Annual Report 2007

Dowlis Corporate Solutions plc
Annual Report

31 December 2007
Registered number 05193579

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Directors and Advisers

Directors

Colin Cooke (Non-Executive Chairman) [1,2]
Colin is the Chairman of Fenner plc and joined the Board as Non-Executive Chairman on 23 September 2005. Colin has 23 years' experience as a public company director and has been Chairman of four public companies including Triplex Lloyd plc. Colin is a Fellow of the Institute of Metallurgy, and has also studied International Marketing at the London Business School.

Keith Willis (Non-Executive Director) [1,2]
Keith established Dowlis in 1974 to sell promotional merchandise and was Managing Director until 1999 when he became Chairman. At the time of the merger with Corporate Solutions, he was appointed Chairman of the Company and became a Non-Executive Director on Admission. Keith is Chairman of the Remuneration Committee.

Barry Fielder (Non-Executive Director) [1,2]
Barry has 25 years experience as a Finance Director, having previously held this position at Dowlis prior to the Company's flotation on AIM, when he played a pivotal role in improving profitability and growth in turnover. Barry is Chairman of the Audit Committee.

Craig Slater (Chief Executive Officer)
Craig joined the board as Non-Executive Director on 9 June 2006. He was appointed Chief Executive Officer on 1 October 2007. He is currently Non-Executive Chairman of CORGI Group Limited and was previously Chief Operating Officer of 4imprint Group plc.

Martin Varley (Director)
Martin was the former European Managing Director of 4imprint Group plc and the founder of Incentives Two Limited. He has over 20 years experience in the promotional merchandise industry and has gained an extensive knowledge of the supply and distribution sectors of the market. He joined Corporate Solutions in 2003.

Tim Sykes (Group Finance Director)
Tim is a director of Penta Financial Direction Limited, his own business advisory practice which specialises in providing accounting services to small public companies. Tim is also Chief Financial Officer at PROACTIS Holdings PLC and Avacta Group plc. Tim joined the Company on 14 December 2007.

1. Member of the Audit Committee
2. Member of the Remuneration Committee

Advisers

Registrars
Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen
West Midlands
B63 3DA

Auditors
Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

Principal Solicitor
Halliwells LLP
3 Hardman Square
Spinningfields
Manchester
M3 3EB

Nominated Adviser and Stockbrokers
Daniel Stewart plc
Becket House
36 Old Jewry
London
EC2R 8DD

Principal Banker
Royal Bank of Scotland plc
Corporate Banking
Benwell House
Green Street
Sunbury-on-Thames
Surrey
TW16 6QT

Registered office
Cobb House
2-4 Oyster Lane
Byfleet, Surrey
KT14 7HQ
www.dowlis.com
Company registration number : 05193579

Chairman's Statement

Performance overview
Group sales increased by 4.3% to £19.7m (2006 : £18.9m). This growth was behind original expectations, following the acquisition of several profitable businesses during 2006, but was in line with the statement made during November 2007. Gross margin slipped by one point to 36.9% (2006 : 37.9%).

After charges for non-recurring items, software development costs, amortisation of customer related intangibles and share based payment charges totalling £0.7m (2006 : £1.5m) the Group reported a small loss before taxation of £0.1m (2006 : loss £0.2m). Operating profit before non-recurring items, software development costs, amortisation of customer related intangibles and share based payment charges was £0.6m (2006 : £1.3m).

The Group balance sheet remains strong, was debt free at 31 December 2007 and the net cash balance of £0.7m has improved further in the first part of 2008.

Strategy
The Group's core strategy is simple and is built on three objectives :

- Information & Exhibitions offers an unrivalled set of tools for the promotional products industry and this will be completed, enhanced and, in due course, offered outside the UK;
- Promotional Marketing will improve customer service and continue to develop more efficient processes in the corporate market; and
- The Group will continue to pursue and invest in opportunities that provide the highest return for an acceptable level of risk.

Promotional Marketing
Promotional Marketing made an operating profit before non-recurring items, amortisation of customer related intangibles and share based payment charges of £1.2m (2006 : £1.8m). The trade business, adproducts, along with Ross Promotional and Dowlis Manchester all achieved double digit profit growth in the year. These strong results were offset by weaker results in Dowlis Byfleet and Aviation Gifts which were reorganised during the year; Byfleet to create a renewed and energetic team and Aviation Gifts to reduce overhead costs and incorporate into the Dowlis Manchester business.

Information and Exhibitions
Information and Exhibitions made an operating profit before software development costs, non-recurring items, amortisation of customer related intangibles and share based payment charges of £0.2m (2006 : £0.2m), with profits in catalogues and exhibitions reinvested in software and the magazine. Our software, Promoserve, has rapidly gained market share to become the market leading choice for distributors and suppliers alike. The Trade Only national exhibition produced a profit in January 2007, its first year, and performed exceptionally well in its second year, almost doubling visitor numbers. Our catalogue sales continued to grow in 2007 and have good momentum coming into this year.

Corporate Events
Whilst further market consolidation is on our agenda for the future through further acquisitions, our focus is now primarily on the development and profitability of the existing Group.

We made a number of Board changes in the year. Craig Slater joined the Group as Chief Executive Officer in October and Barry Fielder was appointed Non-Executive Director in December. Barrett Bedrossian resigned on 31 December 2007 and was replaced as Group Finance Director, initially on an interim basis, by Tim Sykes. I am delighted to confirm that Tim will continue with the Group after this interim period.

To create clearer brand identities, we intend to re-name Dowlis Corporate Solutions plc. The Group will become Altitude Group plc, subject to appropriate shareholder approvals to be sought at the forthcoming Annual General Meeting. Our trading companies will retain their existing names and associated branding.

People
The pace of change in the Group creates many opportunities and also places great demands on our people. I would like to take this opportunity to thank all of our staff for their hard work and achievements in 2007. We introduced in May 2007 a new Long Term Incentive Plan that clearly aligns the remuneration of the Group's senior management with wealth creation for our shareholders.

Outlook
The Promotional Marketing division is expected to benefit in 2008 from the restructuring changes and investment from 2007 with its new lower cost base. We are aware of wider economic factors, but anticipate making further profitable progress in the year.

Information and Exhibitions has developed a strong market position and a unique offering, attributes that are expected to help the division achieve significant progress in 2008. A successful Trade Only national exhibition in January has helped lead to an encouraging start to the year.

Trading in the early part of 2008 has been in line with our expectations.

Colin Cooke
Chairman
8 May 2008

Operating and Financial Review

Operating review

Promotional Marketing	2007	2006
	£m	£m
Sales	18.4	18.7
Operating profit before non-recurring items, amortisation of customer related intangibles and share based payment charges	1.2	1.8
Operating profit after non-recurring items, amortisation of customer related intangibles and share based payment charges	0.7	1.0
Net assets	5.4	4.7

Promotional Marketing

Promotional Marketing includes our trade supplier, adproducts, our marketing design consultancy Touchpaper and our end user businesses Dowlis Corporate Solutions, Ross Promotional and Distinctive Ideas. The end user businesses form the largest part of the Group, with £16.4m revenues (2006 : £16.7m).

adproducts grew sales and profits in 2007, expanding its product offering and its customer base as planned. This business now has over 350 active distributor customers out of a total market of approximately 3,500. The business is managed separately from other activities to avoid competitive conflicts. Touchpaper offers its creative services both within the Group and externally and also grew successfully during the year.

The end user businesses gathered momentum during the year and had strong order prospects going into 2008. Earlier in 2007, Dowlis Corporate Solutions in Byfleet was reorganised to reduce cost and improve customer service and this has had a beneficial impact in both respects, although the overall results for 2007 were less than originally planned. Dowlis Corporate Solutions in Manchester performed well, with significant increases in sales and profit and the establishment of an early stage online presence. Ross Promotional in Glasgow again performed well, producing steady growth over the previous year.

In each of these businesses, improved efficiency and additional sales have a powerful effect on profitability. The infrastructure to enable further sales is in place and the tools to improve efficiency are being put in place.

With the exception of the trading business of Dowlis Corporate Solutions, cash performance was good. Whilst its business model is inherently cash generative, Dowlis suffered from extended debtor days and this has been improved since the year end. Dowlis had extended its supplier terms through this period and has used some of the cash generated after the year end to relieve this position.

Information and Exhibitions	2007	2006
	£m	£m
Sales	2.3	0.9
Operating profit before non-recurring items, amortisation of customer related intangibles and share based payment charges	0.2	0.2
Operating profit / (loss) after non-recurring items, amortisation of customer related intangibles and share based payment charges	-	(0.4)
Net assets	0.1	0.6

Information and Exhibitions

Information and Exhibitions offers a collection of tools to the promotional products industry, suppliers and distributors alike. These tools are inter-related but can be used individually and each one can improve efficiency and increase performance.

The Trade Only national exhibition in 2007 was a success on all counts. Exhibitor and visitor numbers, at 190 and 1,600 respectively, exceeded expectations and customer feedback on the overall exhibition experience was exceptional. The exhibition has rapidly become the leading event in the UK industry and, unusually, has been profitable from its first year.

Spectrum and Envoy catalogues, two of the top four leading offerings in the industry, grew again. With 176 and 168 pages, 72 and 82 suppliers and print runs of 130,000 and 50,000 respectively these catalogues offer suppliers and distributors an effective showpiece for their products and creativity.

Under the Trade Only banner, Promoserve is an ERP software package and Trade Only Search is a linked on-line product search offering. Promoserve has continued to attract new users, leading to a user base of approximately 350 at the year-end. The rental model used by this company leads to a good recurring revenue base, which grew to £55,000 per month by the end of the year (2006 : £18,000 per month). Operations in this business include development, installation and support alongside sales and marketing.

The magazine, PPD, now reaches approximately 8,000 readers and is one of the most widely read publications in the industry.

Each element of this division grew sales in 2007. Promoserve reached a cash break-

even position late in 2007, but did make a loss in the year as did the magazine. Although they each have a clear cash cycle, leading to capital use at certain times, these businesses are not significant users of our capital.

Financial review
Results for the year and key performance indicators
Group sales increased by 4.3% to £19.7m (2006 : £18.9m) representing slower than originally planned growth, given the full year effect of businesses acquired during 2006. Gross margin slipped by one point to 36.9% (2006 : 37.9%). With total operating costs flat at £7.3m (2006 : £7.3m) the Group posted a loss before taxation of £0.1m (2006 : loss £0.2m). Operating costs included £0.7m (2006 : £1.5m) of software development costs, non-recurring items, amortisation of intangible assets and share based payment charges.

Acquisitions
During the year, the Group acquired the trade and assets of Poyle Promotions, a small internet based distributor, for £0.1m. This business has since been subsumed within the operations of the Group and its performance is no longer separately identifiable. As such, the Directors have impaired the goodwill to £Nil.

Taxation
The Group recorded a small tax credit in its Consolidated Income Statement due principally to the reversal of deferred tax provisions in line with the amortisation charge for the associated customer related intangibles on the Group's various business combinations.

Earnings per share
Basic and diluted loss per share remained at 0.3p (2006 : loss per share 0.3p).

Cash flow
The Group has reported a net cash inflow from operations of £1.1m which is £0.5m better than the reported operating profit of the group before software development costs, non-recurring items, amortisation of customer related intangibles and share based payment charges of £0.6m (2006 : cash inflow from operations of negative £0.2m which was £1.5m behind the operating profit of the Group before software development costs, non-recurring items, amortisation of customer related intangibles and share based payment charges of £1.3m). The principle reasons are the impact of non-cash charges in the consolidated income statement and a favourable swing in the working capital profile at the year end, reversing the unfavourable swing at the prior year end.

The Group benefited in the year from a £0.2m cash inflow from a tax refund and with only minor capital investment during the year, recovered a net £0.8m of cash (2006 : net £1.7m expended) to leave the Group debt free, with the exception of a small element of hire purchase commitments forward.

Treasury
The Group continues to manage the cash position in a manner designed to maximise interest income, whilst at the same time minimising any risk to these funds. Where there are surplus cash funds, these are deposited with commercial banks that meet credit criteria approved by the Board. At 31 December 2007, the Group had £0.7m on short term deposits (2006: £Nil).

International Financial Reporting Standards (IFRSs) and new accounting issues
The Group has adopted the principles of accounting under IFRSs. The principle area that is affected is in relation to its acquisitions. Under IFRS3 'Business combinations' the Group is required to capitalise the separately identifiable intangible assets of the acquired businesses along with any associated goodwill and then to amortise the separately identifiable intangible assets over a relevant period and to review goodwill and the separately identifiable intangible assets annually for impairment.

The Group capitalised £0.3m of intangible customer related assets, representing the value of customer relationships acquired as part of the Ross Promotional Products Limited, Distinctive Ideas Limited and Envoy Catalogue acquisitions, and £0.8m of goodwill. The Group has recognised an associated deferred tax liability of £0.1m.

The Group has identified indicators that goodwill on both the acquisition of Aviation Gifts and Industry Software Limited was impaired during 2006, and has restated with an impairment charge of £0.5m during 2006. These businesses are non-cash generative. No value was attributed to the separately identifiable intangible assets of these businesses.

Changes between these financial statements and the Interim Statement and prior year restatements
There has been a change in accounting treatment of three key matters between these financial statements and the Interim Statement. These are as follows :

- Goodwill on Aviation Gifts and Industry Software Limited which was incorrectly capitalised within intangible assets as at 31 December 2006 and at the time of the interim statement has been impaired within the consolidated income statement as a prior year restatement. This has resulted in an impairment charge of £0.5m in the year ended 31 December 2006
- The Group capitalised £0.3m of intangible customer related assets, representing the value of customer relationships acquired as part of the Ross Promotional Products Limited, Distinctive Ideas Limited and Envoy Catalogue acquisitions, and £0.8m of goodwill. The Group has recognised an associated deferred tax liability of £0.1m. This was not included within the interim statement; and
- Development costs previously incorrectly capitalised within the software business have been taken to the consolidated income statement in the year in which they were incurred as a prior year restatement. This has resulted in a charge of £0.2m for the year ended 31 December 2006.

Craig Slater
Chief Executive Officer

Tim Sykes
Group Finance Director

8 May 2008

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2007.

Principle activities and review
The Group operates in the UK promotional merchandise and marketing sectors.

A review of the Group's operations and future prospects is covered in the Chairman's Statement and the Operating and Financial Review. Specifically, these reports include sections on strategy, markets, key risks and key performance indicators.

Financial results
The Group's financial results and position are set out in the Consolidated Income Statement, other primary statements and in the Notes to the Consolidated Financial Statements on pages 16 to 40.

Enhanced business review
The Companies Act 1985 (Operating and Financial Review) Regulations 2005 require that the Directors present an enhanced Directors' report. These enhancements are provided within the Chairman's Statement and the Operating and Financial Review.

International Financial Reporting Standards (IFRSs)
These Group financial statements have been prepared in accordance with IFRSs. The principal changes from UK GAAP relate to goodwill and intangible assets. The effects of these changes are described in the Operating and Financial Review.

Dividend policy
The payment of dividends will be subject to availability of distributable reserves whilst maintaining an appropriate level of dividend cover and having regard to the need to retain sufficient funds to finance the development of the Group's activities. In the short term it is the Directors' intention to re-invest funds into the Group rather than fund the payment of dividends. Accordingly, the Directors do not recommend the payment of a dividend.

Directors
The Directors who serve on the Board and on Board Committees as at 31 December 2007 are set out on page 8. Barrett Bedrossian resigned as a director on 31 December 2007.

Under the Articles of Association of the Company, one third of the Directors are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one third, or if their number is less than three then one of them, shall retire. Each retiring director is eligible for re-election. Each Director must retire at the third Annual General Meeting following his last appointment or re-appointment. The Director retiring by rotation at the forthcoming Annual General Meeting is Colin Cooke. Being eligible, Colin offers himself for reappointment. In addition, Barry Fielder, who was appointed during the year, and Tim Sykes, who it is intended will be appointed at the Board meeting immediately preceding the forthcoming Annual General Meeting, both offer themselves for re-appointment. In relation to the re-appointment of each of the Directors, the Board is satisfied that each of these Directors continues to be effective and to demonstrate commitment to the Company.

The service agreements of the executive Directors will be available for inspection at the registered office of the Company on any weekday during normal business hours until the date of the Annual General Meeting and the meeting itself. Details of the service agreements are set out in the Directors' Remuneration Report.

The Directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Information on Directors' remuneration and their interests in the shares and share options of the Company are shown in the Directors' Remuneration Report on pages 8 to 10. None of the Directors had any interest in the share capital of any subsidiary undertaking at any point during the year.

Substantial shareholders
The Company is informed that, at 30 April 2008, shareholders holding more than 3% of the Company's issued share capital were as set out in the table below.

The middle market price of the Company's ordinary shares on 31 December 2007 was 28.5p and the range from 1 January 2007 was 44.5p to 28.5p with an average price of 37.1p.

Research and development
The Group expended £159,000 during the year (2006 : £229,000) on research and development within its industry software operation.

Donations
The charitable donations in the year were £118 (2006 : £530) provided to local charities. There were no political donations.

Employee involvement and safety
It is Group policy that there shall be no discrimination in respect of sex, colour, race, religion or nationality and that equal opportunity shall be given to all employees.

The policy of giving full and fair consideration to applications for employment from disabled persons and, where practical, to continue the employment of anyone who may become disabled during their employment has continued. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees whenever appropriate.

Every effort is made to ensure good communication. In particular, the Group

Substantial shareholders	Number of Shares	% of issued share capital
KT Willis	9,800,275	25.7%
MR Varley	9,244,225	24.2%
Bank of New York Nominees Limited	4,082,528	10.7%
Nortrust Nominees Limited	2,536,506	6.6%
Roy Nominees Limited	1,666,666	4.4%
J Yeomans	1,483,000	3.9%
Chase Nominees Limited	1,388,889	3.6%
A Crafton	1,233,000	3.2%

recognises the crucial roles that its managers and supervisors play in ensuring that employees are made aware of developments within the Group.

The Group is conscious of the importance of providing a safe working environment for both its employees and its customers, of ensuring compliance with all statutory and mandatory requirements and of minimising the environmental impact of its operations whenever possible. Careful attention is given to the promotion of risk management procedures.

Financial instruments
An indication of the financial risk management objectives and policies and the exposure of the group to credit risk, interest rate risk and currency risk is provided in Note 21 to the Consolidated Financial Statements.

Qualifying third party indemnity
The Company has provided an indemnity for the benefit of its current Directors which is a qualifying third party indemnity provision for the purpose of the Companies Act 1985.

Supplier payment policy and practice
The Group's operating companies determine terms and conditions of payment for the supply of goods and services. Payment is then made in accordance with these terms, subject to the terms and conditions being met by suppliers. The ratio, expressed in days, between the amount invoiced to the Group by its trade suppliers during the year to 31 December 2007 and the amount owed to its trade creditors at 31 December 2007, was 70 days (2006 : 65 days).

Environment and Health and Safety
The Group has clear policies in respect of environmental care and the health and safety of its employees. The environmental policy seeks to minimise the amount of waste produced and encourages recycling wherever practicable. The health and safety policy seeks to ensure the Group provides a safe working environment for all staff and visitors to our sites.

Disclosure of information to auditors
At the date of making this report each of the Company's Directors, as set out on page 8, confirm the following :

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

Going concern
The Group's accounts have been prepared on the basis that the Group will continue to be a going concern for the foreseeable future. In forming this opinion, the Directors have reviewed the Group's budget for 2008 and outline projections for the subsequent year, including capital expenditure and cash flow forecasts. The Directors have satisfied themselves that the Group is in a sound financial position and sufficient borrowing facilities will be available to meet the Group's foreseeable cash requirements.

Re-appointment of auditors
RSM Robson Rhodes LLP ("Robson Rhodes") merged its audit practice with that of Grant Thornton UK LLP ("Grant Thornton") with effect from 2 July 2007, with the successor firm being Grant Thornton. Robson Rhodes resigned as auditors on 18 July 2007 creating a casual vacancy which the directors have filled by appointing Grant Thornton. A resolution to reappoint Grant Thornton as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting
The Annual General Meeting will be held at 11.00am on 5 June 2008 at the Group's registered office at Cobb House, 2-4 Oyster Lane, Byfleet, Surrey, KT14 7HQ.

By Order of the Board

BW Fielder
Company Secretary

8 May 2008

Directors' Remuneration Report

Remuneration Committee
The Remuneration Committee was established on Admission to AIM on 7 November 2005. It now comprises three Non Executive Directors, Keith Willis (Chairman), Colin Cooke and Barry Fielder. The Chief Executive Officer will normally be invited to attend meetings to discuss the performance of other Executive Directors but shall not be involved in any of the decisions ultimately made.

The terms of reference for the Committee are to determine on behalf of the Board the Company's policy on executive remuneration and to consider and approve the individual salaries and other terms of the remuneration package for the Executive Directors. In addition, it will oversee and review all aspects of the share option schemes including the selection of eligible Directors and other employees and the terms of any options granted.

Remuneration policy
The policy of the Group on Directors' remuneration is to provide competitive market-based packages which reward Group and individual performance and align the interests of Directors and Shareholders. Remuneration packages may comprise a basic salary, annual performance bonus, pension and other benefits and, where appropriate, participation in a share incentive plan.

Executive Directors
Basic salary
The base salaries of Executive Directors are reviewed annually by the Committee. When appropriate the Committee will commission surveys for the purpose of monitoring overall remuneration levels against other peer group companies in relevant business sectors. No such survey has been commissioned to date.

The Executive Directors are entitled to receive an allowance in respect of a motor vehicle and be reimbursed for all petrol costs incurred for business use. In addition the Executive Directors are entitled to receive the benefit of private health care and life assurance cover.

Performance related bonus
The Executive Directors' bonus scheme is based on pre-determined financial targets and strategic objectives established at the beginning of the year. The financial targets are based on profit before taxation. The Committee set this target and the level of the award. Under this bonus scheme an amount equal to 100% of salary can be paid to the Executive Directors. No bonuses were paid in respect of 2007 (2006 : £Nil).

Service contracts
The Executive Directors each have ongoing service contracts. Craig Slater has a contract with the Company dated 1 October 2007 and is subject to a one year rolling notice period. Martin Varley has a contract with the Company dated 21 October 2005 and is subject to a one year rolling notice period. Tim Sykes, who is not a statutory Director, has a contract for services with his Company, Penta Financial Direction Limited, dated 14 December 2007 with a termination date of 30 April 2008. This contract is in the process of being replaced with a service contract.

Total remuneration
The remuneration of each of the directors of the Company for the year ended 31 December 2007 is set out below.

Total remuneration	Basic salary £000	Fees paid to 3rd parties for services £000	Pension £000	Benefits in kind £000	Compensation for loss of office £000	**Total 2007 £000**	Total 2006 £000
Non-Executive Directors							
Colin Cooke	-	20	-	-	-	**20**	25
Keith Willis	15	-	-	2	-	**17**	16
Barry Fielder[1]	30	-	-	-	-	**30**	36
Executive Directors							
Craig Slater[2]	58	-	-	-	-	**58**	8
Martin Varley	165	-	-	1	-	**166**	179
Tim Sykes[3]	-	9	-	-	-	**9**	-
Barrett Bedrossian[4]	81	-	-	1	25	**107**	45
David Gray[5]	-	-	-	-	-	**-**	83
	349	29	-	4	25	**407**	392

1 – Barry Fielder was appointed on 12 December 2007. His emoluments during 2006 and upto 11 December 2007 were as an employee.

2 – Craig Slater received his remuneration during 2006 for his role as a Non-Executive Director.

3 – Tim Sykes was appointed on a temporary short term contract basis on 19 December 2007 and provides consultancy services to the Group via his company, Penta Financial Direction Limited.

4 – Barrett Bedrossian resigned on 31 December 2007.

5 – David Gray resigned on 8 June 2006 and his total emoluments include £43,000 as compensation for loss of office.

Non-Executive directors

Colin Cooke, Keith Willis and Barry Fielder each have letters of appointment. The Company and each of the Non-Executive Directors are entitled to the same notice period of six months in the case of Colin Cooke and Keith Willis and three months notice in the case of Barry Fielder. Colin Cooke receives £20,000 per annum, Keith Willis receives £15,000 per annum and Barry Fielder received £30,000 per annum. From 1 January 2008, Barry Fielder will receive £15,000 per annum. No other benefits are awarded to any Non-Executive Directors except for any incidental travel and subsistence expenses incurred whilst performing their duties, and health insurance in the case of Keith Willis

External appointments

The Committee recognises that its Directors may be invited to become executive or non-executive directors of other companies or to become involved in charitable or public service organisations. As the Committee believes that this can broaden the knowledge and experience of the Company’s Directors to the benefit of the Group, it is the Company’s policy to approve such appointments provided there is no conflict of interest and the commitment required is not excessive. The Director concerned can retain the fees relating to any such appointment.

Long Term Incentive Plan

The Committee has implemented a long-term incentive plan which is designed to reward executives, including Executive Directors, for substantial increases in shareholder value. The key features of this plan are as follows :

- Each year, starting from May 2007, the Company may make a conditional award under the plan to key executives who will be able to participate in the Incentive Award relating to that year. These executives will be notified of the performance criteria and their percentage participation at that time;
- The aggregate size of the Incentive Award for each annual plan will be 5% of the net increase in shareholder value created in excess of an agreed cost of equity, measured over the 3 years following the award;
- On completion of each 3 year measurement period, the aggregate Incentive Award for that plan will be assessed and, in turn, individual proportions will be calculated and satisfied in the form of nil-cost options.

The above plan provides a demanding and rewarding incentive that aligns executives and shareholders. From 2010, it is intended therefore that a plan will be maturing and a new one starting each year. There will therefore be no scheme maturing in 2008 and 2009 and the Committee intends to make conditional grants in this period of nil-cost options to executives as follows :

- Each executive will be notified of a total potential number of shares over which he or she may be granted nil-cost options; and,
- These will be granted in two equal tranches provided the share price reaches 60p and 75p for 30 consecutive dealing days at any time in the period from May 2007 to May 2009.

Directors’ interests in shares

The beneficial interests as defined by the Companies Act 1985 of Directors, their spouses and minor children in the ordinary shares of 0.4p each were as follows:

	31 December 2007		8 May 2008	
	Number of Shares	% of issued share capital	Number of Shares	% of issued share capital
Non-Executive Directors				
CI Cooke[1]	-	Nil%	-	Nil%
KT Willis[2]	9,800,275	25.7%	9,940,275	26.0%
BW Fielder	463,500	1.2%	463,500	1.2%
Executive Directors				
RCA Slater	20,000	0.1%	91,000	0.2%
MR Varley	9,144,225	23.9%	9,404,225	24.6%
TJ Sykes	-	Nil%	-	Nil%

1 – CI Cooke holds 40% of the share capital of a Company which owned 75,000 shares (0.2% of the issued share capital) at 31 December 2007 and 217,000 (0.6% of the issued share capital) at 8 May 2008.

2 – KT Willis’ shareholding includes the shareholdings of both his wife and the Keith Willis Discretionary Trust.

None of the Directors had any interest in the share capital of any subsidiary company.

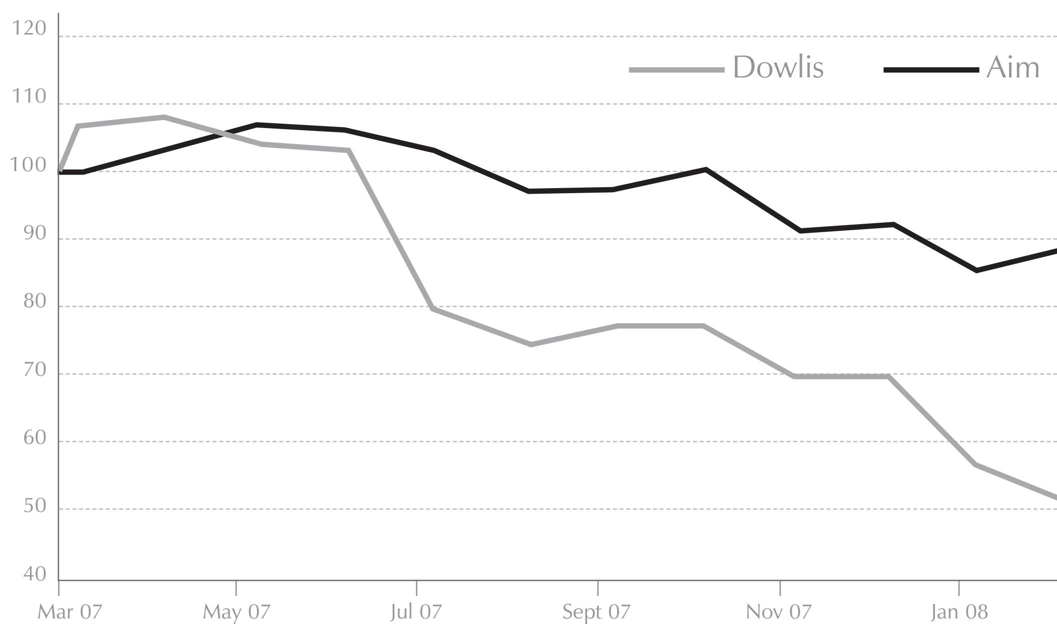
None of the Directors had any interest in share options over the share capital of the Company.

The aggregate gain made by the Directors on the exercise of share options was £Nil (2006 : £Nil).

Directors' Remuneration Report (continued)

Performance graph

The following graph shows the Company's share price (rebased) compared with the performance of the FTSE AIM (rebased) for the year to 31 December 2007. The Committee has selected this index because it is most relevant for a Company of Dowlis' size and sector.



This report was approved by the Board on 8 May 2008.

KT Willis
Chairman of the Remuneration Committee
8 May 2008

Corporate Governance Report

Code on Corporate Governance
The Group is committed to high standards of corporate governance. The Board is accountable to the Group's shareholders for good governance.

The Board fully supports the underlying principles of corporate governance contained in the Combined Code, notwithstanding that, as its shares are not listed on the Main Market of the London Stock Exchange, it is not required to comply with such recommendations. It has sought to comply with the provisions of the Combined Code, insofar as is practicable and appropriate for a public company of its size and nature, and recognises its overall responsibility for the Company's systems of internal control and for monitoring their effectiveness. Set out below is a statement of how the Group has sought to apply the main principles of the Combined Code.

Board of Directors
The Board, which is headed by the Chairman who is non-executive, comprises two other non-executive and three executive members as at 31 December 2007. The Board met regularly throughout the year with ad hoc meetings being held also. The role of the Board is to provide leadership of the Company and to set strategic aims but within a framework of prudent and effective controls which enable risk to be managed. The Board has agreed the Schedule of Matters reserved for its decision which includes ensuring that the necessary financial and human resources are in place to meet its obligations to its shareholders and others. It also approves acquisitions and disposals of businesses, major capital expenditure, the annual financial budgets and recommends interim and final dividends. It receives recommendations from the Audit Committee in relation to the appointment of auditors, their remuneration and the policy relating to non-audit services. The Board agrees the framework for executive directors' remuneration with the Remuneration Committee and determines fees paid to non-executive directors. Board papers are circulated before Board meetings in sufficient time to be meaningful.

The division of responsibilities between the Chairman and the Chief Executive Officer is clearly defined. The Chairman's primary responsibility is ensuring the effectiveness of the Board and setting its agenda. The Chairman has no involvement in the day-to-day business of the Group. The Chief Executive Officer has direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group.

The performance of the Board is evaluated on an ongoing basis with reference to all aspects of its operation including, but not limited to: the appropriateness of its skill level; the way its meetings are conducted and administered (including the content of those meetings); the effectiveness of the various Committees; whether Corporate Governance issues are handled in a satisfactory manner; and, whether there is a clear strategy and objectives.

A new director, on appointment, is briefed on the activities of the Company. Professional induction training is also given as appropriate. The Chairman briefs non-executive directors on issues arising at Board meetings if required and non-executive directors have access to the Chairman at any time. Ongoing training is provided as needed. Directors are continually updated on the Group's business and on issues covering insurance, pensions, social, ethical, environmental and health and safety by means of Board presentations.

In the furtherance of his duties or in relation to acts carried out by the Board or the Company, each director has been informed that he is entitled to seek independent professional advice at the expense of the Company. The Company maintains appropriate cover under a Directors and Officers insurance policy if legal action is taken against any director.

The non-executive directors are considered by the Board to be free to exercise independence of judgement. They do not participate in any of the Company's pension schemes or bonus arrangements. They receive no other remuneration from the Company other than their fees.

It is recognised that the Combined Code does not treat the Chairman as independent after appointment and it is considered best practice that he should not sit on the Audit or Remuneration Committees. However the Board takes the view that as the number of non-executive directors is only three, including the Chairman, and as the Chairman does not chair either of those Committees, his participation will continue as the Committees gain the benefit of his external expertise and experience in areas which the Company considers important.

The table overleaf shows the number of Board, Audit Committee and Remuneration Committee meetings held during the year from the date of the approval of the last set of financial statements to the date of approval of these financial statements and the attendance of each director.

The Audit Committee
The Audit Committee ("the Committee") is established by and is responsible to the Board. It has written terms of reference. Its main responsibilities are:

- to monitor and be satisfied with the truth and fairness of the Company's financial statements before submission to the Board for approval, ensuring their compliance with the appropriate accounting standards and the law;
- to monitor and review the effectiveness of the Company's system of internal control;
- to make recommendations to the Board in relation to the appointment of the external auditors and their remuneration, following appointment by the shareholders in general meeting, and to review and be satisfied with the auditors' independence, objectivity and effectiveness on an ongoing basis; and
- to implement the policy relating to any non-audit services performed by the external auditors.

Barry Fielder replaced Craig Slater as Audit Committee Chairman at the time that the latter became Chief Executive Officer. Colin Cooke and Keith Willis, the other two non-executive directors, remain as members of the Committee.

The Committee is authorised by the Board to seek and obtain any information it requires from any officer or employee of the Company and to obtain external legal or other independent professional advice as is deemed necessary by it.

Meetings of the Committee are held normally two times a year (usually September and March) to coincide with the review of the scope of the external audit and observations arising from their work in relation to internal control and to review the financial statements. The external auditors meet with the Audit Committee without management being present at least once a year. At its meeting in March, it carries out a full review of the year end financial statements and of the audit, using as a basis the Report to the Audit Committee prepared by the external auditors and taking into account any significant accounting policies, any changes to them and any significant estimates or judgments. Questions are asked of management of any significant or unusual transactions where the accounting treatment could be open to different interpretations.

The Committee receives reports from management on any shortfall in the system of internal controls as and when such matters are identified. It also receives from the external auditors a report of matters arising during the course of the audit which the auditors deem to be of significance for the Committee's attention. The statement on internal controls and the management of risk, which is included in the annual report, is approved by the Committee.

The 1998 Public Interest Disclosure Act ("the Act") aims to promote greater openness in the workplace and ensures "whistle blowers" are protected. The Company maintains a policy in accordance with the Act which allows employees to raise concerns on a confidential basis if they have reasonable grounds in believing that there is serious malpractice within the Company. The policy is designed to deal with concerns, which must be raised without malice and in good faith, in relation to specific issues which are in the public interest and which fall outside the scope of other Company policies and procedures. There is a specific complaints procedure laid down and action will be taken in those cases where the complaint is shown to be justified. The individual making the disclosure will be informed of what action is to be taken and a formal written record will be kept of each stage of the procedure.

The external auditors are required to give the Committee information about policies and processes for maintaining their independence and compliance regarding the rotation of audit partners and staff. The Committee considers all relationships between the external auditors and the Company to ensure that they do not compromise the auditors' judgement or independence particularly with the provision of non-audit services.

The Remuneration Committee

The Committee, which is chaired by Keith Willis, comprises two non-executive directors, one of whom is independent. It has written terms of reference and is responsible for advising the Board on the terms of service, including remuneration, of the executive Directors and invites participation in the Company's long term incentive schemes. Further details are given in the Directors' Remuneration Report.

Communication with investors

The executive Directors are the Company's principal spokesmen with investors, fund managers, the press and other interested parties and the Company undertakes a formal programme of institutional presentations on the announcement of its full year and interim results. Investors will be encouraged to participate at the forthcoming Annual General Meeting, and all the Directors, including the Chairmen of the Audit and Remuneration Committees will be available to answer questions.

Internal controls

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group highlights potential financial and non-financial risks which may impact on the business as part of the monthly management

	Board meetings		Committee meetings			
			Audit		Remuneration	
	Possible	Attended	Possible	Attended	Possible	Attended
Non-Executive Directors						
CI Cooke	10	10	1	1	3	3
KT Willis	10	8	1	1	3	3
BW Fielder	10	9	1	1	3	3
Executive Directors						
RCA Slater	10	10	-	-	-	-
MR Varley	10	9	-	-	-	-
TJ Sykes	4	4	-	-	-	-

reporting procedures. The Board receives these monthly management reports and monitors the position at Board meetings.

The Board confirms that there are ongoing processes for identifying, evaluating and mitigating the significant risks faced by the Group and that these processes are consistent with the guidance for directors on internal control issued by the Turnbull Committee.

The Group's internal financial control and monitoring procedures include:

- clear responsibility on the part of line and financial management for the maintenance of good financial controls and the production of accurate and timely financial management information;
- the control of key financial risks through appropriate authorisation levels and segregation of accounting duties;
- detailed monthly budgeting and reporting of trading results, balance sheets and cash flows, with regular review by management of variances from budget;
- reporting on any non-compliance with internal financial controls and procedures; and
- review of reports issued by the external auditors.

The Company does not have an Internal Audit function as the Board presently considers that the size and nature of the business does not require it.

The Audit Committee on behalf of the Board reviews reports from the external auditors together with management's response regarding proposed actions.

In this manner the Board have reviewed the effectiveness of the system of internal controls for the period covered by the accounts. The Board considers that this system of internal controls has been in place throughout the year.

BW Fielder
Chairman of the Audit Commitee
8 May 2008

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and the performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company.

In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures 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 and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

Independent Auditors' Report to the Members of Dowlis Corporate Solutions plc

We have audited the Group and parent company financial statements (the "financial statements") of Dowlis Corporate Solutions plc for the year ended 31 December 2007 which comprise the principal accounting policies, the Consolidated Group Income Statement, the Consolidated Group and parent Company Balance Sheets, the Consolidated Group Cash Flow Statement, the Consolidated Group Statement of Recognised Income and Expense and Notes 1 to 40. 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 auditor's 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 United Kingdom law and International Financial Reporting Standards ('IFRSs') as adopted by the EU, and for preparing the parent Company financial statements in accordance with applicable United Kingdom law and Accounting Standards ('UK Generally Accepted Accounting Practice') are set out in the Statement of Directors' Responsibilities on page 14.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and 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 the Operating and Financial Review that is cross referred from the Business Review section of the Directors' Report.

In addition we also 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 the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, the Operating and Financial Review, the Directors' Report, the Directors' Remuneration Report and the Corporate Governance Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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 EU, of the state of the Group's affairs as at 31 December 2007 and of the Group's 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 UK 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.

Grant Thornton UK LLP
Chartered Accountants
Registered Auditor
London

8 May 2008

Consolidated Income Statement

for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Revenue			
- continuing		**19,684**	18,858
Cost of sales		**(12,419)**	(11,712)
Gross profit		**7,265**	7,146
Administrative costs		**(7,356)**	(7,333)
Operating profit before software development expenditure, amortisation of intangible customer related assets, non-recurring administrative expenses and share based payment charges		**618**	1,332
Software development expenditure		**(159)**	(229)
Amortisation of intangible customer related assets	13	**(84)**	(80)
Non-recurring administrative expenses	4	**(429)**	(1,210)
Share based payment charges	6	**(37)**	-
Operating loss	7	**(91)**	(187)
Finance income	8	**2**	26
Finance expenses	9	**(55)**	(16)
Loss before taxation		**(144)**	(177)
Taxation	10	**31**	54
Loss attributable to the equity shareholders of the Company		**(113)**	(123)
Loss per ordinary share attributable to the equity shareholders of the Company			
- Basic and diluted	11	**(0.3p)**	(0.3p)

Statement of Changes in Equity

	Share capital **£000**	**Share premium** **£000**	**Retained earnings** **£000**
At 1 January 2006	150	4,966	380
Shares issued in the period	3	327	-
Result and total recognised income and expense for the period	-	-	(123)
At 31 December 2006	153	5,293	257
Result and total recognised income and expense for the period	-	-	(113)
Share based payment charges	-	-	37
At 31 December 2007	153	5,293	181

Consolidated Balance Sheet

as at 31 December 2007

	Notes	2007 £000	2006 £000
Non-current assets			
Property, plant & equipment	12	**942**	926
Customer related intangible assets	13	**119**	203
Goodwill	13	**2,296**	2,296
		3,357	3,425
Current assets			
Inventories	14	**1,800**	1,684
Trade and other receivables	15	**5,239**	5,215
Current taxes		**290**	366
Cash and cash equivalents	16	**652**	-
		7,981	7,265
Total assets		**11,338**	10,690
Current liabilities			
Bank overdrafts	16	**-**	(179)
Trade and other payables	17	**(5,018)**	(4,140)
Current taxes		**(431)**	(346)
		(5,449)	(4,665)
Non-current liabilities			
Trade and other payables	17	**(20)**	(35)
Deferred consideration	3	**(147)**	(147)
Deferred tax liabilities	18	**(95)**	(140)
		(262)	(322)
Total liabilities		**(5,711)**	(4,987)
Net assets		**5,627**	5,703
Equity attributable to equity holders of the Company			
Called up share capital	19	**153**	153
Share premium account	20	**5,293**	5,293
Retained earnings	20	**181**	257
Total equity		**5,627**	5,703

The financial statements on pages 16 to 44 were approved by the Board of Directors on 8 May 2008 and signed on its behalf by:

Craig Slater
Chief Executive Officer

Martin Varley
Director

Consolidated Cash Flow Statement

for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Operating activities			
Loss for the period		**(113)**	(123)
Impairment of goodwill		**104**	495
Amortisation of intangible assets		**84**	80
Depreciation		**241**	242
Loss on sale of property, plant and equipment		**-**	148
Net finance expense / (income)		**53**	(10)
Income tax charge / (credit)		**(31)**	(54)
Share based payment charges		**37**	-
Operating cash inflow before changes in working capital		**375**	778
Movement in inventories		**(116)**	(395)
Movement in trade and other receivables		**(24)**	129
Movement in trade and other payables		**833**	(740)
Operating cash inflow from operations		**1,068**	(228)
Interest received		**2**	26
Interest paid		**(55)**	(16)
Income tax received / (paid)		**229**	(131)
Net cash flow from operating activities		**1,244**	(349)
Investing activities			
Purchase of plant and equipment		**(257)**	(472)
Acquisition of subsidiaries	3	**(134)**	(1,206)
Net cash flow from investing activities		**(391)**	(1,678)
Financing activities			
Proceeds from issue of shares		**-**	330
Repayment of hire purchase contracts		**(22)**	(19)
Net cash flow from financing activities		**(22)**	311
Net increase / (decrease) in cash and cash equivalents		**831**	(1,716)
Cash and cash equivalents at the beginning of the year		**(179)**	1,537
Cash and cash equivalents at the end of the year		**652**	(179)

Notes to the Consolidated Financial Statements

1 Accounting policies

Significant accounting policies

Dowlis Corporate Solutions plc (the 'Company') is a company incorporated in the United Kingdom. The consolidated financial statements of the Company for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the "Group").

The following paragraphs summarise the significant accounting policies of the Group, which have been applied consistently in dealing with items which are considered material in relation to the Group's consolidated financial statements and to all the years presented, unless otherwise stated.

Basis of preparation

The Group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU and applicable law. The Company has elected to prepare its parent company financial statements in accordance with UK accounting standards and applicable law ('UK GAAP'). These parent Company financial statements appear after the notes to the consolidated financial statements.

The financial statements have been prepared under the historical cost convention.

These results represent the first annual financial statements the Group has prepared in accordance with its accounting policies under IFRSs and the comparatives for 2006 have been restated from UK GAAP to comply with IFRSs. An explanation of how the transition to IFRSs has affected the reported financial position and financial performance of the Group is provided in Note 27. This note includes reconciliations of equity and profit for comparative periods reported under UK GAAP to those reported for those periods under IFRSs.

The IFRSs accounting policies have been applied consistently to all periods presented in these consolidated financial statements from the date of transition on 1 January 2006. They also have been applied in preparing an opening IFRSs balance sheet at 1 January 2006 for the purposes of the transition to IFRSs, as required by IFRS1 'First time adoption of IFRSs'. The impact of the transition from UK GAAP to IFRSs is explained in Note 27. The accounting policies set out below have been applied consistently throughout the Group for the purposes of these consolidated financial statements. The Group has taken the business combinations exemption, which allows that IFRS3 not be applied to business combinations that took place prior to 1 January 2006, the date of transition to IFRS.

The Consolidated Financial Statements are presented in sterling, rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of IFRSs that have a significant effect on the Group financial statements and estimates with a significant risk of material adjustment in the next year are discussed within this Note 1.

The following principal accounting policies have been applied consistently to all periods presented in these Group financial statements.

1 Accounting policies (continued)

The following Standards and Interpretations have been issued, but are not yet effective and have not been adopted early by the Group :

	Title	Latest effective date – reporting periods starting on or later than	Date of EU endorsement
IFRS 3	Business Combinations (Revised 2008)	1 July 2009	-
IAS 27	Consolidated and Separate Financial Statements	1 July 2009	-
IFRS 2	Amendment to IFRS 2 Share Based Payment : Vesting Conditions and Cancellations	1 January 2009	-
IAS 1	Presentation of Financial Statements	1 January 2009	-
IAS 23	Revision to IAS 23 Borrowing Costs	1 January 2009	-
IAS 32	Amendment to IAS 32 Financial Instruments : Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations arising on Liquidation	1 January 2009	-
IFRS 8	Operating Segments	1 January 2009	21 November 2007
IFRIC 12	Service Concession Arrangements	1 January 2008	-
IFRIC 13	Customer Loyalty Programmes	1 July 2008	-
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008	-
IFRIC 11	IFRS 2 Group and Treasury Share Transactions	1 March 2007	2 June 2007

IAS 1 Presentation of Financial Statements (Revised 2007) will result in changes to the presentation of the Group's financial statements as the format currently adopted for the Statement of Changes in Equity will no longer be permitted. Instead, the Group will present a Statement of Comprehensive Income combining the existing Income Statement with other income and expenses currently presented as part of the Statement of Changes in Equity. In addition, the Group will present a separate Statement of Changes in Equity showing owner changes in equity. The Group does not consider that the other Standards and Interpretations referred to above will have a material impact on the financial statements of the Group.

Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

All intra-group balances and transactions, including unrealised profits arising from intra-group transactions, are eliminated fully on consolidation.

Financial liabilities

The Group has granted certain conditional commitments (put options) to shareholders of its fully consolidated subsidiary, Industry Software Limited, to purchase their minority interests. These are in the form of conditional put options based on performance parameters over the next 5 to 10 years. The present value of the estimated purchase consideration has been recognised in the balance sheet as a long term liability contingent on the profitability of Industry Software Limited over the period of the put option. This has been offset against minority interests with the balance through goodwill. Subsequent changes in the value of the commitment will be recognised by an adjustment to goodwill, with the exception of the unwinding of the discount recognised in other financial charges and income.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are recognised in the income statement.

Property, plant and equipment

Property, plant and equipment are held at cost less accumulated depreciation and impairment charges.

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value, which is based on up to date prices, of property, plant and equipment over their estimated useful lives as follows:

Leasehold improvements	– Over remaining life of lease
Plant and machinery	– 5 to 10 years
Fixtures and fittings	– 3 to 10 years
Motor vehicles	– 4 years

Intangible assets – Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Acquired intangible assets – Business combinations

Intangible assets that are acquired as a result of a business combination and that can be separately measured at fair value on a reliable basis are separately recognised on acquisition at their fair value. Amortisation is charged on a straight-line basis to the income statement over their expected useful economic lives as follows :

Customer relationships	– 3 years
Unfulfilled sales orders	– 1 month

Assets that are subject to amortisation are tested for impairment when events or a change in circumstances indicate that the carrying amount may not be recoverable.

Impairment

The carrying amount of the Group's non-financial assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement.

An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value in use. For the purposes of assessing impairments, assets are grouped at the lowest levels for which there are identifiable cash flows.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets of the unit (group of units) on a pro-rata basis.

Inventories

Inventories are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving inventory. Cost is determined using the first in, first out ("FIFO") method. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less allowance for any uncollectible amounts. Where receivables are considered to be irrecoverable an impairment charge is included in the income statement.

Classification of financial instruments issued by the Group

Following the adoption of IAS32 'Financial instruments: presentation', financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are treated as distributions and are recorded directly in equity.

Financial assets

The Group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired:

Loans and receivables: These assets are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (trade receivables). They are carried at fair value on initial recognition less provision for impairment. Cash and cash equivalents comprise cash in hand, deposits held at call with banks and bank overdrafts.

Financial liabilities

Financial liabilities are comprised of trade payables and other short-term monetary liabilities, which are recognised at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

Revenue recognition

Revenue represents the amounts receivable, excluding sales related taxes, for goods and services supplied during the period to external customers shown net of VAT, returns, rebates and discounts.

Revenue is recognised when the buyer takes title, provided that it is probable that the delivery will be made; the item is on hand, identified and ready for delivery to the buyer at the time the sale is recognised; the buyer specifically acknowledges the deferred delivery instructions; and the usual payment terms apply.

Income in respect of software product licences and associated maintenance and support services are recognised evenly over the period to which they relate. Services revenues are recognised when the service is performed.

Operating segments

The origin and destination of substantially all revenue arises in the UK but the Group is organised into two main business segments:

- sale of promotional products, business gifts and related marketing services ("Promotional marketing"); and,

- provision of information and exhibitions to the wider industry ("Information & Exhibitions").

The selection of these operating segments follows the principles of IFRS 8 'Operating segments'.

Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, the Group can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;

- its intention to complete the intangible asset and use or sell it;

- its ability to use or sell the intangible asset;

- how the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally generated intangible assets are amortised over their useful economic life. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

During the year, the Directors recognised that development expenditure that had previously been capitalised as an intangible asset at 31 December 2006 did not actually fulfil the strict criteria referred to above. The consolidated income statement for the year ended 31 December 2006, the consolidated balance sheet at 31 December 2006 and the consolidated cash flow statement for the year ended 31 December 2006 and the associated notes to the financial statements have been restated to recognise this error.

Leases

Leases where the lessor retains substantially all of the risks and rewards of ownership are classified as operating leases. Rentals payable under operating lease rentals are charged to the income statement on a straight line basis over the term of the lease.

Leases where the Company retains substantially all of the risks and rewards of ownership are classified as finance leases or hire purchase contracts. Assets held under finance leases or hire purchase contracts are capitalised and depreciated over their useful economic lives. The capital element of the future obligations under finance leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged to the income statement over the periods of the finance leases and hire purchase contracts and represent a constant proportion of the balance of capital outstanding.

Non-recurring items

Non-recurring items are material items in the income statement which derive from events or transactions which fall within the ordinary activities of the Group and which individually or, if of a similar type, in aggregate the Group has highlighted as needing to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view.

Post retirement benefits

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the income statement represents the contributions payable to the scheme in respect of the accounting period.

Share based payments

The fair value of awards to employees that take the form of shares or rights to shares is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the tax currently payable based on taxable profit for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in previous years.

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 (such as the revaluation of land) in which case the related deferred tax is also charged or credited directly to equity.

Key judgements and estimates

The Directors consider that the key judgements and sources of estimation made in preparation of the financial statements are:

Intangible fixed assets (other than goodwill)

Unsatisfied purchase orders – at the time of each of the business combinations of Distinctive Ideas Limited and Ross Promotional Products Limited, the acquired subsidiaries each had unsatisfied sales orders. The Directors consider that these unsatisfied sales orders were of value to the Group at the date of acquisition, and hence were an intangible asset. The orders were valued at £26,000 for both of the acquisitions in total and this value was reflected within customer related intangibles at the date of each business combination. The orders were all satisfied during the year ended 31 December 2006, and the value of the intangible asset was amortised during that period.

Customer relationships – at the time of each of the business combinations of Distinctive Ideas Limited, Ross Promotional Products Limited and Envoy Catalogue, the acquired businesses each had a portfolio of customers and there is evidence that these customers continued and still do continue to repeat purchase. The Directors consider that these customers were of value to the Group at the date of acquisition, and hence were an intangible asset. The value of those customer relationships has been estimated at £257,000 for all of the acquisitions together and further, that the average length of a customer relationship is three years. As such, £257,000 was reflected within customer related intangible assets at the date of each acquisition and is being amortised over a three year period from the date of each acquisition. Further, this type of customer related intangible asset has an associated deferred tax liability which is being released to the income statement over the same three year period.

Minority interests

On 3 July 2006, the Group acquired 80% of the issued share capital of Industry Software Limited. The Group carries a liability of £147,000 in respect of deferred consideration for the remaining 20% of the issued share capital. This is based on the value of a conditional put option to purchase the shares held by the minority shareholders in Industry Software Limited. The put option is exercisable between the end of 2011 and the end of 2016 and is subject to a maximum deferred consideration of £10m.

2 Segmental information

The segmental results, primarily all of which relates to operations in the UK are as follows :

	2007	2006
	£000	£000
Turnover		
Promotional marketing	**18,431**	18,751
Information & Exhibitions	**2,318**	887
Inter-group trading	**(1,065)**	(780)
	19,684	18,858
Operating profit before software development costs, amortisation of customer related intangibles , non-recurring items and share base payments		
Promotional marketing	**1,195**	1,839
Information & Exhibitions	**173**	205
Central operations	**(750)**	(712)
	618	1,332
Operating loss		
Promotional marketing	**729**	974
Information & Exhibitions	**14**	(399)
Central operations	**(834)**	(762)
	(91)	(187)
Depreciation		
Promotional marketing	**178**	180
Information & Exhibitions	**61**	62
Central operations	**2**	-
	241	242
Amortisation		
Promotional marketing	**74**	44
Information & Exhibitions	**10**	9
Central operations	**-**	-
	84	53
Impairment		
Promotional marketing	**104**	150
Information & Exhibitions	**-**	345
Central operations	**-**	-
	104	495

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, trade and other receivables and cash and cash equivalents. Segment liabilities comprise operating liabilities. Unallocated liabilities comprise items such as taxation.

Capital expenditure comprises additions to property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

The segment assets and liabilities at 31 December 2007 and capital expenditure for the year then ended are as follows :

	2007	2006
	£000	£000
Assets		
Promotional marketing	**9,464**	8,898
Information & Exhibitions	**1,546**	1,337
Central operations	**328**	455
	11,338	10,690
Liabilities		
Promotional marketing	**4,074**	4,238
Information & Exhibitions	**1,445**	730
Central operations	**192**	19
	5,711	4,987
Capital expenditure		
Promotional marketing	**191**	359
Information & Exhibitions	**42**	54
Central operations	**24**	-
	257	413

3 Acquisition of subsidiaries

Acquisition of Poyle Promotions

On 1 June 2007, the Group acquired the business assets of Poyle Promotions for a consideration of £100,000.

Analysis of fair value of acquisition

	Total
	£000
Cash	-
Intangible assets	-
Property, plant and equipment	-
Inventories	-
Trade and other receivables	-
Trade and other payables	-
Net identified assets and liabilities	-
Goodwill on acquisition	104
	104

Satisfied by :	
Acquisition expenses	4
Cash payments	100
	104

The profit effect of this acquisition was immaterial to the results of the Group.

Acquisition of Envoy Catalogue

On 16 January 2006, the Group acquired the business of Envoy Catalogue for a maximum consideration of £206,000 which included £30,000 deferred consideration payable during April 2007 subject to the achievement of certain performance criteria. The cost of investment has been capitalised on the balance sheet as goodwill.

Acquisition of Ross Promotional Products Limited

On 27 February 2006, the Group acquired Ross Promotional Products Limited for a consideration of £854,000.

Acquisition of Industry Software Limited (formerly Customer Focus Software Limited)

On 3 July 2006, the Group acquired 80% of the issued share capital of Industry Software Limited (formerly Customer Focus Software Limited) for an initial consideration of £171,000. Also included in the balance sheet is additional consideration of £147,000 being the present value of deferred consideration. This is based on the value of a conditional put option to purchase the shares held by the minority shareholders in Industry Software Limited. The put option is exercisable between the end of 2011 and the end of 2016 and is subject to a maximum deferred consideration of £10m. During the year, the Directors have reassessed the fair value of the tangible assets acquired and have reduced that by £68,000 to recognise that the capitalised development cost acquired was not justifiable.

Acquisition of Distinctive Ideas Limited

On 3 October 2006, the Group acquired Distinctive Ideas Limited for a consideration of £360,000.

Analysis of fair value of acquisitions

	Envoy Catalogue £000	Ross Promotional £000	Industry Software £000	Distinctive Ideas £000	Total £000
Cash	-	195	2	156	353
Intangible assets	-	60	68	-	128
Property, plant and equipment	-	-	-	13	13
Inventories	-	23	-	21	44
Trade and other receivables	-	383	94	67	544
Trade and other payables	-	(363)	(132)	(55)	(550)
Net identified assets and liabilities	-	298	32	202	532
Purchased goodwill[1]	-	(60)	-	-	(60)
Development expenditure[2]	-	-	(68)	-	(68)
Customer related intangibles[3]	22	128	-	63	213
Goodwill on acquisition	184	488	354	95	1,121
	206	854	318	360	1,738
Satisfied by :					
Acquisition expenses	6	29	11	13	59
Fair value of Ordinary shares issued	70	100	160	-	330
Cash payments	100	725	-	347	1,172
Deferred consideration	30	-	147	-	177
	206	854	318	360	1,738

1 The fair value adjustment relates to the value of goodwill acquired within Ross Promotional's balance sheet which was assessed to be £Nil. The carrying value in the acquired balance sheet was £60,000.

2 The fair value adjustment relates to the value of development expenditure within Industry Software's balance sheet which was assessed during 2007 as £Nil. The carrying value in the acquired balance sheet was £68,000.

3 The fair value adjustment relates to the implementation of International Financial Reporting Standards and the recognition of customer related intangible assets less the associated deferred tax liability (see Note 27).

Pre-acquisition carrying amounts were determined based on applicable IFRSs, immediately prior to the acquisition.

The goodwill recognised on the acquisition is attributable mainly to the synergistic benefits achievable as a result of the acquired businesses being within the Group, principally through operating cost savings and also the skills and technical talent of the workforce of the acquired business.

4 Non-recurring administrative expenses

	Note	**2007 £000**	2006 £000
Inventory impairment on specific product range	a	**96**	-
Termination payments	b	**142**	-
Provision for prior period rates	c	**42**	-
Aborted deal costs	d	**45**	-
Impairment of goodwill	e	**104**	495
Re-organisation costs	f	**-**	715
		429	1,210

a. Provision has been made for the impairment of an entire product line to its recoverable value during the year.

b. The Group has incurred termination payments to certain of its key employees during the year.

c. The Group has received notification regarding an assessment to business rates that had been undercharged for a period prior to the current or previous financial year. The amount of the assessment has been provided for in full during the year.

d. The Group has incurred costs related to aborted acquisitions during the year.

e. The Group has taken an impairment charge against the goodwill acquired on Poyle Promotions (2006 : Industry Software Limited and Aviation Gifts).

f. During 2006, the Group undertook a re-structuring exercise which resulted in the re-organisation of the Group into separately identifiable business units. The total cost of £715,000 included employment and termination costs of £550,000 and a fixed asset impairment charge of £160,000.

5 Employees

	2007 £000	2006 £000
Staff costs :		
- Wages and salaries	**3,584**	3,258
- Social security costs	**367**	354
- Other pension costs	**107**	125
- Share based payments	**37**	-
	4,095	3,737

	2007	2006
Average number of employees (including directors) during the year		
- Promotional Marketing	107	99
- Information & Exhibitions	35	36
	142	135

The compensation of key management personnel is detailed within the Directors' Remuneration Report on pages 8 to 10.

6 Share based payments

The Group operates an Inland Revenue approved executive incentive plan (EMI scheme) and a Long Term Incentive plan (LTIP). Details of the scheme rules including performance conditions and earliest exercise date for the EMI scheme and the LTIP are set out on page 9.

Options granted under the EMI scheme are set out below.

Grant date	Employees entitled	Number of options	Exercise price (p)	Expiry date
26 July 2007	12	740,000	0.4	25 July 2017

The number and weighted average exercise price of share options are as follows:

	Weighted average exercise price 2007 (p)	Number of options 2007 (number)	Weighted average exercise price 2006 (p)	Number of options 2006 (number)
Outstanding at start of year	-	-	36.0	1,069,443
Granted during the year	0.4	880,000	-	-
Lapsed during the year	0.4	(140,000)	36.0	(374,999)
Forfeited during the year	-	-	36.0	(694,444)
Exercised during the year	-	-	-	-
Outstanding at end of the year	0.4	740,000	-	-
Exercisable at end of the year	0.4	-	-	-

Fair value assumptions of share based payments

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted and those to be granted as a result of the LTIP. The estimate of fair value is measured using the Black Scholes model. Details of the fair value of share options granted in the period and the assumptions used in determining the fair value are summarised below (based on the weighted average of grants in the year).

Granted in the year to 31 December 2007:

	EMI scheme
Fair value at measurement date (pence)	34.5p
Share price at grant date (pence)	34.9p
Exercise price (pence)	0.4p
Expected volatility (%)	40.7%
Average option life (year)	10
Expected dividend (%)	-
Risk free interest rate (%)	4.8%

The expected volatility is based on the historic volatility of the Company's share price.

Granted in the year to 31 December 2006:

No options granted.

Charge to the income statement

The charge to the income statement comprises:

	2007	2006
	£000	£000
Share based payment charges	**37**	-

7 Operating loss

	2007	2006
	£000	£000
Operating loss is stated after charging / (crediting) :		
Depreciation of owned property, plant and equipment	**219**	220
Depreciation of property, plant and equipment held under hire purchase contracts	**22**	22
Research and development expenditure expensed as incurred	**159**	229
Operating lease rentals :		
- Land and buildings	**285**	327
- Other	**43**	84
Rentals receivable under operating leases :		
- Land and buildings	**(14)**	(14)
Loss on disposal of property, plant and equipment	**-**	148
(Profit)/loss on currency translation	**(11)**	11

	2007	2006
	£000	£000
Auditors' remuneration:		
Audit of these financial statements	**14**	10
Amounts receivable by auditors and their associates in respect of:		
- Audit of financial statements of subsidiaries pursuant to legislation	**33**	32
- Other services relating to taxation	**35**	15

The Other services relating to taxation include an amount of £20,000 in respect of Group restructuring advice.

8 Finance income

	2007	2006
	£000	£000
Bank interest receivable	2	26

9 Finance expenses

	2007	2006
	£000	£000
Bank interest expense	53	14
Interest expense on hire purchase contracts	2	2
	55	16

10 Taxation

Recognised in the income statement

	2007	2006
	£000	£000
Current tax expense		
Current year	9	207
Corporation tax refund	-	(249)
Deferred tax origination and reversal of timing differences	(40)	(12)
Total tax in income statement	(31)	(54)

The corporation tax refund of £249,000 was received on 10 January 2007. This credit arose as a result of the forfeiture by Martin Varley of options granted to him at the time of the flotation. This amount was included as a corporation tax debtor as at 31 December 2006.

Reconciliation of effective tax rate

	2007	2006
	£000	£000
Loss before tax for the period	(144)	(177)
Tax using the UK corporation tax rate of 30% (2006 : 30%)	(43)	(53)
Goodwill amortisation	-	131
Intangibles amortisation	25	24
Depreciation in excess of capital allowances	2	22
Prior year adjustment in respect of development expenditure	-	56
Non-deductible expenses	7	5
Share based payment charges	11	-
Timing differences	(40)	(12)
Adjustment in respect of previous years	7	22
Corporation tax refund	-	(249)
Total tax (credit) / expense	(31)	(54)

11 Basic and diluted earnings per ordinary share

The calculation of earnings per ordinary share is based on the profit or loss for the period after taxation and the weighted average number of equity voting shares in issue as follows.

	2007	2006
Earnings (£000)	(113)	(123)
Weighted average number of shares (number '000)	38,203	37,980
Basic and diluted loss per ordinary share (pence)	(0.3p)	(0.3p)

12 Property, plant and equipment

	Leasehold improvements £000	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost					
At 1 January 2006	114	394	435	14	**957**
Acquisition through business combinations	-	-	60	24	**84**
Additions	1	161	251	-	**413**
Disposals	-	-	(159)	(2)	**(161)**
At 31 December 2006	115	555	587	36	**1,293**
Additions	51	46	132	28	**257**
Disposals	-	-	-	-	**-**
At 31 December 2007	166	601	719	64	**1,550**
Depreciation					
At 1 January 2006	4	59	72	7	**142**
Acquisition through business combinations	-	-	14	-	**14**
Charge for the year	11	143	79	9	**242**
On disposals	-	(31)	-	-	**(31)**
At 31 December 2006	15	171	165	16	**367**
Charge for the year	15	88	127	11	**241**
On disposals	-	-	-	-	**-**
At 31 December 2007	30	259	292	27	**608**
Net book value					
At 1 January 2006	110	335	363	7	**815**
At 31 December 2006	100	384	422	20	**926**
At 31 December 2007	**136**	**342**	**427**	**37**	**942**

Included in the net book value of plant and machinery is £41,000 (2006 : £63,000) relating to assets under hire purchase contracts. The depreciation charged on these assets during the year ended 31 December 2007 was £22,000 (2006 : £22,000).

13 Intangible assets

	Goodwill £000	Customer related intangibles £000	Software development costs £000	Total £000
Cost				
At 1 January 2006	1,669	-	-	**1,669**
Acquisition through business combinations	1,054	283	68	**1,405**
Fair value adjustment	68	-	(68)	**-**
Additions	-	-	229	**229**
Prior year adjustment	-	-	(229)	**(229)**
At 31 December 2006 (restated)	2,791	283	-	**3,074**
Acquisition through business combinations	104	-	-	**104**
At 31 December 2007	2,895	283	-	**3,178**
Amortisation and impairment				
At 1 January 2006	-	-	-	**-**
Amortisation for the year	-	80	41	**121**
Prior year adjustments				
- Impairment	495	-	-	**495**
- Amortisation	-	-	(41)	**(41)**
At 31 December 2006 (restated)	495	80	-	**575**
Amortisation for the year	-	84	-	**84**
Impairment for the year	104	-	-	**104**
At 31 December 2007	599	164	-	**763**
Carrying amounts				
At 1 January 2006	1,669	-	-	**1,669**
At 31 December 2006	2,296	203	-	**2,499**
At 31 December 2007	**2,296**	**119**	**-**	**2,415**

Allocation to cash generating units

The goodwill and customer related intangibles can be allocated to cash generating units as follows :

	2007	2006
	£000	£000
Goodwill		
Dowlis Corporate Solutions	**1,520**	1,520
Ross Promotional Products	**488**	488
Distinctive Ideas	**94**	94
Envoy Catalogue	**194**	194
Carrying amounts as at 31 December	**2,296**	2,296

Customer related intangibles		
Ross Promotional Products	**58**	106
Distinctive Ideas	**49**	75
Envoy Catalogue	**12**	22
Carrying amounts as at 31 December	**119**	203

The carrying amounts for the cash generating units given above were determined based on value-in-use calculations, covering detailed budgets and three year forecasts, followed by an extrapolation of expected cash flows at growth rates given below. The growth rates reflect the long-term growth rates for the product lines of the cash generating units.

Dowlis Corporate Solutions	**2007**	2006
	%	%
Growth rates	**3.0**	3.0
Discount rates	**7.2**	7.2
Ross Promotional Products	**2007**	2006
	%	%
Growth rates	**3.0**	3.0
Discount rates	**7.2**	7.2
Distinctive Ideas	**2007**	2006
	%	%
Growth rates	**3.0**	3.0
Discount rates	**7.2**	7.2
Envoy Catalogue	**2007**	2006
	%	%
Growth rates	**3.0**	3.0
Discount rates	**7.2**	7.2

The Directors' key assumptions relate to revenue growth assumptions. Gross and operating margins have been assumed to remain constant based on budget and past experience.

The impairment charge is recognised in the administrative expenses line item in the income statement of each of the following cash generating units:

	2007	2006
	£000	£000
Dowlis Corporate Solutions Limited	**104**	150
Industry Software Limited	**-**	345
	104	495

Following a review of the post acquisition performance of the business of Poyle Promotions, management have lowered their expectations of the future performance of the acquisition and have impaired the goodwill of £104,000 to £Nil. The impairment of the goodwill of £345,000 which arose on acquisition of Industry Software Limited and of £150,000 which arose on Aviation Gifts is detailed in Note 27.

Amortisation and impairment

Goodwill acquired in a business combination is allocated to cash-generating units and will be tested for impairment on an annual basis, or more frequently if there are indications that goodwill might be impaired, by comparing the carrying amount against the discounted cash flow projections (at current weighted average cost of capital) of the cash generating units.

Customer related intangibles arising on business combinations are amortised over their useful economic life, as well as being reviewed for impairment on an annual basis, or more frequently if there are indications that the carrying value may be impaired.

Software development costs are amortised over their useful economic life, which is the period during which the development is expected to generate revenue. The prior year adjustment relating to software development costs is set out in detail at Note 27.

A list of significant investments in subsidiaries, including name, country of incorporation and proportion of ownership interest is given in Note 33 to the Company's separate financial statements. All of these subsidiaries are included in the consolidated results.

14 Inventories

	2007	2006
	£000	£000
Finished product	**1,725**	1,547
Work in progress	**75**	137
	1,800	1,684

Inventories are stated net of an impairment expense of £156,000 which has been charged as to £96,000 within 'non-recurring administrative expenses' and as to £60,000 within 'cost of sales' in the income statement.

The cost of inventories charged to cost of sales was £12,419,000 (2006 : £11,712,000).

15 Trade and other receivables

	2007	2006
	£000	£000
Trade receivables (net of impairment of £220,000 (2006 : £10,000)	**4,944**	4,963
Other receivables	**112**	84
Prepayments and accrued income	**183**	168
	5,239	5,215

Trade and other receivables denominated in currencies other than sterling comprise £98,000 (2006 : £Nil) of trade receivables denominated in US dollars and £123,000 (2006 : £Nil) denominated in Euros. The fair values of trade and other receivables are the same as their book values.

Trade receivables that are past due are considered individually for impairment. The Group uses a monthly ageing profile as an indicator for impairment. The summarised ageing analysis of trade receivables past due but not impaired is as follows :

	2007	2006
	£000	£000
Under 30 days overdue	**1,591**	1,093
Between 30 days and 60 days overdue	**610**	510
Over 60 days overdue	**1,584**	816
	3,785	2,419

The other classes within trade and other receivables do not contain impaired assets.

16 Cash and cash equivalents

	2007	2006
	£000	£000
Cash and cash equivalents	**3,240**	1,077
Bank overdrafts	**(2,588)**	(1,256)
	652	(179)

Bank overdrafts are secured by an Inter Company Composite Guarantee with Accession by and between the Company and its subsidiaries (excluding Ross Promotional Products Limited) supported by Debentures by the Company and its subsidiaries (excluding Ross Promotional Products Limited) and a Bond and floating charge by Ross Promotional Products Limited.

Cash and cash equivalents denominated in foreign currencies other than sterling comprise £215,000 (2006 : £89,000) denominated in US dollars and £154,000 (2006 : £7,000) denominated in Euros.

17 Trade and other payables

	2007	2006
	£000	£000
Current		
Trade payables	**2,827**	2,547
Hire purchase agreements	**20**	22
Other taxes and social security	**302**	419
Other creditors	**2**	104
Accruals	**1,867**	1,048
	5,018	4,140
Non-current		
Hire purchase agreements	**20**	35

Trade and other payables denominated in currencies other than sterling comprise £281,000 (2006 : £1,000) of trade payables denominated in US dollars and £3,000 (2006 : £34,000) of trade payables denominated in Euros.

18 Deferred tax liabilities

Deferred tax liabilities are attributable to the following and are disclosed as non-current liabilities in the balance sheet:

	2007	2006
	£000	£000
Customer related intangibles	**35**	58
Accelerated capital allowances	**60**	82
	95	140

Movement in deferred tax year ended 31 December 2007

	As at 1 January 2007	Income statement	As at 31 July 2007
	£000	£000	£000
Customer related intangibles	58	(23)	35
Accelerated capital allowances	82	(22)	60
	140	(45)	95

19 Share capital

	At 31 December 2007	At 31 December 2006
	£000	£000
Authorised		
- 100,000,000 Ordinary shares of 0.4p each	**400**	400

	At 31 December 2007	At 31 December 2006
	£000	£000
Allotted, called up and fully paid		
- 38,203,480 Ordinary shares of 0.4p each (2006 : 38,203,480)	**153**	153

The Group's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to

shareholders, issue new shares, or sell assets to reduce debt. During 2007, the Group's strategy, which was unchanged from 2006 was to keep debt to a minimum. Net cash at 31 December 2007 was £625,000 (2006 : net debt £179,000).

Share option schemes

Executive share options

The Group operates an Inland Revenue approved executive incentive plan (EMI scheme) and a Long Term Incentive plan (LTIP). Details of the scheme rules including performance conditions and earliest exercise date for the EMI scheme and the LTIP are set out on page 9. Under the EMI scheme, 740,000 options in ordinary shares have been granted.

Arrangement with shareholders

In addition, an arrangement exists whereby certain employees have an option to acquire 522,500 (2006 : 522,500) shares from KT Willis at a price of 3.1p per share. These options are not performance related and are exercisable at any time between 1 September 2006 and 31 October 2013.

20 Capital and reserves

	Share capital £000	Share premium £000	Retained earnings £000
At 1 January 2006	150	4,966	380
Shares issued in the period	3	327	-
Result for the period (as previously reported)	-	-	342
Prior year restatements (See Note 27)	-	-	(683)
At 31 December 2006 (as previously reported but including the impact of prior year restatements)	153	5,293	39
Effect of International Financial Reporting Standards (see Note 27)	-	-	218
At 31 December 2006 (restated for prior year restatements and including the impact of International Financial Reporting Standards)	153	5,293	257
Result for the period	-	-	(113)
Share based payment charges	-	-	37
At 31 December 2007	153	5,293	181

21 Financial instruments disclosure

Financial instruments policy

Treasury and financial risk policies are set by the Board and have remained unchanged from the pervious period. All instruments utilised by the Group are for financing purposes. The day-to-day financial management and treasury function is controlled centrally for all operations. During the year the Group had no derivative transactions.

Financial assets and liabilities

The Group's financial instruments comprise cash and liquid resources, and various items such as trade receivables and trade payables that arise directly from its operations.

In addition, the Group also recognises as a financial instrument the put option arising as a result of the acquisition of Industry Software Limited. This is exercisable between the end of 2011 and 2016 and is subject to a maximum deferred consideration of £10m (see Note 3).

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Interest rate risk

The Group continues to manage the cash position in a manner designed to maximise interest income, while at the same time minimising any risk to these funds. Surplus cash funds are deposited with commercial banks that meet credit criteria approved by the Board, for periods between one and six months.

Currency risk

The Group is exposed to fluctuations in exchange rates as some of its future revenues will be denominated in foreign currencies, comprising US dollars and Euros. The Group seeks to remove this risk by invoicing in Sterling. Where this is not possible, the Group utilises US dollars held within its cash balances and also may hedge such transactions through foreign exchange forward contracts. The Group has not hedged such transactions through forward contracts during the year.

Interest rate and currency profile

Financial assets

	2007	2006
	£000	£000
Loans and receivables :		
Trade receivables	**4,944**	4,963
Other receivables and accrued income	**295**	252
Cash at bank	**3,240**	1,077
	8,479	6,292

The Group's banking facilities allow for the offset of the bank overdraft below against the cash at bank above. The net amount of the cash at bank and bank overdraft is put on overnight deposit. The overnight deposit rate at 31 December 2007 was 5.25%.

Financial liabilities

	2007	2006
	£000	£000
Other financial liabilities :		
Trade payables	**2,827**	2,547
Other short term liabilities	**1,869**	1,027
Bank overdraft – see above	**2,588**	1,256
Hire purchase agreements – 7.5% average rate	**40**	57
Contingent consideration – interest free	**147**	272
	7,471	5,159

Other than the contingent consideration, all of the financial assets and liabilities detailed above are recorded at their fair value with changes in those values being taken through the income statement.

The majority of financial assets and liabilities are denominated in sterling with the exception of cash at bank of £215,000 which is denominated in US dollars, and of £154,000 which is denominated in Euros; of trade receivables of £98,000 which is denominated in US dollars, and of £123,000 which is denominated in Euros; and of other financial liabilities of £281,000 which is denominated in US dollars, and of £3,000 which is denominated in Euros.

Maturity profile of financial liabilities

	2007	2006
	£000	£000
In one year or on demand	**7,304**	4,975
In one to two years	**20**	20
In two to five years	**147**	17
In more than five years	**-**	147
	7,471	5,159

The financial liabilities due for repayment within one year relate to bank overdrafts and hire purchase contracts. The financial liability due between one and two years relates to hire purchase contracts. The financial liability due in two to five years relates to the discounted estimated deferred consideration payable in respect of the acquisition of Industry Software Limited.

Fair value of financial instruments

At 31 December 2007 the difference between the book value and the fair value of the Group's financial assets and liabilities was £Nil (2006: £Nil).

Sensitivity analysis

The Group is not materially exposed to changes in interest or exchange rates as at 31 December 2007.

22 Commitments

(a) Capital commitments

There were no capital commitments existing at 31 December 2007 or 31 December 2006.

(b) Operating leases commitments

At 31 December 2007, the Group was committed to make payments in respect of non-cancellable operating leases in the following periods:

	2007		2006	
	Land and buildings	**Other**	**Land and buildings**	**Other**
	£000	**£000**	**£000**	**£000**
In respect of leases expiring:				
- In one year	**238**	**35**	238	38
- In two to five years	**490**	**71**	661	106
- In more than five years	**108**	**-**	162	-
	836	**106**	1,061	144

23 Pensions

The Group operates a defined contribution pension scheme for its employees. The pension cost charge for the year represents contributions payable by the Group to the scheme and other personal pension plans and amounted to £107,000 (2006 : £125,000).

24 Contingent liabilities

The Company has guaranteed the overdrafts of its subsidiaries, the amount outstanding at the year end was £2,588,000 (2006 : £1,256,000).

25 Accounting estimates and judgements

The Directors discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these polices and estimates. The accounting policies are set out in Note 1.

The Directors consider that the key judgements and sources of estimation made in preparation of the financial statements are:

Intangible fixed assets (other than goodwill)

Unsatisfied purchase orders – at the time of each of the business combinations of Distinctive Ideas Limited and Ross Promotional Products Limited, the acquired subsidiaries each had unsatisfied sales orders. The Directors consider that these unsatisfied sales orders were of value to the Group at the date of acquisition, and hence were an intangible asset. The orders were valued at £26,000 for both of the acquisitions in total and this value was reflected within customer related intangibles at the date of each business combination. The orders were all satisfied during the year ended 31 December 2006, and the value of the intangible asset was amortised during that period.

Customer relationships – at the time of each of the business combinations of Distinctive Ideas Limited, Ross Promotional Products Limited and Envoy Catalogue, the acquired businesses each had a portfolio of customers and there is evidence that these customers continued and still do continue to repeat purchase. The Directors consider that these customers were of value to the Group at the date of acquisition, and hence were an intangible asset. The value of those customer relationships has been estimated at £257,000 for all of the acquisitions together and further, that the average length of a customer relationship is three years. As such, £257,000 was reflected within customer related intangible assets at the date of each acquisition and is being amortised over a three year period from the date of each acquisition. Further, this type of customer related intangible asset has an associated deferred tax liability which is being released to the income statement over the same three year period.

Minority interests

On 3 July 2006, the Group acquired 80% of the issued share capital of Industry Software Limited. The Group carries a liability of £147,000 in respect of deferred consideration for the remaining 20% of the issued share capital. This is based on the value of a conditional put option to purchase the shares held by the minority shareholders in Industry Software Limited. The put option is exercisable between the end of 2011 and the end of 2016 and is subject to a maximum deferred consideration of £10m.

26 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and have therefore not been disclosed.

During the year £Nil (2006 : £34,500) was paid to Mrs Joanne Varley, the wife of Martin Varley, who was employed by Trade Only Limited within the Information & Exhibitions segment of the Group. A further £Nil (2006 : £30,000) was paid to Mrs Varley as a consultant. At 31 December 2007, £Nil was outstanding (2006 : £Nil).

During the year £7,000 (2006 : £Nil) was received from Ice London Limited, a Company controlled by Mrs Varley in respect of property rented to and in respect of services provided to Ice London Limited. At 31 December 2007, £Nil was outstanding (2006 : £Nil).

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is provided in the audited part of the Directors' Remuneration Report on pages 8 to 10. In addition, the Group recognised a share based payment charge under IFRS2 'Share based payment' of £37,000 (2006 : £Nil).

27 Explanation of transition to IFRSs

As stated in the accounting policies, these are the Group's first annual consolidated financial statements prepared in accordance with IFRSs. In preparing its opening IFRSs balance sheet and comparative information for the financial statements for the year ended 31 December 2007, the Group has adjusted amounts reported previously in financial statements prepared in accordance with UK GAAP.

The details of how the transition from UK GAAP to IFRSs has affected the Group's financial position and financial performance are set out in the tables below. The adjustments have been required to comply with the following reporting standards:

IFRS3 'Business combinations' requires goodwill to be capitalised and subjected to an annual impairment test rather than amortised by way of equal annual charges as required by UK GAAP. The standard also requires separable, identifiable, intangible assets arising on acquisition to be capitalised at fair value and amortised over their estimated useful economic lives.

IAS12 'Income taxes' requires that deferred taxation be provided in respect of the share based payment charges and acquisition related intangible assets.

Reconciliation of profit - year ended 31 December 2006

	UK GAAP	Error restatement			**UK GAAP (after restatement)**	IFRS 3 Business Combinations		**IFRS**
Note		a	b	c		d	e	
	£000	£000	£000	£000	**£000**	£000	£000	**£000**
Revenue								
Continuing	**16,125**	-	-	-	**16,125**	-	-	**16,125**
Acquisitions	**2,733**	-	-	-	**2,733**	-	-	**2,733**
	18,858	-	-	-	**18,858**	-	-	**18,858**
Cost of sales	**(11,712)**	-	-	-	**(11,712)**	-	-	**(11,712)**
Gross profit	**7,146**	-	-	-	**7,146**	-	-	**7,146**
Administrative costs	**(6,855)**	(188)	(345)	(150)	**(7,538)**	285	(80)	**(7,333)**
Operating profit	**291**	(188)	(345)	(150)	**(392)**	285	(80)	**(187)**
Finance income	**26**	-	-	-	**26**	-	-	**26**
Finance expenses	**(16)**	-	-	-	**(16)**	-	-	**(16)**
Profit/(loss) before taxation	**301**	(188)	(345)	(150)	**(382)**	285	(80)	**(177)**
Taxation	**41**	-	-	-	**41**	-	13	**54**
Profit/(loss) for the year	**342**	(188)	(345)	(150)	**(341)**	285	(67)	**(123)**

a. A review of the nature of development costs previously capitalised identified £256,000 (£68,000 of which was capitalised in the books of Industry Software Limited on the date the company was acquired, and the remaining £188,000 having been capitalised since acquisition) of costs that had been capitalised in error as the assessment of the criteria leading to the capitalisation was not correct as at 31 December 2006. The correction of this error has resulted in an adjustment to the balance sheet as at 31 December 2006 in accordance with IAS8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The impact of the adjustment is to reduce the retained profits of the year by £188,000 and to decrease the value of intangible assets and the Group's net assets by £188,000.

b. A review of the carrying value of the goodwill relating to the acquisition of Industry Software Limited identified that this goodwill should have been impaired as at 31 December 2006 as the assessment of the future profitability of the Company at that date was not correct. The correction of this error has resulted in an adjustment to the balance sheet as at 31 December 2006 in accordance with IAS8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The impact of the adjustment is to reduce the retained profits of the year by £345,000 and to decrease the value of intangible assets and the Group's net assets by £345,000.

c. A review of the carrying value of the goodwill relating to the acquisition of the trade and assets of Aviation Gifts identified that this goodwill should have been impaired as at 31 December 2006 as the assessment of the future profitability of the Company at that date was not correct. The correction of this error has resulted in an adjustment to the balance sheet as at 31 December 2006 in accordance with IAS8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The impact of the adjustment is to reduce the retained profits of the year by £150,000 and to decrease the value of intangible assets and the Group's net assets by £150,000.

d. IFRS 3 'Business Combinations' no longer permits amortisation of goodwill. Instead, goodwill is carried at cost and is subject to regular impairment review. The impact of the application of this policy in the year ended 31 December 2006 is a reversal of the amortisation charge of £285,000.

e. IFRS 3 'Business Combinations' requires valuation and subsequent amortisation of separately identifiable intangible assets. The impact of the application of this policy was the initial recognition of £283,000 of customer related intangible assets and an associated provision for deferred tax of £70,000. The customer related intangible assets attracted an amortisation charge of £80,000 for the year ended 31 December 2006 and an associated release of £13,000 of the deferred tax provision.

Reconciliation of equity at 1 January 2006

	UK GAAP	Effect of transition to IFRS	**IFRS**
	£000	£000	**£000**
Non-current assets			
Property, plant & equipment	**815**	-	**815**
Intangible assets	**1,669**	-	**1,669**
	2,484	-	**2,484**
Current assets			
Inventories	**1,245**	-	**1,245**
Trade and other receivables	**4,918**	-	**4,918**
Cash and cash equivalents	**1,537**	-	**1,537**
	7,700	-	**7,700**
Total assets	**10,184**	-	**10,184**
Current liabilities			
Trade and other payables	**(4,389)**	-	**(4,389)**
Current taxes	**(207)**	-	**(207)**
	(4,596)	-	**(4,596)**
Non-current liabilities			
Trade and other payables	**(15)**	-	**(15)**
Deferred taxation	**(77)**	-	**(77)**
	(92)	-	**(92)**
Total liabilities	**(4,688)**	-	**(4,688)**
Net assets	**5,496**	-	**5,496**
Equity attributable to equity holders of the Company			
Called up share capital	**150**	-	**150**
Share premium account	**4,966**	-	**4,966**
Retained earnings	**380**	-	**380**
Total equity	**5,496**	-	**5,496**

Reconciliation of equity at 31December 2006

	UK GAAP	Error restatement			UK GAAP (after restatement)	IFRS 3 Business Combinations		IFRS
Note		a	b	c		d	e	
	£000	£000	£000	£000	**£000**	£000	£000	**£000**
Non-current assets								
Property, plant & equipment	**926**	-	-	-	**926**	-	-	**926**
Development costs	**256**	(256)	-	-	**-**	-	-	**-**
Customer related intangible assets	**-**	-	-	-	**-**	-	203	**203**
Goodwill	**2,651**	68	(345)	(150)	**2,224**	285	(213)	**2,296**
	3,833	(188)	(345)	(150)	**3,150**	285	(10)	**3,425**
Current assets								
Inventories	**1,684**	-	-	-	**1,684**	-	-	**1,684**
Trade and other receivables	**5,215**	-	-	-	**5,215**	-	-	**5,215**
Current taxes	**366**	-	-	-	**366**	-	-	**366**
	7,265	-	-	-	**7,265**	-	-	**7,265**
Total assets	**11,098**	(188)	(345)	(150)	**10,415**	285	(10)	**10,690**
Current liabilities								
Bank overdrafts	**(179)**	-	-	-	**(179)**	-	-	**(179)**
Trade and other payables	**(4,140)**	-	-	-	**(4,140)**	-	-	**(4,140)**
Current taxes	**(346)**	-	-	-	**(346)**	-	-	**(346)**
	(4,665)	-	-	-	**(4,665)**	-	-	**(4,665)**
Non-current liabilities								
Trade and other payables	**(35)**	-	-	-	**(35)**	-	-	**(35)**
Deferred consideration	**(147)**	-	-	-	**(147)**	-	-	**(147)**
Deferred taxation	**(83)**	-	-	-	**(83)**	-	(57)	**(140)**
	(265)	-	-	-	**(265)**	-	(57)	**(322)**
Total liabilities	**(4,930)**	-	-	-	**(4,930)**	-	(57)	**(4,987)**
Net assets	**6,168**	(188)	(345)	(150)	**5,485**	285	(67)	**5,703**
Equity attributable to equity holders of the Company								
Called up share capital	**153**	-	-	-	**153**	-	-	**153**
Share premium account	**5,293**	-	-	-	**5,293**	-	-	**5,293**
Retained earnings	**722**	(188)	(345)	(150)	**39**	285	(67)	**257**
Total equity	**6,168**	(188)	(345)	(150)	**5,485**	285	(67)	**5,703**

a. A review of the nature of development costs previously capitalised identified £256,000 (£68,000 of which was capitalised in the books of Industry Software Limited on the date the Company was acquired, and the remaining £188,000 having been capitalised since acquisition) of costs that had been capitalised in error as the assessment of the criteria leading to the capitalisation was not correct as at 31 December 2006. The correction of this error has resulted in an adjustment to the balance sheet as at 31 December 2006 in accordance with IAS8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The impact of the adjustment is to increase goodwill on the acquisition of Industry Software Limited by £68,000 as a result of reducing the fair value of the assets acquired and to reduce the retained profits of the year by £188,000 and to decrease the value of intangible assets and the Group's net assets by £188,000.

b. A review of the carrying value of the goodwill relating to the acquisition of Industry Software Limited identified that this goodwill should have been impaired as at 31 December 2006 as the assessment of the future profitability of the Company at that date was not correct. The correction of this error has resulted in an adjustment to the balance sheet as at 31 December 2006 in accordance with IAS8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The impact of the adjustment is to reduce the retained profits of the year by £345,000 and to decrease the value of intangible assets and the Group's net assets by £345,000.

c. A review of the carrying value of the goodwill relating to the acquisition of the trade and assets of Aviation Gifts identified that this goodwill should have been impaired as at 31 December 2006 as the assessment of the future profitability of the Company at that date was not correct. The correction of this error has resulted in an adjustment to the balance sheet as at 31 December 2006 in accordance with IAS8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The impact of the adjustment is to reduce the retained profits of the year by £150,000 and to decrease the value of intangible assets and the Group's net assets by £150,000.

d. IFRS 3 'Business Combinations' no longer permits amortisation of goodwill. Instead, goodwill is carried at cost and is subject to regular impairment review. The impact of the application of this policy in the year ended 31 December 2006 is a reversal of the amortisation charge and to increase the retained profits for the year and the Group's net assets by £285,000.

e. IFRS 3 'Business Combinations' requires valuation and subsequent amortisation of separately identifiable intangible assets. The impact of the application of this policy was the initial recognition of £283,000 of customer related intangible assets and an associated provision for deferred tax of £70,000 giving a net adjustment to goodwill of £213,000. The customer related intangible assets attracted an amortisation charge of £80,000 for the year ended 31 December 2006 and an associated release of £13,000 of the deferred tax provision.

28 Interim financial information

The basis of preparation of this financial information is different from that used to prepare the financial information within the Group's Interim Statement dated 27 September 2007. Set out below is a table which compares the key elements of the financial information as reported in the Interim Statement and the impact that applying the basis of preparation herein would have had on that financial information.

	Note	**Balance per Interim Statement**	Impact of change in basis of preparation	**Balance under this basis of preparation**
Extracts from Consolidated Balance Sheet		**£000**	£000	**£000**
Development costs	a	**324**	(324)	**-**
Customer related intangible assets	d	**-**	161	**161**
Goodwill	b, c, d	**2,954**	(658)	**2,296**
Deferred tax	d	**(83)**	(64)	**(147)**
Other assets and liabilities		**3,541**	-	**3,541**
Net assets		**6,736**	(885)	**5,851**
Share capital and share premium		**5,446**	-	**5,446**
Retained earnings		**1,290**	(885)	**405**
		6,736	(885)	**5,851**
Extracts from Consolidated Income Statement				
Revenues		**10,415**	-	**10,415**
Operating profit	a, d	**480**	(142)	**338**
Profit before taxation	a, d	**464**	(142)	**322**
Taxation	d	**(180)**	6	**(174)**
Earnings attributable to the equity shareholders of the Company		**284**	(136)	**148**

a. A review of the nature of development costs previously capitalised identified £324,000 (£68,000 of which was capitalised in the books of Industry Software Limited on the date the Company was acquired, and the remaining £256,000 having been capitalised since acquisition) of costs that had been capitalised in error as the assessment of the criteria leading to the capitalisation was not correct as at 30 June 2007. The correction of this error would have resulted in an adjustment to the balance sheet as at 30 June 2007 in accordance with IAS8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The impact of the adjustment is to reduce the retained earnings for the period by £100,000 and to decrease the value of intangible assets and the Group's net assets by £324,000.

b. A review of the carrying value of the goodwill relating to the acquisition of Industry Software Limited identified that this goodwill should have been impaired as at 31 December 2006 as the assessment of the future profitability of the Company at that date was not correct. The correction of this error has resulted in an adjustment to the balance sheet as at 31 December 2006 in accordance with IAS8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The impact of the adjustment as at 30 June 2007 is to reduce the retained earnings of the Group by £345,000 and to decrease the value of intangible assets and the Group's net assets by £345,000.

c. A review of the carrying value of the goodwill relating to the acquisition of the trade and assets of Aviation Gifts identified that this goodwill should have been impaired as at 31 December 2006 as the assessment of the future profitability of the Company at that date was not correct. The correction of this error has resulted in an adjustment to the balance sheet as at 31 December 2006 in accordance with IAS8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The impact of the adjustment as at 30 June 2007 is to reduce the retained earnings of the Group by £150,000 and to decrease the value of intangible assets and the Group's net assets by £150,000.

d. IFRS 3 'Business combinations' requires valuation and subsequent amortisation of separately identifiable intangible assets. The impact of the application of this policy is to recognise a customer related intangible asset of £161,000 and a deferred tax provision of £64,000. The customer related intangible assets attracted an amortisation charge of £42,000 for the period ended 30 June 2007 and an associated release of £6,000 of the deferred tax provision.

Company Balance Sheet

as at 31 December 2007

	Notes	**2007** £000	2006 £000
Fixed assets			
Tangible fixed assets	32	**22**	-
Investments	33	**2,187**	2,505
Current assets			
Debtors	34	**2,270**	2,451
Cash at bank and in hand		**57**	423
		2,327	2,874
Creditors – amounts falling due within one year	35	**(194)**	(19)
Net current assets		**2,133**	2,855
Total assets less current liabilities		**4,342**	5,360
Creditors – amounts falling due after more than one year	3	**(147)**	(147)
Net assets		**4,195**	5,213
Capital and reserves			
Called up share capital	36	**153**	153
Share premium account	37	**5,293**	5,293
Profit and loss account	37	**(1,251)**	(233)
Shareholders' funds		**4,195**	5,213

The balance sheet was approved by the Board of Directors on 8 May 2008 and signed on its behalf by:

Craig Slater
Chief Executive Officer

Martin Varley
Director

Statement of total recognised gains and losses

for the year ended 31 December 2007

	2007 £000	2006 £000
Loss for the financial year	**(1,055)**	(92)
Share based payment	**37**	-
Total recognised gains and losses relating to the financial year	**(1,018)**	(92)

Notes to the Company Balance Sheet

29 Company accounting policies

Basis of preparation

As used in the financial statements and related notes, the term 'Company' refers to Dowlis Corporate Solutions plc. The separate financial statements of the Company are presented as required by the Companies Act 1985. As permitted by the Act, the separate financial statements have been prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP).

These accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention.

A separate profit and loss account dealing with the results of the Company only has not been presented, as permitted by section 230 (4) of the Companies Act 1985.

Under FRS 1 the Company is exempt from the requirement to present its own cash flow statement.

Investments

Fixed asset investments are stated at cost less provision for impairment where appropriate. The Directors consider annually whether a provision against the value of investments on an individual basis is required. Such provisions are charged in the profit and loss account in the year.

Cash and liquid resources

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at close to their carrying values or traded in an active market. Liquid resources comprise term deposits of more than seven days.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is recognised, without discounting, in respect of all timing differences between treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except otherwise required by FRS19.

FRS20 share based payments

The Company has adopted FRS20 and the accounting policies followed are in all material regards the same as the Group's policy under IFRS2 'Share-based payment'. The policy is shown in the Group accounting policies at Note 1.

30 Operating costs

The audit fee for the Company was £14,000 (2006 : £10,000). Other fees payable to the auditors and their associates for corporation tax services were £20,000, (2006 : £15,000).

31 Employees

The only employees of the Company were the Directors.

Details of Directors' remuneration, share options and Directors' pension entitlements are disclosed in the Directors' Remuneration Report on pages 8 to 10.

32 Tangible fixed assets

	Fixtures and fittings	**Motor vehicles**	**Total**
	£000	**£000**	**£000**
Cost			
At 1 January 2007	-	-	**-**
Additions	5	19	**24**
At 31 December 2007	5	19	**24**
Depreciation			
At 1 January 2007	-	-	**-**
Charge for the year	-	(2)	**(2)**
At 31 December 2007	-	(2)	**(2)**
Net book value			
At 31 December 2007	**5**	**17**	**22**
At 1 January 2007	-	-	**-**

33 Investments

	2007 Shares in subsidiary undertakings £000
Cost	
At 1 January 2007	2,505
Additions	-
At 31 December 2007	**2,505**
Amortisation	
At 1 January 2007	-
Impairment	318
At 31 December 2007	**318**
Net book value	
At 31 December 2007	**2,187**
At 1 January 2007	2,505

The companies in which Dowlis Corporate Solutions plc's interest is more than 20% at the year end are as follows :

Subsidiary undertakings	Country of incorporation	Principal activity	Class of shares held	Holding
Dowlis Corporate Solutions (UK) Limited	England and Wales	Sale of promotional goods	Ordinary	100%
Adproducts.com Limited[1]	England and Wales	Sale of promotional goods and marketing services	Ordinary	100%
Trade Only Limited[1,2]	England and Wales	Sale of promotional goods and marketing services	Ordinary	100%
Ross Promotional Products Limited[1]	Scotland	Sale of promotional goods	Ordinary	100%
Industry Software Limited[2]	England and Wales	Sale of software and marketing services	Ordinary	80%
Distinctive Ideas Limited	England and Wales	Sale of promotional goods	Ordinary	100%
The Bentley Collection Limited	England and Wales	Sale of promotional goods	Ordinary	100%

The above list includes only companies which are trading which are all included within the consolidated financial statements of the Group. Dormant companies have not been listed as this would lead to a statement of excessive length.

Note 1 – held by a subsidiary undertaking

Note 2 – The trade and assets of Trade Only Limited were transferred to Industry Software Limited on 1 January 2008 and on 21 February 2008 Trade Only Limited changed its name to Industry Software Limited. On 21 February 2008, Industry Software Limited changed its name to Trade Only Limited.

34 Debtors

	2007 £000	2006 £000
Corporation tax	**235**	29
Other debtors	**16**	2
Amounts owed by subsidiary undertakings	**2,019**	2,420
	2,270	2,451

35 Creditors: Amounts falling due within one year

	2007 £000	2006 £000
Trade creditors	**50**	19
Accruals and deferred income	**144**	-
	194	19

36 Share capital

	At 31 December 2007 £000	At 31 December 2006 £000
Authorised		
- 100,000,000 Ordinary shares of 0.4p each (2006 : 100,000,000)	**400**	400

	At 31 December 2007 £000	At 31 December 2006 £000
Allotted, called up and fully paid		
- 38,203,480 Ordinary shares of 0.4p each (2006 : 38,203,480)	**153**	153

37 Reserves

	Share premium account £000	Profit and loss account £000
At 1 January 2007	5,293	(233)
Prior year adjustment	-	-
At 1 January 2007 (as restated)	5,293	(233)
(Loss) / profit for the period	-	(1,055)
Share based payment	-	37
At 31 December 2007	5,293	(1,251)

38 Commitments

(a) Capital commitments

The Company had no capital commitments existing at 31 December 2007 or 31 December 2006.

(b) Operating leases commitments

The Company had no commitments in respect of land and buildings or other contracts under non-cancellable operating leases.

39 Contingent liabilities

Under a Group registration, the Company is jointly and severally liable for VAT at 31 December 2007 of £173,000 (2006 : £212,000).

The Company has guaranteed the bank overdrafts over certain of its subsidiary companies at 31 December 2007 of £2,588,000 (2006 : £1,256,000).

40 Reconciliation of movement in shareholders' funds

	2007 £000	2006 £000
Loss attributable to ordinary shareholders	**(1,055)**	(92)
Other recognised gains :		
- Share based payment	**37**	-
- Issue of shares in respect of acquisitions	**-**	330
	(1,018)	238
Opening shareholders' funds	**5,213**	4,975
Closing shareholders' funds	**4,195**	5,213

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