	£0.78	225,000	£0.10

The Company has adopted a share dealing code for Directors and relevant employees and will take appropriate steps to ensure compliance by the Directors and those employees.

The Company has entered into service agreements with each of its executive Directors. Details of the amounts paid under these service agreements are set out below:

Directors' emoluments	**Salary and fees £**	**Performance related bonus £**	**Year to 31 Dec 2007 £**	**10 Months to 31 Dec 2006 £**
Rhoderick Hyde	90,000	16,750	106,750	56,667
Robert McLoughlin*	56,353	–	56,353	51,149
Paul Sanders	81,000	15,000	96,000	86,697
Godfrey Taylor	24,000	–	24,000	13,000
Stephen Rodgers	15,000	–	15,000	12,500
Jean-Léopold Schuybroek **	102,141	–	102,141	71,145
	332,494	31,750	364,244	291,158

There were no pension contributions in the year (2006: Nil).

* Robert McLoughlin's management Company, CARM Productions Limited, is a party to a consulting agreement which terminated on 28 February 2007. Under the terms of the contract Carm Productions provided interim services for a fee of £1,667 per month until the contract was terminated. These amounts are included above.

** Jean-Léopold Schuybroek is employed by Interel through a management Company, which is paid €150,000 per annum for his services.

Directors' interests in contracts and other transactions with Group companies

With the exception of relevant earn outs and the disclosures above no director has a material interest in any contract with any Group Company other than a service agreement.

During the year Stephen Rodgers and Jean-Léopold Schuybroek received earn outs in relation to the acquisitions of Connectpoint and Interel of £167,000 and £181,000 respectively. Based on latest forecasts they are due to receive future earn outs with fair values of £219,000 and £418,000 respectively (2006: £209,401 and £Nil respectively) in relation to the acquisitions of Connectpoint and Interel.

Supplier payment policy

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction and to ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Group at 31 December 2007 were equivalent to 35 (2006: 35) days' purchases, based on the average daily amount invoiced by suppliers during the year.

Charitable and political contributions

During the year the Group made no political or charitable donations.

Substantial shareholdings

The Company has been notified of the following interests representing 3% or more of the issued share capital of the Company at 11 April 2008:

Name of holder	**Percentage of voting rights and issued share capital**	**No. of ordinary shares**
Godfrey Taylor	10.2%	2,100,000
Octopus Asset Management	8.1%	1,666,666
Stephen Rodgers	7.3%	1,500,000
Jean-Léopold Schuybroek	6.1%	1,268,755
Unicorn Asset Management	6.0%	1,250,100
Vikki Ashton	5.4%	1,115,516
Ben Casey	4.8%	992,576
Robert McLoughlin	3.3%	685,384
Rhoderick Hyde	3.2%	658,750

Auditors

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Our auditors, CLB Coopers, have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

St John's Court
19b Quay Street
Manchester
M3 3HN

11 April 2008

By order of the Board,

P A Sanders
Company Secretary

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and have also elected to prepare financial statements for the Company in accordance with IFRSs. Company law requires the Directors to prepare such financial statements in accordance with IFRSs, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report and Directors' remuneration report which comply with the requirements of the Companies Act 1985.

The annual report and accounts are available on the Group's website; www.hasgrove.com. The Directors are responsible for the maintenance and integrity of the website. The work carried out by the auditors does not include consideration of these matters. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

No reference is made to the going concern basis here due to the inclusion of a separate going concern statement by the Directors elsewhere in the annual report.

Directors' responsibility statement
We confirm to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
2. the operating and financial review, which is incorporated into the Directors' report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

By order of the Board

Chief Executive Officer
R D Hyde

Finance Director
P A Sanders

11 April 2008

Statement of Corporate Governance

The Company is committed to the principles of corporate governance contained in the Combined Code on Corporate Governance that was issued in 2006 by the Financial Reporting Council, having regard to its size and nature and so far as it considers practicable and appropriate.

The Board
The Group is managed by a Board which comprises the Non-executive Chairman, Chief Executive, Group Finance Director and two Non-executive Directors.

The Board will be responsible for formulating, reviewing and approving the Group's strategy, budgets, major items of capital expenditure and acquisitions. The Board generally meets at least six times a year and has a schedule of matters specifically referred to it for decision. Given the size of the Company, the appointment of new Directors is a matter reserved for the Board as a whole rather than a separate Nomination Committee.

The Company Secretary, through the chairman, is responsible for advising the Board on all governance matters. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Currently, the Chairman and Chief Executive review the performance of the Board informally. As the Group develops a more formal review process will be adopted.

A Director will retire from office at the third Annual General Meeting following his appointment or following his last re-appointment by shareholders at an Annual General Meeting and if willing, be deemed to have been re-appointed unless it is expressly resolved not to fill the vacancy or a resolution for the re-appointment of the Director is put to the meeting and lost.

Board Committees
The Company has established Audit and Remuneration Committees.

Audit Committee
The Audit Committee comprises the Non-executive Directors chaired by Godfrey Taylor. Members of the Committee have a wide financial experience and the Chairman is a chartered accountant who has held senior roles in the profession.

The Committee is responsible for ensuring that the financial performance of the Group is properly reported on and monitored and for reviewing the auditors' reports relating to accounts and internal control systems. The Audit Committee meets at least twice a year to review interim and full year reports.

At this stage in the development of the Group, the board does not consider it would be appropriate to have its own internal audit function. Each operating Company has its own finance function led by a Finance Director. The Group Finance Director regularly reviews the operating companies' key controls and reporting systems.

Remuneration Committee
The Remuneration Committee comprises the Non-executive Directors and is chaired by Godfrey Taylor. It is responsible for determining and agreeing with the Board the framework for the remuneration of all Executive Directors and such other members of the executive management as it is designated to consider. It is furthermore responsible for determining the total individual remuneration packages of each Director including, where appropriate, performance related bonuses, incentive payments and share options.

Going concern
The Directors have satisfied themselves that the Company and Group have adequate resources to continue in operational existence for the foreseeable future, and for this reason the financial statements continue to be prepared on a going concern basis.

Internal control
The Directors have overall responsibility for ensuring that the Group maintains a system of internal control to provide them with reasonable assurance regarding effective and efficient operations, internal financial control and compliance with laws and regulations. The risk management process and systems of internal control are designed to manage rather than eliminate the risks of failure to achieve the Group's strategic objectives. However, there are inherent limitations in any system of internal control and accordingly even the most effective system can only provide reasonable and not absolute assurance. The Board has reviewed the operation and effectiveness of the system of internal control in operation during the year.

The Group's individual companies are managed with a clearly defined responsibility for the operation of the businesses to meet standards required by both the Group and appropriate regulatory authorities. In addition, annual plans and longer-term overviews of objectives are prepared by each business management team and reviewed at meetings attended by at least one Executive Director.

Individual business management is also responsible for assessing and minimising all business risks, supported by Group personnel able to provide specific assistance in matters relating to regulatory compliance, health and safety, and quality systems.

Monthly accounts, including comparison with planned performance, together with key ratio analysis and working capital information, are prepared in accordance with Group accounting policies and principles. They are reviewed by the Board to monitor overall performance and facilitate appropriate management intervention.

The Board confirms that it has established the procedures necessary to implement the guidance "Internal Control: Guidance for Directors on the Combined Code". The Board has considered the need for an internal audit function but has concluded the size and complexity of the Group does not justify the expense at present. The need for an internal audit function will continue to be reviewed periodically.

Due to its importance to the Group, the Board has formulated an acquisition strategy and process which is tailored to reflect the size of the target and the desired speed of integration. When identifying medium to large targets for acquisition the following criteria are essential:

- Profitable
- High quality businesses with a proven track record
- Leading brands
- A history of and potential for significant organic growth
- Committed and experienced management in addition to the vendors
- Established blue chip clients
- Shared vision and culture

It is the intention that acquisitions should be structured as follows:

- An initial payment partly in cash and partly in shares;
- Self-funding earn out payments typically over three years dependent on performance, payable in cash, shares or loan notes.

During the acquisition process the Board establishes succession plans and identifies the next generation of management and ensures that there is sufficient strength in depth. Acquisitions will only proceed if the Board is satisfied with the long term integration plan.

Relations with shareholders
The Board proposes to maintain a constructive dialogue with shareholders through regular meetings, news releases and presentations.

The Company's Annual General Meeting is an opportunity for all shareholders to meet and direct questions to members of the Board. Prior to the formal business of the meeting, the Board will present an overview of the Group's results.

On behalf of the Board

P A Sanders
Company Secretary

11 April 2008

Independent Auditors' Report to the Members of Hasgrove plc

We have audited the Group and Company financial statements (the 'financial statements') of Hasgrove plc for the year ended 31 December 2007 which comprise the consolidated and Company income statements, the consolidated and Company balance sheets, the consolidated and Company cash flow statements, the consolidated statement of recognised income and expense, the Company statement of changes in equity, the statement of accounting policies and the related notes. 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
The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of Directors' responsibilities.
Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether, in our opinion, the information given in the Directors' report is consistent with the financial statements. The information given in the Directors' report includes that specific information presented in the Chairman's and Group Finance Director's reviews that is cross referred from the business review section of the Directors' report.

In addition, we report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' report Chairman's, Chief Executive's and Group Finance Director's reviews and the statement on corporate governance. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 Group's and 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, in accordance with IFRSs as adopted by the European Union, of the state of the Group's and the Company's affairs as at 31 December 2007 and of the Group's profit, the Group's cash flows and the Company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' report, is consistent with the financial statements.

CLB Coopers
Registered Auditors & Chartered Accountants
Manchester

11 April 2008

Consolidated Income Statement
Year ended 31 December 2007

	Note	Year ended 2007 £000	10 Months ended 2006 £000
Revenue	5	21,675	15,302
Cost of sales		(6,577)	(5,006)
Gross profit		15,098	10,296
Administrative expenses		(12,396)	(8,412)
Headline operating profit		2,702	1,884
Share option charges		(25)	(23)
Operating profit		2,677	1,861
Finance income	11	175	49
Notional finance cost on deferred consideration	11	(181)	(131)
Finance costs	11	(270)	(112)
Headline profit before tax		2,607	1,821
Share option charge		(25)	(23)
Notional finance cost on deferred consideration		(181)	(131)
Profit before tax		2,401	1,667
Tax	12	(730)	(578)
Profit for the financial period		1,671	1,089
Basic earnings per share (pence)	14	8.7p	8.1p
Diluted earnings per share (pence)	14	8.5p	7.7p

Consolidated Statement of Recognised Income and Expense
Year ended 31 December 2007

	Year ended 2007 £000	10 Months ended 2006 £000
(Losses)/ gains on a hedge of a net investment taken to equity	(122)	118
Exchange differences on translation of foreign operations	849	(192)
Net income/ (expense) recognised directly in equity	727	(74)
Profit for the period	1,671	1,089
Total recognised income and expense for the period	2,398	1,015

Consolidated Balance Sheet
At 31 December 2007

	Note	2007 £000	2006 £000
Non-current assets			
Goodwill	15	27,888	12,771
Property, plant and equipment	16	785	662
Investments	18	10	10
		28,683	13,443
Current assets			
Inventories		55	84
Trade and other receivables	19	7,868	5,514
Cash and cash equivalents		2,955	6,626
		10,878	12,224
Total assets		39,561	25,667
Current liabilities			
Trade and other payables	23	(5,521)	(3,475)
Current tax liabilities		(610)	(494)
Obligations under finance leases		(14)	(31)
Borrowings	20	(5,300)	(610)
Provisions	24	(2,276)	(1,916)
		(13,721)	(6,526)
Net current assets		(2,843)	5,698
Non-current liabilities			
Borrowings	20	(2,500)	(2,476)
Long-term provisions	24	(4,922)	(3,649)
Obligations under finance leases		(22)	(5)
		(7,444)	(6,130)
Total liabilities		(21,165)	(12,656)
Net assets		18,396	13,011
Equity			
Share capital	25	2,068	1,859
Share premium account	26	12,382	9,629
Translation reserve	27	653	(74)
Retained earnings	28	3,293	1,597
Total equity		18,396	13,011

The financial statements were approved by the board of Directors and authorised for issue on 11 April 2008. They were signed on its behalf by:

R D Hyde

P A Sanders

Consolidated Cash Flow Statement
Year ended 31 December 2007

	Note	Year ended 2007 £000	10 Months ended 2006 £000
Cash generated by operations	30	1,087	1,474
Income taxes paid		(951)	(617)
Net cash from operating activities		136	857
Cash flows from investing activities			
Interest paid		(271)	(112)
Interest received		176	49
Purchase of property, plant and equipment		(297)	(237)
Purchase of subsidiary undertakings	29	(7,979)	(4,934)
Net cash acquired with subsidiaries		1,640	2,082
Payment of deferred consideration		(1,765)	(563)
Net cash used in investing activities		(8,496)	(3,715)
Cash flows from financing activities			
Repayment of borrowings		(3,281)	(314)
Proceeds on issue of shares		5	5,747
New bank loans raised		3,000	3,500
Increase in bank overdrafts and revolving loan		4,800	–
Net cash from financing activities		4,524	8,933
Net (decrease)/increase in cash and cash equivalents		(3,836)	6,075
Cash and cash equivalents at beginning of period		6,626	645
Effect of foreign exchange rate changes		165	(94)
Cash and cash equivalents at end of period		2,955	6,626

1. General information

Hasgrove plc is a Company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 64. The nature of the Group's operations and its principal activities are set out in note 6.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 3.

2. Adoption of new and revised Standards

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 8	Operating Segments
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for additional segment disclosures when IFRS 8 comes into effect for periods commencing on or after 1 January 2009.

3. Significant accounting policies

Basis of accounting

The financial statements have been prepared for the first time in accordance with International Financial Reporting Standards (IFRSs). The Directors consider that due to recent convergence of UK GAAP and IFRSs, no material adjustments to the financial statements have been necessary. The financial statements have also been prepared in accordance with the Companies Act 1985, IFRSs adopted for use in the European Union (and therefore are in compliance with Article 4 of the EU IAS Regulation) and applicable IFRIC interpretations. The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate 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.

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 the accounting policies used into line with those used by the Group.

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

3. Significant accounting policies (continued)

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisitions are measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is initially recognised on a provisional basis as an asset and measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The Directors consider that the customer relationships are not separable or intangible assets. The Directors consider that customer relationships attach to the staff base and senior management of the business and not to the business itself. Consequently, unless stated otherwise in note 15, the goodwill reflects the combined value of customer relationships, the staff base and other non-separable intangible assets.

Segmental reporting

A business segment is a Group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Deferred consideration

The terms of an acquisition may provide that the value of the purchase consideration, which may be payable in cash, shares or other securities 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 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 over the life of the associated liability.

Where deferred consideration may be settled by either the issue of shares or loan notes, it is classified in the balance sheet in accordance with the substance of the transaction. Where the agreement gives rise to an obligation that is settled by the delivery of a variable number of shares to meet a monetary defined liability, these amounts are disclosed as debt.

3. Significant accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Income recognised in turnover but are not invoiced at the period end is recorded in prepayments and accrued income. Where invoices are raised in advance of the provision of services they are recorded in accruals and deferred income.

For maintenance support income, only that proportion of revenue is recognised which relates to the part of the maintenance period falling within the financial year.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.
Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Foreign currencies

The individual financial statements of each Group Company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group Company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences are recognised in the income statement in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments / hedge accounting); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in the income statement on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and recognised in the Group's foreign currency translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill, fair value adjustments and deferred consideration arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3. Significant accounting policies (continued)

Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

Operating profit

Operating profit is stated before investment income and finance costs.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Fixtures and equipment 10% – 33%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

3. Significant accounting policies (continued)

Impairment of tangible and intangible assets excluding goodwill
At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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.

Cash and cash equivalents
Cash and cash equivalents are cash balances and deposits held at call with banks with original maturities of three months or less.

Trade receivables
Trade receivables do not carry any financial income and are stated at their fair value as reduced by appropriate allowances for estimated irrecoverable amounts.

Financial liability 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 shares in existence, see note 25.

Bank borrowings
Interest-bearing bank loans and overdrafts are recorded at their fair value, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Hedge accounting
The Group designates certain hedging instruments as hedges of net investments in foreign operations. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values of the hedged item.

3. Significant accounting policies (continued)

Hedges of net investments in foreign operations
Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement, and is included in the 'other gains and losses' line of the income statement.

Gains and losses deferred in the foreign currency translation reserve are recognised in the income statement on disposal of the foreign operation.

Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Share-based payments
The Group has applied the requirements of IFRS 2 Share-based Payment.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

4. Critical accounting judgements and key sources of estimation uncertainty
In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

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

5. Revenue

An analysis of the Group's revenue is as follows:

	Year ended 2007 £000	10 Months ended 2006 £000
Sales of services	21,675	15,302

6. Business and geographical segments

Business segments

For management purposes, the Group is currently organised into three operating divisions – Public Affairs and Corporate Communications, Design and Digital and Communication Services. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

2007	Public Affairs and Corporate Communications Year ended 2007 £000	Design Year ended 2007 £000	Digital and Communication Services Year ended 2007 £000	Eliminations Year ended 2007 £000	Consolidated Year ended 2007 £000
Revenue					
External sales	10,711	4,744	6,220	–	21,675
Result					
Segment result	1,312	528	614	–	2,454
Unallocated corporate income					223
Operating profit					2,677
Finance income					175
Notional finance costs on future deferred consideration					(181)
Finance costs					(270)
Profit before tax					2,401
Tax					(730)
Profit after tax					1,671

6. Business and geographical segments (continued)

Other information	Public Affairs and Corporate Communications Year ended 2007 £000	Design Year ended 2007 £000	Digital and Communication Services Year ended 2007 £000	Eliminations Year ended 2007 £000	Consolidated Year ended 2007 £000
Capital additions	103	63	166	–	332
Depreciation and amortisation	80	95	139	–	314
Balance sheet					
Assets					
Segment assets	7,159	3,888	7,778	(3,410)	15,415
Unallocated corporate assets					24,146
Consolidated total assets					39,561
Liabilities					
Segment liabilities	1,884	767	4,543	(1,153)	6,041
Unallocated corporate liabilities					15,124
Consolidated total liabilities					21,165

6. Business and geographical segments (continued)

The business segment results for the period ended 31 December 2006 is as follows:

2006	Public Affairs and Corporate Communications 10 months ended 2006 £000	Design 10 months ended 2006 £000	Digital and Communication Services 10 months ended 2006 £000	Eliminations 10 months ended 2006 £000	Consolidated 10 months ended 2006 £000
Revenue					
External sales	5,940	5,024	4,338	–	15,302
Result					
Segment result	800	601	505	–	1,906
Unallocated corporate expenses					(45)
Operating profit					1,861
Finance income					49
Notional finance costs on future deferred consideration					(131)
Finance costs					(112)
Profit before tax					1,667
Tax					(578)
Profit after tax					1,089
Other information					
Capital additions	79	71	87	–	237
Depreciation and amortisation	63	82	100	–	245
Balance sheet					
Assets					
Segment assets	3,761	2,870	4,715	(3,441)	7,905
Unallocated corporate assets					17,762
Consolidated total assets					25,667
Liabilities					
Segment liabilities	2,070	1,253	2,724	(1,992)	4,055
Unallocated corporate liabilities					8,601
Consolidated total liabilities					12,656

6. Business and geographical segments (continued)

Geographical segments

The Group's operations are located in the United Kingdom and Europe. The Group's Digital and Communication Services divisions are located in the United Kingdom. Public Affairs and Corporate PR divisions are located in Europe, Design divisions are located in the United Kingdom and Europe.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the services:

	Sales revenue by geographical market	
	Year ended 2007 £000	10 Months ended 2006 £000
United Kingdom	10,005	8,458
Europe	10,845	6,844
Other	825	–
	21,675	15,302

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2007 £000	2006 £000	Year ended 2007 £000	10 Months ended 2006 £000
United Kingdom	33,972	21,906	206	158
Europe	5,589	3,761	126	79
	39,561	25,667	332	237

7. Profit for the period

Profit for the period has been arrived at after charging/(crediting):

	Year ended 2007 £000	10 Months ended 2006 £000
Net foreign exchange gains	(68)	–
Depreciation of property, plant and equipment	314	245
Staff costs (see note 9)	7,272	5,140
Operating lease rentals – property	704	362
Operating lease rentals – other	158	31

8. Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	Year ended 2007 £000	10 Months ended 2006 £000
Fees payable to the Company's auditors for:		
– Audit services to the parent Company	**7**	6
– Audit services to subsidiary companies	**38**	21
Total audit fees	**45**	27
Other services pursuant to legislation		
– Tax services	10	6
– Corporate finance services	–	112
– Other services	–	10
Total non-audit fees	10	128

Fees payable to CLB Coopers and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis. In addition to the non-audit fees above charged to the income statement, £15,000 (2006: £Nil) of services provided in relation to due diligence advice on acquisitions were capitalised within goodwill in the year.

9. Staff costs

The average monthly number of employees (including Executive Directors) was:

	2007 Number	2006 Number
Direct	172	119
Administrative	31	39
	203	158
	£000	**£000**
Their aggregate remuneration comprised:		
Wages and salaries	6,068	4,209
Social security costs	1,069	774
Other pension costs	135	157
	7,272	5,140

Wages and salaries included share based payments of £25,000 (2006: £23,000).

10. Directors' emoluments

The Directors' aggregate emoluments in respect of qualifying services were:

	Year ended 2007 £000	10 Months ended 2006 £000
Salaries and fees	364	291

Included in the above is £106,750 (2006: £86,697) of emoluments in respect of the highest paid director. None of the Directors are accruing retirement benefits under Group pension schemes.

11. Net finance costs

	Year ended 2007 £000	10 Months ended 2006 £000
Finance income		
Interest on bank deposits	175	49
Finance costs		
Interest on bank overdrafts and loans	270	112
Notional finance cost on deferred consideration	181	131
	451	243

12. Tax

	Year ended 2007 £000	10 Months ended 2006 £000
Current tax	766	591
Overprovision of corporation tax in previous period	(36)	–
Deferred tax (note 22)	–	(13)
	730	578

Corporation tax is calculated at 30% (2006: 30%) of the estimated assessable profit for the period.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the period can be reconciled to the profit per the income statement as follows:

	Year ended 2007 £000	10 Months ended 2006 £000
Profit before tax	2,401	1,667
Tax at the UK corporation tax rate of 30% (2006: 30%)	720	500
Tax effect of expenses that are not deductible in determining taxable profit	8	33
Effect of different tax rates of subsidiaries operating in other jurisdictions	38	58
Current tax	766	591

13. Dividends

	Year ended 2007 £000	10 Months ended 2006 £000
Proposed final dividend for the year ended 31 December 2007 of 0.5p (2006: Nil) per share.	103	–

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

14. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings

	Year ended 2007 £000	10 Months ended 2006 £000
Earnings for the purposes of basic earnings per share being net profit	1,671	1,089

	No. 000's	No. 000's
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	19,184	13,518
Effect of dilutive potential ordinary shares:		
Share options	481	1,297
Weighted average number of ordinary shares for the purposes of diluted earnings per share	19,665	14,815

At 31 December 2007, there were outstanding share options issued under the Long Term Incentive Plan over 1,075,000 ordinary shares (2006: 1,075,000 ordinary shares) which are not regarded as being dilutive and therefore these have not been included in the diluted earnings per share calculations.

Headline earnings per share

The calculation of headline basic and headline diluted earnings per share is based on the earnings after adjustments as follows:

	Year ended 2007 £000	10 Months ended 2006 £000
Net profit	1,671	1,089
Share option charges	25	23
Notional finance cost on deferred consideration	181	131
Headline earnings	1,877	1,243

15. Goodwill

	£000
Cost	
At 1 March 2006	3,054
Exchange differences	(110)
Recognised on acquisition of subsidiaries	10,062
Fair value adjustments to consideration	(235)
At 1 January 2007	12,771
Exchange differences	873
Recognised on acquisition of subsidiaries	15,412
Fair value adjustments to consideration	(1,168)
At 31 December 2007	27,888
Accumulated impairment losses	
At 1 March 2006 and 31 December 2007	–
Carrying amount	
At 31 December 2007	27,888
At 31 December 2006	12,771

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated to each business segment as follows:

	2007 £000	2006 £000
Public Affairs and Corporate Communications	7,399	5,272
Design	4,754	4,675
Digital and Communication Services	15,735	2,824
	27,888	12,771

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next three years and extrapolates cash flows following this period based on an estimated growth rate of 3 per cent. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows is the Group's estimated weighted average cost of capital.

Notes to the Consolidated Financial Statements
Year ended 31 December 2007

16. Property, plant and equipment

	Leasehold improvements £000	Fixtures and equipment £000	Total £000
Cost			
At 1 March 2006	482	519	1,001
Additions	8	229	237
Acquisition of subsidiaries	154	1,679	1,833
Exchange differences	(4)	(50)	(54)
Disposals	–	(31)	(31)
At 1 January 2007	640	2,346	2,986
Additions	8	324	332
Acquisition of subsidiaries	–	222	222
Exchange differences	10	130	140
Disposals	–	(138)	(138)
At 31 December 2007	658	2,884	3,542
Accumulated depreciation			
At 1 March 2006	306	384	690
Charge for the period	51	194	245
Acquisition of subsidiaries	60	1,407	1,467
Exchange differences	(1)	(46)	(47)
Eliminated on disposals	–	(31)	(31)
At 1 January 2007	416	1,908	2,324
Charge for the year	71	243	314
Acquisition of subsidiaries	–	115	115
Exchange differences	6	129	135
Eliminated on disposals	–	(131)	(131)
At 31 December 2007	493	2,264	2,757
Carrying amount			
At 31 December 2007	165	620	785
At 31 December 2006	224	438	662

In addition, the Group's obligations under finance leases are secured by the lessors' title to the leased assets, which have a carrying amount of £23,000 (2006: £42,000).

17. Subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation, proportion of ownership interest is given in note 38 to the Company's separate financial statements.

18. Investments

	2007 £000	2006 £000
Shares	10	10

The shares included above represent investments in listed equity securities that present the Group with opportunity for return through dividend income and trading gains. These shares are not held for trading and accordingly are classified as available for sale. The fair values of all equity securities are based on quoted market prices.

19. Other financial assets

Trade and other receivables

	2007 £000	2006 £000
Trade receivables	6,421	4,022
Other debtors	388	237
Prepayments and accrued income	1,059	1,255
	7,868	5,514

Trade receivables
The average credit period taken on sales of services is 40 days.
The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

Cash and cash equivalents

	2007 £000	2006 £000
Cash and cash equivalents	2,955	6,626

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Notes to the Consolidated Financial Statements
Year ended 31 December 2007

20. Borrowings

	2007 £000	2006 £000
Secured borrowing at amortised cost		
Bank overdraft and revolving credit facility	4,800	–
Bank loans	3,000	3,086
	7,800	3,086
Total borrowings		
Amount due for settlement within 12 months	5,300	610
Amount due for settlement after 12 months	2,500	2,476

	Sterling £000	Euro £000	Total £000
Analysis of borrowings by currency:			
At 31 December 2007			
Bank overdraft and revolving credit facility	4,800	–	4,800
Bank loans	3,000	–	3,000
	7,800	–	7,800
At 31 December 2006			
Bank loans	–	3,086	3,086

The other principal features of the Group's borrowings are as follows.

(i) The revolving credit facility is repayable 27 September 2010. The revolving credit facility carries interest at 1.75% above LIBOR.

(ii) The bank loan of £3,000,000 was taken out on 27 September 2007. The loan is secured by a fixed and floating charge over the assets of the Group. The loan is repayable in annual instalments of £600,000. The loan carries interest at 1.75% above LIBOR.

Undrawn borrowing facilities
At 31 December 2007, the Group had available £2,200,000 (2006: £Nil) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Interest rate risk
The Group's operations are cash generative and it funds acquisitions through a combination of retained profits and borrowings. The Group's variable rate borrowings are exposed to interest rate risk.

Liquidity risk
The Group maintains a mixture of short and long-term borrowings to manage this risk. Furthermore, the Group's cash deposits are highly liquid.

The Group seeks to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

21. Operating lease commitments

As at 31 December the Group had commitments under non-cancellable operating leases as follows:

	2007		2006	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
In one year or less	718	40	541	40
Between one and five years	2,773	343	1,774	316
In five years or more	1,963	–	1,645	40
	5,454	383	3,960	396

22. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

	Accelerated tax depreciation £000
At 1 March 2006	3
Charge to income	(13)
At 1 January 2007 and 31 December 2007	(10)

23. Other financial liabilities

Trade and other payables

	2007 £000	2006 £000
Trade payables and other payables	2,037	1,821
Social security and other taxes	606	399
Accruals and deferred income	2,878	1,255
	5,521	3,475

Trade payables and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amount of trade payables approximates to their fair value.

24. Provisions

	Deferred consideration £000
At 1 January 2007	5,565
On acquisition of subsidiaries:	
Cabinet Stewart Limited	741
Hailstone Creative SCRL	708
Pavilion Communication Services (Holdings) Limited	2,260
Odyssey Interactive Limited	962
Settled in the year:	
Cash	(1,765)
Shares	(437)
Adjustment to consideration on previous acquisitions	(1,272)
Notional finance charge on future deferred consideration	181
Exchange difference	255
At 31 December 2007	7,198
Included in current liabilities	2,276
Included in non-current liabilities	4,922
	7,198

The Group considers that the above liabilities approximate to their fair value. There was no change in the year to the notional interest rate used of 5.5% for Sterling denominated deferred consideration and 3.5% for Euro denominated deferred consideration.

The deferred consideration will be settled by a mixture of cash, loan notes and new ordinary shares, dependent on the terms of the relevant sale and purchase agreement.

25. Share capital

	2007 £000	2006 £000
Authorised:		
40,000,000 ordinary shares of £0.10 each	4,000	4,000
Issued and fully paid:		
20,680,000 (2006: 18,588,000) ordinary shares of £0.10 each	2,068	1,859

The Company has one class of ordinary shares which carry no right to fixed income.

On 4 April 2007, options were exercised over 37,000 and 5,000 shares at premiums of £0.68 and £0.29 respectively. On 7 June 2007, options were exercised over 13,000 and 5,000 shares at premiums of £0.68 and £0.29 respectively. On 24 July 2007, 276,000 shares were issued at a premium of £1.49 in fulfilment of deferred consideration liabilities. On 2 October 2007, 1,756,000 shares were issued at a premium of £1.34 in consideration for the acquisitions of Odyssey Interactive Limited and Pavilion Communication Services (Holdings) Limited.

During the year issue costs were incurred amounting to £37,000.

26. Share premium account

	Share premium £000
Balance at 1 March 2006	1,888
Premium arising on issue of equity shares	8,618
Expenses of issue of equity shares	(877)
Balance at 1 January 2007	9,629
Premium arising on issue of equity shares	2,790
Expenses of issue of equity shares	(37)
Balance at 31 December 2007	12,382

27. Translation reserve

	£000
Balance at 1 March 2006	–
Exchange differences on translation of foreign operations	(192)
Loss recognised on net investment hedge	118
Balance at 1 January 2007	(74)
Exchange differences on translation of foreign operations	(160)
Gain recognised on net investment hedge	887
Balance at 31 December 2007	653

28. Retained earnings

	£000
Balance at 1 March 2006	485
Net profit for the period	1,089
Credit in respect of share option charges	23
Balance at 1 January 2007	1,597
Net profit for the year	1,671
Credit to equity for equity-settled share-based payments	25
Balance at 31 December 2007	3,293

29. Acquisition of subsidiaries

On 31 January 2007, the Group acquired 100% of the issued share capital of Cabinet Stewart Limited for estimated total consideration of £1,808,000. Cabinet Stewart Limited is the parent Company of a group of companies involved in Corporate and Public Affairs. This transaction has been accounted for by the purchase method of accounting.

	Provisional fair value £000
Net assets acquired:	
Property, plant and equipment	26
Trade and other receivables	319
Cash and cash equivalents	267
Trade and other payables	(122)
Current tax liabilities	(129)
	361
Goodwill	1,447
Total consideration	1,808
Satisfied by:	
Cash	924
Deferred consideration	741
Directly attributable costs	143
	1,808
Net cash outflow arising on acquisition:	
Cash consideration	924
Cash and cash equivalents acquired	(267)
	657

Cabinet Stewart contributed £1,475,000 revenue and £456,000 to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

29. Acquisition of subsidiaries (continued)

On 13 June 2007, the Group acquired 100% of the issued share capital of Hailstone Creative SCRL for estimated total consideration of £1,089,000. Hailstone is involved in Design. This transaction has been accounted for by the purchase method of accounting.

	Provisional fair value £000
Net assets acquired:	
Property, plant and equipment	6
Trade and other receivables	40
Cash and cash equivalents	129
Trade and other payables	(54)
Current tax liabilities	(26)
	95
Goodwill	994
Total consideration	1,089
Satisfied by:	
Cash	365
Deferred consideration	708
Directly attributable costs	16
	1,089
Net cash outflow arising on acquisition:	
Cash consideration	365
Cash and cash equivalents acquired	(129)
	236

Hailstone contributed £279,000 revenue and £114,000 to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

29. Acquisition of subsidiaries (continued)

On 27 September 2007, the Group acquired 100% of the issued share capital of Odyssey Interactive Limited for estimated total consideration of £3,737,000. Odyssey is an intranet solutions provider. This transaction has been accounted for by the purchase method of accounting.

	Provisional fair value £000
Net assets acquired:	
Property, plant and equipment	17
Trade and other receivables	220
Cash and cash equivalents	514
Trade and other payables	(204)
Current tax liabilities	(110)
	437
Goodwill	3,300
Total consideration	3,737
Satisfied by:	
Cash	1,824
Shares issued at market value	790
Deferred consideration	962
Directly attributable costs	161
	3,737
Net cash outflow arising on acquisition:	
Cash consideration	1,824
Cash and cash equivalents acquired	(514)
	1,310

Odyssey contributed £481,000 revenue and £195,000 to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

29. Acquisition of subsidiaries (continued)

On 27 September 2007, the Group acquired 100% of the issued share capital of Pavilion Communication Services (Holdings) Limited for estimated total consideration of £7,923,000. Pavilion Communication Services (Holdings) Limited is the parent Company of Pavilion Communication Services Limited, a digital marketing agency. This transaction has been accounted for by the purchase method of accounting.

	Provisional fair value £000
Net assets acquired:	
Property, plant and equipment	58
Trade and other receivables	801
Cash and cash equivalents	730
Trade and other payables	(892)
Current tax liabilities	(72)
	625
Goodwill	7,298
Total consideration	7,923
Satisfied by:	
Cash	3,623
Shares issued at market value	1,731
Deferred consideration	2,259
Directly attributable costs	310
	7,923
Net cash outflow arising on acquisition:	
Cash consideration	3,623
Cash and cash equivalents acquired	(730)
	2,893

Pavilion Communication Services contributed £1,031,000 revenue and £328,000 to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

29. Acquisition of subsidiaries (continued)

On 7 November 2007 the Group acquired part of the trade and assets of Amaze Limited subsequent to the Company being put into administration. The trade and assets were transferred to Amaze (Europe) Limited, a newly formed Company. Amaze is a web solutions agency. This transaction has been accounted for by the purchase method of accounting.

	Provisional fair value £000
Net assets acquired	
Trade and other receivables	224
Cash and cash equivalents	–
Trade and other payables	(1,983)
	(1,759)
Goodwill	2,373
Total consideration	614
Satisfied by:	
Cash	602
Directly attributable costs	12
	614
Net cash outflow arising on acquisition:	
Cash consideration	614
Cash and cash equivalents acquired	–
	614

Amaze contributed £1,015,000 revenue and (£10,000) to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

The Group results include the post acquisition results for all acquisitions made in the year. If the acquisitions had been completed on the first day of the financial year, Group revenue and profit before tax would be £25,533,000 and £3,205,000 respectively. These figures exclude any pre acquisition trade in relation to Amaze as only part of the trade and assets were acquired, the Directors therefore deem it impracticable to obtain such results.

30. Notes to the cash flow statement

	Year ended 2007 £000	10 Months ended 2006 £000
Operating profit for the period	2,677	1,861
Adjustments for:		
Depreciation of property, plant and equipment	314	245
Share option charges	25	23
Operating cash flows before movements in working capital	3,016	2,129
Decrease in inventories	29	68
Increase in receivables	(750)	(634)
Decrease in payables	(1,208)	(89)
Cash generated by operations	1,087	1,474

Additions to fixtures and equipment during the year amounting to £35,000 were financed by new finance leases.

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

31. Share based payments

Equity-settled share option scheme

The Company has share option schemes for employees of the Group. Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. The vesting period is three years. If the options remain unexercised after a period of five years from the date of grant the options expire. Options are forfeited if the employee leaves the Group. Details of the share option movements during the year are as follows.

	2007 Number of Share options	2007 Weighted average exercise price	2006 Number of share options	2006 Weighted average exercise price
Outstanding at beginning of period	827,000	46p	513,000	39p
Granted during the period	31,000	143p	365,000	78p
Exercised during the period	(60,000)	71p	(51,000)	39p
Lapsed	(33,000)	78p	–	–
Outstanding at the end of the period	765,000	58p	827,000	46p
Exercisable at the end of the period	734,000	58p	827,000	46p
Average remaining life of outstanding options	8 years		9 years	

The Group recognised total expenses of £25,000 and £23,000 related to equity-settled share-based payment transactions in 2007 and 2006 respectively. The expected volatility is based on the historic volatility of the Company's shares since they were listed. The risk free rate of return used in the calculations of 4.25% is the yield on zero coupon UK government bonds of a term consistent with the life of the options. There is an assumed forfeiture rate of 10%.

Other share-based payment plans

In addition to the employee share option schemes above the Group has issued total options over 1,075,000 ordinary shares under the Hasgrove plc Long Term Incentive Plan (2006: 1,075,000 ordinary shares). The exercise of these options is dependent upon certain performance criteria linked to the Company's share price.

32. Events after the balance sheet date

On 12 February 2008 the Group acquired the entire issued share capital of Politics International Limited for estimated consideration of between £2,700,000 and £3,000,000, subject to earnout. The consideration includes 485,830 new ordinary shares which were issued at their market value of 123.5p per ordinary share. The fair value of net assets acquired has been provisionally determined at £550,000.

Company Income Statement

Year ended 31 December 2007

	Note	Year ended 2007 £000	10 Months ended 2006 £000
Continuing operations			
Operating income			
– Management charges	45	720	132
Administrative expenses		(554)	(178)
Operating profit	34	166	(46)
Interest revenue	35	148	33
Finance costs	36	(374)	(239)
Profit before tax		(60)	(252)
Tax	37	(12)	–
Net loss attributable to equity holders of the parent		(72)	(252)

Company Statement of Changes in Equity

Year ended 31 December 2007

	Year ended 2007 £000	10 Months ended 2006 £000
(Losses)/gains on a hedge of a net investment taken to equity	(126)	63
Net (expense)/ income recognised directly in equity	(126)	63
Loss for the period	(72)	(252)
Total recognised income and expense for the period	(198)	(189)

Company Balance Sheet

Year ended 31 December 2007

	Note	2007 £000	2006 £000
Non-current assets			
Investment in subsidiaries	38	19,185	16,031
Current assets			
Loans from other Group entities		6,689	429
Trade and other receivables	39	37	74
Cash and cash equivalents	39	668	5,220
		7,394	5,723
Total assets		26,579	21,754
Current liabilities			
Trade and other payables	40	(95)	(231)
Current tax liabilities		(9)	–
Borrowings	40	(5,300)	(610)
Provisions	41	(997)	(1,816)
Loans to other Group entities		–	(1,845)
		(6,401)	(4,502)
Non-current liabilities			
Borrowings	40	(2,500)	(2,476)
Provisions	41	(3,687)	(3,549)
		(6,187)	(6,025)
Total liabilities		(12,588)	(10,527)
Net assets		13,991	11,227
Equity			
Share capital	42	2,068	1,859
Share premium account	42	12,382	9,629
Translation reserve	44	(189)	(63)
Retained earnings	43	(270)	(198)
		13,991	11,227

The financial statements were approved by the board of Directors and authorised for issue on 11 April 2008. They were signed on its behalf by:

R D Hyde

P A Sanders

Company Cash Flow Statement

Year ended 31 December 2007

	Note	Year ended 2007 £000	10 Months ended 2006 £000
Cash generated by operations	45	(1,422)	1,128
Income taxes paid		(3)	(1)
Net cash from operating activities		(1,425)	1,127
Cash flows from investing activities			
Interest paid		(275)	(108)
Interest received		148	33
Purchase of subsidiary undertakings		(6,532)	(4,955)
Payment of deferred consideration		(992)	(463)
Net cash used in investing activities		(7,651)	(5,493)
Cash flows from financing activities			
Repayments of borrowings		(3,281)	(314)
Proceeds on issue of shares		5	5,747
New bank loans raised		3,000	3,500
Increase in bank overdrafts and revolving loan		4,800	–
Net cash from financing activities		4,524	8,933
Net (decrease)/increase in cash and cash equivalents		(4,552)	4,567
Cash and cash equivalents at beginning of period		5,220	653
Cash and cash equivalents at end of period		668	5,220

33. Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 1985. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in note 3 to the consolidated financial statements except as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

34. Operating profit

The auditors' remuneration for audit and other services is disclosed in note 8 to the consolidated financial statements.

35. Interest revenue

	Year ended 2007 £000	10 Months ended 2006 £000
Bank deposits	148	33

All investment revenue has been earned on the Company's loans and receivables category of financial assets.

36. Finance costs

	Year ended 2007 £000	10 Months ended 2006 £000
Interest on borrowings	(275)	(108)
Notional finance charge on deferred consideration	(99)	(131)
	(374)	(239)

37. Tax

	Year ended 2007 £000	10 Months ended 2006 £000
Current tax	12	–

Corporation tax is calculated at 30% (2006: 30%) of the estimated assessable profit for the period.

The charge for the period can be reconciled to the profit per the income statement as follows:

	Year ended 2007 £000	10 Months ended 2006 £000
Loss before tax	(60)	(252)
Tax at the UK corporation tax rate of 30% (2006: 30%)	(18)	(76)
Tax effect of expenses that are not deductible in determining taxable profit	30	39
Losses Group relieved	–	37
Current tax	12	–

38. Subsidiaries

	£000
Cost	
At 1 March 2006	3,970
Exchange differences	(195)
Recognised on acquisition of subsidiaries	12,479
Fair value adjustments to consideration	(223)
At 1 January 2007	16,031
Recognised on acquisition of subsidiaries	11,744
Transferred to Group undertakings	(7,473)
Fair value adjustments to consideration	(1,117)
At 31 December 2007	19,185

38. Subsidiaries (continued)

Details of the Company's subsidiaries at 31 December 2007 are as follows:

Name	Principal activity in the year	Proportion of the Ordinary Shares and voting rights held by: Company	Subsidiaries
Amaze (Holdings) Limited	Intermediate holding company	100%	–
Amaze (Europe) Limited	Software solutions	–	100%
The Chase Creative Consultants Limited	Graphic design	100%	–
Cabinet Stewart Limited	Government relations and European affairs	–	100%
Cabinet Stewart SA (Registered in Belgium)	Government relations and European affairs	–	100%
Cabinet Stewart Inc (Registered in US)	Government relations and European affairs	–	100%
Connectpoint Group Limited	Provision of management and administrative services to associated companies	100%	–
Connectpoint Limited	Adverising and marketing agents	–	100%
Connectpoint Public Relations Limited	Public relations consultancy	–	100%
Connectpoint Direct Limited	Provision of e-mail based mailshot and Mobular Products Limited	–	100%
Connectpoint New Media Limited	Design and hosting of company websites	–	100%
Interel Holdings Limited	Intermediate holding company	100%	–
Interel Management Group NV (Registered in Belgium)	Public affairs	–	100%
Interel PR & PA SA (Registered in Belgium)	Public affairs	–	100%
Interel SAS (Registered in France)	Public affairs consultancy	–	100%
Interel EPA & Corp (Registered in Czech Republic)	European public affairs	–	100%
Commento SA (Registered in Belgium)	Public relations	–	100%
Hailstone Creative SCRL (Registered in Belgium)	Corporate design	–	100%
Landmarks SA (Registered in Belgium)	Corporate design	–	100%
Odyssey Interactive Limited	Intranet provider	100%	–
Pavilion Communication Services (Holdings) Limited	Intermediate holding company	100%	–
Pavilion Communication Services Limited	Strategic marketing, creative advertising and technical internet software solutions	–	100%

The above list excludes details of non-trading dormant subsidiaries, although all subsidiaries are included in the consolidated accounts. Except where indicated, all companies are incorporated in the United Kingdom.

39. Other financial assets

Trade and other receivables

	2007 £000	2006 £000
Trade receivables	7	8
Other debtors	13	50
Prepayments and accrued income	17	16
	37	74

Cash and cash equivalents

These comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

40. Other financial liabilities

Trade and other payables

	2007 £000	2006 £000
Trade payables and other payables	20	102
Social security and other taxes	2	11
Accruals and deferred income	73	118
	95	231

Trade payables and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amount of trade payables approximates to their fair value.

Borrowings

Details of the bank loans are given in note 20 to the consolidated financial statements.

41. Provisions

	Deferred consideration £000
At 1 January 2007	5,365
Transferred to Group undertakings	(1,431)
On acquisition of subsidiaries:	
Pavilion Communication Services (Holdings) Limited	2,260
Odyssey Interactive Limited	962
Settled in the year:	
Cash	(939)
Shares	(437)
Adjustment to consideration on previous acquisitions	(1,196)
Notional finance charge on future deferred consideration	100
At 31 December 2007	4,684
Included in current liabilities	997
Included in non-current liabilities	3,687
	4,684

The Group considers that the above liabilities approximate to their fair value. There was no change in the year to the notional interest rate used of 5.5 per cent for sterling denominated deferred consideration.

The deferred consideration will be settled by a mixture of cash, loan notes and new ordinary shares, dependent on the terms of the relevant sale and purchase agreement.

42. Share capital and share premium account

The movements on these items are disclosed in notes 25 and 26 to the consolidated financial statements.

43. Retained earnings

	£000
Balance at 1 March 2006	31
Net loss for the period	(229)
Balance at 1 January 2007	(198)
Net loss for the year	(72)
Balance at 31 December 2007	(270)

44. Translation reserve

	£000
Balance at 1 March 2006	–
Exchange differences on translation of foreign operations	(163)
Gain recognised on net investment hedge	100
Balance at 1 January 2007	(63)
Loss recognised on net investment hedge	(126)
Balance at 31 December 2007	(189)

45. Related parties

Transactions with related parties include management charges for services provided to the subsidiary companies, as disclosed on the face of the Company income statement. At 31 December 2007, there were balances of £6,689,000 owing from subsidiary undertakings.

46. Notes to the Company cash flow statement

	Year ended 2007 £000	10 Months ended 2006 £000
Operating profit/(loss) for the period	141	(46)
Adjustments for:		
Share option charges	25	23
	166	(23)
Operating cash flows before movements in working capital		
Decrease/ (increase) in receivables	37	(74)
(Decrease)/ increase in loans from Group companies	(1,489)	996
(Decrease)/ increase in payables	(136)	229
Cash (absorbed)/ generated by operations	(1,422)	1,128

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

Professional Advisers

Company registration number 5247414

Nominated Adviser and Stockbroker
KBC Peel Hunt Ltd
111 Old Broad Street
London
EC2N 1PH

Auditors
CLB Coopers
Century House
11 St Peter's Square
Manchester
M2 3DN

Solicitors
Pannone LLP
123 Deansgate
Manchester
M3 2BU

Bankers
KBC Bank NV
111 Old Broad Street
London
EC2N 1PH

Registrars
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA

Financial PR
College Hill
78 Cannon Street
London
EC4N 6HH

Calendar

24 June	2008 Annual General Meeting
30 June	2008 Financial Half Year
15 July	Dividend payment
September	Announcement of 2008 interim results
31 December	2008 financial year end

AGM Notice

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held on 24 June 2008 at 12.30 pm at Amaze (Europe) Ltd, 4 Kings Court, Manor Farm Road, Runcorn, Cheshire WA7 1HR for the following purposes:

Ordinary Business

1. To receive the Directors' Report and annual accounts and the auditors' report for the financial year ended 31 December 2007.
2. To re-appoint CLB Coopers Chartered Accountants as auditors of the Company from the conclusion of the meeting until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.
3. To declare and approve a dividend of 0.5 pence per ordinary share of the Company for the year ended 31 December 2007, which shall be payable on or by 15 July 2008 to shareholders who are on the register of members at the close of business on 27 June 2008.
4. To re-elect Godfrey Lionel Fozard Taylor as a director of the Company who retires in accordance with Article 92 of the Company's Articles of Association with effect from the conclusion of the meeting.
5. To re-elect Stephen Rogers as a director of the Company who retires in accordance with Article 92 of the Company's Articles of Association with effect from the conclusion of the meeting.
6. To re-elect Rhoderick David Hyde as a director of the Company who retires in accordance with Article 92 of the Company's Articles of Association with effect from the conclusion of the meeting.

Special Business

7. That the Directors be and are generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Act) up to an aggregate maximum nominal amount equivalent to one third of the issued share capital of the Company at the date of passing of this resolution, provided that this authority is for a period expiring at the next Annual General Meeting of the Company held after the passing of the resolution or 15 months after the passing of the resolution, whichever is the earlier but the Company may before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance to such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all subsisting authorities, to the extent unused.
8. That subject to passing the previous resolution the Directors be and are authorised pursuant to section 95 of the Act to allot equity securities (within the meaning of Section 94(2) of the Act) wholly for cash pursuant to the authority conferred by the previous resolution as if Section 89(1) of the Act did not apply to that allotment, provided that this power shall be limited to:-

   8.1 the allotment of equity securities in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

   8.2 the allotment (other than described in sub-paragraphs 8.1) of equity securities up to an aggregate nominal value equivalent to 5% of the issued share capital of the Company;

   and shall expire on the date that is 15 months following the date of the passing of this resolution or, if earlier, the conclusion of the next Annual General Meeting of the Company held after the passing of this resolution, save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding that the power conferred by this resolution has expired.

   This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if in the first paragraph of this resolution the words "pursuant to the authority conferred by the previous resolution" were omitted.

By order of the Board

P Sanders
Secretary
20th May 2008

Registered Office
St Johns Court
Quay Street
Manchester
M3 3HN

Notes

1. A form of proxy is enclosed for your use.
2. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his or her place. A proxy need not be a member of the Company.
3. To be valid, the form of proxy together with a Power of Attorney or other authority (if any) under which it is signed or a notarially certified copy of such Power of Attorney must be deposited at the offices of the Company's Registrar, Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, HD8 0LA, not later than 48 hours before the time appointed for the meeting.
4. Completion of a form of proxy will not preclude a member from attending and voting in person at the meeting should he or she wish to do so.
5. As permitted by regulation 41 of the Uncertificated Securities Regulations 2001, shareholders who hold shares in uncertificated form must be entered on the Company's share register at 10.00am on 22 June 2008 in order to be entitled to attend and vote at the Annual General Meeting. Such shareholders may only cast votes in respect of shares held at such time. If the Annual General Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to attend and vote at the adjourned meeting is 6.00pm on the day immediately preceding the date fixed for the adjourned meeting.
6. In the case of joint holdings, any one such holders may vote in person, or by proxy, and the vote of the one whose name stands earliest in the Register of Members in respect of the joint holding and who tenders a vote will be accepted to vote to the exclusion of the others.
7. The register of Directors' interests in the share capital of the Company, together with the Directors' service contracts are available for inspection at the Registered Office of the Company during normal business hours (Saturdays, Sundays and public holidays excepted) from the date of this notice until the meeting closes.

Contact Details

Registered and head office
St John's Court
19b Quay Street
Manchester
M3 3HN

Telephone number:
0161 817 4200

Website:
www.hasgrove.com

Chairman
Godfrey Lionel Fozard Taylor
godfrey.taylor@hasgrove.com

Chief Executive
Rhoderick David Hyde
rod.hyde@hasgrove.com

Group Finance Director and Company Secretary
Paul Antony Sanders
paul.sanders@hasgrove.com

Hasgrove plc

St John's Court
19b Quay Street
Manchester
M3 3HN

0161 817 4200

Company registration
number 5247414