Date:	10 June 2008
On behalf of:	Media Square plc ("Media Square" or "the Group")

Media Square plc
Preliminary results for the 12 months ended 29 February 2008

Media Square plc (AIM: MSQ), the international marketing communications group, today reports its preliminary results for the 12 month period ended 29 February 2008.

Key financial

- Turnover of £155.8 million (2007: £186.4 million) representing a 4% reduction on a like for like basis
- Revenue of £74.8 million (2007: £92.0 million) representing a 7% reduction on a like for like basis
- Headline EBITDA of £2.0million (2007: £8.6 million)
- Headline Operating Profit of £0.1 million (2007: £6.4 million)
- Reported Operating Loss after exceptional items of £20.6 million (2007: Operating Profit £3.7 million)
- Exceptional items include goodwill write-down of £16.8 million
- Net debt of £16.5 million (2007: £14.3 million)

Key operational

- Stage one of the turnaround completed and on target
- Radical reduction in complexity
- Now focused on five disciplines; advertising, design, marketing, public relations and market research
- New management team in place
- New incentive structures in place
- Significant new business wins

Roger Parry, Executive Chairman of Media Square plc comments:

"I am pleased to report that the turnaround of Media Square is on track.

"All the key objectives that were set by the turnaround team for stage one have now been achieved. The principles of simplicity and focus have been applied to the Group's strategy and structure. Loss making Business Units have been closed, sold or merged with others to give them the necessary scale to be successful All the key management changes have now been made and new senior staff are in their new positions.

"The Group has been greatly simplified and is now focused on five marketing communications disciplines. All the 'heavy lifting' has now been done but, given current economic conditions, it is likely to be a couple of years before the real benefits are seen in terms of improved margins and increased revenues."

- ends -

Enquiries to:

Media Square plc	www.mediasquare.co.uk
Roger Parry/Graeme Burns	020 7535 9950
Redleaf Communications Ltd	

Emma Kane/Samantha Robbins	020 7822 0200
Collins Stewart Europe Ltd	
Chris Wells/Mark Connelly	020 7523 8350

BUSINESS REVIEW

Media Square plc has undergone considerable change in the past twelve months. The turnaround of the business, which started last September, is going well. We are in the first year of what is a three year recovery programme. The Group has been restructured into a smaller number of Business Units, focused on five areas of marketing communications, which are structured into three Divisions. All of the Business Units now have consistent commercial control systems which include analysis of client profitability and staff utilisation. A number of Business Units continue to operate at margins well below the industry norm but, in all cases, steps have been taken that should lead to an improvement in margins over the next couple of years. Group-wide, our new systems, structure and culture will improve budgeting and forecasting.

Media Square has undergone a radical transformation which followed a hectic period of acquisitions. The Company has now been stabilised and is far more robust than it was six months ago.

FINANCIAL REVIEW

These financial statements represent the Group's first results reported under International Financial Reporting Standards (IFRS). The reported results for the twelve months ended 29 February 2008 illustrate the deep problems that were experienced by Media Square and reflect the one-off costs, asset write-downs and trading disruption associated with the painful transition to achieve a successful turnaround.

For the twelve month period under review turnover was £155.8 million (restated 2007: £186.4 million) and revenues, also known as gross income, totalled £74.8 million (restated 2007: £92.0 million). Headline EBITDA was £2.0 million (restated 2007: £8.6 million). Headline operating profit was £0.1 million (restated 2007: £6.4 million).

Basis of headline and restatement of 2007 results

In establishing the basis for headline EBITDA and headline operating profits the following items have been excluded: exceptional costs of £20.3 million (restated 2007: £2.6 million) and costs of share based remuneration of £0.4 million (restated 2007: £0.1 million). Included within exceptional costs was a non-cash item of £16.8 million related to impairment of goodwill carrying values and £4.1 million relating to restructuring and reorganisation costs.

The 2007 income statement has been restated to separate the results of the discontinued operations of temporary Point-of-Sale production, Coutts Retail Communications, which was sold after the end of the period, as announced in March 2008.

Segmental summary

Media Square is now organised as five commercial disciplines which are structured into three Divisions. The breakdown of the revenue and headline operating profit by Division is shown below. Although these Divisions were not in existence in the previous financial year, *pro forma* results have been prepared to provide a basis for comparison.

	Year ended 29 February 2008		Year ended 28 February 2007	
	Revenue	Headline Operating Profit/(Loss)	Revenue	Headline Operating Profit
	£m	£m	£m	£m
Advertising*	39.7	2.4	42.4	5.1
Marketing	12.7	(0.5)	16.3	1.6
Design	20.8	1.0	20.4	1.6

* Advertising includes Market Research and Public Relations.

Geographical summary

The Group's Advertising Division operates on an international basis, with businesses in Asia Pacific, Germany, UK and the USA. Our Marketing and Design Divisions are principally focused on the UK although both of them have a small amount of non UK revenue.

Year ended February	2008 Revenue £m	2007 Revenue £m
United Kingdom	56.1	70.3
Rest of Europe & World	19.0	22.3

Central Costs

To reflect the greater simplicity of the Group it has been possible to reduce central costs. In the twelve months reported on, central costs were £2.8 million, 10% lower than the previous year, and measures have been taken to reduce these costs further in the current financial period.

Finance Income and Costs

One of the notable changes under IFRS is the recognition of finance costs and income relating to derivatives which is now calculated and shown on the face of the Income Statement. The derivatives considered here are the Group's interest rate hedges taken out in 2005 which set the Group's bank debt interest rate at a 3 month LIBOR of 4.78%. For the year under review a cost of £0.8 million representing the movement in the fair value of these hedges, rather than a cash cost, is included within the total net finance cost of £3.2 million. In addition these net finance costs include a further £0.8 million of non cash expense in the form of loan arrangement fee amortisation. As the Group currently expects to maintain the hedges for the life of the borrowing and fees were paid in 2005 then the net finance cost of £1.6 million shown in the Cashflow Statement is more representative of costs incurred.

Balance sheet and cash flow

Balance sheet movements during the period reflect the trading of the Group together with effects of the significant goodwill impairment exercise undertaken during the year. Net debt at the end of the year was £16.5 million (2007: £14.3 million).

The Group continues its long term record of generating cash from operations on an underlying basis, with operating cash flow being more than 100% of headline operating profit, despite the disappointing lack of profitability during this year.

Net Debt and Debt Facilities

The Group's underlying net debt of £16.5 million represents the balance of the debt versus the cash held by the Group at the year end at which point some £9.5 million of bank debt facility was undrawn and available. It is expected net debt will rise during the first half of the 2008/9 financial year due to trading seasonality, as it has in previous years, together with the payment of some of the exceptional expenses incurred in the year under review, before falling in the second half.

During the year under review £10.0 million of accelerated bank debt repayment was made in addition to scheduled repayments of £3.05 million. Further repayments have been made in the current financial year following disposals concluded in the first quarter. As a result of the programme of accelerated repayments made within the last 24 months the Group plans to review the structure of its bank debt facilities which currently have no further significant scheduled repayments until 2011.

Financial Risk Management

The interest rate hedging put in place by way of interest rate swaps taken out in 2005 protected the Group from the interest rate rises in the United Kingdom during the financial year and in fact a cash profit was realised in the year under review by terminating the interest rate swaps that were surplus to requirements following the reductions in bank debt made during the year under review.

The Group has currency risk with regard to the approximately 25% of the Group located outside the United Kingdom. The Group does not currently enter or plan to enter into any hedging arrangements in respect of currency risk other than swaps on short term intercompany loan balances where cash movements are probable.

Key Performance Indicators (KPI's)

The Group monitors individual Business Unit performance using a number of key performance indicators. The most significant of which are:

- Revenue per head, which is a function of the value created by our staff and the fees charged for work. Our target ranges from £80,000 - 100,000 per head per annum depending on the type of services provided.
- Operating profit margin percentage which measures overall business efficiency, where the Business Unit target ranges from 10 to 18% of gross revenue, depending on the type of activity undertaken and the size that Unit.

Currently most Business Units and hence the Group are not achieving the targets set for these KPI's.

The Group and all Business Units also focus on efficient use of working capital and target a minimum rate of conversion of operating profit to operating cash flow of at least 100%.

Taxation

The total tax credit for the year was £1.1 million which represents a rate considerably lower than the standard UK corporation tax rate. This rate differential arises principally due to the significant non cash goodwill impairment and the losses on disposal of subsidiaries which are not tax deductible expenses, together with tax payable on the profits of some non-UK operations.

The Group has a very prudent policy towards recognition of deferred tax assets and currently a deferred tax asset has been recognised with respect to only £2.0 million of the total unrelieved tax losses of £14.6 million.

Dividend

As announced during last year, the Board does not recommend the payment of a dividend.

Share Buy-back programme

In the period under review a total of 7.9 million shares were bought into treasury at a cost of £0.8 million, an average of 10.04 pence per share. These shares are shown within the shareholders funds section of the balance sheet.

Acquisitions and Disposals

In March 2007 the Group acquired the entire share capital of Citigate DeMuth Gmbh in Germany for consideration of £0.4 million, a small premium to the net assets acquired. This business provided the German operations with a broader and stronger client offer and now shares resources with the existing German business units.

During the year under review the Group disposed of three small business units (Beetroot Publishing, Symbian Print Intelligence and Redmandarin) which had either been identified as not core to the revised group structure, lacked scale within their market place or were forecast to be loss making.

Shortly after the end of the year in March 2008 the Coutts Retail Communications temporary Point-of-Sale (POS) business was sold for gross proceeds of £7.2 million. The Group retains its interest in permanent POS design and production via its Arken subsidiary.

Currently the Group is in talks which are likely to lead to the disposal of its small market research data collection operation that operates within the larger marketing research consultancy business.

OPERATIONAL REVIEW

What went wrong

The problems of Media Square are easy to understand although they have proved difficult, expensive and time consuming to sort out.

In simple terms, the Company made too many acquisitions too quickly. The profitability recorded in the year to February 2007 masked a number of serious structural weaknesses. Rather than buying businesses based on the logic of strengthening or extending existing operations, a large number of companies were acquired simply for the sake of creating scale or because they were thought to be "cheap".

To compound the difficulty, many of these companies had experienced two or three previous corporate owners in quick succession and each of these prior transactions had created confusion and resentment amongst the management teams.

A number of the acquired businesses were too small to be viable. In some cases these businesses were merged to seek scale but these initiatives failed, creating significant losses of clients and staff.

In addition in some businesses there was too much emphasis on cost cutting and not enough on winning new clients so that when existing clients reduced budgets or ended contracts new revenues were not found to cover overheads and staff costs.

The majority of Media Square businesses were operating well below normal industry margins and, indeed, several had begun running at a loss. Broadly there were three main reasons for this:

- Over-servicing. Some clients were being provided with excellent professional work but the contracts significantly under-priced the work being done and the businesses lacked the management information to track costs. This meant that the clients in question were being serviced well, but at a loss.
- Under-utilisation. Professional staff were not billing enough of their time to client work so some businesses were not covering their own staff costs in terms of revenue generated from fees.
- Lack of scale. Some businesses were too small to cover their overheads.

The pressure of trying to operate so many recently acquired and fragile businesses, and of wanting to meet expectations of growth, resulted in what can now be seen as stretching and unrealistic budgets which then led to a series of profit warnings.

The most significant trading issues that arose in the last financial year were experienced in Germany and some UK design and marketing businesses where revenue levels fell sharply.

How we fixed it …..

To improve the economics of Media Square it was necessary to focus on five professional marketing communications services that we were able to do well and for which clients were happy to pay us good fees. The five areas where we had scale, expertise and a track record were advertising, design, marketing, public relations and market research.

To simplify the Group, a large number of Business Units were closed, sold or merged. The year started with more than 30 operating units in more than 40 locations. We now have 14 principal Business Units each of which is focused around a particular professional discipline. These 14 Business Units are organised for reporting and control purposes into three Divisions.

Each Business Unit now has the type of commercial and financial control systems that are normal practice in most marketing communications groups. These include techniques to analyse client profitability and staff utilisation. In addition, all Business Units now produce detailed Three Year Plans as well as annual budgets. Each month the performance of each business is analysed and, where necessary, corrective actions are taken.

How we are going to grow

To be successful, marketing communications agencies have to constantly change their service offer to reflect the changing media environment and the changing needs of clients, which themselves reflect the changing behaviour of consumers.

Going forward we will place considerable emphasis on recruitment and training of people with strong craft skills to ensure that each of our individual Business Units provides a very high level of client service.

In recent years it has been fashionable for many marketing communications groups to create separate digital marketing businesses. We do not believe this is the right approach, as all aspects of the marketing mix now have to reflect the reality of near universal access to, and use of, the internet and therefore each of our businesses is making the necessary investments to ensure that it has a full range of digital capabilities to complement those already applied to traditional analogue media.

It is hard to imagine how a marketing campaign could be truly effective if it was just restricted to traditional media or, indeed, if it was restricted just to digital opportunities. Success comes from using all the media types effectively.

We are going to be placing particular emphasis on organic growth, developing our individual Business Units through winning new clients. The new incentivisation structure of senior managers rewards new business and improving staff utilisation, in line with the goal of achieving higher operating margins.

People and Pay

The turnaround of Media Square has seen significant management changes. In March 2007 at the beginning of the financial year under review the then Chairman Kelvin MacKenzie resigned. The then Chief Executive Jeremy Middleton resigned in June 2007. In July 2007 Roger Parry was appointed as Executive Chairman.

A group of professional service firms like Media Square is very dependent on the quality of its employees. All we are selling to our clients are creative ideas and account services. To provide the best service we need the best people operating with the best systems.

One of the key priorities of the past twelve months has been getting the right people in the right jobs with the right reward structure.

Our Advertising Division (which includes Marketing Research and Public Relations) has historically been our most successful. It continues to be run by Philip Gregory who has been with Media Square and its forerunners for some years.

Bruce Winfield was promoted during the year to become the Group's Chief Operating Officer and in that role he is also the Chief Executive of the other two newly created Divisions – Design and Marketing.

As part of the transformation of Media Square a number of new senior appointments were made during the year.

Peter Reid joined as Group Development Director. He was previously a consultant with McKinsey & Company. He is now also Chairman of the Group's marketing research consultancy, Illuminas.

David Worthington was appointed as Chairman of the Design Division. He was previously Chief Executive of the Conran Design Group.

Oliver Schwall took the newly created job of Chief Executive Northern Europe. He was previously the Chief Executive of one of Germany's most successful creative advertising agencies, Springer & Jacoby.

Matt Tabb has been recruited from Arc to run the sales promotion agency Wax Communications.

Paul McManus has been recruited from TBWA and appointed Creative Director of Fourninety.

Ian Kerrigan has been recruited from Arc and appointed Creative Director of twentysix in London.

Mike Spicer came in as consultant to restructure the Marketing Division for nine months. He was previously the Chief Executive of Arc, one of the UK's leading direct marketing companies.

Professional service firms have to have the right remuneration and incentive structure. Because it had grown rapidly by acquisition, Media Square had a number of different bonus schemes. All Business Unit Managers and senior managers now enjoy the same approach to remuneration and incentives.

Base salaries are based on market comparisons, the size and complexity of the Business Unit and the experience of the individual. Annual bonuses are based on achieving an annual profit target. Three year Long Term Incentive Plans are based on achieving a cumulative profit over a three year period. All Business Unit Managers have also been granted Restricted Stock which has a three year vesting period. The combination of these incentives means that all senior people in the business have a close alignment with the interests of shareholders in that they wish to see sustainable, long term profit growth and an increase in the capital value of the Company.

New business

New business efforts only really started in earnest from the beginning of 2008. In the past year we have recorded a number of significant wins. New client assignments include Bank of China, Bayer, Boots, Cadburys, Darley, Lotus, Marks & Spencer, Norwich Union, Samsung, Visa and Woolworths.

Current Trading and Outlook

Media Square is now a stable and robust platform upon which we can build a growing and profitable enterprise. Our goal is to achieve at least normal industry levels of profit margin over the next two years. If this goal is achieved it should create significant shareholder value.

The first three months of the new trading year have been satisfactory against a challenging economic background. Although overall margins are still way below normal industry levels, the Group continues to generate cash from operations.

Economic conditions in both the UK and USA are best described as "fragile". Many of our clients are taking a cautious view of consumer confidence. Some have reduced their marketing budgets. We would not expect to see any significant increase in advertising spending in the coming twelve months.

Accordingly, the overall outlook remains cautious. The Board is confident that the turnaround is on track and that Media Square is well positioned to benefit when there is an improvement in economic conditions.

Roger Parry
Executive Chairman

Graeme Burns
Group Finance Director

CONSOLIDATED INCOME STATEMENT
For the year ended 29 February 2008

	Note	Total 2008 £'000	Total 2007 £'000
Turnover		155,835	186,351
Revenue		74,787	91,996
Administrative expenses		(74,677)	(85,586)
Headline operating profit		110	6,410
Exceptional costs	4	(20,341)	(2,606)
Share based payments		(384)	(99)
Operating (loss)/ profit		(20,615)	3,705
Loss on disposal of subsidiary undertakings		(917)	(3,780)
Finance costs		(2,974)	(3,664)
Finance costs relating to derivative		(759)	-
Finance income		574	506
Finance income relating to derivative		-	1,019
Net finance cost		(3,159)	(2,139)
Loss from continuing operations before taxation		(24,691)	(2,214)
Tax on loss/ (profit)		1,102	(737)
Loss from continuing operations		(23,589)	(2,951)
(Loss)/ profit from discontinued operations		(2,020)	57
Loss for the year		(25,609)	(2,894)
Attributable to:			
Parent company's shareholders		(25,574)	(2,973)
Minority interests		(35)	79
Loss transferred to reserves		(25,609)	(2,894)
Basic and diluted loss per share from total operations	5	(7.85p)	(0.91p)
Basic and diluted loss per share from continuing operations	5	(7.23p)	(0.93p)
Basic and diluted (loss)/ earnings per share from discontinued operations	5	(0.62p)	0.02p

CONSOLIDATED BALANCE SHEET
As at 29 February 2008

	2008 £'000	2007 £'000
Non-current assets		
Goodwill	41,221	62,093
Property, plant and equipment	7,269	10,548
Financial assets	66	825
Trade and other receivables	150	-
Deferred tax	1,593	160
	50,299	73,626
Current assets		
Inventories	1,722	2,420
Trade and other receivables	29,014	41,717
Corporation tax	239	631
Cash and cash equivalents	9,632	25,216
	40,607	69,984
Total assets	90,906	143,610
Assets in disposal groups classified as held for sale	8,199	-
Current liabilities		
Trade and other payables	(39,016)	(48,920)
Corporation tax	(159)	(317)
Borrowings	(128)	(3,607)
Financial liabilities	(167)	(565)
	(39,470)	53,409
Non-current liabilities		
Borrowings	(20,489)	(29,236)
Trade and other payables	-	(47)
Financial liabilities	(5,355)	(5,467)
Provisions for liabilities	(2,058)	(2,323)
	(27,902)	(37,073)
Total liabilities	(67,372)	(90,482)
Liabilities in disposal groups classified as held for sale	(4,385)	-
Net assets	27,348	53,128
Shareholders' funds		
Share capital	16,585	16,400
Share premium account	37,686	37,436
Merger reserve	5,078	5,078
Share based payment reserve	394	143
Investment in own shares	(805)	-
Translation reserve	(480)	(295)
Retained earnings	(30,610)	(5,169)
Equity shareholders' funds	27,848	53,593
Minority interests	(500)	(465)
Total equity	27,348	53,128

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 29 February 2008

	Issued capital £'000	Shares to be issued £'000	Share premium account £'000	Merger reserve £'000	Share based payment reserve £'000	Invest-ment in own shares £'000	Transl-ation reserve £'000	Retained Earnings £'000	Total £'000	Minority Interest £'000	Total Equity £'000
Balance at 28 February 2006	16,264	70	37,426	4,705	92	-	-	(1,430)	57,127	(244)	56,883
Exchange loss arising on consolidation	-	-	-	-	-	-	(295)	-	(295)	-	(295)
Net expenses recognised directly in equity	-	-	-	-	-	-	(295)	-	(295)	-	(295)
Loss for the financial year	-	-	-	-	-	-	-	(2,973)	(2,973)	79	(2,894)
Total recognised expense for the year	-	-	-	-	-	-	(295)	(2,973)	(3,268)	79	(3,189)
Dividends	-	-	-	-	-	-	-	(814)	(814)	-	(814)
Issue of shares	136	(70)	10	373	-	-	-	-	449	-	449
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	(32)	(32)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(268)	(268)
Employee shared based compensation	-	-	-	-	99	-	-	-	99	-	99
Share based compensation vested in the year	-	-	-	-	(48)	-	-	48	-	-	-
Balance at 28 February 2007	16,400	-	37,436	5,078	143	-	(295)	(5,169)	53,593	(465)	53,128
Exchange loss arising on consolidation	-	-	-	-	-	-	(185)	-	(185)	-	(185)
Net expenses recognised directly in equity	-	-	-	-	-	-	(185)	-	(185)	-	(185)
Loss for the financial year	-	-	-	-	-	-	-	(25,574)	(25,574)	(35)	(25,609)
Total recognised expense for the year	-	-	-	-	-	-	(185)	(25,574)	(25,759)	(35)	(25,794)
Issue of shares	185	-	250		-	-	-	-	435	-	435
Share buy-backs	-	-	-	-	-	(805)	-	-	(805)	-	(805)
Employee shared based compensation	-	-	-	-	384	-	-	-	384	-	384
Share based compensation vested in the year	-	-	-	-	(133)	-	-	133	-	-	-
Balance at 29 February 2008	16,585	-	37,686	5,078	394	(805)	(480)	(30,610)	27,848	(500)	27,348

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 29 February 2008

	Note	Year ended 29.02.2008 £'000	Year ended 28.02.2007 £'000
Cash inflow from operating activities	7		
Cash inflow from operating activities before taxation		1,673	3,320
Corporation tax paid		(58)	(308)
Net cash inflow from operating activities after taxation		1,615	3,012
Cash (outflow)/inflow from investing activities			
Finance income received		578	508
Acquisition of subsidiary undertakings		(681)	(1,156)
Purchase of property, plant and equipment		(1,898)	(4,253)
Purchase of trade and assets		-	(58)
Disposal of subsidiary undertakings		(368)	14,600
Proceeds from disposals of property, plant and equipment		36	1,564
Net cash acquired with subsidiary undertakings		611	-
Net cash disposed of with subsidiary undertakings		(443)	(150)
Net cash reclassified as asset held for resale		1,196	-
Net cash (outflow)/inflow from investing activities		(969)	11,055
Cash outflow from financing activities			
Proceeds from issue of ordinary shares		435	30
Purchase of treasury shares		(805)	-
Equity dividends paid		(391)	(423)
Finance cost paid		(2,135)	(3,084)
Repayment of borrowings		(13,005)	(6,880)
Capital element of hire purchase agreements		(543)	(603)
Net cash outflow from financing activities		(16,444)	(10,960)
Net (decrease)/increase in cash and cash equivalents		(15,798)	3,107
Cash and cash equivalents at beginning of year		25,216	22,377
Effect of exchange rate changes on the balance of cash held in foreign subsidiaries		214	(268)
Cash and cash equivalents at end of year		9,632	25,216

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 29 February 2008

1. GENERAL INFORMATION

Media Square plc and its subsidiaries principal activities are advertising, marketing and design services.

Media Square plc, a Public Limited Company, is incorporated and domiciled in the United Kingdom.

The financial statements for the year ended 29 February 2008 (including the comparative for the year ended 28 February 2007) were approved by the board of directors on 9 June 2008. Amendments to the financial statements are not permitted after they have been approved.

2. ACCOUNTING POLICIES

These consolidated financial statements have been prepared using the required measurement bases specified under International Financial Reporting Standards (IFRS) and in accordance with applicable IFRS as adopted by the European Union and IFRS as issued by the International Accounting Standards Board.

The significant accounting policies that have been used in the preparation of these consolidated financial statements and the disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS were summarised in the interim statement for the period ended 31 August 2007.

3. SEGMENTAL ANALYSIS

Year ended 29 February 2008	Advertising £'000	Marketing £'000	Design £'000	Unallocated £'000	Eliminations £'000	Total £'000
Revenue						
from external customers	39,197	12,649	20,754	2,187	-	74,787
from other segments	502	49	16	112	(679)	-
Segment revenues	39,699	12,698	20,770	2,299	(679)	74,787
Headline operating profit/ (loss)	2,409	(457)	1,032	(2,874)	-	110
Exceptional expenses	(1,823)	(446)	(319)	(945)	-	(3,533)
Impairment of goodwill	(5,101)	(5,732)	(2,226)	(3,749)	-	(16,808)
Share based payments	-	-	-	(384)	-	(384)
Operating loss	(4,515)	(6,635)	(1,513)	(7,952)	-	(20,615)
Loss on disposal of subsidiary undertakings						(917)
Net finance costs						(3,159)
Loss before tax						(24,691)
Taxation						1,102
Loss after tax						(23,589)
Segmental assets	57,452	10,962	22,234	258		90,906
Other segment information						
Capital expenditure	1,066	89	505	37		1,697
Depreciation	697	365	654	181		1,897

The unallocated revenue, operating loss and segmental assets all relate to subsidiaries that were disposed of prior to the introduction of the divisional structure and central costs.

3. SEGMENTAL ANALYSIS (CONTINUED)

Year ended 28 February 2007	Advertising £'000	Marketing £'000	Design £'000	Unallocated £'000	Eliminations £'000	Total £'000
Revenue						
from external customers	42,046	16,085	20,308	13,557	-	91,996
from other segments	343	191	83	274	(891)	-
Segment revenues	42,389	16,276	20,391	13,831	(891)	91,996
Headline operating profit	5,134	1,560	1,554	(1,838)	-	6,410
Exceptional expenses	(376)	(594)	(472)	(1,164)	-	(2,606)
Share based payments	-	-	-	(99)	-	(99)
Operating profit	4,758	966	1,082	(3,101)	-	3,705
Loss on disposal of subsidiary undertakings						(3,780)
Net finance costs						(2,139)
Loss before tax						(2,214)
Taxation						(737)
Loss after tax						(2,951)
Segmental assets	65,460	20,493	24,299	23,513		133,765
Other segment information						
Capital expenditure	570	599	402	824		2,395
Depreciation	694	358	541	567		2,160

The unallocated revenue, operating loss and segmental assets all relate to subsidiaries that were disposed of prior to the introduction of the divisional structure and central costs.

The Group's revenue from external customers and its geographic allocation of non current assets may be summarised as follows:

	Year ended 29 February 2008		Year end 28 February 2007	
	Revenues £'000	Assets £'000	Revenues £'000	Assets £'000
United Kingdom	56,143	66,093	70,350	99,427
Rest of Europe	5,728	4,771	7,041	11,027
Rest of World	13,261	20,042	15,267	23,311
Eliminations	(345)	-	(662)	-
Total	74,787	90,906	91,996	133,765

4. EXCEPTIONAL COSTS

	Year Ended 29.02.2008 £'000	Year Ended 28.02.2007 £'000
Goodwill impairment	16,808	59
Restructuring and reorganisation costs	4,135	2,547
Release of excess acquisition accruals	(602)	-
	20,341	2,606

Exceptional costs are those costs which are one-off in nature, not of a general recurring nature and arise infrequently in either the Group's or a subsidiary company's business cycle. These expenses by their definition cannot be included within the ongoing Administration Expenses shown in the Income Statement.

These costs generally arise from non-recurring events including: restructuring and reorganisation following an acquisition or disposal of a subsidiary company; restructuring and reorganisation following an change in the way a business or market operates; restructuring and reorganisation following a change in the leadership of the Board of Directors and strategy; relocation of the business. The costs themselves include redundancy costs, relocation and property costs, business integration costs, impairment of redundant assets, re-branding costs, consultants' fees and legal fees.

Impairment of goodwill is included within exceptional costs as such an impairment is not expected to occur in the normal course of business.

Also included within this category of one-off items are releases of acquisition cost accruals that have proved to be surplus in relation to actual liabilities and costs incurred.

5. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/ earnings per share is based on the (loss)/profit on ordinary activities after tax and on the weighted average number of Ordinary shares in issue during the year.

The calculation of the diluted earnings per share is based on the (loss)/profit on ordinary activities after tax and on the weighted average number of Ordinary shares and share options in issue during the period. In 2008, given the loss incurred in the year, the effect of the share options and retained consideration are anti dilutive and as such no diluted earnings per share figure has been produced.

The (loss)/ profits and weighted average number of shares used in the calculations are set out below:

	Loss £'000	2008 Weighted average number of shares	Loss per share pence	(Loss)/ profit £'000	2007 Weighted average number of shares	(Loss)/ profit per share pence
Basic and diluted (loss)/ earnings per share from total operations						
(Loss)/ earnings attributable to ordinary shareholders	(25,574)	325,667,257	(7.85p)	(2,973)	325,723,528	(0.91p)
Basic and diluted (loss)/ earnings per share on continuing operations						
(Loss)/ earnings attributable to ordinary shareholders	(23,554)	325,667,257	(7.23p)	(3,030)	325,723,528	(0.93p)
Basic and diluted (loss)/ earnings per share on discontinued operations						
(Loss)/ earnings attributable to ordinary shareholders	(2,020)	325,667,257	(0.62p)	57	325,723,528	0.02p

No fully diluted profit per share has been disclosed for the 2007 discontinued operations as the effect on the earning per share figure is not material.

6. DIVIDEND

The Interim Dividend for 2006/07 announced on 16 November 2006 was paid in March 2007. As announced on 27 June 2007 the Board has decided to suspend the payment of a dividend in favour of undertaking, as considered appropriate, a programme of share buy-backs.

7. NET CASH INFLOW FROM OPERATING ACTIVITIES

	Year ended 29.02.2008 £'000	Year ended 28.02.2007 £'000
Operating (loss)/ profit	(20,615)	3,705
Operating (loss)/profit from discontinued operations	(581)	92
Depreciation	2,337	2,600
Loss on disposal of property, plant & equipment	1	112
Impairment of property, plant & equipment	9	381
Impairment of goodwill	16,808	59
Release of excess acquisition accruals	(602)	-
Share based payment	384	99
(Increase)/ decrease in stocks and work in progress	501	(198)
(Increase)/ decrease in receivables	8,854	(3,186)
Decrease in payables	(5,423)	(344)
Net cash inflow from operating activities	1,673	3,320