

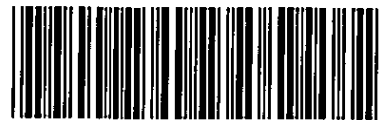
Company Registration No. 0648706

Carlson Marketing Group (UK) Limited

Report and Financial Statements

31 December 2008

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Carlson Marketing Group (UK) Limited

Report and financial statements 2008

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Carlson Marketing Group (UK) Limited

Report and financial statements 2008

Officers and professional advisers

Directors

J Harman
M Kitsantas
J Hiney
G Garnys (resigned 31 January 2008)
J Schroer (resigned 10 June 2008)
A Phillips (resigned 17 October 2008)
T Martin (appointed 18 October 2008)
K Pattison (appointed 8 April 2009)

Secretary

M Kitsantas

Registered Office

Carlson Court
116 Putney Bridge Road
London
SW15 2NQ

Bankers

Barclays Bank plc
27 Soho Square
London
W1D 3QR

Auditors

Deloitte LLP
Chartered Accountants
London, United Kingdom

Carlson Marketing Group (UK) Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

Business review and principal activities

The principal activity of Carlson Marketing Group (UK) Limited and its subsidiaries (together the 'Group') 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. We also have a limited number of travel clients for whom we organise conferences and incentive events around the world. 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.

2008 is the second of the three year turnaround plan undertaken by the directors. There were a number of one-off items during the year which are not expected to be repeated. Included in other operating expenses are restructure costs of £986,000 which includes the closure costs of the Bristol office in May 2008. In addition a goodwill impairment charge of £247,000 was incurred and a foreign exchange gain of £430,000 was realised.

Whilst the turnover and gross profit are both down on the prior year (4% and 0.2% respectively) excluding the aforementioned one-off costs and gain, the operating expenses have been reduced by 4%.

The normalised operating loss, taking into account the above items stands at £1.1 million compared to a normalised operating loss of £1.4 million in the prior year (there were no one off items in the prior year). In 2009 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 returning to profitability in 2009. 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.

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.

In addition the current economic climate means that there is increasing pressure on client spend which could translate into there being less fee income available for the Group. To mitigate this, the Group continues to work with clients and their procurement teams to ensure that the Group represents a dynamic, cost effective offering. The Group also continues to explore alternative solutions for the client programs by utilising services from the existing portfolio of services that the Group provides. The Group's activities expose it to a number of financial risks including credit risk and liquidity risk.

Carlson Marketing Group (UK) Limited

Directors' report (continued)

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 company.

Price and cash flow risk

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

Foreign exchange risk

As a principle the Group does not expose itself to foreign exchange risk. During the year a decision was taken to enter into a contractual transaction against which an exchange risk hedge did not exist. As a result the Group benefited from a one off exchange gain. The contract has now expired and going forward the Group does not intend to engage in any further transactions of this nature.

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 (2007: £nil).

Carlson Marketing Group (UK) Limited

Directors' report (continued)

Directors

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

J Harman
M Kitsantas
J Hiney
G Garnys (resigned 31 January 2008)
J Schroer (resigned 10 June 2008)
A Phillips (resigned 17 October 2008)
T Martin (appointed 18 October 2008)
K Pattison (appointed 8 April 2009)

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.

Going concern

The directors have considered the company's ability to continue as a going concern and have concluded that the company will continue to trade on a going concern basis. Further details regarding this can be found in Note 1 of the related notes to the accounts.

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 2008 were equivalent to 22 (2007: 10) days' purchases, based on the average daily amount invoiced by suppliers during the year.

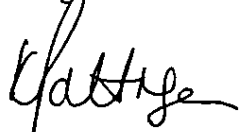
Auditors

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

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/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.

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



K Pattison
Director

18 December 2009

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 2008 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 26. 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 Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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.

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

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 2008 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 LLP

Deloitte LLP

Chartered Accountants and Registered Auditors

London, United Kingdom

18 December 2009

Carlson Marketing Group (UK) Limited

Consolidated profit and loss account Year ended 31 December 2008

	Notes	£	2008 £	£	2007 £
Turnover	2		30,412,097		31,592,654
Cost of sales			(17,521,761)		(18,674,558)
Gross profit			12,890,336		12,918,096
Operating expenses	3	(14,947,457)		(14,315,791)	
Foreign Exchange Gain		430,233		-	
Goodwill impairment	11	(246,833)		-	
Total operating expenses			(14,764,057)		(14,315,791)
Operating loss			(1,873,721)		(1,397,695)
Interest receivable and similar income	4		95,976		152,321
Interest payable and similar charges	5		(306,201)		(280,595)
Loss on ordinary activities before taxation	6		(2,083,946)		(1,525,969)
Tax on loss on ordinary activities	8		344,840		451,936
Loss on ordinary activities after taxation			(1,739,106)		(1,074,033)

All operations of the Group are continuing throughout the year and the preceding year. The accompanying notes are an integral part of the profit and loss account.

Carlson Marketing Group (UK) Limited

Consolidated statement of total recognised gains and losses 31 December 2008

	Notes	2008 £	2007 £
Actuarial gains on defined benefit plans	23	78,000	60,000
Deferred tax on actuarial movements in defined benefit plans		(21,840)	(16,800)
Change of tax rate in the prior year		-	(24,380)
Net gains recognised directly in equity		56,160	18,820
Loss for the year		(1,739,106)	(1,074,033)
Total recognised losses for the year		<u>(1,682,946)</u>	<u>(1,055,213)</u>

The accompanying notes are an integral part of the statement of total recognised gains and losses.

Carlson Marketing Group (UK) Limited

Consolidated balance sheet 31 December 2008

	Notes	2008 £	2007 £
Fixed assets			
Intangible assets	11	-	246,833
Tangible assets	12	241,655	466,607
		<u>241,655</u>	<u>713,440</u>
Current assets			
Stocks	14	736,268	1,034,585
Debtors:			
- Amounts falling due in less than one year	15	9,232,419	12,099,812
- Amounts falling due in more than one year: deferred tax	8	365,000	-
Cash at bank and in hand		5,028,769	2,031,984
		<u>15,362,456</u>	<u>15,166,381</u>
Creditors: amounts falling due within one year	16	<u>(9,187,077)</u>	<u>(13,606,272)</u>
Net current assets		<u>6,175,379</u>	<u>1,560,109</u>
Total assets less current liabilities		<u>6,417,034</u>	<u>2,273,549</u>
Creditors: amounts falling due after more than one year	17	<u>(9,083,083)</u>	<u>(3,522,889)</u>
Provision for liabilities	18	<u>(598,550)</u>	<u>(224,313)</u>
Net liabilities excluding pension liability		<u>(3,264,599)</u>	<u>(1,473,653)</u>
Pension liability	23	<u>(686,880)</u>	<u>(794,880)</u>
Net liabilities including pension liability		<u>(3,951,479)</u>	<u>(2,268,533)</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	(9,962,466)	(8,279,520)
Total shareholder's deficit	21	<u>(3,951,479)</u>	<u>(2,268,533)</u>

The accompanying notes are an integral part of this balance sheet.

The financial statements of Carlson Marketing Group (UK) Ltd, registration number 0648706, were approved by the board of directors and authorised for issue on 18 December 2009.

Signed on behalf of the Board of Directors



K Pattison
Director

Carlson Marketing Group (UK) Limited

Company only balance sheet Year ended 31 December 2008

	Notes	2008 £	2007 £
Fixed assets			
Tangible assets	12	241,655	466,607
Investments	13	-	-
		<u>241,655</u>	<u>466,607</u>
Current assets			
Stocks	14	736,268	1,034,585
Debtors:			
- Amounts falling due in less than one year	15	9,232,419	12,099,812
- Amounts falling due in more than one year:		365,000	-
deferred tax	8		
Cash at bank and in hand		<u>5,028,769</u>	<u>2,031,984</u>
		15,362,456	15,166,381
Creditors: amounts falling due within one year	16	<u>(9,122,445)</u>	<u>(13,541,640)</u>
Net current assets		<u>6,240,011</u>	<u>1,624,741</u>
Total assets less current liabilities		6,481,666	2,091,348
Creditors: amounts falling due after more than one year	17	<u>(9,083,083)</u>	<u>(3,522,889)</u>
Provision for liabilities	18	<u>(598,550)</u>	<u>(224,313)</u>
Net liabilities before pension liability		<u>(3,199,967)</u>	<u>(1,655,854)</u>
Pension liability	23	<u>(686,880)</u>	<u>(794,880)</u>
Net liabilities including pension liability		<u>(3,886,847)</u>	<u>(2,450,734)</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	<u>(9,897,834)</u>	<u>(8,461,721)</u>
Total shareholder's deficit		<u>(3,886,847)</u>	<u>(2,450,734)</u>

The accompanying notes are an integral part of this balance sheet.

These financial statements were approved by the Board of Directors on 18 December 2009.

Signed on behalf of the Board of Directors


K Pattison
Director

Carlson Marketing Group (UK) Limited

Notes to the accounts Year ended 31 December 2008

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.

Going concern

The directors have considered the group's ability to continue as a going concern. Carlson Marketing Group (UK) Limited has received a legally binding letter of support from Group Aeroplan Inc and the directors are satisfied with Groupe Aeroplan Inc.'s ability to give that support if required.

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 2008

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. A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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 2008

1. Accounting policies (continued)

Leased assets

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Rental income, excluding charges for services such as insurance and maintenance, is recognised on a straight-line basis over the lease term, even if payments are not made on such a basis.

2. Segmental information

The Group's turnover is derived from its principal activity and predominantly originated from within the United Kingdom.

3. Operating expenses

	2008 £	2007 £
Distribution and selling costs	485,832	704,710
Administrative expenses	14,461,625	13,611,081
	<u>14,947,457</u>	<u>14,315,791</u>

4. Interest receivable and similar income

	2008 £	2007 £
Bank interest	<u>95,976</u>	<u>152,321</u>

5. Interest payable and similar charges

	2008 £	2007 £
Interest payable to Group undertaking	229,595	197,805
Bank interest	2,448	14,444
Finance cost – defined benefit scheme	52,000	45,000
Other finance cost – unwinding of provision	22,158	23,346
	<u>306,201</u>	<u>280,595</u>

Carlson Marketing Group (UK) Limited

Notes to the accounts Year ended 31 December 2008

6. Loss on ordinary activities before taxation

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

	2008 £	2007 £
Depreciation of owned tangible fixed assets	349,523	442,388
Amortisation and impairment of intangible fixed assets	246,833	26,157
Operating lease rentals		
- plant and machinery	13,696	22,251
- buildings	954,145	1,070,685
Operating lease income	(503,075)	(735,017)
Profit on disposal of subsidiary	(23,850)	-
(Profit)/Loss on disposal of fixed assets	(32,704)	3,953

The analysis of auditors' remuneration is as follows:

	2008 £	2007 £
Fees payable to the company's auditors for the audit of the company's annual accounts	109,260	95,000
Fees payable to the company's auditors and their associates for other services to the Group	43,000	49,100
Total fees	152,260	144,100
Fees payable to the company's auditors and their associates for other services to the Group		
- Tax services	35,000	39,400
- Other services	8,000	9,700
Total non audit fees	43,000	49,100

7. Staff costs

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

	Company		Group	
	2008 £	2007 £	2008 £	2007 £
Employee costs during the year amounted to:				
Wages and salaries	7,482,458	6,873,107	7,482,458	6,873,107
Social security costs	801,058	804,413	801,058	804,413
Other pension costs (see note 23)	303,578	526,338	303,578	526,338
	8,587,094	8,203,858	8,587,094	8,203,858

Carlson Marketing Group (UK) Limited

Notes to the accounts

Year ended 31 December 2008

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	
	2008	2007	2008	2007
	Number	Number	Number	Number
Production	108	103	108	103
Sales	41	62	41	62
Administration and management	17	41	17	41
	<u>166</u>	<u>206</u>	<u>166</u>	<u>206</u>

	2008	2007
	£	£
Directors' remuneration:		
The remuneration of the directors was as follows:		
Emoluments	714,509	491,631
Long term incentive schemes	61,111	60,000
Contributions to money purchase pension schemes	47,145	25,341
	<u>822,765</u>	<u>576,972</u>
Compensation for loss of office	52,000	36,300
	<u>874,765</u>	<u>613,272</u>

Pensions

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

	Number	Number
Money purchase schemes	<u>4</u>	<u>4</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 (2007: £nil).

Highest paid director

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

	2008	2007
	£	£
Emoluments	387,712	236,400
Long term incentive schemes	61,111	60,000
Contributions to money purchase schemes	25,312	-
	<u>448,135</u>	<u>296,400</u>

Carlson Marketing Group (UK) Limited

Notes to the accounts Year ended 31 December 2008

8. Taxation

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

	2008 £	2007 £
UK corporation tax payable at 28.5% (2007 – 30%)	-	-
Adjustment of current taxation in respect of prior years	-	(467,336)
Total current tax	-	(467,336)
Deferred taxation		
- Recognition of deferred tax asset	(365,000)	-
- Deferred tax movement on pension liability	20,160	15,400
Total deferred tax	(344,840)	15,400
Total tax on loss on ordinary activities	(344,840)	(451,936)

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:

	2008 £	2007 £
Group loss on ordinary activities before tax	(2,083,946)	(1,525,969)
Tax on Group profit on ordinary activities at standard UK corporation tax rate of 28.5% (2007 – 30%).	(593,925)	(457,791)
Effects of:		
Expenses not deductible for tax purposes	77,547	(6,963)
Allowances in excess of depreciation	79,475	115,010
Tax losses carried forward	426,104	374,704
Adjustment of current taxation in respect of prior years	-	(467,336)
Other timing differences	10,799	(24,960)
Group current tax for the year	-	(467,336)

Due to the Group's forecast return to profitability a deferred tax asset of £365,000 has been recognised. Deferred tax assets not recognised are £1,968,011 (Group) (2007 £1,931,777) and £1,968,011 (Company) (2007 £1,931,777). This will be the case until the directors are sufficiently certain of the ability to utilise this remaining asset.

9. Dividends paid and proposed

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

Carlson Marketing Group (UK) Limited

Notes to the accounts

Year ended 31 December 2008

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 £1,492,273 (2007 – loss of £882,671). As permitted by section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

11. Intangible fixed assets – goodwill

	Group £	Company £
Cost		
At 1 January 2008	10,535,737	2,606,655
Disposals	(1,270,185)	-
	<hr/>	<hr/>
At 31 December 2008	9,265,552	2,606,655
	<hr/>	<hr/>
Amortisation		
At 1 January 2008	10,288,904	2,606,655
Goodwill impairment	246,833	-
Disposals	(1,270,185)	-
	<hr/>	<hr/>
At 31 December 2008	9,265,552	2,606,655
	<hr/>	<hr/>
Net book value		
At 31 December 2008	-	-
	<hr/>	<hr/>
At 31 December 2007	246,833	-
	<hr/>	<hr/>

The goodwill impairment in the year relates to the write down in full of the remaining goodwill relating to the acquisition of Soler Communications Limited in 2002.

The disposal relates to the investment in Marketing 1 to 1/Peppers and Rogers Group Limited. In May 2008 the company sold 100% of the ordinary shareholding for the consideration of £23,850.

Carlson Marketing Group (UK) Limited

Notes to the accounts Year ended 31 December 2008

12. Tangible fixed assets

Group and Company	Leasehold improvements £	Furniture, fittings and equipment £	Motor vehicles £	Computer software £	Total £
Cost					
At 1 January 2008	464,554	1,195,601	158,514	83,062	1,901,731
Additions	34,199	72,737	-	37,023	143,959
Disposals	(32,065)	(6,039)	(140,160)	-	(178,264)
At 31 December 2008	466,688	1,262,299	18,354	120,085	1,867,426
Depreciation					
At 1 January 2008	395,216	853,763	111,513	74,632	1,435,124
Charge	80,768	225,766	27,613	15,376	349,523
Disposals	(32,065)	(6,039)	(120,772)	-	(158,876)
At 31 December 2008	443,919	1,073,490	18,354	90,008	1,625,771
Net book value					
At 31 December 2008	22,769	188,809	-	30,077	241,655
At 31 December 2007	69,338	341,838	47,001	8,430	466,607

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

13. Fixed asset investments

	Total £
Cost	
At 1 January 2008	2,436,795
Disposal of subsidiary	(1,392,141)
At 31 December 2008	1,044,654
Provisions	
At 1 January 2008	2,436,795
Disposal of subsidiary	(1,392,141)
At 31 December 2008	1,044,654
Net book value	
At 31 December 2008	-
At 31 December 2007	-

Carlson Marketing Group (UK) Limited

Notes to the accounts

Year ended 31 December 2008

13. Fixed asset investments (continued)

All of these subsidiaries were dormant during the period. All subsidiaries were liquidated in 2009

	Principal activity	Portion of ordinary share capital held	
		2008	20087
		%	%
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

14. Stocks

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Work-in-progress	463,701	550,890	463,701	550,890
Finished goods and goods for resale	272,567	483,695	272,567	483,695
	<u>736,268</u>	<u>1,034,585</u>	<u>736,268</u>	<u>1,034,585</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	
	2008	2007	2008	2007
	£	£	£	£
Trade debtors	4,350,839	6,561,776	4,350,839	6,561,776
Amounts owed by parent or other Group companies	3,737,084	4,418,880	3,737,084	4,418,880
Corporation tax	-	261,242	-	261,242
Other debtors	61,851	84,000	61,851	84,000
Prepayments and accrued income	1,082,645	773,914	1,082,645	773,914
	<u>9,232,419</u>	<u>12,099,812</u>	<u>9,232,419</u>	<u>12,099,812</u>

Carlson Marketing Group (UK) Limited

Notes to the accounts

Year ended 31 December 2008

16. Creditors: amounts falling due within one year

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Trade creditors	1,188,915	615,584	1,188,915	615,584
Amounts owed to parent or other Group companies	2,306,921	7,575,480	2,242,289	7,510,848
Other creditors	1,020,439	185,180	1,020,439	185,180
Social security and other taxes	537,510	447,464	537,510	447,464
Accruals and deferred income	4,133,292	4,782,564	4,133,292	4,782,564
	<u>9,187,077</u>	<u>13,606,272</u>	<u>9,122,445</u>	<u>13,541,640</u>

17. Creditors: amounts falling due after more than one year

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Amounts owed to parent or other Group companies	8,987,972	3,522,889	8,987,972	3,522,889
Other creditors	95,111	-	95,111	-
	<u>9,083,083</u>	<u>3,522,889</u>	<u>9,083,083</u>	<u>3,522,889</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 (2007 - £2,522,889) incurring interest at 4.29% and a £1,000,000 loan (2007 - £1,000,000) incurring interest at 5.0%. Both of these loans are payable within 2-5 years.

18. Provision for liabilities

	2008
	£
Company and Group	
Balance as at January 2008	224,313
Utilised	(46,967)
Created	529,873
Released	(130,827)
Unwinding of discount in prior year provision	22,158
	<u>598,550</u>

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

The Upper Richmond Road 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%. Included within this provision is a sum for dilapidations of £315,158.

The Bristol provision has been calculated for the period to the lease termination date (30 June 2012) based on current rental and related costs to the company and has been discounted using a discount factor of 10%. Included within this provision is a sum for dilapidations of £25,000.

Carlson Marketing Group (UK) Limited

Notes to the accounts Year ended 31 December 2008

19. Called up equity share capital

	2008 £	2007 £
Authorised:		
12,500 (2007 – 12,500) ordinary shares of £1 each	12,500	12,500
4,000,000 (2007 – 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 (2007 – 12,500) ordinary shares of £1 each	12,500	12,500
4,000,000 (2007 – 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 2008	1,074,029	(8,279,520)	924,458	(6,281,033)
Retained loss for the year	-	(1,739,106)	-	(1,739,106)
Other recognised gains and losses in the year	-	56,160	-	56,160
At 31 December 2008	<u>1,074,029</u>	<u>(9,962,466)</u>	<u>924,458</u>	<u>(7,963,979)</u>
Company				
At 1 January 2008	1,074,029	(8,461,721)	924,458	(6,463,234)
Retained loss for the year	-	(1,492,273)	-	(1,492,273)
Other recognised gains and losses in the year	-	56,160	-	56,160
At 31 December 2008	<u>1,074,029</u>	<u>(9,897,834)</u>	<u>924,458</u>	<u>(7,899,347)</u>

21. Reconciliation of movement in Group shareholder's deficit

Group	2008 £	2007 £
Loss on ordinary activities after taxation	(1,739,106)	(1,074,033)
Other recognised gains and losses relating to the year	56,160	18,820
Net reduction to shareholders	<u>(1,682,946)</u>	<u>(1,055,213)</u>
Opening shareholder's deficit	(2,268,533)	(1,213,320)
Net reduction to shareholders	<u>(1,682,946)</u>	<u>(1,055,213)</u>
Closing shareholder's deficit	<u>(3,951,479)</u>	<u>(2,268,533)</u>

Carlson Marketing Group (UK) Limited

Notes to the accounts Year ended 31 December 2008

22. Guarantees and other financial commitments

(a) Capital commitments

There were no capital commitments contracted for as at 31 December 2008 (2007 – £nil).

(b) Lease commitments

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

Group and company	Buildings	
	2008 £	2007 £
Operating leases which expire:		
- within one year	275,925	-
- within two to five years	1,185,671	1,667,315
- after five years	-	-
	<u>1,461,596</u>	<u>1,667,315</u>

(c) Contingent liabilities

The Group has a counter indemnity bond with the Civil Aviation Authority for £1,350,000 (2007 - £1,350,000).

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 2007 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 £3,063,400.

The asset distribution of the scheme's assets as at 31 December 2008 was as follows:

Fixed interest securities	36.4%
Equity investments	37.1%
Property	14.8%
Other	11.7%

The actuarial report recommended that the Trustees request an Employer's contribution rate of 28.6% of Pensionable Salaries and £10,450 per month with effect from 1 February 2008.

The contributions paid in the year were as follows:

Employers' contributions:	28.6% of pensionable salary plus £10,450 per month
Members' contributions:	5.0% of pensionable salary

Carlson Marketing Group (UK) Limited

Notes to the accounts

Year ended 31 December 2008

23. Pension costs (continued)

The actuarial valuation described above has been updated at 31 December 2008 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:

	2008 £	2007 £	2006 £
Rate of increase in salaries	4.3%	4.9%	5.1%
Rate of increase in pensions payment where fixed	5.0%	5.0%	5.0%
where subject to RPI max 2.5%	2.5%	n/a	n/a
Discount rate	6.0%	5.7%	5.1%
Inflation assumption	2.8%	3.4%	3.1%
Mortality age	87	85	85

	2008 %	2008 £	2007 %	2007 £	2006 %	2006 £
Cash and other net assets	3.8	(4,000)	4.5	(174,000)	4.5	-
Group pension contract	5.0	3,067,000	5.8	3,505,000	5.5	3,322,000
Total fair value of assets		3,063,000		3,331,000		3,322,000
Present value of scheme liabilities		(4,017,000)		(4,435,000)		(4,541,000)
Deficit in the scheme		(954,000)		(1,104,000)		(1,219,000)
Related deferred tax asset		267,120		309,120		365,700
Net pension liability		(686,880)		(794,880)		(853,300)

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:

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

	2008 £	2007 £
Current service cost (excluding insured death in service benefits)	35,000	58,000
Total operating charge	35,000	58,000

Carlson Marketing Group (UK) Limited

Notes to the accounts Year ended 31 December 2008

23. Pension costs (continued)

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

	2008 £	2007 £
Expected return on the assets	200,000	181,000
Interest on pension scheme liabilities	(252,000)	(226,000)
Net finance cost	<u>(52,000)</u>	<u>(45,000)</u>

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

The movement in deficit during the year is as follows:

	2008 £	2007 £
Deficit in scheme at 1 January	(1,104,000)	(1,219,000)
Movement in the year:		
Current service cost	(35,000)	(58,000)
Contributions	159,000	158,000
Finance costs	(52,000)	(45,000)
Actuarial gain	78,000	60,000
Deficit in scheme at 31 December	<u>(954,000)</u>	<u>(1,104,000)</u>

History of experience gains and losses

	2008 £	2007 £	2006 £	2005 £	2004 £
Difference between the expected and actual return on scheme assets:					
Amount (£)	(633,000)	(122,000)	146,000	228,000	120,000
Percentage of scheme assets	(20.7%)	(3.7%)	4.4%	8.0%	5.1%
Experience gains and losses on scheme liabilities:					
Amount (£)	330,000	144,000	45,000	20,000	10,000
Percentage of the present value of scheme liabilities	8.2%	3.2%	1.0%	0.4%	0.3%
Total actuarial gain in the statement of total recognised gains and losses:					
Amount (£)	78,000	60,000	591,000	(281,000)	(99,000)
Percentage of the present value of scheme liabilities	1.9%	1.4%	13.0%	(6.0%)	(2.5%)

The Group also operates a number of defined contribution schemes for which the pension cost charge for the year amounted to £268,578 (2007: £368,338).

Carlson Marketing Group (UK) Limited

Notes to the accounts

Year ended 31 December 2008

24. Parent company and ultimate controlling party

As at 31 December 2008 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.

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.

As detailed in note 26 the group headed by Carlson Marketing Worldwide Inc was sold on 7 December 2009. Subsequently, the company became a subsidiary of Aeroplan Foreign Holdings UK Limited. From this point the ultimate holding company was Groupe Aeroplan Inc.

Carlson Marketing Group (UK) Limited

Notes to the accounts

Year ended 31 December 2008

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:

	2008		2007	
	Value of transactions receivable/ (payable)	Receivable/ (payable) at year end	Value of transactions receivable/ (payable)	Receivable/ (payable) at year end
	£	£	£	£
Transactions with Carlson Marketing Worldwide Inc in which CC Inc holds a 100% interest:	(740,887)	(7,246,551)	(1,437,421)	(6,505,664)
Recharge of costs to/(from) other companies in which CC Inc holds a 100% interest:				
- CMG New Zealand	-	-	(1,757)	-
- CMG Australia	(37,905)	998	(104,114)	38,903
- CMG Belgium	12,743	12,978	29,836	235
- CMG Holland	8,859	(2,540)	(77,039)	(11,399)
- CMG Singapore	26,754	799,014	305,763	772,260
- CMG Canada	13,666	13,666	-	-
- CMG Kuwait	(27,091)	(27,091)	-	-
- CMG Abu Dhabi	61,016	61,016	-	-
	<u>(682,845)</u>	<u>(6,388,510)</u>	<u>(1,284,732)</u>	<u>(5,705,665)</u>

26. Subsequent event

On 7th December 2009 Groupe Aeroplan Inc acquired 100% share capital of Carlson Marketing Worldwide Inc, an intermediary group company and former parent company of Carlson Marketing Group UK Limited. On 8th December 2009 100% of the share capital of Carlson Companies Europe Limited (being a parent company of Carlson Marketing Group UK Limited) was acquired by Aeroplan Foreign Holdings UK Limited, a subsidiary of Group Aeroplan Inc.