

2007 Report and Financial Statements

07

CSS STELLAR PLC

REPORT AND FINANCIAL STATEMENTS 2007

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2007 HIGHLIGHTS

- Operating Results, after exclusion of one-off restructuring costs and impairment of goodwill, in line with market expectations
- Successful disposal of our holding in GEM Minneapolis, Inc., a non-core business
- Contracts exchanged to sell The Peters Fraser & Dunlop Group Limited for up to £4 million in cash
- Retirement of David Buchler, Sir Jeremy Hanley and Caroline Michel at the forthcoming Annual General Meeting
- Appointment of Julian Jakobi, currently Vice Chairman, as Chairman at the forthcoming Annual General Meeting

Commenting on the results David Buchler, Chairman, said:

“The year has been challenging in many ways, although we are pleased that operating profits, before one-off costs and impairment provisions, remained in line with our indications at the half year. Early in 2008, we sold our interest in GEM Minneapolis as this shareholding did not represent a core strategic asset. We have also agreed to sell PFD for a total consideration of up to £4 million in cash, subject to the approval of shareholders. Trading for the current year has been demanding but we intend that the Group should be better placed to deliver an improving performance over the coming months”.

Julian Jakobi commented:

“We are sorry to lose the three Directors from the Board and thank them for their contribution to the Group. They have advised their intention to retire from the Board at the forthcoming Annual General Meeting”.

CHAIRMAN'S STATEMENT

Overview & Strategy

2007 has been a year of considerable change for the CSS Stellar Group ("CSS"), which is reflected in the results for the year.

Financial Results

This is the first year that the Group's accounts have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Revenue of £24.1 million was 12.0% below the prior year (2006: £27.4 million). The principal reason for the reduction in revenue is the lower level of trading in Icon Display compared to the turnover achieved in 2006, which was the best year in its history.

In the year to 31 December 2007 the Group achieved an adjusted operating profit on continuing operations of £0.7 million (2006: adjusted operating profit of £0.8 million). Operating profit has been adjusted for impairment of goodwill on continuing operations of £7.3 million and £1.3 million of one-off restructuring and legal costs.

During the year, net debt reduced from £1.9 million to £1.8 million due to tight control of working capital and the repayment of £0.4 million of bank debt.

In my first report to shareholders in the autumn of 2007 on the half year results I referred to the change and disruption, particularly in relation to PFD, that had affected the Group since mid 2006 and the resultant adverse impact on performance. These factors have continued to be present during the whole of 2007.

The Peters Fraser and Dunlop Group ("PFD")

A considerable number of the PFD Directors and senior agents had resigned their employment in June and July 2007 before the new Board had been appointed leaving us to deal with a situation that had been deteriorating for the previous 18 months. While I would have welcomed a genuine dialogue with the former PFD Directors and agents there appeared no appetite on their behalf to enter into such a dialogue. They had long since decided that a Management Buy Out on terms dictated by them was the only way forward. The same people that were dictating terms to CSS received the sum of £12.9 million some years earlier for the purchase of their business.

On 25 October 2007 we announced a review into monies paid by PFD from 2005 to 2007 to certain of its employees. I referred to the dismissal of the two joint managing directors of PFD and a further 11 employees including previous directors. Since then a further significant number of employees have left PFD although many have been replaced by our new team. The review has now been completed and disclosed that payments totalling £853,000 had been made to Directors and employees of PFD during these years without evidence of authorisation.

Almost all the former directors and employees concerned have now set up in business together and PFD is currently in the early stages of litigation in respect of these payments and related matters. In order to protect its position, PFD is in course of taking the appropriate legal measures to recover monies due to them. I should stress that our results for 2007 do not include any recovery of these monies. With prolonged litigation now likely, PFD has taken in its results for 2007 a provision of over £500,000 to cover the potential legal costs that may be incurred.

CHAIRMAN'S STATEMENT (continued)

In my statement of 12 September 2007 I announced the appointment of Caroline Michel as CEO of PFD and as a Director of CSS. I am pleased to report that despite the difficulties caused by the former PFD Directors and employees Caroline has built a new executive team to run PFD. She and her team are once again attracting new clients and providing a sound base from which PFD can grow and prosper. However, during our operational review it has become clear that there are no real links between the activities of PFD and any other Group company. In these circumstances the Directors concluded that it was in the interests of CSS shareholders to effect a disposal of PFD.

A number of offers were received for PFD and as a result the company exchanged contracts for the sale of the business on 17 June 2008 for a total consideration of £4.0 million, of which £3.75 million is payable on completion, with the balance of £0.25 million payable in 2011 dependent on PFD's earnings in the three years to 2010. The sale requires approval of a majority of our shareholders at an Extraordinary General Meeting. The board unanimously recommends the disposal on the agreed terms and have given irrevocable commitments to vote accordingly at the Extraordinary General Meeting at which the disposal will be put to the shareholders for their approval.

Other Group operations

Our other UK operations have continued to perform profitably. Icon Display reported a lower level of operating profit, mainly because landmark sporting events that took place in 2006, such as the FIFA World Cup and the Ryder Cup, did not recur in 2007. Our Sports operations had a satisfactory year, although profits were lower than in 2006. In the USA, our New York marketing business moved into profit. As announced on 8 January 2008, the Group disposed of its 75% interest in GEM Minneapolis, Inc. for \$1.8 million, with cash of \$1.1 million received on completion, and a further \$0.7 million due by way of a promissory note payable in cash in annual instalments over the next three years.

The Directors have completed their review of all the Group's operations and are now considering the course of action most likely to enhance shareholder value. In the light of the disposal of PFD, subject to the approval of shareholders, we are examining ways to significantly reduce our head office function and costs as these are likely to be superfluous once the sale is completed.

In the circumstances that the Group has faced, the trading performance in 2007 has been a credit to the hard work and dedication of all the Directors and employees and I should like to express my thanks to them for their sterling efforts.

Board changes

At the end of the summer last year the Group announced a number of Board changes with Sean Kelly, Peter Owen and Simon Rhodes leaving the Board and with myself, George Wardale, Sir Jeremy Hanley and Caroline Michel joining the Board. I referred above to the disposal, subject to shareholder approval, of The Peters Fraser & Dunlop Group Limited. As PFD is a major part of the company's business and in order to ensure that head office costs are cut the Board will change again at the Annual General Meeting with myself and Sir Jeremy Hanley retiring from the Board. Julian Jakobi, the Vice-Chairman, will take over the role as Chairman. Both Directors have informed the Company that they will not take any compensation. Furthermore, Caroline Michel, the CEO of PFD, will also retire from the Board and I wish her well for the future.

Current trading

The Group's trading to date in a challenging 2008 environment is behind expectations made when the Annual Group budget was drawn up. However the disposal of PFD will have a positive effect on financing as will the reduction in head office costs. The Group should be better placed to deliver an improving performance over the coming months.

David Buchler
Chairman
23 June 2008

OPERATING AND FINANCIAL REVIEW

Group Review of 2007

Revenue for the Group in 2007 was £24.1 million, a reduction of 12.0% on 2006 (£27.4 million). The reduction was due to a 28% reduction in trading at Icon Display, due to work performed on major global sporting events in 2006 that did not recur in 2007.

Group operating profit, adjusted for impairment of goodwill and other one-off costs, was £0.7 million, a 9% reduction on 2006, due primarily to Icon.

The Group's review of impairment concluded that a write down of £11.2 million was required. This consisted of £6.1 million relating to PFD following the departure of a number of agents, £3.8 million relating to GEM Minneapolis following the decision to dispose of the business in January 2008, and £1.2 million to reflect lower levels of trading in our other Talent Management businesses.

The Group's businesses are reviewed in more detail below.

Talent Management

Entertainment

The Group's Entertainment division consists principally of The Peters Fraser & Dunlop Group ("PFD"), one of Europe's oldest talent management agencies with offices in London and New York. PFD produced revenue of £9.5 million in 2007, an increase of 2% on 2006 (£9.3 million). Operating profit of £0.4 million is 47% lower than the prior year (2006: £0.7 million) due to the exceptional costs referred to above following the departure of a number of agents.

As detailed in the Chairman's Statement, PFD has undergone a number of structural changes during 2007. The Group entered into an agreement, conditional on shareholder approval, to sell PFD on 17 June 2008. This is described in more detail in the Chairman's Statement. Revenue, has however, been largely unaffected in the year under review, and our clients have achieved some notable successes in the period.

Simon Schama triumphed at the 2007 International Emmy Awards, winning the Arts Programming award for "Simon Schama's Power of Art: Bernini".

Sir Max Hastings released his latest book "Nemesis: The Battle for Japan 1944-45" in October.

OPERATING AND FINANCIAL REVIEW (continued)**Sport**

The Group's Sports division had a successful year, with revenue of £3.9 million, an increase of 6.4% on 2006 (£3.6 million). Operating profit of £0.2 million was 42% lower than 2006 (£0.3 million), due to the loss of a number of contracts in 2006.

Our clients once again achieved numerous successes during the year. Dario Franchitti won the world famous Indianapolis 500 in May, and went on to take the outright championship in the Indy Racing League. Dario has progressed to race in the Nascar series in 2008, a significant milestone for him as he becomes the first European driver in the history of Nascar to join the series full time. It also represents a significant opportunity in the continued expansion of the division into all major areas of international motorsports.

Allan McNish won the American Le Mans Series championship for the third time driving a diesel powered Audi. In Moto GP, Andrea Dovizioso achieved success in the 250cc series, with victory in the Turkish Grand Prix, and in 2008 has made the step up to race for Honda in the senior Moto GP competition, the world's premier motorcycling championship.

Sebastien Loeb won his fourth successive World Rally title in December, only the third driver to achieve this. In sailing, Alex Thomson has recently celebrated a second place finish in the inaugural Barcelona World Race, whilst breaking the 24 hour distance record for a 60 foot monohull yacht.

Within Golf, our portfolio of clients also achieved success during the year, with Gonzalo Fernandez-Castano securing his third European Tour title with victory in the Italian Open in May. Oliver Wilson continued to make good progress, with a second placed finish in the South African Open in December, to follow two further second place finishes throughout the 2007 season.

Events

The Group's Events division consists of Icon Display Limited, one of Europe's leading providers of signage and branding solutions. Icon produced revenue of £8.3 million in 2007, a reduction of 28% on 2006 (£11.6 million), due largely to significant sporting events taking place in 2006 such as the FIFA World Cup and the Ryder Cup in Ireland which did not recur in 2007. Consequently, operating profit of £0.3 million reduced by 58% (2006: £0.8 million) as a result of the fall in revenue.

Icon nonetheless continued to deliver a number of significant projects during the year. Icon were appointed in May by the PGA European Tour to manage the installation of all event signage and branding at golf's Irish Open. Icon Look was appointed to consult on the image and dressing of the victorious Sochi 2014 Winter Olympic Games Bid, using Icon's considerable experience in producing the signage and support material for the recent London 2012 bid.

OPERATING AND FINANCIAL REVIEW (continued)

As the main signage contractor for Chelsea FC, Icon was responsible for managing all perimeter and tier signage, including its rotational advertising system, successfully completed in time for the start of the 2007/08 Barclays Premier League season.

Icon were appointed by UEFA in June to handle external and internal stadium branding and perimeter signage for football's Euro 2008 tournament, which is taking place this summer in Austria and Switzerland, together with responsibility for signage at the UEFA Women's Championship in Finland in 2009.

In addition, Icon continue to work with UEFA and Team on the UEFA Cup and UEFA Champions League, as well as continuing relationships with World Snooker, the English Cricket Board, and the BMW PGA Championship at Wentworth. Icon's Qatar office has also completed several major projects during the year, including the Commercial Bank Qatar Masters golf tournament.

Marketing

The Group's Marketing division is represented by our New York operation, GEM Group, and GEM Minneapolis, Inc.

GEM New York is a full service marketing agency delivering solutions through promotions, events, sponsorships and strategic alliances for a range of Corporate clients.

Revenue in 2007 was £1.5m (2006: £1.7m), which represents an increase in revenue of 6% in dollar terms once the adverse exchange variance is taken into account. Operating profit of £0.1 million represents a significant improvement on 2006 (loss of £0.3 million) as the business reaps the benefit of restructuring undertaken in previous years.

During the year, GEM worked with GE Consumer & Industrial to produce a variety of integrated promotional campaigns for the Lighting Division including "Light the Way to a Better World" which highlighted the overall environmental and cost-saving benefits of utilizing GE Energy Smart™ lighting products.

GEM also helped long standing client NBC Universal develop multiple consumer and trade driven programs for its various cable networks. For the Sci Fi Channel, GEM executed a hospitality incentive program in support of the highly acclaimed series, *Battlestar Galactica*.

GEM Minneapolis is a creative design and photography business in which the Group held a 75% stake at the year end. GEM Minneapolis services clients such as 3M, Best Buy and Fingerhut, and contributed revenue of £3.3 million during the year (2006: £4.3 million), with an operating profit of £0.4 million (2006: £0.7 million) before a write off of £0.9 million in relation to a discontinued business. The reduction in revenue and profit is due to a number of contracts which were not renegotiated during the year. The Group's interest in GEM Minneapolis was sold in January 2008, as highlighted in the Chairman's Statement and the notes to the financial statements.

OPERATING AND FINANCIAL REVIEW (continued)**Central costs**

Central costs in 2007 were £1.6 million, a 122% increase over 2006 (£0.7 million). The increase is due to the inclusion of £0.8 million in exceptional one off costs during the year, £0.6 million of which were announced at the half year. These included professional fees incurred due to the actions of a former shareholder, a termination payment to a former director, property costs arising from the relocation of the head office function and legal and professional costs incurred in addressing the situation at PFD.

Interest Payable

The net interest payable by the Group in 2006 was £246,000 (2006: £144,000). The reasons for the increase are the higher levels of overdraft drawn down during the year.

Goodwill

In accordance with IAS 36, the Board have reviewed the carrying value of goodwill held in the Balance Sheet for impairment. As a result of the review, the Board has concluded that a write down of £11.2 million is required, of which £6.1 million relates to PFD, £3.8 million to GEM Minneapolis, and £1.2 million to the smaller Talent Management businesses.

Taxation

The Group's tax charge was £0.2 million (2006: £0.5 million), which relates entirely to the UK operations.

Earnings per Share

Earnings per share on continuing operations on a basic and fully diluted basis shows a loss of 28.23p per share (2006: loss of 0.08p). Basic unadjusted earnings per share on discontinued operations were a loss of 14.99p (2006: profit of 2.59p), and diluted earnings per share on discontinued operations were a loss of 14.99p (2006: profit of 2.55p). The losses are due to the impairment write down booked in the year.

Foreign Exchange

The Group's earnings are exposed to the movement in the US Dollar. The average US Dollar rate in 2007 was \$2.00 to the Pound (2006: \$1.84), with the rate at 31 December 2007 also \$2.00 to the Pound (2006: \$1.96), as the dollar weakened during the year.

Bank Debt

The Group's gross bank debt at 31 December 2007 was £3.1 million (2006: £3.6 million) of which £1.0 million is structured bank debt (2006: £1.4 million), and the remainder an overdraft to finance working capital. During the year £0.4 million of borrowings were repaid.

Cash Flow

The cashflow statement shows a decrease in cash of £199,000 (2006: increase of £124,000). The reduction is due to lower trading profits, along with higher interest costs incurred during the year.

BOARD OF DIRECTORS

Directors

The directors who served during the year are as follows:

S A Kelly	(resigned 29 June 2007)
J A R Jakobi	
P E Owen	(resigned 28 September 2007)
C D Soukup	(resigned 24 July 2007)
S H Rhodes	(appointed 12 July 2007; resigned 28 September 2007)
D J Buchler	(appointed 24 July 2007)
Rt. Hon Sir J Hanley	(appointed 24 July 2007)
T A E W Wardale	(appointed 24 July 2007)
C J Michel	(appointed 28 September 2007)

Secretary

M R Ireland

Registered Office	Third Floor 11 Maiden Lane London WC2E 7NA
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Company Registration Number	3740688
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INFORMATION ON THE BOARD OF DIRECTORS**D J Buchler, Executive Chairman**

David was appointed to the Board as a non executive director in July 2007, and became non-executive chairman on 16 August 2007. David, a chartered accountant, is a director of DB Consultants and is specifically recognised for his success in reorganising and restructuring companies.

J A R Jakobi, Deputy Chairman

Julian left IMG after 14 years in 1992, having held the position of Senior International Vice President in charge of the European Motorsport division. He subsequently founded the business which became Stellar. Julian has managed the careers of many top sportspeople, and famously guided multiple world champions and rivals Ayrton Senna and Alain Prost at the same time. Julian was CEO of the Group until April 2004 and is now Executive Deputy Chairman.

C J Michel, Executive Director

Caroline was appointed to the Board in September 2007. Caroline was formerly Managing Director of the William Morris Agency in the UK, the US owned international literary and talent agency. Before joining WMA she was Managing Director and Publisher of Harper Press, the literary division of Harper Collins, following ten years as Publisher of Vintage, the paperback division of Random House.

Rt. Hon Sir J Hanley, Non Executive

Sir Jeremy was appointed to the Board as a non executive director in July 2007. Sir Jeremy, a chartered accountant, was a Member of Parliament for Richmond & Barnes until his retirement in 1997. He now serves on the boards of a number of quoted and unquoted companies, including Willis Group Holdings.

T A E W Wardale, Non Executive

George was appointed to the Board as a non executive director in July 2007. George is also a chartered accountant, and has spent the past 20 years as chairman or director of a number of companies. He is currently non-executive Chairman of IPT Group Limited.

PROFESSIONAL ADVISERS

Nominated Adviser and Broker

Landsbanki Securities (UK) Limited
Beaufort House
15 St Botolph Street
London EC3A 7QR

Auditors

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London NW1 2EP

Bankers

Barclays Bank plc
27 Soho Square
London W1A 4WA

Solicitors

Berwin Leighton Paisner LLP
Adelaide House
London Bridge
London EC4R 9HA

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

DIRECTORS' REPORT

The Directors present their annual report and the audited Financial Statements for the year ended 31 December 2007.

Principal Activities

CSS Stellar Plc is the holding company for a group of companies operating internationally in the marketing, entertainment and sports industries.

Group Results

The Group results are set out on page 16. The Group made an operating loss on continuing operations of £7,930,000 (2006: profit of £794,000). The Directors do not recommend payment of a dividend (2006: £nil). The loss on continuing operations after taxation amounted to £8,133,000 (2006: profit of £115,000).

Review of the Business

A review of the business for the year is set out in the Chairman's Statement and the Operating and Financial Review. On 17 June 2008, the Group entered into an agreement, subject to the approval of shareholders, to dispose of its 100% subsidiary The Peters Fraser & Dunlop Group Limited ("PFD"), for a total consideration of up to £4 million. This is explained in more detail in the Chairman's Statement, Operating and Financial Review, and Note 29.

Directors

Details of Directors are set out on pages 8 and 9. Details of Directors' interests in share options and warrants are set out in note 24 to the Financial Statements

Substantial Shareholding

As at 2 June 2008, the Company had been notified of the following substantial holdings in the ordinary share capital:

	5p Ordinary Shares	
	No.	%
Nicholas Gold	5,946,499	20.5
Julian Jakobi	5,336,246	18.4
Gartmore Investment Limited	4,332,197	15.0
John Webber	3,018,168	10.4

Corporate Governance

Audit and Remuneration Committees have been established and in each case comprised Sir Jeremy Hanley and George Wardale.

The role of the Remuneration Committee, which is chaired by George Wardale, is to review the performance of the executive Directors and to set the scale and structure of their remuneration, including bonus arrangements. The Remuneration Committee also administers and establishes performance targets for the Group's employee share schemes and executive incentive schemes for key management. In exercising this role, the terms of reference of the Remuneration Committee require it to comply with the Code of Best Practice published in the Combined Code.

The Audit Committee is chaired by Sir Jeremy Hanley, and is responsible for making recommendations to the Board on the appointment of the auditors and the audit fee, and receives and reviews reports from management and the Company's auditors on the internal control systems in use throughout the Group and its accounting policies.

Suppliers' Payment Policy

Our strategy is to have mutually beneficial long term relationships with our suppliers. The Group's policy is to agree the terms of payment with suppliers in advance and abide by those terms. The Company has no trade payables and at the year end, the Group's trade payables amounted to 67 days (2006: 53 days) of average supply during the year.

Charitable Contributions

During the year the Group made charitable donations amounting to £1,750 (2006: £22,410).

Directors' Indemnities

In accordance with the Companies (Audit Investigations and Community Enterprise) Act 2004, which came into force on 6 April 2005, the Company has indemnified the Directors against liability to third parties, and undertaken to pay Directors' legal costs as incurred, provided that they are reimbursed to the Company if the individual is convicted.

Key Performance Indicators

The Board monitor the progress of the Group against its strategic objectives on a regular basis. The performance of the Group is measured against strategy, budgets and forecasts using a variety of financial and non-financial indicators. The most significant Key Performance Indicators ("KPI's") used by the Group, and the basis of calculation are set out below:

Non Financial KPI's

The Group had an average of 238 employees during the year, compared with 237 employees in 2006. As a sports marketing and entertainment business, the Group's most important assets are its people, and one of the Board's major objectives is to ensure the retention and continued motivation of its key employees. A number of agents and employees left PFD during 2007, and to address this, the Group has appointed Caroline Michel as Chief Executive Officer of PFD, with a mandate to rebuild the business by recruiting a new team of talented individuals. As described in the Chairman's Statement and Note 29, PFD was sold, subject to shareholder approval, on 17 June 2008.

The Group seeks to reward and motivate staff through the Group Executive Share Option Scheme. To date, 2.1 million options have been issued to employees as part of the Group's ongoing commitment to ensure key staff feel appropriately valued.

Financial KPI's

The Board uses the following KPI's to monitor and assess the performance of the Group and its individual businesses. As noted above, talent form a critical component of our business, and ratios focused on employees are therefore significant. With the exception of the current ratio, all KPI's are measured on continuing operations.

Measure	2007	2006	Method of calculation
Gross Profit Percentage	61%	64%	Gross profit expressed as a percentage of revenue
Gross Profit per employee	£61,962	£73,367	Gross profit generated per employee
EBITDA per employee	(£458)	£5,329	Earnings before Interest, Tax, Depreciation and Amortisation generated per employee
Salary per employee	£54,563	£59,646	Average total payroll cost per employee
Salary/Gross Profit	88%	81%	Salary costs as a proportion of gross profit
Current ratio	99%	103%	Current liabilities expressed as a proportion of current assets
Revenue Growth	-12%	26%	Revenue growth on the prior year expressed as a percentage

Financial risk management objectives and policies

The Group uses financial instruments, comprising cash, short-term borrowings, trade receivables and trade payables, which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group uses a mixture of shares, deferred loans, cash and deferred consideration for acquisitions to minimise risk and maximise returns.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks.

Credit Risk

The Group's principal financial assets are bank balances, trade and other receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets. Credit risk arises largely in respect of trade receivables and is discussed further in Note 17 to the financial statements.

Interest Rate Risk

The Group's policy is to manage exposure to interest rate fluctuations on its borrowings by the use of floating facilities and short term deposits.

Liquidity Risk

The Group seeks to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short term flexibility is achieved through bank overdraft facilities.

Currency Risk

The Group's operations take place internationally. Sales are invoiced principally in sterling and US dollars. The Directors continually monitor currency exposure.

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

Annual General Meeting

Notice of the forthcoming Annual General Meeting will be enclosed separately.

By order of the Board

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements under IFRS as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the group will continue in business

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the Financial Statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

- there is no relevant audit information of which the Group's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CSS STELLAR PLC

We have audited the Group and Parent Company Financial Statements (the "financial statements") of CSS Stellar Plc for the year ended 31 December 2007 which comprise the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated and company balance sheets, the consolidated cash flow statement, 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 Group Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRS's) as adopted by the EU, and for preparing the parent company financial statements in accordance with United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice) 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 (United Kingdom and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and whether the financial statements 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 Statement and Operating and Financial Review that is cross referred from the Review of the Business in 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. This other information comprises only the Directors' Report, Chairman's Statement, and the Operating and Financial Review. 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 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 the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

OPINION

In our opinion:

- the group 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 affairs as at 31 December 2007 and of its loss for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2007;
- the parent company 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.

CSS STELLAR PLC
CONSOLIDATED INCOME STATEMENT

16

Year ended 31 December 2007

	Notes	2007 £000	2006 £000
Revenue	2	24,099	27,375
Cost of sales		<u>(9,352)</u>	<u>(9,987)</u>
Gross profit		14,747	17,388
Impairment of goodwill and investments	5, 12	<u>(7,316)</u>	<u>-</u>
Abortive disposal costs	5	(26)	-
Restructuring costs	5	(1,310)	-
Other administrative costs		<u>(14,025)</u>	<u>(16,594)</u>
Total administrative costs		<u>(22,677)</u>	<u>(16,594)</u>
Operating result	2	<u>(7,930)</u>	<u>794</u>
Finance income	6	155	141
Finance costs	7	(401)	(285)
Sale of investments	8	260	-
(Loss)/profit before tax	3	<u>(7,916)</u>	<u>650</u>
Income tax expense	9	<u>(217)</u>	<u>(535)</u>
Net result from continuing operations		(8,133)	115
Net result from discontinued operations	14	(4,344)	751
Net result for the period		<u>(12,477)</u>	<u>866</u>
Attributable to:			
Equity holders of the parent		(12,524)	729
Minority interest		47	137
	25	<u>(12,477)</u>	<u>866</u>
(Loss)/earnings per share (pence)	10	p.	p.
Continuing operations			
Basic (loss)/earnings per share		(28.23)	(0.08)
Diluted (loss)/earnings per share		<u>(28.23)</u>	<u>(0.08)</u>
Discontinued operations			
Basic (loss)/earnings per share		(14.99)	2.59
Diluted (loss)/earnings per share		<u>(14.99)</u>	<u>2.55</u>
Total			
Basic (loss)/earnings per share		(43.22)	2.51
Diluted (loss)/earnings per share		<u>(43.22)</u>	<u>2.47</u>

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	£000	£000
Exchange differences on translation of foreign operations	98	80
(Loss)/profit for the year	<u>(12,477)</u>	<u>866</u>
Total recognised income and expense for the year	<u>(12,379)</u>	<u>946</u>
Attributable to:		
Equity holders of the parent	(12,426)	809
Minority interest	47	137
	<u>(12,379)</u>	<u>946</u>

The notes on pages 20 - 55 form part of these Financial Statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	Notes	2007 £000	2007 £000	2006 £000	2006 £000
ASSETS					
Non-current assets					
Property, plant and equipment	13	1,713		1,899	
Goodwill	12	8,240		19,397	
Available for sale financial assets	15	37		41	
Deferred tax asset	18	-		65	
			9,990		21,402
Current assets					
Inventories	16	270		187	
Trade and other receivables	17	6,392		6,635	
Cash and cash equivalents	19	759		1,649	
			7,421		8,471
Disposal group classified as held for sale	14		772		-
Total assets			18,183		29,873
EQUITY					
Equity attributable to equity holders of the parent					
Share capital	24	14,487		14,487	
Share premium account	25	28,158		28,158	
Revaluation reserve	25	439		456	
Translation reserve	25	35		80	
Profit and loss account	25	(35,194)		(22,846)	
			7,925		20,335
Minority interest			(485)		442
Total equity			7,440		20,777
LIABILITIES					
Non-current liabilities					
Long-term borrowings	21		549		894
Current liabilities					
Trade and other payables	20	4,239		5,027	
Short-term borrowings	21	2,039		2,155	
Current portion of long-term borrowings	21	509		533	
Current tax payable	20	632		487	
Deferred tax liability	18	61		-	
			7,480		8,202
Liabilities directly associated with disposal group classified as held for sale	14		2,714		-
Total liabilities			10,743		9,096
Total equity and liabilities			18,183		29,873

These Financial Statements were approved by the Board of Directors on 23 June 2008

D J Buchler
DirectorJAR Jakobi
Director

The notes on pages 20 - 55 form part of these Financial Statements.

COMPANY BALANCE SHEET

As at 31 December 2007

		2007 £000	2007 £000	2006 £000	2006 £000
FIXED ASSETS					
Investments in subsidiaries	33		8,263		23,201
Other investments	33		<u>37</u>		<u>41</u>
			8,300		23,242
CURRENT ASSETS					
Debtors	34	2,192		1,573	
Cash at bank and in hand		<u>-</u>		<u>-</u>	
		2,192		1,573	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
	35	<u>2,924</u>		<u>2,123</u>	
Net current liabilities			<u>(732)</u>		<u>(550)</u>
Total assets less current liabilities			7,568		22,692
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
	36		<u>(509)</u>		<u>(861)</u>
			<u>7,059</u>		<u>21,831</u>
CAPITAL AND RESERVES					
Called up share capital	38		14,487		14,487
Share premium account	39		28,158		28,158
Profit and loss account	39		<u>(35,586)</u>		<u>(20,814)</u>
Shareholders' funds			<u>7,059</u>		<u>21,831</u>

These Financial Statements were approved by the Board of Directors on 23 June 2008

D J Buchler
Director

JAR Jakobi
Director

The notes on pages 20 - 55 form part of these Financial Statements.

CSS STELLAR PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2007

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	2007	2007	2006	2006
	£000	£000	£000	£000
Cash flows from operating activities				
(Loss)/profit after taxation		(12,477)		866
Adjustments for:				
Depreciation	505		469	
Impairment of goodwill	11,157		-	
Net interest expense	246		144	
Taxation expense recognised in profit and loss	283		633	
Profit from sale of investments	(259)		-	
Change in trade and other receivables	571		(2,020)	
Change in inventories	(86)		93	
Change in trade and other payables	598		859	
Income taxes paid	-		(45)	
	<u>-</u>	<u>13,015</u>	<u>-</u>	<u>133</u>
Net cash from operating activities		538		999
Cash flows from investing activities				
Purchase of property, plant and equipment	(413)		(334)	
Proceeds from sale of investments	264		-	
Proceeds from sale of property, plant and equipment	13		9	
Interest received	155		141	
	<u>155</u>		<u>141</u>	
Net cash used in investing activities		19		(184)
Cash flows from financing activities				
Repayment of long-term borrowings	(376)		(362)	
Payment of finance lease liabilities	-		(44)	
New finance leases	21		-	
Interest paid	(401)		(285)	
	<u>(401)</u>		<u>(285)</u>	
Net cash used in financing activities		(756)		(691)
Net change in cash and cash equivalents		(199)		124
Cash and cash equivalents at beginning of period		(460)		(584)
Cash and cash equivalents at end of period		<u>(659)</u>		<u>(460)</u>

1. Accounting Policies

Basis of preparation

CSS Stellar plc is a company incorporated in the United Kingdom.

The Group financial statements are for the year ended 31 December 2007 and have been prepared under the historical cost convention, except for revaluation of certain properties and financial instruments.

The Directors have prepared cash flow forecasts which show that the Group will be able to meet its financial obligations for at least twelve months from the date of these financial statements. As described in Note 29, the Company has signed an agreement, conditional on the approval of shareholders, to sell its 100% subsidiary, PFD, for £4 million in cash, with £3.75 million payable on completion, the balance payable on the achievement of agreed profit targets over the next three years. The Company's bankers have indicated continuing support following the completion of the deal throughout this period. Accordingly, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

These consolidated financial statements (the financial statements) have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRS").

CSS Stellar plc's consolidated financial statements were prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) until 31 December 2006. The date of transition to IFRS was 1 January 2006. The comparative figures in respect of 2006 have been restated to reflect changes in accounting policies as a result of adoption of IFRS. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in the reconciliation schedules, as presented and explained in note 40.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these consolidated financial statements.

Accounting standards not yet applied

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:

IAS1	Presentation of Financial Statements (Revised)
IAS 23	Borrowing Costs (Amendments)
IAS 27	Consolidated and Separate Financial Statements (Amended)
IFRS 2	Share Based Payments (Amendments)
IFRS 3	Business Combinations (Amendments)
IFRS 8	Operating Segments
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	An interpretation of IAS 19

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the consolidated financial statements of the Group except for additional disclosures and the presentational effects of IAS 1.

Sources of estimation

The preparation of the financial statements requires the Group to make estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Directors base their estimates on historic experience and various other assumptions that they believe are reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Directors believe that the most significant areas where estimates and judgements are used are in relation to the carrying value of goodwill, and accrued income within PFD. These judgements are explained in more detail in the accounting policies and notes 12 and 28.

1. Accounting Policies (continued)

Basis of Consolidation

The Group financial statements consolidate those of the company and all of its subsidiary undertakings drawn up to 31 December 2007. Subsidiaries are entities over which the group has the power to control the financial and operating policies so as to obtain benefits from its activities. The group obtains and exercises control through voting rights.

Unrealised gains on transactions between the group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Business combinations completed prior to date of transition to IFRS

The group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to the date of transition.

Accordingly the classification of the combination remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at date of transition if they would be recognised under IFRS, and are measured using their UK GAAP carrying amount immediately post-acquisition as deemed cost under IFRS, unless IFRS requires fair value measurement. Deferred tax and minority interest are adjusted for the impact of any consequential adjustments after taking advantage of the transitional provisions.

Goodwill

Goodwill representing the excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses.

Goodwill written off to reserves prior to date of transition to IFRS remains in reserves. There is no reinstatement of goodwill that was amortised prior to transition to IFRS. Goodwill previously written off to reserves is not written back to profit or loss on subsequent disposal.

Impairment testing of goodwill

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which management monitors the related cash flows.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is determined as the higher of value in use less costs to sell.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, the Group estimates expected future cash flows from each cash generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for the Group's impairment testing procedures are directly linked to the Group's latest approved budget. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management. Impairment losses are recognised in the income statement and are allocated to the assets included in the cash generating unit in question.

1. Accounting Policies (continued)

Revenue

Revenue is measured by reference to the fair value of consideration received or receivable by the group for goods supplied and services provided, excluding VAT and trade discounts. Revenue is recognised upon the performance of services or transfer of risk to the customer. Revenue is attributable to each of the three following operating segments, which represent the main products and services provided by the Group.

Talent Management

Revenue represents commission recognised from clients and is recognised in accordance with the terms of the underlying contract. Within PFD, commission is recognised when received during the year. Revenue is then accrued at the year end in respect of amounts received in the four months post year end which are known to relate to prior period services rendered.

Marketing

Revenue represents fees and advertising sales, recognised when the services are performed in accordance with contractual arrangements for client representation and sales invoiced to third parties.

Events

Revenue represents gross fees and sales of materials. Turnover is recognised on performance of services in accordance with contractual arrangements, and sales of materials are recognised on delivery.

Property, plant and equipment

Property, plant and equipment is stated at cost or valuation, net of depreciation and any provision for impairment.

Assets carried at valuation

The only class of assets that is carried at fair value is freehold property. Revaluations are performed with sufficient frequency to ensure that the carrying amount does not differ materially from that which is determined using fair value at each reporting date. Any revaluation surplus is credited to "revaluation reserve" in equity, unless the carrying amount has previously suffered a revaluation decrease or impairment loss. To the extent that any decrease has previously been recognised in the income statement, a revaluation increase is recognised in the income statement, with the remaining part of the increase charged to equity. Downward revaluations are recognised upon appraisal or impairment testing, with the decrease being charged against any revaluation surplus in equity relating to this asset and any remaining decrease recognised in the income statement.

Depreciation

Depreciation is calculated to write down the cost or valuation less estimated residual value of all property, plant and equipment other than freehold land by equal annual instalments over their estimated useful economic lives. The rates generally applicable are:

- Freehold properties - 3.3% per annum
- Motor vehicles - 25% per annum
- Event equipment - 20% - 33% per annum
- Office equipment - 33% per annum
- Furniture and fittings - 15% - 25% per annum
- Leasehold improvements - over the period of the lease

Material residual value estimates are updated at least annually, whether or not the asset is revalued.

Finance Income and Costs

Finance income and costs are reported on an accruals basis. Borrowing costs are expensed as incurred.

1. Accounting Policies (continued)

Leased assets

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability. Leases of land and buildings are split into a land and building element, in accordance with the relative fair values of the leasehold interests at the date the asset is initially recognised. All property leases held by the Group are short term and have been assessed as operating leases.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Cost includes materials and direct labour.

Taxation

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Financial assets

Financial assets are divided into the following categories: loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired, and are recognised when the group becomes party to contractual arrangements.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade and most other receivables fall into this category of financial assets. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Provision against trade receivables is made when there is objective evidence that the group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

1. Accounting Policies (continued)

Available-for-sale financial assets include non-derivative financial assets that are either designated as such or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are measured subsequently at fair value, with changes in value recognised in equity, through the statement of recognised income and expense. Gains and losses arising from investments classified as available-for-sale are recognised in the income statement when they are sold or when the investment is impaired.

In the case of impairment of available-for-sale assets, any loss previously recognised in equity is transferred to the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment losses recognised previously on debt securities are reversed through the income statement when the increase can be related objectively to an event occurring after the impairment loss was recognised in the income statement. An assessment for impairment is undertaken at least at each balance sheet date.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the group transfers substantially all the risks and rewards of ownership of the asset, or if the group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the group becomes a party to the contractual provisions of the instrument. Financial liabilities categorised at fair value through profit or loss are recorded initially at fair value, all transaction costs are recognised immediately in the income statement. All other financial liabilities are recorded initially at fair value, net of direct issue costs.

All financial liabilities are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the 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. A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Disposal groups classified as held for sale

Disposal groups classified as held for sale include assets that the group intends and expects to sell within one year from the date of classification as held for sale. Assets classified as held for sale are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. Assets classified as held for sale are not subject to depreciation or amortisation.

Discontinued operations

A discontinued operation is a cash-generating unit, or a group of cash-generating units, that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

The disclosures for discontinued operations in the prior year relate to all operations that have been discontinued by the balance sheet date for the latest period presented.

1. Accounting Policies (continued)

Dividends

Dividend distributions payable to equity shareholders are included in "other short term financial liabilities" when the dividends are approved in general meeting prior to the balance sheet date.

Equity

Equity comprises the following:

- "Share capital" representing the nominal value of equity shares.
- "Share premium" representing the excess over nominal value of the fair value of consideration received for shares, net of expenses of the share issue.
- "Translation reserve" represents the differences arising from translation of investments in overseas subsidiaries.
- "Revaluation reserve" representing gains and losses due to the revaluation of certain financial assets and property, plant and equipment.
- "Profit and loss reserve" representing retained profits.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the profit or loss in the period in which they arise. Exchange differences on non-monetary items are recognised in the statement of recognised income and expenses to the extent that they relate to a gain or loss on that non-monetary item taken to the statement of recognised income and expenses, otherwise such gains and losses are recognised in the income statement.

The assets and liabilities in the financial statements of foreign subsidiaries and related goodwill are translated at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at the actual rate. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to the Translation reserve in equity. On disposal of a foreign operation the cumulative translation differences are transferred to the income statement as part of the gain or loss on disposal.

The group has taken advantage of the exemption in IFRS 1 and has deemed cumulative translation differences for all foreign operations to be nil at the date of transition to IFRS. The gain or loss on disposal of these operations excludes translation differences that arose before the date of transition to IFRS and includes later translation differences.

Share-based payment - Equity settled share-based payment

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2006 are recognised in the financial statements. All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to the profit and loss reserve.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

Defined Contribution Pension Scheme

The pension costs charged against profits are the contributions payable to the scheme in respect of the accounting period.

2. Segment Reporting

The Group has identified three distinct service areas as operating segments, as described in Note 1. These operating segments are monitored on an ongoing basis and strategic decisions are made in the context of the reported segmental results. In addition, central operating costs, which are not apportioned to each of the operating segments, are reported separately.

31 December 2007	Talent Management £'000	Marketing £'000	Events £'000	Central costs £'000	Total Continuing £'000	Discontinued activities £'000	Total £'000
Revenue	14,286	1,521	8,292	-	24,099	3,334	27,433
Cost of sales	(2,877)	(1,182)	(5,293)	-	(9,352)	(499)	(9,851)
Gross profit	11,409	339	2,999	-	14,747	2,835	17,582
Employee benefits expense	7,312	84	1,563	543	9,502	1,369	10,871
Depreciation, amortisation and impairment of non- financial assets	7,412	29	237	60	7,738	3,924	11,662
Costs in acquiring plant, property and equipment	36	10	274	29	349	64	413
Restructuring costs	564	-	-	772	1,336	840	2,176
Other administrative costs	2,777	165	583	227	3,752	916	4,668
Total administrative costs	18,101	288	2,657	1,631	22,677	7,113	29,790
Operating (loss)/profit	(6,692)	51	342	(1,631)	(7,930)	(4,278)	(12,208)
Finance income	154	-	86	(85)	155	-	155
Finance costs	-	-	(5)	(396)	(401)	-	(401)
Other income	-	-	-	260	260	-	260
(Loss)/profit before tax	(6,538)	51	423	(1,852)	(7,916)	(4,278)	(12,194)
Income tax expense	(354)	-	(172)	309	(217)	(66)	(283)
(Loss)/profit for the year	(6,892)	51	251	(1,543)	(8,133)	(4,344)	(12,477)
Segment assets							
- Continuing operations	4,584	450	2,144	10,233	17,411	-	17,411
- Discontinued operations	-	-	-	-	-	772	772
Segment liabilities							
- Continuing operations	4,912	1,978	(185)	1,324	8,029	-	8,029
- Discontinued operations	-	-	-	-	-	2,714	2,714
Segment impairment losses							
- Continuing operations	(7,316)	-	-	-	(7,316)	-	(7,316)
- Discontinued operations	-	-	-	-	-	(3,841)	(3,841)

31 December 2006	Talent				Central costs £'000	Total	Discontinued	Total
	Management £'000	Marketing £'000	Events £'000	Continuing £'000		activities £'000		
Revenue	14,089	1,690	11,596	-	27,375	4,269	31,644	
Cost of sales	(1,649)	(688)	(7,650)	-	(9,987)	(1,024)	(11,011)	
Gross profit	12,440	1,002	3,946	-	17,388	3,245	20,633	
Employee benefits expense	7,889	115	2,070	445	10,519	174	10,693	
Depreciation, amortisation and impairment of non- financial assets	92	39	222	51	404	65	469	
Costs in acquiring plant, property and equipment	134	15	149	36	334	-	334	
Restructuring costs	-	-	-	-	-	-	-	
Other administrative costs	3,276	1,162	695	204	5,337	2,321	7,658	
Total administrative costs	11,391	1,331	3,136	736	16,594	2,560	19,154	
Operating (loss)/profit	1,049	(329)	810	(736)	794	685	1,479	
Finance income	129	-	78	(66)	141	-	141	
Finance costs	(3)	-	(9)	(273)	(285)	-	(285)	
Other income	-	-	-	-	-	-	-	
(Loss)/profit before tax	1,175	(329)	879	(1,075)	650	685	1,335	
Income tax expense	(433)	-	(152)	50	(535)	66	(469)	
(Loss)/profit for the year	742	(329)	727	(1,025)	115	751	866	
Segment assets								
- Continuing operations	4,593	653	2,489	19,777	27,512	-	27,512	
- Discontinued operations	-	-	-	-	-	2,361	2,361	
Segment liabilities								
- Continuing operations	5,799	2,039	571	(2,365)	6,044	-	6,044	
- Discontinued operations	-	-	-	-	-	3,052	3,052	
Segment impairment losses								
- Continuing operations	-	-	-	-	-	-	-	
- Discontinued operations	-	-	-	-	-	-	-	

Geographical market

	Revenues		Assets		Plant, Property & Equipment	
	2007	2006	2007	2006	2007	2006
	£000	£000	£000	£000	£000	£000
Continuing operations						
Europe	19,708	23,710	2,000	713	310	283
North America	7,725	7,934	(2,984)	(2,076)	74	15
Central costs/net assets	-	-	8,424	22,140	29	36
	27,433	31,644	7,440	20,777	413	334

3. Operating activities and auditors' remuneration

	The Group	
	2007	2006
	£000	£000
Included within results from operating activities are the following:		
Depreciation of plant, property and equipment:		
Owned assets	434	409
Assets under hire purchase agreements and finance leases	71	60
Profit on disposal of plant, property and equipment	3	(9)
Operating lease rentals - land and buildings	770	842
Foreign exchange (gains)/losses	(15)	26
Auditors' remuneration:		
Audit services:		
- Parent company	6	6
- Group	20	24
- Taxation	13	13
Non-audit services:		
- Audit of subsidiaries	34	41
- Interim fee	23	12
- Taxation compliance	12	11

4. Information Regarding Directors and Employees

Employment costs, including Directors, during the year:

Wages and salaries	11,391	12,237
Social security costs	1,395	1,589
Defined contribution pension costs	200	310
	<u>12,986</u>	<u>14,136</u>

Average number of persons, including Directors, employed:

Sales	190	187
Administration	48	50
	<u>238</u>	<u>237</u>

Directors' remuneration:

Emoluments	572	491
Pension costs	6	14
	<u>578</u>	<u>505</u>
	No.	No.

Number of Directors in money purchase pension schemes

	<u>-</u>	<u>1</u>
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4. Information Regarding Directors and Employees (continued)

Emoluments of the individual Directors:

	Fees, salaries and taxable benefits £000	Pension contribution £000	Termination payments £000	Total £000
2007				
JAR Jakobi	175	-	-	175
SA Kelly	76	6	176	258
PE Owen	9	-	-	9
CD Soukup	-	-	-	-
S H Rhodes	6	-	-	6
D J Buchler	22	-	-	22
Sir J J Hanley	18	-	-	18
T A E W Wardale	18	-	-	18
C J Michel	72	-	-	72
	<u>396</u>	<u>6</u>	<u>176</u>	<u>578</u>
2006				
JD Webber	56	-	-	56
JAR Jakobi	226	-	-	226
SA Kelly	165	11	-	176
KG Rose	32	3	-	35
PE Owen	12	-	-	12
CD Soukup	-	-	-	-
	<u>491</u>	<u>14</u>	<u>-</u>	<u>505</u>

The key management personnel are considered to be the directors. Included in Directors' emoluments and employment costs are the following amounts charged by entities for the services of directors whilst directors of the Group:

	The Group	
	2007	2006
	£000	£000
FJ Associates – JAR Jakobi is a partner	150	201
DB Consultants - D J Buchler is a director	89	-
Wynne Associates Limited - T A E W Wardale is a director	18	-
	<u>257</u>	<u>201</u>

5. Exceptional administrative costs

Impairment of goodwill and investments (note 12)	(7,316)	-
Abortive disposal costs	(26)	-
Restructuring costs	(1,310)	-
	<u>(8,652)</u>	<u>-</u>

A £7.3 million charge was recognised in 2007 (2006: £nil) in respect of the impairment of goodwill on continuing operations. This is discussed in more detail in note 12. £26,000 were incurred during the year (2006: £nil) in respect of costs incurred on an aborted acquisition. £1.3 million of restructuring costs were incurred during the year (2006: £nil) in respect of a termination payment to a former director, costs incurred in surrendering surplus property, and legal and professional fees incurred in addressing the situation with PFD.

6. Finance Income

Bank interest	<u>155</u>	<u>141</u>
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7. Finance costs

Bank loans, overdrafts and other loans repayable within five years	396	276
Hire purchase agreements and finance leases	5	9
	<u>401</u>	<u>285</u>

	The Group	
	2007	2006
	£000	£000
8. Sale of investments		
Sale of investments:	<u>260</u>	<u>-</u>

During the year the group disposed of its investment in Passhold Limited, in which it held a minority stake. A profit of £260,000 was realised on disposal.

9. Income tax expense

The relationship between the expected tax expense based on the effective tax rate of the Group at 30% (2006: 30%) and the tax expense actually recognised in the income statement can be reconciled as follows:

Result for the year before tax	(7,916)	650
Tax rate	<u>30%</u>	<u>30%</u>
Expected tax expense	(2,375)	195
Expenses not deductible for tax purposes	121	152
Losses in overseas subsidiaries	279	66
Utilised losses	(75)	(69)
Impairment of goodwill and loss on disposal of subsidiaries	2,195	-
Difference in tax rates	7	-
Deferred tax (expense)/income resulting from the origination and reversal of temporary differences	61	(24)
Other timing differences	<u>4</u>	<u>215</u>
Actual tax expense, net	<u>217</u>	<u>535</u>

10. (Loss) / Earnings Per Share

	£000	Weighted average no. of shares	Basic per share amount pence
2007			
Continuing operations			
Loss after tax	<u>(8,180)</u>		
Earnings attributable to ordinary shareholders	<u>(8,180)</u>		
Weighted average number of shares (used for basic earnings per share)		28,976,581	<u>(28.23)</u>
Effect of options		<u>797,096</u>	
Diluted weighted average number of shares (used for diluted earnings per share)		<u>29,773,677</u>	<u>(28.23)</u>
Discontinued operations			
Loss after tax	<u>(4,344)</u>		
Earnings attributable to ordinary shareholders	<u>(4,344)</u>		
Weighted average number of shares (used for basic earnings per share)		28,976,581	<u>(14.99)</u>
Effect of options		<u>797,096</u>	
Diluted weighted average number of shares (used for diluted earnings per share)		<u>29,773,677</u>	<u>(14.99)</u>
Total basic (loss) / earnings per share			<u>(43.22)</u>
Total diluted (loss) / earnings per share			<u>(43.22)</u>
2006			
Continuing operations			
Loss after tax	<u>(22)</u>		
Earnings attributable to ordinary shareholders	<u>(22)</u>		
Weighted average number of shares (used for basic earnings per share)		28,976,581	<u>(0.08)</u>
Effect of options		<u>487,619</u>	
Diluted weighted average number of shares (used for diluted earnings per share)		<u>29,464,200</u>	<u>(0.08)</u>
Discontinued operations			
Profit after tax	<u>751</u>		
Earnings attributable to ordinary shareholders	<u>751</u>		
Weighted average number of shares (used for basic earnings per share)		28,976,581	<u>2.59</u>
Effect of options		<u>487,619</u>	
Diluted weighted average number of shares (used for diluted earnings per share)		<u>29,464,200</u>	<u>2.55</u>
Total basic (loss) / earnings per share			<u>2.51</u>
Total diluted (loss) / earnings per share			<u>2.47</u>

The diluted loss per share is equivalent to the basic loss per share as any dilutive effect would decrease the net loss per share.

11. Profit Attributable to Members of the Parent Company

As permitted by Section 230 of the Companies Act 1985, the parent company has not presented its own profit and loss account.

The Company's own loss for the year after taxation amounting to £14,772,000 (2006: loss of £597,000) has been transferred from reserves.

12. Goodwill

Following the annual impairment test for 2007, the carrying value of goodwill is allocated to the following cash-generating units:

	PFD £000	Icon Display £000	CSS Stellar GEM Group, Inc. £000	CSS Stellar Sports / CSS Presenters £000	Other £000	Total Continuing operations	GEM Minneapolis, Inc. £000	Total continuing and discontinued operations £000
Cost at 01 January 2006	9,307	505	620	4,356	82	14,870	4,527	19,397
Accumulated impairment	-	-	-	-	-	-	-	-
Cost and net book value at 31 December 2006	9,307	505	620	4,356	82	14,870	4,527	19,397
Accumulated impairment	(6,086)	-	-	(1,148)	(82)	(7,316)	(3,841)	(11,157)
Net book value at 31 December 2007	3,221	505	620	3,208	-	7,554	686	8,240

The recoverable amounts for the following cash-generating units were determined based on value-in-use calculations, covering detailed forecasts, followed by an extrapolation of expected cash flows for a period of ten years at the growth rates stated below. The growth rates reflect the long-term average growth rates for the cash-generating units. Growth rates following 2012 are not in excess of nominal GDP.

	Icon Display	CSS Stellar GEM Group, Inc.	CSS Stellar Sports / CSS Presenters
Growth rates	4%	4%	4%
Discount rates	14%	14%	14%

The valuation of each cash generating unit is considered in turn below:

PFD

As described in Note 29, the Group has signed an agreement, conditional on the approval of shareholders, to sell its 100% subsidiary, PFD. Management have written down the value of the goodwill in PFD based on fair value less costs to sell, as represented by the discounted sale proceeds.

12. Goodwill (continued)

GEM Minneapolis, Inc.

As described in Note 14, the Group's 75% interest in GEM Minneapolis, Inc. was disposed of on 7 January 2008. Management have written down the value of the goodwill in GEM Minneapolis, Inc. based on fair value less costs to sell, as represented by the discounted sale proceeds.

CSS Stellar Sports/CSS Presenters

CSS Stellar Sports and CSS Presenters are deemed to represent one income generating unit: that of Talent Management. The loss of a number of contracts during the period has led to a reduced expectation of future income streams. Again, associated costs have been applied to these income streams and a discount factor of 14% has been assumed. Growth of 4% on remaining income streams is felt by management to be appropriate on the basis of historic trends and are not considered to be in excess of market growth rates.

Other

Goodwill of £82,000 previously attributed to assets which are no longer generating income has been written off in the year.

The consequent impairment loss of £11.2 million has been recognised in the Income Statement in 2007 and attributed to the relevant operating segments in Note 2.

Apart from the considerations described in determining the value in use of the cash generating units described above, the directors are not aware of any other probable changes that would necessitate changes in its key estimates.

13. Plant, property and equipment

	Freehold property £000	Motor vehicles £000	Event equipment £000	Office equipment, furniture and fittings £000	Total £000
The Group					
Cost or valuation:					
1 January 2006	985	350	521	3,975	5,831
Translation	-	-	-	(9)	(9)
Additions	-	95	56	183	334
Disposals	-	(76)	-	(18)	(94)
At 31 December 2006	<u>985</u>	<u>369</u>	<u>577</u>	<u>4,131</u>	<u>6,062</u>
1 January 2007	985	369	577	4,131	6,062
Translation	-	-	-	-	-
Additions	-	156	1	256	413
Transfer to assets held for sale	-	-	-	(724)	(724)
Disposals	-	(68)	-	(145)	(213)
At 31 December 2007	<u>985</u>	<u>457</u>	<u>578</u>	<u>3,518</u>	<u>5,538</u>
Accumulated depreciation:					
1 January 2006	64	218	396	3,110	3,788
Charge for the year	32	74	92	271	469
Disposals	-	(76)	-	(18)	(94)
At 31 December 2006	<u>96</u>	<u>216</u>	<u>488</u>	<u>3,363</u>	<u>4,163</u>
1 January 2007	96	216	488	3,363	4,163
Charge for the year	32	89	86	298	505
Transfer to assets held for sale	-	-	-	(648)	(648)
Disposals	-	(65)	-	(130)	(195)
At 31 December 2007	<u>128</u>	<u>240</u>	<u>574</u>	<u>2,883</u>	<u>3,825</u>
Net book value at 31 December 2007	<u><u>857</u></u>	<u><u>217</u></u>	<u><u>4</u></u>	<u><u>635</u></u>	<u><u>1,713</u></u>
Net book value at 31 December 2006	<u><u>889</u></u>	<u><u>153</u></u>	<u><u>89</u></u>	<u><u>768</u></u>	<u><u>1,899</u></u>
Net book value at 01 January 2006	<u><u>921</u></u>	<u><u>132</u></u>	<u><u>125</u></u>	<u><u>865</u></u>	<u><u>2,043</u></u>

The net book value of plant, property and equipment within assets held for resale at 31 December 2007 was £76,000 (2006: £109,000).

13. Plant, property and equipment (continued)

The Group holds certain assets under finance lease arrangements. Icon Display's event equipment is held under finance leases. The net carrying amount of these assets at 31 December was £4,000 (2006: £89,000).

In addition, the Group holds certain motor vehicles under finance lease arrangements. The net carrying value of the assets held under leases at 31 December 2007 was £181,000 (2006: £105,000).

Future minimum lease payments at the end of the reporting period under review were as follows:

	Within one year	One to five years	More than five years	Total
31 December 2007 £'000				
Lease payments	60	40	-	100
Discounts	(4)	(3)	-	(7)
Net present values	<u>56</u>	<u>37</u>	<u>-</u>	<u>93</u>
31 December 2006 £'000				
Lease payments	46	33	-	79
Discounts	(3)	(2)	-	(5)
Net present values	<u>43</u>	<u>31</u>	<u>-</u>	<u>74</u>

The freehold property was revalued on 16 March 2004 by Caxton, Chartered Surveyors, to a market value of £985,000. The Directors have considered the value and do not believe it to have materially changed based on current market conditions. The Group's bankers, Barclays Bank plc, have a first legal charge over the property.

If the freehold property had not been revalued, it would have been included on an historical cost basis at the following amounts:

	Freehold property £000
Cost	394
Accumulated depreciation	<u>(120)</u>
	<u><u>274</u></u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2007

14. Disposal group classified as held for sale and discontinued operations

In October 2007, the Board decided to dispose of its 75% interest in GEM Minneapolis, Inc., a brand design and packaging business based in Minnesota, USA. As part of its strategy to focus on core businesses, the board of CSS decided that the nature of the business of GEM Minneapolis, Inc., in addition to its geographical location, meant that it was no longer central to the Group's future strategy.

Consequently, assets and liabilities allocatable to GEM Minneapolis, Inc. have been classified as a disposal group in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations". Revenue and expenses, gains and losses relating to the discontinuation of this subgroup are shown as a single line item on the face of the income statement (see "net results from discontinued operations"). The business has formed part of the Marketing business segment identified under IAS 14. GEM Minneapolis, Inc.'s operating results and the result from re-measurement and disposal of balance sheet items classified as held for sale can be summarised as follows:

	2007 £000	2006 £000
Operating activities of discontinued operations		
Revenue	3,334	4,269
Cost of sales	(499)	(1,024)
Gross profit	2,835	3,245
Impairment of goodwill	(3,841)	-
Administrative costs	(3,272)	(2,560)
Operating (loss)/profit	(4,278)	685
Finance income	-	-
Finance costs	-	-
(Loss)/profit before tax	(4,278)	685
Income tax expense	(66)	66
(Loss)/profit for the year	(4,344)	751

GEM Minneapolis, Inc. was sold on 8 January 2008 for a total of \$1.8 million (£0.9 million), representing cash paid on completion of \$1.1 million (£0.55 million), in addition to a further \$700,000 (£0.35 million) payable by way of a promissory note payable in three annual instalments between January 2009 and January 2011. An impairment loss of £3.8 million has been recognised based on the net realisable value of the business (Note 12).

The carrying value of assets and liabilities relating to this disposal may be summarised as follows:

Assets	2007 £000	2006 £000	Liabilities	2007 £000	2006 £000
Other intangible assets	-	-	Deferred tax liabilities	-	(66)
Property, plant and equipment	76	109	Provisions	-	-
Inventories	3	-	Trade and other payables	2,714	3,118
Trade and other receivables	132	1,859			
Cash and cash equivalents	561	393			
	<u>772</u>	<u>2,361</u>		<u>2,714</u>	<u>3,052</u>

Cashflows generated by GEM Minneapolis, Inc. for the reporting periods under review can be summarised as follows:

	2007 £000	2006 £000
Operating activities	877	(723)
Investing activities	(10)	-
Financing activities	(216)	(406)
	<u>651</u>	<u>(1,129)</u>

15. Available for sale financial assets

	The Group
	£000
Carrying value at 1 January 2006 and 2007	41
Disposals	<u>(4)</u>
Carrying value at 31 December 2007	<u><u>37</u></u>

Available for sale financial assets comprise trade investments where less than 20% of the share capital is held or there is no control. The Group disposed of its investment in Passhold Limited in December 2007.

16. Inventories

	The Group	
	2007	2006
	£000	£000
Raw materials	105	131
Work in progress	165	56
	<u>270</u>	<u>187</u>

In 2007, a total of £218,840 of inventories was included in the income statement as an expense (2006: £180,470). This included an amount of £53,770 resulting from write down of inventories (2006: £47,152).

17. Trade and other receivables

Trade receivables	3,055	2,988
Other receivables	1,819	1,898
Prepayments and accrued income	1,518	1,749
	<u>6,392</u>	<u>6,635</u>

All trade receivable amounts are short term. The carrying value of trade receivables is considered as a reasonable approximation of the fair value of the receivables.

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and a provision of £110,000 (2006: £110,000) has been recorded accordingly. The impaired trade receivables mostly relate to amounts due from customers operating in areas of business that the Group no longer operates in.

The age of financial assets past due but not considered impaired is as follows:

	2007	2006
	£000	£000
Not more than 3 months	1,697	2,096
More than 3 months but less than 6 months	79	149
More than 6 months but less than 1 year	303	215
More than 1 year	976	528
	<u>3,055</u>	<u>2,988</u>

Movements on the group provision for impairment of trade receivables is as follows:

	2007	2006
	£000	£000
Provision for receivables impairment at 1 January	179	155
Receivables written off during the year as uncollectible	(86)	(86)
Unused amounts reversed	-	-
New provision in the year	110	110
Provision for receivables impairment at 31 December	<u>203</u>	<u>179</u>

The creation and release of provision for impaired receivables have been included in the income statement. The other classes within trade and other receivables do not contain impaired assets.

The provision during the year relates to those receivables considered unlikely to be recovered once thorough attempts have been made to recover the amounts.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The group does not hold any collateral as security.

18. Deferred Tax

Deferred taxation provided for in the financial statements is set out below:

	The Group	
	2007	2006
	£000	£000
Capital allowances	12	65
Land and building reserves	(164)	-
Losses in overseas subsidiaries	-	-
Other temporary differences	91	-
Deferred tax	<u>(61)</u>	<u>65</u>

Under IAS 12, deferred tax provisions are made for the tax that would potentially be payable on the realisation of assets at book value. Other temporary differences represent deferred tax assets arising from future tax relief available to the Group from capital allowances. The provision in respect of capital gains tax has been reduced by indexation.

19. Cash at bank and cash equivalents

Current account	<u>759</u>	<u>1,649</u>
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The Group also holds cash in trust on behalf of its clients. At 31 December 2007 a total of £1,972,702 was held in separately designated bank accounts (2006: £3,460,885). These amounts are not recognised in the balance sheet.

20. Trade and other payables

Current liabilities

Trade payables	1,541	1,733
Other taxation and social security	231	845
Corporation tax	632	487
Accruals and deferred income	2,467	2,449
	<u>4,871</u>	<u>5,514</u>

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

21. Loans and borrowings

Non-current liabilities

Bank loans	509	861
Hire purchase agreements and finance lease agreements	40	33
	<u>549</u>	<u>894</u>

Current Liabilities

Bank overdraft	1,979	2,109
Bank loans	509	533
Hire purchase agreements and finance lease agreements	60	46
	<u>2,548</u>	<u>2,688</u>

The fair value of the Group's finance lease liabilities is considered to be not materially different from its book values.

The banks have, in respect of their loans, guarantees and overdraft facilities, a legal mortgage and mortgage debenture over all assets and a specific charge over the freehold properties and book debts of the Company and its subsidiaries.

Amounts due under hire purchase agreements are secured on the assets to which they relate.

Excluding trade payables, which are all repayable within one year, the financial liabilities are repayable as follows:

	The Group	
	2007	2006
	£000	£000
Within one year		
Bank and other borrowings	2,488	2,642
Finance leases	60	46
After one and within two years		
Bank and other borrowings	57	369
Finance leases	40	33
After two and within five years		
Bank and other borrowings	452	492
Finance leases	-	-
	<u>3,097</u>	<u>3,582</u>

The group's overdraft facility of £2.3 million (2006: £2.3 million) attracts variable interest rates of 2% above base rate. Rates averaged 7.5% in 2007 (2006: 6.65%).

The Group had three bank loans outstanding at the end of the year as detailed below:

- a) £301,000 (2006: £636,000) in respect of a flexible business loan. The loan is repayable at £325,000 per annum and bears interest at 2% over base rate;
- b) £568,000 (2006: £609,000) in respect of a mortgage secured over the freehold property held by the Group. The loan is repayable at £58,000 per annum and bears interest at 2% over base rate;
- c) £150,000 (2006: £150,000) in respect of a bridging loan. The loan bears interest at 2.5% over base rate and was repaid in February 2008.

Other than the commercial mortgage, all borrowings are current. The Group's facilities were renewed for a further twelve months on 16 June 2008.

22. Risk management objectives and policies

Financial assets by category

The IAS 39 categories of financial asset included in the balance sheet and the headings in which they are included are as follows:

	2007	2006
	£000	£000
Non current assets		
- Available-for-sale financial assets	37	41
Current assets		
- Trade and other receivables	6,392	6,635
- Cash and cash equivalents	759	1,649
	<u>7,188</u>	<u>8,325</u>

Financial liabilities by category

The IAS 39 categories of financial liability included in the balance sheet and the headings in which they are included are as follows:

	2007	2006
	£000	£000
Current liabilities		
- Borrowings:		
- Financial liabilities designated at fair value through profit or loss	2,548	2,688
- Trade payables:		
- Financial liabilities measured at amortised cost	1,541	1,733
Non current liabilities		
- Borrowings:		
- Bank loans and finance leases	549	894
	<u>4,638</u>	<u>5,315</u>

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities. The Group's risk management is coordinated at its headquarters, in close co-operation with the board of directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. Long term financial investments are managed to generate lasting returns. The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

Interest rate sensitivity

The Group's policy is to manage exposure to interest rate fluctuations on its borrowings by the use of floating facilities and short term deposits.

The year end interest rate exposure of the Group arose on loans and overdrafts totalling £1.8 million (2006: £1.9 million). The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. At 31 December 2007, the Group is exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates.

22. Risk management objectives and policies (continued)

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +1% and -1% (2006: +/-1%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's financial instruments held at each balance sheet date. All other variables are held constant.

	2007	2007	2006	2006
	£000	£000	£000	£000
	+1%	-1%	+1%	-1%
Net result for the year	(17)	17	(19)	19
Equity	(17)	17	(19)	19

Credit risk analysis

The group's exposure to credit risk is limited to the carrying amount of trade receivables. The group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. Group's policy is to deal only with creditworthy counterparties. Group management considers that trade receivables are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See note 17 for further information on impairment of financial assets that are past due.

None of the group's financial assets are secured by collateral or other credit enhancements.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Liquidity risk analysis

The group manages its liquidity needs by carefully monitoring scheduled deferred consideration payments as well as cash-outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly.

The group maintains cash and marketable securities to meet its liquidity requirements for up to 30-day periods. Analysis of the group's contractual maturities of assets are set out in note 17.

Currency risk analysis

The Group's operations take place internationally. Sales are invoiced principally in sterling and US dollars. The Directors continually monitor currency exposure. At 31 December 2007 the Group held cash balances of US\$1.3 million (2006: US\$1.0 million), receivables of \$0.9 million (2006: \$3.9 million) and payables of \$1.3 million (2006: \$2.0 million).

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in exchange rates of +10% and -10% (2006: +/-10%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's financial instruments held at each balance sheet date. All other variables are held constant.

	2007	2007	2006	2006
	£000	£000	£000	£000
	+10%	-10%	+10%	-10%
Net result for the year	80	(80)	(12)	12
Equity	265	(265)	189	(189)

22. Risk management objectives and policies (continued)

Effective interest rates

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates.

Year ended 31 December 2007

£'000

	Effective interest rate	Less than six months	Six to twelve months	One to two years	Two to five years	More than five years	Total
Secured Bank Loans							
Business Loan	2% above base rate	162	139	-	-	-	301
Commercial Mortgage	2% above base rate	29	29	57	174	278	567
Bridging Loan	2.5% above base rate	150	-	-	-	-	150
Finance lease liabilities		30	30	40	-	-	100
Bank overdraft		1,979	-	-	-	-	1,979

Year ended 31 December 2006

£'000

	Effective interest rate	Less than six months	Six to twelve months	One to two years	Two to five years	More than five years	Total
Secured Bank Loans							
Business Loan	2% above base rate	162	163	311	-	-	636
Commercial Mortgage	2% above base rate	29	29	57	174	319	608
Bridging Loan	2.5% above base rate	150	-	-	-	-	150
Finance lease liabilities		23	23	33	-	-	79
Bank overdraft		2,109	-	-	-	-	2,109

23. Capital management policies

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholders

by pricing services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity plus its bank loans and overdrafts, less cash and cash equivalents. Capital for the reporting periods under review is summarised as follows:

	2007	2006
	£000	£000
Total equity	7,440	20,777
Bank loans and overdrafts	2,997	3,503
Cash and cash equivalents	(759)	(1,649)
Capital	<u>9,678</u>	<u>22,631</u>
Total equity	7,440	20,777
Borrowings	4,300	5,027
Overall financing	<u>11,740</u>	<u>25,804</u>
Capital to overall financing ratio	1.21	1.14

24. Called Up Share Capital

	2007	2006
	£000	£000
Authorised:		
339,210,771 ordinary shares of 5p each (2006: 60,000,000 ordinary shares of 50p each)	16,961	30,000
28,976,581 deferred shares of 45p each (2006: nil)	13,039	-
	<u>30,000</u>	<u>30,000</u>
Allotted, issued and fully paid:		
28,976,581 ordinary shares of 5p each (2006: 28,976,581 ordinary shares of 50p)	1,449	14,487
28,976,581 deferred shares of 45p each (2006: nil)	13,038	-
	<u>14,487</u>	<u>14,487</u>

During the year each 50p ordinary share was divided into one ordinary share of 5p and one deferred share of 45p each. The deferred shares do not carry voting rights.

Share-based payments

Details of share options and warrants granted over the ordinary shares are as follows:

	At	Granted	At	Exercise	Date from	Expiry
	1 January	(lapsed/exercised)	1 December	price	which	date
	2007	during the year	2007	£	exercisable	
	No.	No.	No.			
Share options						
	528,832	-	528,832	0.50	27.10.03	27.10.10
	26,000	-	26,000	1.80	17.12.03	17.12.10
	40,066	(40,066)	-	1.10	30.09.05	30.09.12
	78,763	(75,000)	3,763	0.50	02.01.06	02.01.13
	74,671	(14,007)	60,664	0.50	17.03.06	17.03.13
	259,259	(105,522)	153,737	0.50	17.03.07	17.03.14
	544,762	(354,287)	190,475	0.53	23.03.07	23.03.14
	55,000	(10,000)	45,000	0.50	08.12.07	08.12.14
	57,500	-	57,500	0.50	08.12.07	08.12.14
	10,000	-	10,000	0.50	09.11.08	09.11.15
	10,000	-	10,000	0.50	24.04.09	24.04.16
	580,000	-	580,000	0.26	07.06.09	07.06.16
	454,899	(52,700)	402,199	0.27	21.06.09	21.06.16
	60,000	-	60,000	0.28	01.11.09	01.11.16
	15,000	(15,000)	-	0.29	30.11.09	30.11.16
Warrants						
	580,000	-	580,000	1.62	09.05.03	09.05.10
	45,000	-	45,000	2.22	17.01.04	17.01.11
	15,000	-	15,000	2.51	06.03.04	06.03.11
	10,000	-	10,000	2.00	18.06.05	18.06.12
	5,000	-	5,000	1.10	13.12.05	13.12.12
	35,000	-	35,000	0.50	17.03.06	17.03.13

The share price range during the year was £0.19 to £0.445 (2006: £0.26 to £0.435).

None of the directors in office at the year end has any interest in share options or warrants.

24. Called Up Share Capital (continued)

The share based payment charge recognised during the year has arisen on options issued under the Group's Executive Share Option Scheme and has been calculated using the Black Scholes valuation model. Each grant of options has been considered separately. The significant inputs into the model are a dividend yield based on the average yield of the last six years, volatility based on the standard deviation of the Company share price over the last three years, and a risk free rate based on the average return of long term gilts. The model also assumes that the expected option life is 70% of the total option life, and that 70% of all options will vest.

The principal assumptions used in assessing the fair value of share options at the date of grant were as follows:

	2007	2006
Share price at grant date	-	26p - 62.5p
Exercise price	-	26p - 62.5p
Expected volatility	-	10%
Option life	-	4 - 7 years
Risk-free interest rate	-	4%

The expense recognised in the income statement in 2007 was £14,180 (2006: £18,972).

A reconciliation of the number of share options and average share price is as follows:

	2007		2006	
	Number	Weighted	Number	Weighted
	(000's)	average	(000's)	average
		exercise		exercise
		price		price
Outstanding at 1 January	2,795	0.44	3,743	0.75
Granted	-	-	1,133	0.27
Forfeited	(667)	0.53	(2,081)	1.34
Exercised	-	-	-	-
Outstanding at 31 December	<u>2,128</u>	<u>0.40</u>	<u>2,795</u>	<u>0.44</u>
Exercisable at 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The weighted average values of options are as follows:

Weighted average exercise price of options granted	40p	44p
Weighted average exercise price of options exercisable at the end of the year	54p	27p
Weighted average option life remaining	6.46 years	5.68 years

25. Reserves

The Group	Share Premium Account	Revaluation Reserve	Translation Reserve	Profit and Loss Account	Total
	£000	£000	£000	£000	£000
At 1 January 2007	28,158	456	80	(22,846)	5,848
Transfer of realised revaluation reserve	-	(17)	-	17	-
Currency translation difference	-	-	(45)	98	53
Share based payment charge	-	-	-	14	14
Loss for the year	-	-	-	(12,477)	(12,477)
At 31 December 2007	28,158	439	35	(35,194)	(6,562)

26. Capital Commitments

There were no other capital commitments authorised and contracted for at 31 December 2007 (2006: £nil).

27. Financial Commitments

At 31 December 2007, the Group had commitments in respect of non-cancellable operating leases as follows:

	2007 £000	2006 £000
	Land and buildings	
Leases which expire:		
Within one year	648	706
Between one and five years	2,133	2,412
After five years	116	754
	<u>2,897</u>	<u>3,872</u>
	Other	
Within one year	23	32
Between one and five years	20	40
After five years	-	-
	<u>43</u>	<u>72</u>

28. Contingent Liabilities

The Group operates bank accounts for each company under a Standard Composite Accounting System in which any credit balances are automatically set off against any debit balances on a daily basis. The Company guarantees all the individual bank borrowings of its UK subsidiaries. At 31 December 2007, prior to taking account of offsetting cash at bank, the overdrafts concerned were £6,268,000 (2006: £4,937,000).

HMRC enquiries

HM Revenue & Customs have commenced routine enquiries into certain tax returns submitted by Group companies. The outcome of these enquiries is not yet known, but the Group has made provision within the financial statements for an estimate of the possible liability arising.

29. Events after the Balance Sheet date

On 8 January 2008, the Group disposed of its 75% interest in GEM Minneapolis, Inc., a brand packaging and design agency based in Minnesota, USA, for a total consideration of \$1.8 million (£0.9 million).

Consideration for the Group's 75% stake is US\$1.8 million paid by US\$1.1 million in cash on completion, plus a further US\$0.7 million by way of a promissory note payable in cash in three annual instalments between January 2009 and January 2011. The business was held as a disposal group held for sale in the Group balance sheet at 31 December 2007.

On 17 June 2008, the Group signed an agreement, conditional on the approval of shareholders, to sell its 100% subsidiary, PFD, for £4 million in cash, with £3.75 million payable on completion, the balance payable on the achievement of agreed profit targets over the next three years.

30. Additional Information on Subsidiary Undertakings

Trading Subsidiaries	Nature of business	Ownership	Incorporated In
CSS Stellar Sports Limited	Talent	100*	England and Wales
CSS Stellar GEM Group Inc	Marketing	100	USA
GEM Minneapolis Inc.	Marketing	75	USA
The Peters Fraser & Dunlop Group Limitec	Talent	100*	England and Wales
Icon Display Limited	Events	100	England and Wales
Talent Financial Limited	Talent	100*	England and Wales
CSS Presenters Limited	Talent	100*	England and Wales
CSS International Limited	Corporate	100*	England and Wales
Hambric Stellar Golf Limited	Talent	50	England and Wales

At 31 December 2007 all other subsidiaries were dormant.

Entities marked with an asterisk (*) are directly owned by the Company.

31. Related Party Transactions

Company	Sales £000	Purchases £000	Balance at 31 December Owed (To)/From £000	Directors involved
2007				
Ayrton Senna Foundation Limited	8	-	3	JAR Jakobi, Director
Fair's Fare Limited	-	-	-	JD Webber, Director
FJ Associates Partnership	1	14	(1)	JAR Jakobi, Partner
J Webber Finance Limited	2	1	(1)	JD Webber, Chairman
D Kuettel	-	-	143	D Kuettel
DB Consultants Limited	-	89	-	DJ Buchler, Director
2006				
Ayrton Senna Foundation Limited	6	-	3	JAR Jakobi, Director
Fair's Fare Limited	-	4	-	JD Webber, Director
FJ Associates Partnership	-	-	-	JAR Jakobi, Partner
J Webber Finance Limited	1	5	(2)	JD Webber, Chairman
D Kuettel	-	-	143	D Kuettel
DB Consultants Limited	-	-	-	DJ Buchler, Director

The above trading transactions were all at arms' length and mainly related to expense recharges and overheads, and are in addition to those transactions set out in note 4.

32. Accounting Policies - Company

The Financial Statements are prepared in accordance with applicable United Kingdom accounting standards (UK GAAP). The principal accounting policies of the Company are set out below. The policies have remained unchanged from the previous year, and the Board consider them to be the most appropriate for the Company.

Basis of Preparation

The financial statements have been prepared under the historical cost convention modified by the revaluation of land and buildings. The Directors have prepared cashflow forecasts which show that the Company will be able to meet its financial obligations for at least twelve months from the date of approval of these financial statements. Accordingly, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

Financial Instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities.

Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to reserves.

Deferred Taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those which are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Share Based Payments

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2006 are recognised in the financial statements.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

32. Accounting Policies - Company (continued)

All equity-settled share-based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to the profit and loss reserve.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

33. Fixed Asset Investments

	The Company	
	2007	2006
	£000	£000
Subsidiary undertakings	8,263	23,201
Other investments	37	41
	<u>8,300</u>	<u>23,242</u>
	Subsidiary	Other
	Undertakings	investments
	£000	£000
Cost		
At 1 January 2007	30,525	1,078
Disposals	-	(4)
At 31 December 2007	<u>30,525</u>	<u>1,074</u>
Provisions for impairment		
At 1 January 2007	7,324	1,037
Change in the year	14,938	-
Disposals	-	-
At 31 December 2007	<u>22,262</u>	<u>1,037</u>
Net book value		
At 31 December 2007	<u>8,263</u>	<u>37</u>
At 31 December 2006	<u>23,201</u>	<u>41</u>

Other investments comprise trade investments where less than 20% of the share capital is held or there is no control. Following a review of the Company's investments and a number of disposals during the year, an impairment provision of £14.9 million was made.

	The Company	
	2007	2006
	£000	£000
34. Debtors		
Amount owed by group undertakings	1,684	955
Other debtors	508	618
	<u>2,192</u>	<u>1,573</u>

35. Creditors: amounts falling due within one year

Bank overdraft	2,415	1,590
Bank loans	509	533
	<u>2,924</u>	<u>2,123</u>

	The Company	
	2007	2006
	£000	£000
36. Creditors: amounts falling due after more than one year		
Bank loan	509	861
	<u>509</u>	<u>861</u>

The banks have, in respect of their loans, guarantees and overdraft facilities, a legal mortgage and mortgage debenture over all assets and a specific charge over the freehold properties and book debts of the Company and its subsidiaries. Amounts due under hire purchase agreements are secured on the assets to which they relate.

37. Maturity of Financial Liabilities

The financial liabilities are repayable as follows:

Within one year		
Bank and other borrowings	2,924	2,141
After one and within two years		
Bank and other borrowings	57	369
After two and within five years		
Bank and other borrowings	452	492
	<u>3,433</u>	<u>3,002</u>

The Company had three bank loans outstanding at the end of the year as detailed below:

a) £301,000 (2006: £636,000) in respect of a flexible business loan. The loan is repayable at £325,000 per annum and bears interest at 2% over base rate;

b) £568,000 (2006: £609,000) in respect of a mortgage secured over the freehold property held by the Company. The loan is repayable at £58,000 per annum and bears interest at 2% over base rate;

c) £150,000 (2006: £150,000) in respect of a bridging loan. The loan bears interest at 2.5% over base rate and was repaid in February 2008.

The Company's facilities were renewed for a further twelve months on 16 June 2008.

38. Called Up Share Capital

	2007	2006
	£000	£000
Authorised:		
339,210,771 ordinary shares of 5p each (2006: 60,000,000 ordinary shares of 50p)	16,961	30,000
28,976,581 deferred shares of 45p each (2006: nil)	13,039	-
	<u>30,000</u>	<u>30,000</u>
Allotted, issued and fully paid:		
28,976,581 ordinary shares of 5p each (2006: 28,976,581 ordinary shares of 50p)	1,449	14,487
28,976,581 deferred shares of 45p each (2006: nil)	13,038	-
	<u>14,487</u>	<u>14,487</u>

During the year each 50p ordinary share was divided into one ordinary share of 5p and one deferred share of 45p each. The deferred shares do not carry voting rights.

39. Reserves

	Share Premium Account	Revaluation Reserve	Translation Reserve	Profit and Loss Account	Total
	£000	£000	£000	£000	£000
The Company					
At 1 January 2007	28,158	-	-	(20,814)	7,344
Loss for the year	-	-	-	(14,772)	(14,772)
At 31 December 2007	<u>28,158</u>	<u>-</u>	<u>-</u>	<u>(35,586)</u>	<u>(7,428)</u>

40. Transition to IFRS

As stated in Note 1, these are the Group's first consolidated financial statements prepared in accordance with IFRS. An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out in the following tables and notes that accompany the tables.

Goodwill

Under UK GAAP, the Group's policy was to amortise goodwill over periods from 5 to 20 years. Under IFRS 3 'Business Combinations' there is no amortisation of goodwill although goodwill is subject to an annual impairment review.

Translation differences on foreign operations

Cumulative translation differences on foreign operations are deemed to be nil at 1 January 2006, in accordance with IFRS 1 First Time Adoption of International Financial Reporting Standards. Any gains and losses recognised in the consolidated income statement on subsequent disposal of foreign operations will exclude translation differences arising prior to the transition date.

Foreign Exchange Rates

The Group has elected not to apply IAS 21 The Effects of Changes in Foreign Exchange Rates retrospectively to goodwill and fair value adjustments arising on business combinations before the Group's date of transition to IFRS. Such goodwill and fair value adjustments are not treated as foreign currency assets and so are not retranslated at each reporting date.

IFRS 1 grants certain other exemptions from the full requirements of IFRS in the transition period, as highlighted below:

Business combinations

Business combinations that took place prior to 1 January 2006 have not been restated.

Equity-settled transactions

Options granted prior to 7 November 2002 have not been restated.

40. Transition to IFRS (continued)

Reconciliation of equity at 1 January 2006

	UK GAAP		Notes			IFRS
	£	a	b	c	d	£
		£	£	£	£	
Non-current assets						
Property, plant and equipment	2,043	-	-	-	-	2,043
Goodwill	19,397	-	-	-	-	19,397
Available for sale financial assets	41	-	-	-	-	41
Deferred tax assets	-	-	205	-	(164)	41
Current assets						
Inventories	280	-	-	-	-	280
Trade and other receivables	5,102	-	(205)	-	-	4,897
Cash and cash equivalents	954	-	-	-	-	954
Current liabilities						
Trade and other payables	4,487	-	-	-	-	4,487
Short-term borrowings	1,538	-	-	-	-	1,538
Current portion of long-term borrowings	533	-	-	-	-	533
Current tax payable	193	-	-	-	-	193
Non-current liabilities						
Long-term borrowings	1,275	-	-	-	-	1,275
Net assets	19,791	-	-	-	(164)	19,627
Equity						
Share capital	14,487	-	-	-	-	14,487
Share premium account	28,158	-	-	-	-	28,158
Revaluation reserve	637	-	-	-	(164)	473
Translation reserve	-	-	-	20	-	20
Profit and loss account	(23,611)	-	-	(20)	-	(23,631)
Minority interest	120	-	-	-	-	120
Total equity	19,791	-	-	-	(164)	19,627

b) Reclassification of deferred tax from current to non-current assets in accordance with IAS 12 Income Taxes.

c) Reclassification of translation reserve from profit and loss reserve in accordance with IAS 21 The effects of changes in foreign exchange rates.

d) Recognition of deferred tax liability on revaluation reserve.

40. Transition to IFRS (continued)

Reconciliation of equity at 31 December 2006

	UK GAAP	a	Notes			IFRS
	£	£	b	c	d	£
			£	£	£	
Non-current assets						
Property, plant and equipment	1,899	-	-	-	-	1,899
Goodwill	18,036	1,361	-	-	-	19,397
Available for sale financial assets	41	-	-	-	-	41
Deferred tax assets	-	-	229	-	(164)	65
Current assets						
Inventories	187	-	-	-	-	187
Trade and other receivables	6,864	-	(229)	-	-	6,635
Cash and cash equivalents	1,649	-	-	-	-	1,649
Current liabilities						
Trade and other payables	5,073	-	-	-	-	5,073
Short-term borrowings	2,109	-	-	-	-	2,109
Current portion of long-term borrowings	533	-	-	-	-	533
Current tax payable	487	-	-	-	-	487
Non-current liabilities						
Long-term borrowings	894	-	-	-	-	894
Net assets	19,580	1,361	-	-	(164)	20,777
Equity						
Share capital	14,487	-	-	-	-	14,487
Share premium account	28,158	-	-	-	-	28,158
Revaluation reserve	620	-	-	-	(164)	456
Translation reserve	-	-	-	80	-	80
Profit and loss account	(24,127)	1,361	-	(80)	-	(22,846)
Minority interest	442	-	-	-	-	442
Total equity	19,580	1,361	-	-	(164)	20,777

a) Goodwill recognised by the Group on acquisitions under UK GAAP was amortised over periods of 5 to 20 years. Under IFRS goodwill is not amortised, but tested annually for impairment. The goodwill amortisation charge recognised in accordance with UK GAAP in 2006 has been derecognised on transition to IFRS.

b) Reclassification of deferred tax from current to non-current assets in accordance with IAS 12 Income Taxes.

c) Reclassification of translation reserve from profit and loss reserve in accordance with IAS 21 The effects of changes in foreign exchange rates.

d) Recognition of deferred tax liability on revaluation reserve.

40. Transition to IFRS (continued)

Reconciliation of profit for the year ended 31 December 2006

		Notes				
	UK GAAP	a	b	c	d	IFRS
	£	£	£	£	£	£
Continuing operations						
Revenue	31,644	-	-	-	-	31,644
Cost of sales	(11,011)	-	-	-	-	(11,011)
Gross profit	20,633	-	-	-	-	20,633
Administrative costs	(20,515)	1,361	-	-	-	(19,154)
Operating profit	118	1,361	-	-	-	1,479
Finance income	141	-	-	-	-	141
Finance expense	(285)	-	-	-	-	(285)
(Loss)/profit before tax	(26)	1,361	-	-	-	1,335
Income tax expense	(469)	-	-	-	-	(469)
(Loss)/profit after tax	(495)	1,361	-	-	-	866

a) Goodwill recognised by the Group on acquisitions under UK GAAP was amortised over periods of 5 to 20 years. Under IFRS goodwill is not amortised, but tested annually for impairment. The goodwill amortisation charge recognised in accordance with UK GAAP in 2006 has been derecognised on transition to IFRS.



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