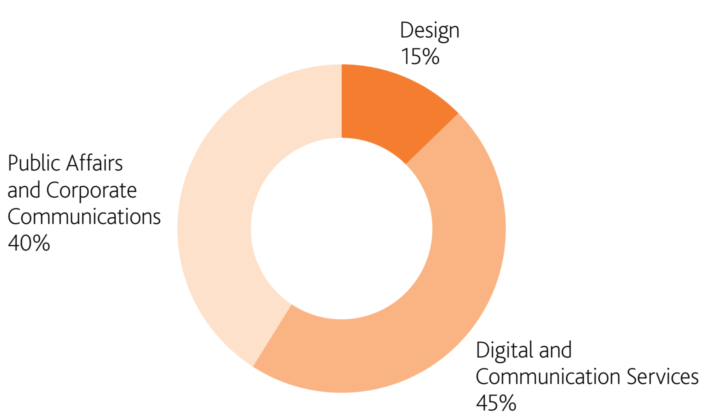
Hasgrove plc *Annual Report* The year to December 2008

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 2008
Total revenue £36.5m



How we did it.

Turnover increased by 68% to £36.5m (2007: £21.7m) – like for like growth 17%.

Gross profits increase by 81% to £27.3m (2007: £15.1m).

Headline operating profits increase by 93% to £5.2m (2007: £2.7m) – like for like up 17%.

Headline PBT jumps up 73% to £4.5m (2007: £2.6m).

Headline basic EPS up by 69% to 16.6p (2007: 9.8p).

Proposed dividend maintained at 0.5p per share.

Net debt at 31 December 2008 down to £6.0m (June 2008: £7.5m, 2007: £4.9m)

Cash flow from operating activities of £5.0m representing a cash conversion of 96%.

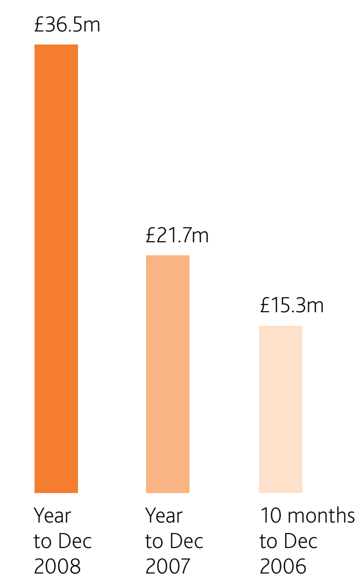
Successful integration of Politics International following its acquisition in February 2008.

Merger of three digital businesses to create top 20 UK digital agency.

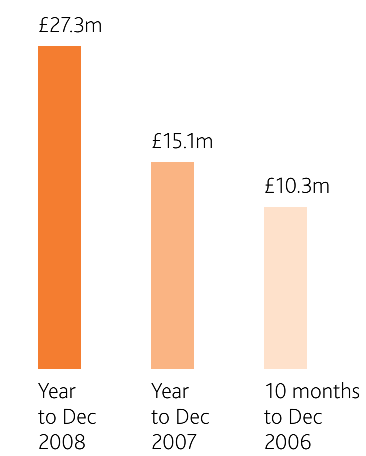
Strong performance by Corporate Affairs and Digital & Communication Services divisions support 17% organic growth.

The numbers at a glance.

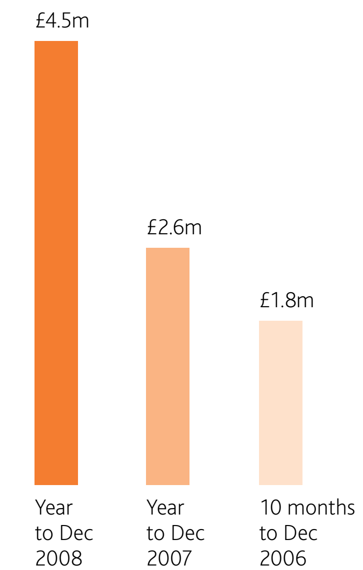
Turnover



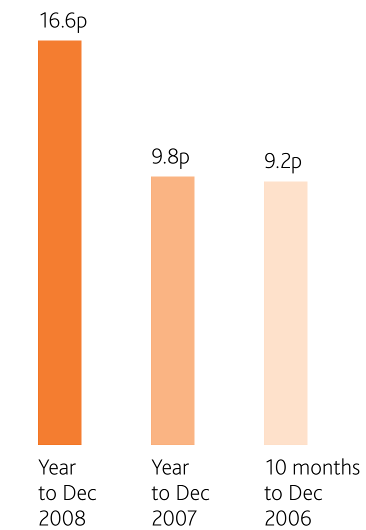
Gross profit



Headline PBT



Headline basic EPS



FROM GODFREY TAYLOR, CHAIRMAN

This has been a successful year for Hasgrove by any standards. Record growth, operating profits and earnings per share against a difficult economic background. Congratulations and thanks to all our people for their effort and skill in delivering these results.

Politics International based in London was acquired in February 2008 and strengthened Interel's European network. Subsequently, the focus across all our businesses has been on consolidation, reorganisation and operating management. For example, Amaze plc had emerged as a leading digital marketing and communications business by year end.

In February 2009, we strengthened the Board further by the appointments of Peter Cookson and Fredrik Lofthagen. Peter was the interim Chief Executive at Amaze following its acquisition and Fredrik is the Chief Executive of Interel. They bring expertise and direct experience of our businesses, which will help us face the challenges ahead.

We continue to win new clients and work hard to provide high levels of service to our existing clients. Nevertheless, our clients are dealing with a deteriorating economy and we have recognised this by reducing our cost base and focusing on helping our clients survive and prosper.

We have decided to recommend leaving the dividend at its previous level but would anticipate increasing this when we can see the economy improving in future years.

Your management is confident in the future but remains vigilant. Please contact me with any comments or requests for further information (godfrey.taylor@hasgrove.com)

FROM ROD HYDE, CHIEF EXECUTIVE

Welcome to the Group's third Annual Report.

Hasgrove has experienced organic growth and strong cash generation across the Group with the integration of recently acquired assets progressing well. The Board expects to complete the outstanding integration programme by September 2009.

The Group's strength continues to be based upon the diversity of its operations both in terms of discipline and geographical exposure. More than 40% of Group revenue is now generated outside the UK as a consequence of both UK exports and businesses based in continental Europe.

The Group's strategy remains to focus on a small number of disciplines that are mutually supportive and from which it derives operational and financial synergies: Public Affairs and Corporate Communications, Digital and Communication Services under the Amaze brand and Design.

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

Public Affairs and Corporate Communications

The Public Affairs and Corporate Communications division consisting of Interel, Interel Cabinet Stewart, Politics International and Odyssey showed good growth with revenues increasing to £14.8m (2007: £10.7m) and operating profit of £2.1m (2007: £1.3m). On a like for like basis the growth in revenue was 11%.

The European corporate affairs division is at the centre of public affairs, corporate communications and association management and is underpinned by a strong digital offering. During year the Interel made significant progress towards its stated vision of becoming a recognised European leader in the area of corporate affairs.

In February 2008 the Group acquired Politics International, a leading London based public affairs consultancy, establishing a strong presence in the UK, which is the largest market for corporate affairs services in Europe. As a result the Group now has a meaningful corporate affairs presence in Brussels, Paris, London, Washington D.C, Prague, Berlin and Madrid. In addition, Interel also consolidated its European affiliate network comprising partner consultancies in Athens, Amsterdam, Budapest, Lisbon, Ljubljana, Rome, Stockholm and Warsaw.

In April 2008, Cabinet Stewart merged with Interel's European Public Affairs practice to form Interel Cabinet Stewart which relocated into new premises at the centre of the EU district in Brussels, creating one of the most prominent EU Affairs consultancies in Brussels.

In 2008 two significant milestones were achieved by Interel. The first annual €1 million client, the International Society of Nephrology, which is serviced by several Interel practices and disciplines, was won and Interel was named BENELUX consultancy of the year by the leading PR industry observer, Paul Holmes, in recognition of its efforts to establish the company as a "credible European player". Significant other client wins include Fortis and Kaupthing banks, the Bill & Melinda Gates Foundation and Opel (part of General Motors).

Odyssey Interactive, which is part of the Public Affairs and Corporate Communications Division and supplies intranet software solutions, has continued its strong growth since joining the Group in September 2007 and contributed an operating profit before central recharges of £0.6m in the year.

The launch of its fourth generation intranet software, Interact 4.0, is progressing well and represents a good opportunity in 2009 particularly in the public sector.

Digital and Communication Services

Digital and Communication Services, now operating under the Amaze brand, saw revenues jump to £16.3m (2007: £6.2m) with operating profit tripling to £1.8m (2007: £0.6m), a like for like increase in revenue of 23%. Amaze has had a very successful first year, both in terms of profitability and integration with many examples of successful joint activity.

Amaze was formed in 2008 when three Group owned companies (advertising and PR specialists Connectpoint, and two top digital agencies Amaze Europe and Pavilion) merged to create a pan-European marketing and technology company. Instantly occupying a top 20 position in New Media Age's top hundred agencies of 2008, Amaze was also placed sixth in the UK for web design and build. The business units now share marketing, innovation and support services.

The Group's strategy is to build a pan European agency for the digital age with a focus on developing a reputation for creativity and excellence in execution.

Amaze offers a broad range of marketing and technology services including web design and build, search, social media, user online reputation management, experience optimisation and analytics, as well as traditional PR, print and broadcast advertising and brand consulting. Amaze has over 150 people working in offices in the north west of England and London. 2009 will see the formal launch of the Amaze brand in Continental Europe with the establishment of an office in Brussels in April.

The public sector practice has also developed during the year. In addition to Greater Manchester Public Transport Authority (GMPTA) work and the Greater London Authority website development, the company is working with a number of health care clients and has recently started a large contract with the National Police Improvement Agency (NPIA). This work with the NPIA is being completed in conjunction with Odyssey.

The Company's Euro based activity continues to grow with significant assignments with Siemens, Lexus and Toyota. During the year Amaze retained the Euro Lexus account following a competitive tender.

Design

Design's revenue increased from £4.7m to £5.4m with a like for like increase of about 7%. Operating profit increased to £0.7m from £0.5m.

The Division is involved in activity ranging from strategic corporate consultancy through brand development and guardianship to brochure, point of sale and financial reports. Client sectors include automotive, financial, energy and utilities and the public sector. The business is characterised by regular repeat activity and many long term relationships.

The Chase, the UK graphic design agency, has contributed with a strong performance this year including initiating the Group wide project with the Transport and Innovation Fund in the North West. Landmarks, the Group's Brussels based design business, focuses on brand development, investor relations and advocacy.

The Design division, which now represents less than 15% of total Group fee income, is a good provider of business for the rest of the Group. During 2008 this was clearly demonstrated by the introduction to the Group of the GMPTA where the Group is providing branding advice, online and offline advertising, PR, website development and search engine optimisation. The design companies share a number of clients with the other divisions. Recently Landmarks and Amaze successfully pitched for a major automotive project.

FROM PAUL SANDERS, GROUP FINANCE DIRECTOR

The Group delivered a strong performance in 2008. Turnover increased 68% to £36.5m (2007: £21.7m). Like for like turnover increased by 17%. Gross profits increased to £27.3m (2007: £15.1m).

The international activities of the Group are well balanced with a broadly 60:40 split of both sales and costs between sterling and the Euro.

Headline operating profits, excluding the non cash items of notional finance costs and share options charges but including a £0.27m benefit from the strong Euro, increased by 93% to £5.2m (2007: £2.7m). This represented a like for like growth of 17%. Within the Group operating profits there is a head office profit, after management recharges to each division, of £0.49m (2007: £0.22m). Interest charged increased to £0.7m (2007: £0.1m) as a result of the acquisitions in late 2007, that of Politics International in February 2008 and the payment of a number of earn-outs.

Headline profit before tax increased 73% to £4.5m (2007: £2.6m). After the non cash items of notional finance costs and share options charges, Group profit before tax was £4.2m (2007: £2.4m). The effective tax rate was 21% which should be sustainable for a further two to three years.

Headline basic earnings per share increased by 69% to 16.6p (2007: 9.8p). Reported basic earnings per share increased to 15.5p (2007: 8.7p)

In light of the current economic climate, the Board is proposing to maintain the dividend of 0.5p per share.

The dividend will be paid on 21 July 2009 to all shareholders on the register at 26 June 2009.

Operating cash flows before tax increased significantly to £5.0m (2007: £1.1m) despite the increase in working capital following the acquisition of part of the trade and assets of Amaze in late 2007 and related growth in sales. The cash flow from operating activities represented a conversion rate of 96%.

The Group's year end net debt was down to £6.0m (30 June 2008: £7.5m, 31 December 2007 £4.9m) in spite of the re-translation of the Group's Euro borrowings at an all time high rate at 31 December 2008 of approximately 1.03. Total bank facilities in place at year end were £10.4m.

Cash collection has been very encouraging and will continue to be an area of focus. The year end net debt to EBITDA ratio was 1.06 and interest cover was 8.1 times compared to the bank covenants of up to 2.5:1 and at least five times.

At the year end, the estimate of future earn-outs was £6.6m with up to £1.8m of this payable in shares at the Group's option and the balance in cash over the next three years. Total estimated earn-out payments, including shares, are £3.4m 2009, £2.1m 2010, £1.1m 2011. These earn outs are dependent on performance and are self-funding.

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 2008.

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 and 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 uses 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.

Dividends
The Directors recommend a dividend of 0.5p per ordinary share to be paid on 21 July 2009 to ordinary shareholders on the register on 26 June 2009.

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 26. 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 32.

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 Statement on Corporate Governance.

Under its Articles of Association, the Company has authority to issue 7,504,530 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 (55), 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 (59), 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 (44), 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.

Peter Cookson (62), Non-executive Director (appointed 24 March 2009)
Peter has worked closely with the Group since November 2007. His particular focus has been on the performance of Amaze Europe. Peter is a Chartered Accountant and has a wealth of Corporate Finance experience. Over many years he has operated as a Finance Director for both public and private Companies.

Frederik Lofthagen (44), Chief Executive of Interel and Non-executive Director (Appointed 24 March 2009)
Fredrik has been Chief Executive Officer of the Group's Interel companies since January 2006 and has overseen the significant organic and acquisitive growth of Interel since it was acquired by the Group in April 2006.

Stephen Rodgers (52), 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 (60), 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.

Directors' interests

The Directors who held office at 31 December 2008 had the following interests in the ordinary shares of the Company:

Name of Director	31 December 2008 (No.)	31 December 2007 (No.)
Godfrey Taylor	2,100,000	2,100,000
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 2008 and 21 April 2009.

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.

Share options issued under the Executive scheme are dependent on certain time based criteria.

The Directors had interests in the following share options:

Name of holder	Scheme	1 Jan 2008	Granted	Surrendered	31 Dec 2008	Exercise Price
Rhoderick Hyde	LTIP	250,000	–	(50,000)	200,000	£0.10
	Executive	–	100,000	–	100,000	£1.02
Paul Sanders	LTIP	225,000	–	(50,000)	175,00	£0.10
	EMI	100,000	–	–	100,000	£0.78
	Executive	–	75,000	–	75,000	£1.02

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 2008 £	Year to 31 Dec 2007 £
Rhoderick Hyde	160,000	–	160,000	106,750
Robert McLoughlin*	–	–	–	56,353
Paul Sanders	144,000	–	144,000	96,000
Godfrey Taylor	24,000	–	24,000	24,000
Stephen Rodgers	15,000	–	15,000	15,000
Jean-Léopold Schuybroek **	119,604	–	119,604	102,141
	462,604	–	462,604	400,244

There were no pension contributions in the year (2007: Nil).

* Robert McLoughlin retired 10 December 2007.

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

Directors' Report for the year ended 31 December 2008 (continued)

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 £Nil and £214,000 respectively. Based on latest forecasts they are due to receive future earn outs with fair values of £153,000 and £258,000 respectively (2007: £219,000 and £418,000 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 2008 were equivalent to 35 (2007: 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 21 April 2009:

Name of holder	Percentage of voting rights and issued share capital	No. of ordinary shares
Octopus Asset Management	10.4%	2,388,888
Godfrey Taylor	9.2%	2,100,000
Stephen Rodgers	6.6%	1,500,000
Jean-Léopold Schuybroek	5.5%	1,268,755
Unicorn Asset Management	5.5%	1,250,100
Vikki Ashton	5.1%	1,166,428
Ben Casey	4.8%	992,576

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

21 April 2009

By order of the Board,

T D Pennington-Brookfeld
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

Group Finance Director
P A Sanders

21 April 2009

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, Executive Director and 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.

Statement of Corporate Governance (continued)

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
Director

21 April 2009

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 2008 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. 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, Chief Executive'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 Chairman's report, the Chief Executive's and the Group Finance Director's reviews. 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 further information outside of the Annual Report.

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 2008 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
- the information given in the Directors' report is consistent with the financial statements.

CLB Coopers
Registered Auditors & Chartered Accountants
Manchester

21 April 2009

Hasgrove plc

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Company registration
number 5247414

HASGROVE

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Designed by The Chase