

Company Registration No. 0648706

**Carlson Marketing Group (UK)
Limited
Report and Financial Statements**

31 December 2007

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Carlson Marketing Group (UK) Limited

Report and financial statements 2007

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Carlson Marketing Group (UK) Limited

Report and financial statements 2007

Officers and professional advisers

Directors

J Harman
P Harvey – (P Harvey resigned as Director and Secretary with effect from 28th September 2007)
M Kitsantas
K Brundrett
G Garnys – (G Garnys resigned from 31st January 2008)
J Hiney
J Schroer – (J Schroer resigned from 10th June 2008)
A Phillips

Secretary

P Harvey – (P Harvey resigned as Director and Secretary with effect from 28th September 2007)
M Kitsantas – (M Kitsantas was appointed as Secretary from 28th September 2007)

Registered Office

Carlson Court
116 Putney Bridge Road
London
SW15 2NQ

Auditors

Deloitte & Touche LLP
Chartered Accountants
London, UK

Carlson Marketing Group (UK) Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

Business review and principal activities

The group's principal activity is the provision of marketing services. These include direct marketing, sales promotion and design services, digital marketing and the development and administration of customer loyalty programmes. There have not been any significant changes in the group's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the group's activities in the next year.

As mentioned in the prior year the directors have embarked on a turnaround plan and are pleased to report an improvement in trading performance since prior year which has continued into 2008.

Turnover increased by 7% on the prior year however gross profit fell by 7%. This reduction in gross profit was more than offset by a reduction in operating expenses of 12%. The result being that the company made a loss of £1.1 million compared to a loss of £4.9 million in the prior year.

Average marketing income (gross profit less direct costs) was 32% compared to 26% in the prior year. This halts a downward trend seen over the last three years.

In 2008 the directors have continued the move to improve the quality of earnings and manage the cost base of the business accordingly. The latest forecast shows the company at a break even position in the final quarter of the year before the exceptional costs related to the closure of the Bristol office in May 2008. The directors aim to consolidate the income level and further improve the quality of the service provided to clients whilst continuing to manage the cost base of the business.

The directors aim to return to profitability in 2009.

Principal risks and uncertainties

Competitive pressure in the UK is a continuing risk for the group, which could result in it losing sales to its key competitors. The group manages this risk by providing value added services to its customers and by maintaining strong relationships with clients.

The group's activities expose it to a number of financial risks including credit risk and liquidity risk.

Credit risk

The group's principal financial assets are bank balances and cash, trade and other receivables.

The group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the group relies on support from parent companies.

Price and cash flow risk

The group is not exposed to any material price or cash flow risks.

Carlson Marketing Group (UK) Limited

Directors' report (continued)

Environment

Carlson Marketing Group (UK) Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the group's activities. Initiatives designed to minimise the group's impact on the environment include safe disposal of waste, recycling and reducing energy consumption.

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Dividends

The directors do not recommend the payment of a dividend for the year (2006 £nil).

Directors

The directors who served throughout the year and, except as noted, subsequently were as follows:

P Harvey - (P Harvey resigned as Director and Secretary with effect from 28th September 2007)

M Kitsantas - (M Kitsantas was appointed as Secretary from 28th September 2007)

J Harman

J Hiney

K Brundrett

G Garnys - (G Garnys resigned from 31st January 2008)

J Schroer - (J Schroer resigned from 10th June 2008)

A Phillips

Liability insurance for directors

The group has maintained insurance cover for the directors against liability arising from negligence, default, breach of duty and breach of trust in relation to the group.

Carlson Marketing Group (UK) Limited

Directors' report (continued)

Supplier payment policy

The company's policy, which is also applied by the group, is to settle terms of payment with suppliers when agreeing the terms of payment. Trade creditors of the company at 31 December 2007 were equivalent to 28 (2006: 60) days' purchases, based on the average daily amount invoiced by suppliers during the year.

Auditors

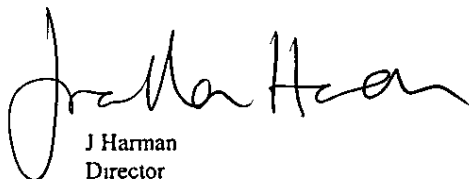
Each of the directors at the date of approval of this report confirms that

- 1 so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- 2 the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



J Harman
Director

2-9

2008

Carlson Marketing Group (UK) Limited

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Carlson Marketing Group (UK) Limited

We have audited the group and parent company financial statements (the "financial statements") of Carlson Marketing Group (UK) Limited for the year ended 31 December 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Statement of Total Recognised Gains and Losses and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are 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.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside of the Annual Report.

Independent auditors' report to the members of Carlson Marketing Group (UK) Limited (continued)

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion

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

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, UK

2 September 2008

Carlson Marketing Group (UK) Limited

Consolidated profit and loss account Year ended 31 December 2007

	Notes	2007 £	2007 £	2006 £	2006 £
Turnover	1,2		31,592,654		29,520,616
Cost of sales			(18,674,558)		(15,649,296)
Gross profit			12,918,096		13,871,320
Other operating expenses	3	(14,289,634)		(16,332,896)	
Goodwill amortisation and impairment	11	(26,157)		(2,153,263)	
Total other operating expenses			(14,315,791)		(18,486,159)
Operating loss			(1,397,695)		(4,614,839)
Interest receivable and similar income	4		152,321		28,164
Interest payable and similar charges	5		(280,595)		(277,958)
Loss on ordinary activities before taxation	6		(1,525,969)		(4,864,633)
Tax on loss on ordinary activities	8		451,936		(6,300)
Loss on ordinary activities after taxation			(1,074,033)		(4,870,933)

All operations of the group are continuing throughout the year and the preceding year

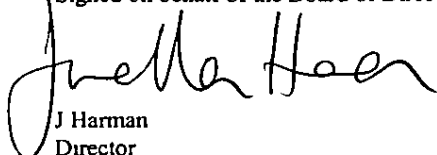
Carlson Marketing Group (UK) Limited

Consolidated balance sheet 31 December 2007

	Notes	2007 £	2006 £
Fixed assets			
Intangible assets	11	246,833	272,990
Tangible assets	12	466,607	848,479
		<u>713,440</u>	<u>1,121,468</u>
Current assets			
Stocks	14	1,034,585	1,291,280
Debtors	15	12,099,812	9,211,542
Cash at bank and in hand		2,031,984	2,856,379
		<u>15,166,381</u>	<u>13,359,201</u>
Creditors: amounts falling due within one year	16	<u>(13,606,272)</u>	<u>(7,566,885)</u>
Net current assets		<u>1,560,109</u>	<u>5,792,316</u>
Total assets less current liabilities		<u>2 273,549</u>	<u>6,913,784</u>
Creditors: amounts falling due after more than one year	17	<u>(3,522,889)</u>	<u>(7,028,852)</u>
Provision for liabilities	18	<u>(224,313)</u>	<u>(244,952)</u>
Net liabilities excluding pension liability		<u>(1,473,653)</u>	<u>(360,020)</u>
Pension liability	23	<u>(794,880)</u>	<u>(853,300)</u>
Net liabilities including pension liability		<u>(2,268,533)</u>	<u>(1,213,320)</u>
Capital and reserves			
Called up share capital	19	4,012,500	4,012,500
Share premium	20	924,458	924,458
Capital contribution	20	1,074,029	1,074,029
Profit and loss account	20	(8,279,520)	(7,224,307)
Total shareholders' deficit	21	<u>(2,268,533)</u>	<u>(1,213,320)</u>

These financial statements were approved by the Board of Directors on 2 September 2008

Signed on behalf of the Board of Directors


J Harman
Director

Carlson Marketing Group (UK) Limited

Consolidated statement of total recognised gains and losses Year ended 31 December 2007

	Note	2007 £	2006 £
Actuarial gains on defined benefit plans	23	60,000	591,000
Deferred tax on actuarial movements in defined benefit plans		(16,800)	(177,300)
Opening Change of Tax Rate		(24,380)	-
		<u>18,820</u>	<u>413,700</u>
Net gains recognised directly in equity	23	18,820	413,700
Loss for the year		(1,074,033)	(4,870,933)
		<u>(1,055,213)</u>	<u>(4,457,233)</u>
Total recognised losses for the year		(1,055,213)	(4,457,233)

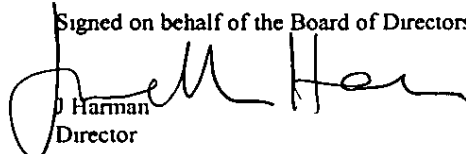
Carlson Marketing Group (UK) Limited

Company balance sheet 31 December 2007

	Notes	2007 £	2006 £
Fixed assets			
Intangible fixed assets	11	-	-
Tangible assets	12	466,607	848,478
Investments	13	-	-
		<u>466,607</u>	<u>848,478</u>
Current assets			
Stocks	14	1,034,585	1,290,962
Debtors	15	12,099,812	9,118,966
Cash at bank and in hand		2,031,984	2,736,723
		<u>15,166,381</u>	<u>13,146,651</u>
Creditors, amounts falling due within one year	16	(13,541,640)	(7,519,540)
Net current assets		<u>1,624,741</u>	<u>5,627,111</u>
Total assets less current liabilities		2,091,348	6,475,589
Creditors, amounts falling due after more than one year	17	(3,522,889)	(6,964,220)
Provision for liabilities	18	(224,313)	(244,952)
Net liabilities before pension liability		(1,655,854)	(733,583)
Pension liability	23	(794,880)	(853,300)
Net liabilities including pension liability		<u>(2,450,734)</u>	<u>(1,586,883)</u>
Capital and reserves			
Called up share capital	19	4,012,500	4,012,500
Share premium	20	924,458	924,458
Capital contribution	20	1,074,029	1,074,029
Profit and loss account	20	(8,461,721)	(7,597,870)
Total shareholders' deficit	21	<u>(2,450,734)</u>	<u>(1,586,883)</u>

These financial statements were approved by the Board of Directors on 2 September 2008

Signed on behalf of the Board of Directors


J Harman
Director

Carlson Marketing Group (UK) Limited

Notes to the accounts

Year ended 31 December 2007

1 Accounting policies

The principal accounting policies are summarised below and have been applied consistently throughout the year and the preceding year

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with United Kingdom law and applicable accounting standards

Basis of consolidation

The group financial statements consolidate the financial statements of Carlson Marketing Group (UK) Limited and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or up to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Cash flow statement

Under the provisions of Financial Reporting Standard No. 1 (Revised), the group has not prepared a cash flow statement because its ultimate UK parent undertaking, Carlson Companies Europe Limited, which is incorporated in Great Britain, has prepared consolidated financial statements, including a consolidated cash flow statement, which are publicly available.

Intangible fixed assets

Goodwill in relation to acquisitions is included as an intangible fixed asset at cost and is amortised in equal instalments over five years for asset acquisitions and 15 years for company acquisitions, which the directors believe reflects their useful economic life. Provision is made for any impairment.

Tangible fixed assets

Tangible fixed assets are shown at cost less accumulated depreciation.

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful life as follows:

Leasehold improvements	Over the term of the lease
Computer equipment	3 years
All other fixed assets	3 years

Fixed asset investments

Fixed asset investments are shown at cost less amounts written off for any impairment in value.

Stocks

Stocks are stated at the lower of cost and net realisable value and comprise promotional material, work-in-progress and store vouchers. Work-in-progress is calculated as direct expenditure incurred less progress payments invoiced. Where amounts invoiced on account in respect of individual projects exceed the attributable costs incurred or net realisable value, if lower, the sum of the resulting net figures is included in accruals and deferred income.

Carlson Marketing Group (UK) Limited

Notes to the accounts

Year ended 31 December 2007

1. Accounting policies (continued)

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

The taxation liabilities of certain group undertakings are reduced wholly or in part by the surrender of losses by fellow group undertakings

Pension costs

The group operates a defined benefit pension scheme. The difference between the fair value of the assets held in the group's defined benefit scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the group's balance sheet as a pension scheme asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The pension scheme balance is recognised net of any related deferred tax balance.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the group are charged to the profit and loss account or the statement of total recognised surpluses and deficits in accordance with FRS17.

The group also operates various defined contribution pension schemes for certain of its employees and directors.

The assets of these funded schemes are held independently of the group by trustees. The amount charged to the profit and loss account is the total of contributions payable in the year. Any difference between amounts charged to the profit and loss account and contributions paid to independent pension schemes is shown as a separately identifiable liability or asset in the balance sheet.

Foreign currencies

Normal trading transactions with third parties denominated in foreign currencies are recorded in sterling at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

Turnover

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services in the normal course of business.

Marketing revenue is recognised in the month in which services are provided to customers. Revenue resulting from the arrangement of travel trips is recognised in the month in which the relevant trip takes place.

Carlson Marketing Group (UK) Limited

Notes to the accounts

Year ended 31 December 2007

1 Accounting policies (continued)

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term. Further information on charges in the year and future commitments in respect of operating leases is given in note 22.

Rental income under operating leases is similarly credited on a straight-line basis over the lease term.

2 Segmental information

The group's turnover is derived from its principal activity and originated wholly in the United Kingdom.

3 Other operating expenses

	2007 £	2006 £
Distribution and selling costs	704,710	959,531
Administrative expenses	13,584,924	15,373,365
	<u>14,289,634</u>	<u>16,332,896</u>

4 Interest receivable and similar income

	2007 £	2006 £
Bank interest	<u>152,321</u>	<u>28,164</u>

5 Interest payable and similar charges

	2007 £	2006 £
Interest payable to group undertaking	197,805	183,653
Bank interest	14,444	5,803
Finance cost – defined benefit scheme	45,000	75,000
Other finance cost – unwinding of provision	23,346	13,502
	<u>280,595</u>	<u>277,958</u>

Carlson Marketing Group (UK) Limited

Notes to the accounts

Year ended 31 December 2007

6 Loss on ordinary activities before taxation

Group loss on ordinary activities before taxation is stated after charging/ (crediting)

	2007 £	2006 £
Depreciation of owned tangible fixed assets	442,388	604,497
Amortisation and impairment of intangible fixed assets	26,157	2,153,263
Operating lease rentals		
- plant and machinery	22,251	55,034
- buildings	1,070,685	1,098,394
Operating lease income	(735,017)	(702,279)
Loss on disposal of fixed assets	3,953	24,626

The analysis of auditors' remuneration is as follows

	2007 £	2006 £
Fees payable to the company's auditors for the audit of the company's annual accounts	95,000	117,500
Fees payable to the company's auditors and their associates for other services to the group	49,100	92,163
Total fees	144,100	209,663
Fees payable to the company's auditors and their associates for other services to the group		
- Tax services	39,400	83,163
- Other services	9,700	9,000
Total non audit fees	49,100	92,163

7 Staff costs

Particulars of employees (including executive directors) are as shown below

	Company		Group	
	2007 £	2006 £	2007 £	2006 £
Employee costs during the year amounted to				
Wages and salaries	6,873,107	7,361,819	6,873,107	7,595,036
Social security costs	804,413	926,364	804,413	953,854
Other pension costs (see note 23)	526,338	365,835	526,338	379,421
	8,203,858	8,654,018	8,203,858	8,928,311

Carlson Marketing Group (UK) Limited

Notes to the accounts Year ended 31 December 2007

7 Staff costs (continued)

The average monthly number of persons employed by the company and the group during the year was as follows

	Company		Group	
	2007	2006	2007	2006
	Number	Number	Number	Number
Production	103	113	103	113
Sales	62	63	62	65
Administration and management	41	51	41	54
	<u>206</u>	<u>227</u>	<u>206</u>	<u>232</u>

	2007	2006
	£	£
Directors' remuneration		
The remuneration of the directors was as follows		
Emoluments	551,631	492,942
Long term incentive schemes	-	68,892
Contributions to money purchase pension schemes	25,341	87,692
	<u>576,972</u>	<u>649,526</u>
Compensation for loss of office	36,300	141,876
	<u>613,272</u>	<u>791,402</u>

Pensions

The number of directors who were members of pension schemes was as follows

	Number	Number
Money purchase schemes	<u>4</u>	<u>5</u>

No retirement benefits were paid to directors or past directors in excess of the benefits to which they were entitled to on the date retirement benefits first became payable (2006 £nil)

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director

	2007	2006
	£	£
Emoluments	236,400	245,077
Long term incentive schemes	-	56,404
Contributions to money purchase schemes	-	38,781
	<u>236,400</u>	<u>340,262</u>
Compensation for loss of office	-	92,986
	<u>236,400</u>	<u>433,248</u>

Carlson Marketing Group (UK) Limited

Notes to the accounts

Year ended 31 December 2007

8 Taxation

The tax charge is based on the profit for the year and comprises

	2007 £	2006 £
UK corporation tax payable at 30% (2006 – 30%)	-	-
Adjustment of current taxation in respect of prior years	(467,336)	-
Total current tax	(467,336)	-
Deferred taxation		
- Origination and reversal of timing differences	-	-
- Write off of deferred tax debtor	-	-
- Deferred tax movement on pension liability	15,400	6,300
Total deferred tax	15,400	6,300
Total tax on loss on ordinary activities	(451,936)	6,300

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	2007 £	2006 £
Group loss on ordinary activities before tax	(1,525,969)	(4,864,633)
Tax on group profit on ordinary activities at standard UK corporation tax rate of 30% (2006 – 30%)	(457,791)	(1,459,389)
Effects of		
Expenses not deductible for tax purposes	(6,963)	691,292
Depreciation in excess of capital allowances	115,010	159,879
Tax losses carried forward	374,704	649,432
Adjustment of current taxation in respect of prior years	(467,336)	-
Other timing differences	(24,960)	(41,214)
Group current tax for the year	(467,336)	-

Deferred tax assets not recognised are £1,931,777 (Group) (2006 £1,742,639) and £1,931,777 (Company) (2006 £1,528,073). The assets have not been recognised as there is insufficient certainty regarding their recoverability.

9. Dividends paid and proposed

No dividends were paid or proposed during the year or in the preceding year.

10. Loss attributable to Carlson Marketing Group (UK) Limited

The loss for the financial year dealt with in the financial statements of the parent company, Carlson Marketing Group (UK) Limited, was a loss of £882,671 (2006 – loss of £5,487,430). As permitted by section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

Carlson Marketing Group (UK) Limited

Notes to the accounts Year ended 31 December 2007

11 Intangible fixed assets – goodwill

	Group £	Company £
Cost		
At 1 January 2007 and at 31 December 2007	10,535,737	2,606,655
Amortisation		
At 1 January 2007	10,262,747	2,606,655
Charge for the year	26,157	-
Goodwill impairment	-	-
At 31 December 2007	10,288,904	2,606,655
Net book value		
At 31 December 2007	246,833	-
At 31 December 2006	272,990	-

The goodwill amortisation in the year was against the goodwill relating to the acquisition of Soler Communications Limited in 2002

12. Tangible fixed assets

Group and Company	Leasehold improvements £	Furniture, fittings and equipment £	Motor vehicles £	Computer software £	Total £
Cost					
At 1 January 2007	637,507	1,104,496	274,530	74,436	2,090,969
Additions	13,884	94,151	-	8,626	116,661
Disposals	(186,837)	(3,046)	(116,016)	-	(305,899)
At 31 December 2007	464,554	1,195,601	158,514	83,062	1,901,731
Depreciation					
At 1 January 2007	521,219	550,954	107,911	62,406	1,242,490
Charge	57,603	305,855	66,704	12,226	442,388
Disposals	(183,606)	(3,046)	(63,102)	-	(249,754)
At 31 December 2007	395,216	853,763	111,513	74,632	1,435,124
Net book value					
At 31 December 2007	69,338	341,838	47,001	8,430	466,607
At 31 December 2006	116,288	553,542	166,619	12,030	848,479

The company holds no assets under finance leases or hire purchase contracts

Carlson Marketing Group (UK) Limited

Notes to the accounts

Year ended 31 December 2007

13 Fixed asset investments

	£
Cost	
At 1 January 2007	2,436,795
Disposals	-
	<hr/>
At 31 December 2007	-
	<hr/>
Provisions	
At 1 January 2007	2,436,795
Charge in the year	-
Disposals	-
	<hr/>
At 31 December 2007	-
	<hr/>
Net book value	
At 31 December 2007	-
	<hr/>
At 31 December 2006	-
	<hr/>

All of these subsidiaries were dormant during the period and are expected to be liquidated in the next year

		Portion of ordinary share capital held	
Principal activity		2007	2006
		%	%
Marketing 1 to 1/Peppers and Rogers Group Limited	Non trading	100	100
Brewer Blackler Limited	Dormant	100	100
Soler Communications Limited	Dormant	100	100
Brewer Blackler Creative Services Limited	Dormant	100	100
Aegis Motivation Limited	Dormant	100	100
Jervis Read Limited	Dormant	100	100
Media Connect Limited	Dormant	100	100
Smith Bundy Carlson Limited	Dormant	100	100

Carlson Marketing Group (UK) Limited

Notes to the accounts Year ended 31 December 2007

14 Stocks

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Work-in-progress	550,890	918,118	550,890	917,800
Finished goods and goods for resale	483,695	373,162	483,695	373,162
	<u>1,034,585</u>	<u>1,291,280</u>	<u>1,034,585</u>	<u>1,290,962</u>

In the directors' opinion, there are no material differences between the carrying value and the replacement cost of stocks

15 Debtors. amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Trade debtors	6,561,776	5,397,893	6,561,776	5,320,774
Amounts owed by parent or other sister company	4,418,880	3,010,731	4,418,880	3,010,731
Corporation tax	261,242	-	261,242	-
Other debtors	84,000	206,828	84,000	206,828
Prepayments and accrued income	773,914	596,090	773,914	580,633
	<u>12,099,812</u>	<u>9,211,542</u>	<u>12,099,812</u>	<u>9,118,966</u>

16 Creditors. amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Trade creditors	615,584	1,710,580	615,584	1,710,580
Amounts owed to parent or other sister company	7,575,480	1,606,114	7,510,848	1,606,114
Corporation tax	-	86,187	-	86,187
Other creditors	185,180	169,351	185,180	169,350
Social security and other taxes	447,464	541,796	447,464	541,796
Accruals and deferred income	4,782,564	3,452,857	4,782,564	3,405,513
	<u>13,606,272</u>	<u>7,566,885</u>	<u>13,541,640</u>	<u>7,519,540</u>

Carlson Marketing Group (UK) Limited

Notes to the accounts

Year ended 31 December 2007

17. Creditors amounts falling due after more than one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Amounts owed to parent or other sister company	3,522,889	7,028,852	3,522,889	6,964,220
	<u>3,522,889</u>	<u>7,028,852</u>	<u>3,522,889</u>	<u>6,964,220</u>

The long term amounts owed to other group undertakings are non-interest bearing and are repayable within 2-5 years with the exception of a £3,989,581 loan (2006 - £3,989,581) incurring interest at 4.29% and a £1,000,000 loan (2006 - £1,000,000) incurring interest at 5.0%. Both of these loans are payable within 2-5 years.

18. Provision for liabilities

Company and group

	£
	Upper Richmond Road
Balance at 1 January 2007	244,952
Utilised	(44,003)
Unwinding of discount in prior year provision	23,364
Balance at 31 December 2007	<u>224,313</u>

Provision has been made for future costs relating to the lease of the Upper Richmond Road property which is currently fully occupied.

The provision has been calculated for the period to the lease termination date (27 May 2009) based on current rental and related costs to the company, net of current and expected rental income from tenants, and has been discounted using a discount factor of 10%.

Carlson Marketing Group (UK) Limited

Notes to the accounts

Year ended 31 December 2007

19 Called up equity share capital

	2007 £	2006 £
Authorised.		
12,500 (2006 – 12,500) ordinary shares of £1 each	12,500	12,500
4,000,000 (2006 – 4,000,000) 'A' ordinary shares of £1 each	4,000,000	4,000,000
	<u>4,012,500</u>	<u>4,012,500</u>
Allotted, called up and fully paid:		
12,500 (2006 – 12,500) ordinary shares of £1 each	12,500	12,500
4,000,000 (2006 – 4,000,000) 'A' ordinary shares of £1 each	4,000,000	4,000,000
	<u>4,012,500</u>	<u>4,012,500</u>

The ordinary shares and the 'A' ordinary shares rank pari passu with each other in all respects

20 Reserves

Group	Capital contribution £	Profit and loss account £	Share premium account £	Total £
At 1 January 2007	1,074,029	(7,224,307)	924,458	(5,225,820)
Retained loss for the year	-	(1,074,033)	-	(1,074,033)
Other recognised gains and losses in the year	-	18,820	-	18,820
At 31 December 2007	<u>1,074,029</u>	<u>(8,279,520)</u>	<u>924,458</u>	<u>(6,281,033)</u>
Company				
At 1 January 2007	1,074,029	(7,597,870)	924,458	(5,599,383)
Retained loss for the year	-	(882,671)	-	(882,671)
Other recognised gains and losses in the year	-	18,820	-	18,820
At 31 December 2007	<u>1,074,029</u>	<u>(8,461,721)</u>	<u>924,458</u>	<u>(6,463,234)</u>

Carlson Marketing Group (UK) Limited

Notes to the accounts

Year ended 31 December 2007

21 Reconciliation of movement in group shareholders' deficit

	2007 £	2006 £
Group		
Loss on ordinary activities after taxation	(1,074,033)	(4,870,933)
Other recognised gains and losses relating to the year	18,820	413,700
Net reduction to shareholders	(1,055,213)	(4,457,233)
Opening shareholders' deficit	(1,213,320)	3,243,913
Net reduction to shareholders	(1,055,213)	(4,457,233)
Closing shareholders' deficit	(2,268,533)	(1,213,320)

22. Guarantees and other financial commitments

(a) Capital commitments

There were no capital commitments contracted for as at 31 December 2007 (2006 – £nil)

(b) Lease commitments

The minimum annual commitments under non-cancellable operating leases are as follows

Group and company	2007		2006	
	Buildings £	Plant and machinery £	Buildings £	Plant and machinery £
Operating leases which expire				
- within one year	-	-	-	-
- within two to five years	1,667,315	-	1,667,315	-
- after five years	-	-	-	-
	<u>1,667,315</u>	<u>-</u>	<u>1,667,315</u>	<u>-</u>

(c) Contingent liabilities

The group has a counter indemnity bond with the Civil Aviation Authority for £1,350,000 (2006 - £1,350,000)

Carlson Marketing Group (UK) Limited

Notes to the accounts

Year ended 31 December 2007

23 Pension costs

The group operates a pension scheme providing benefits to certain permanent employees based on final pensionable pay. The assets of the scheme are held separately from those of the group, being invested with Clerical Medical Investment Group ("Clerical Medical").

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. The contributions are determined by a qualified actuary, employed by Clerical Medical, on the basis of triennial valuations using the attained age funding method.

The most recent valuation was at 1 February 2004 and used the Projected Accrued Benefit method. The main actuarial assumptions were that salaries would increase by 5% per annum and the return on scheme investments would be 6% per annum.

The valuation showed that the market value of the scheme's assets was £2,094,800.

The actuarial report recommended that the Trustees request an Employer's contribution rate of 27.7% of Pensionable Salaries and £10,450 per month with effect from 1 February 2005.

The contributions paid in the year were as follows:

Employers' contributions	27.7% of pensionable salary plus £10,450 per month
Members' contributions	5.0% of pensionable salary

The actuarial valuation described above has been updated at 31 December 2007 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose, at fair value.

The major assumptions used for the actuarial valuation were:

	2007	2006	2005
Rate of increase in salaries	4.9%	5.1%	4.8%
Rate of increase in pensions in payment	5.0%	5.0%	5.0%
Discount rate	5.7%	5.1%	4.7%
Inflation assumption	3.4%	3.1%	2.8%
Mortality age	85	85	85

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at the balance sheet date were:

	2007 %	2007 £	2006 %	2006 £	2005 %	2005 £
Cash and Other Net Assets	4.5	(174,000)	4.5	-	4.3	-
Group pension contract	5.8	3,505,000	5.5	3,322,000	5.0	2,864,000
Total fair value of assets		3,331,000		3,322,000		2,864,000
Present value of scheme liabilities		(4,435,000)		(4,541,000)		(4,695,000)
Deficit in the scheme		(1,104,000)		(1,219,000)		(1,831,000)
Related deferred tax asset		309,120		365,700		549,300
Net pension liability		(794,880)		(853,300)		(1,281,700)

Carlson Marketing Group (UK) Limited

Notes to the accounts Year ended 31 December 2007

23. Pension costs (continued)

Analysis of the amounts that have been charged to operating profit under FRS 17

	2007 £	2006 £
Current service cost (excluding insured death in service benefits)	58,000	63,000
Total operating charge	<u>58,000</u>	<u>63,000</u>

Analysis of the amounts that have been charged to interest payable and similar charges

	2007 £	2006 £
Expected return on the assets	181,000	147,000
Interest on pension scheme liabilities	<u>(226,000)</u>	<u>(222,000)</u>
Net finance cost	<u>(45,000)</u>	<u>(75,000)</u>

Analysis of the actuarial loss that has been recognised in the statement of total recognised gains and losses

	2007 £	2006 £	2005 £
Actual return less expected return on pension scheme assets	(122,000)	146,000	228,000
Percentage of assets	(3.7%)	4.4%	8.0%
Experience gains and losses arising on the scheme liabilities	144,000	45,000	20,000
Percentage of liabilities	3.2%	1.0%	0.4%
Changes in assumptions underlying the present value of the scheme liabilities	38,000	400,000	(529,000)
Percentage of liabilities	<u>0.9%</u>	<u>8.8%</u>	<u>(11.3%)</u>
Actuarial gain/(loss) recognised in statement of total recognised gains and losses	60,000	591,000	(281,000)
Percentage of liabilities	<u>1.4%</u>	<u>13.0%</u>	<u>(6.0%)</u>

Carlson Marketing Group (UK) Limited

Notes to the accounts Year ended 31 December 2007

23. Pension costs (continued)

The movement in deficit during the year is as follows

	2007 £	2006 £
Deficit in scheme at 1 January	(1,219,000)	(1,831,000)
Movement in the year		
Current service cost	(58,000)	(63,000)
Contributions	158,000	159,000
Finance costs	(45,000)	(75,000)
Actuarial gain	60,000	591,000
Deficit in scheme at 31 December	<u>(1,104,000)</u>	<u>(1,219,000)</u>

History of experience gains and losses

	2007	2006	2005	2004	2003
Difference between the expected and actual return on scheme assets:					
Amount (£)	(122,000)	146,000	228,000	120,000	(9,000)
Percentage of scheme assets	(3.7)	4.4	8.0	5.1	(0.4)
Experience gains and losses on scheme liabilities:					
Amount (£)	144,000	45,000	20,000	10,000	10,000
Percentage of the present value of scheme liabilities	3.2	1.0	0.4	0.3	0.3
Total actuarial gain in the statement of total recognised gains and losses					
Amount (£)	60,000	591,000	(281,000)	(99,000)	(91,000)
Percentage of the present value of scheme liabilities	1.4	13.0	(6.0)	(2.5)	(2.6)

The group also operates a number of defined contribution schemes for which the pension cost charge for the year amounted to £368,338 (2006: £302,835)

24. Parent company and ultimate controlling party

The largest group in which the results of Carlson Marketing Group (UK) Limited are consolidated is that headed by Carlson Holdings Inc, the ultimate parent company and controlling party, which is incorporated in the USA. The consolidated accounts of this group are not available to the public.

The immediate parent company is Carlson Companies (UK) Limited. The smallest group in which they are consolidated is that headed by Carlson Companies Europe Limited, incorporated in Great Britain and registered in England and Wales. These consolidated financial statements are available from the Company Secretary, Carlson Companies Europe Limited, Carlson Court, 116 Putney Bridge Road, London SW15 2NQ.

Carlson Marketing Group (UK) Limited

Notes to the accounts

Year ended 31 December 2007

25. Related party transactions

As a wholly owned subsidiary of Carlson Companies Europe Limited, the group has taken advantage of the exemption in Financial Reporting Standard No 8 "Related party disclosures", from disclosing transactions with other members of the group headed by Carlson Companies Europe Limited which held 90% or more and whose voting rights are controlled within the group

Amounts owed by and to parent or other sister companies are disclosed in notes 15, 16 and 17. The terms of any loans are also disclosed in these notes

During the year the company and its subsidiaries carried out a number of transactions with related parties, other than subsidiaries of Carlson Companies Europe Limited, in the normal course of business and on an arm's length basis

The following transactions were undertaken with such related parties during the year

	2007		2006	
	Value of transactions receivable/ (payable)	Receivable/ (payable) at year end	Value of transactions receivable/ (payable)	Receivable/ (payable) at year end
Transactions with Carlson Companies Inc (CC Inc)				
Transactions with Carlson Marketing Worldwide Inc in which CC Inc holds a 100% interest	(1,437,421)	(6,505,664)	(1,084,123)	(5,068,243)
Recharge of costs to/(from) other companies in which CC Inc holds a 100% interest				
- CMG New Zealand	(1,757)	-	1,757	1,757
- CMG Australia	(104,114)	38,903	(260,095)	143,017
- CMG Belgium	29,836	235	(129,523)	(29,601)
- CMG Holland	(77,039)	(11,399)	45,676	65,640
- CMG Singapore	305,763	772,260	(1,710,081)	466,497
	<u>(1,284,732)</u>	<u>(5,705,665)</u>	<u>(3,136,389)</u>	<u>(4,420,933)</u>